



City of Bellevue

Technical Assistance Panel

January 25, 2017

Panelists

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Introduction

The City of Bellevue is to be commended for comprehensively addressing the opportunities created by updating the Downtown Incentive Zoning Ordinances.



Bellevue - Then and Now



1981



Today

Overall Observations

Given the variety of constraints, City staff has met the objectives of revising the downtown zoning incentives.

No plan is perfect or will satisfy all stakeholders.

We recommend regular updates to the code going forward to ensure the incentives are current.

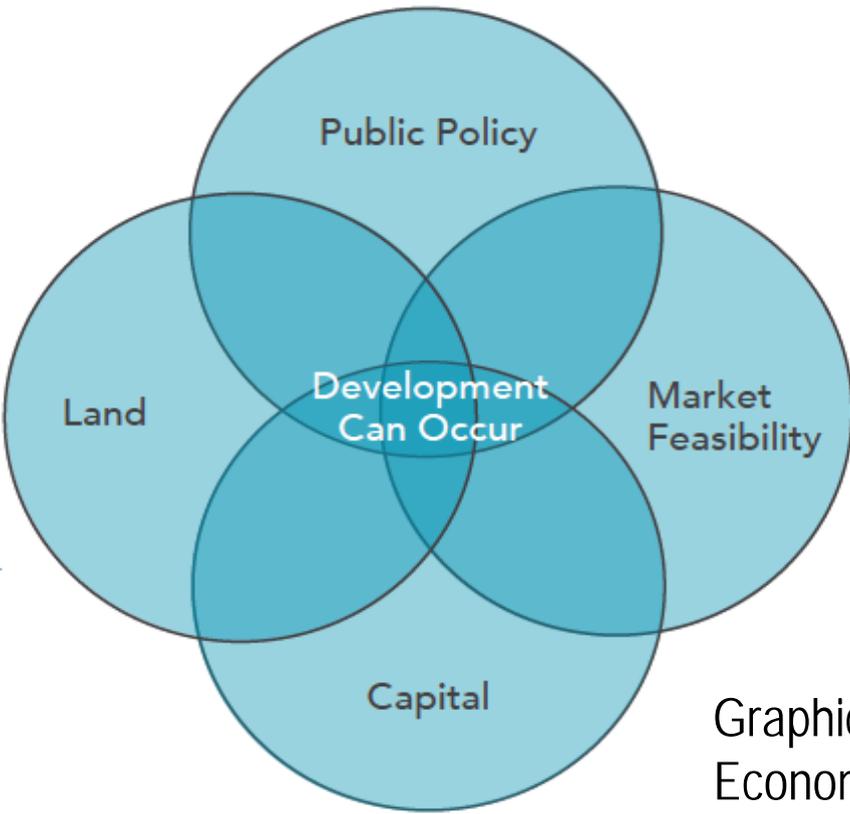


What We Heard

- Recognize that incentive zoning is one piece of the broader land use code
- No “downzoning” or loss of residual land value
- Protect the adjacent single family areas
- “Wedding cake” approach to downtown height
- Provide a meaningful increase in allowable FAR and height through incentives
- Incentivize public realm & infrastructure
- Existing zoning designations could be simplified if the above principles remain in place
- Sensitivity to overall increases in downtown density



Drivers of Successful Economic Development



Graphic from ULI Study "The Economics of Inclusionary Zoning" (2016)

Berk Model

- Model represents a complex approach to evaluating the issue
- Used appropriate testing protocols, although the approach has inherent limitations
- Reached reasonable conclusions under favorable market conditions, but not historical financial metrics
- Measures a moment in time; many key variables can change, modifying the reasonableness of the results
- Zoning ordinance must recognize changing economic factors that could easily undermine the goals of the incentive zoning ordinance



Question 1: Consistency with Directives

Is the overall approach to update the incentive system consistent with stated Council principles **and** best practices?

- Yes, but:
 - It's not clear that this will simplify the incentive zoning system
 - The cost of increased height may conflict with what market can support
 - Existing zoning categories and other factors limit ability to optimize best practices
 - Adjustments to new market conditions for retail, parking/traffic, and floor plates are limited
 - Does not currently address affordable housing
 - Designing for livability must integrate all aspects of the code including transportation and urban design frameworks



Question 2: Property Value Impact

Are the recommended new base (as-of-right) floor area ratios (FARs) adequately adjusted upward to maintain existing property values; i.e. will not be perceived as a downzone?

- **Yes**, based on current economic assumptions in the Berk report



Question 3: Bonus System

Will the additional FAR and/or height available under the proposed bonus system really act as an incentive; i.e. really will add value when compared to the new base?

- Whether it will generate value and/or people will take advantage of it will depend on key variables:
 - The nature of the proposed project
 - Size of the parcel and the underlying zoning, FAR, and height limits
 - The location
 - Where we are in the market cycle
 - Details of the payment in lieu vs. building the amenity



Question 4: Exchange Rates

Does the approach to valuing the new “exchange rates” – dollar value of FAR or height earned – to go from the new base zoning to the new maximums seem reasonable? These exchange rates will later be converted into bonus ratios for desired amenities.

- Yes, depending on how the bonus is applied and the valuation of the amenities
 - It is important to calibrate exchange rates regularly to address changing market cycles
 - City needs to maintain the return on the amenity in the initial model
 - Some amenities will be more desirable to developers and could impact public realm choices
 - Proposed public realm improvements should be consistent with City urban design framework



Question 5: Parking Impact

Will removing structured parking as a bonused amenity likely impact the amount of above vs. below grade parking and the amount of parking provided for an individual project?

- **No**, the amount of parking built will be based on developer's analysis of market need and lender requirements
- We do recommend that the City make addressing parking minimums and maximums in downtown a priority, particularly near TOD area



Question 6: Residential Impact

Will removing residential space as a bonus amenity likely affect the overall amount of residential developed downtown?

- **Yes**, where in certain cases it will make office more attractive than residential
- We also recommend: align incentivized heights more closely to building code thresholds to allow developers to maximize residential efficiency



Supplemental Question: Value of Additional Height Options

We recommend:

- The City pursue Option 3 which incorporates height into the incentive zoning system
- Do not charge for extra height if you pay for bonus FAR
- Charge for extra height if you do not buy bonus FAR



Affordable Housing

- Incentives have been deferred to broader city wide strategy
- Concurrent rollout of AH and incentive zoning would reduce developer uncertainty and enhance effectiveness of both programs



Light Rail Stations

- Zoning for “station area,” usually a quarter mile radius modified by topography and natural boundaries (i.e. I-405), should respond to station area rather than historical zoning boundaries
- Under the current proposal, parking minimums remain unchanged unless justified by a study approved by the City



Perceptions of Development Capacity

- The complexity of the task and the given constraints make it unavoidable that certain sites will benefit more from the proposed changes
- Given six interview panels representing some 15-20 property owners, the Panel has concluded that City goals in redesigning the incentive zoning system were met



Possible Unintended Consequences

- Developers could perceive new system increases development costs
- Learning curve for revised review and entitlement process could result in extended entitlement period and more cost
- Treatment of amenities are not clear until they are analyzed for value and prioritized to result in desired outcomes
- Addressing the definition of retail uses should be considered for today's market
- Small lots may still prove difficult to develop



Thank you!

Many thanks to:

- The City of Bellevue for presenting this exciting opportunity
- Our panelists for contributing their time, energy, and expertise
- Our volunteers and support team for keeping us on track and informed throughout this process

It could not have happened without each of you!



ULI's mission is to provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide.