

CITY OF BELLEVUE
BELLEVUE PLANNING COMMISSION
STUDY SESSION MINUTES

June 1, 2016
6:30 p.m.

Bellevue City Hall
City Council Conference Room 1E-113

COMMISSIONERS PRESENT: Chair Hilhorst, Commissioners Carlson, Barksdale, deVadoss, Laing, Morisseau, Walter

COMMISSIONERS ABSENT: None

STAFF PRESENT: Terry Cullen, Nicholas Matz, Department of Planning and Community Development

COUNCIL LIAISON: Not Present

GUEST SPEAKERS: None

RECORDING SECRETARY: Gerry Lindsay

1. CALL TO ORDER

The meeting was called to order at 6:07 p.m. by Chair Hilhorst who presided.

2. ROLL CALL

(6:07 p.m.)

Upon the call of the roll, all Commissioners were present with the exception of Commissioner Carlson, who arrived at 6:09 p.m., and Commissioner Laing, who arrived at 6:21 p.m.

3. APPROVAL OF AGENDA

(6:07 p.m.)

A motion to approve the agenda was made by Commissioner deVadoss. The motion was seconded by Commissioner Morisseau and the motion carried unanimously.

4. PUBLIC COMMENT

(6:08 p.m.)

Ms. Marci Faith Hennis, a resident of Lake Heights, thanked the Commission for helping to keep the vision of neighborhood pride for Bellevue neighborhoods.

Ms. Cathy Louviere, a Bellevue Towers resident, reminded the Commissioners she had previously noted that the perimeter residents were promised that no building taller than five stories would be constructed across from them. Downtown Bellevue residents do not enjoy the same protection. Bellevue Towers residents are having to deal with the fallout from the Lincoln Square expansion and the Center 425 development as a result. She said since she last addressed the Commission, the residents have been subjected to more construction noise and more traffic

disruption along 106th Avenue NE. Light pollution is still an issue for many, though the issue has been improved somewhat. She said she continues to be concerned about how building height is reported and suggested it needs to be standardized. From her home on the 21st floor of Bellevue Towers, the view has been blocked by a rooftop garden atop the 16-story Center 425 building.

5. PUBLIC HEARING

(6:14 p.m.)

A. 2016 Proposed Comprehensive Plan Amendments – Threshold Review

Chair Hilhorst briefly reviewed the two-step Comprehensive Plan amendment process, noting that all proposed amendments are evaluated based on the threshold review decision criteria. Amendments that are found to be consistent with the criteria are recommended to move to the final review step.

Senior Planner Nicholas Matz explained that the Comprehensive Plan amendment process is the tool used to consider amendments to the Comprehensive Plan. Under the Growth Management Act, the Comprehensive Plan can only be amended once per calendar year. At the threshold review stage, a determination is made as to whether or not the individual applications submitted should be considered. The proposals that are passed on to final review are subjected to a different set of decision criteria. The process is arduous but is designed to respect the legislative nature of the decisions the Commission will be making about amending the Comprehensive Plan. The City Council weighs in at both phases, first to establish the work program and second to act on the amendments by ordinance. All of the decision criteria must be met in order to advance amendments to final review.

Comprehensive Planning Manager Terry Cullen said the process takes about a year to complete. The amendments that move forward to the final review phase will undergo a full analysis. Actions taken by the Commission at the threshold review stage are not tantamount to approval of the amendments up for consideration; they only recommend moving amendments into the next phase or recommend that they not be advanced.

Mr. Matz briefly outlined the threshold review decision criteria as established in LUC 20.30I.140. He noted that three site-specific amendments had been submitted, and that there were two non site-specific applications related to park lands policies that would apply citywide.

i. Naficy

(6:22 p.m.)

Mr. Matz said the amendment seeks to change the designation from Office (O) to Bel-Red Residential-Commercial Node 3 (BR-RC-3) for the half-acre site at 15700 Bel-Red Road. The site currently is developed with a medical office building and surface parking. A concurrent rezone application has been filed as well. The applicant has stated that the redesignation and rezone of the site and the neighboring properties in the vicinity from O to BR-RC-3 would allow for a denser mixed use center and allow for additional housing to support the growth stated in the Comprehensive Plan and add to pedestrian activity in the neighborhood. The nearest BR-RC-3 to the subject property is to the southwest in the Iron Triangle area in the Bel-Red subarea; to the south is O, there is PO across the street to the east, and beyond that is single family.

Mr. Matz said part of the staff recommendation is to expand the geographic scope to include the entire triangle area between Bel-Red Road, 156th Avenue NE and NE 28th Street.

Chair Hilhorst asked which subarea the subject property is in. Mr. Matz said it is in the Crossroads subarea, but the applicant would like the line redrawn to put the site in the Bel-Red subarea. That is in fact the only way the site could get the BR-RC-3 designation.

Mr. Matz said the staff recommendation is that the Naficy proposal does not meet the threshold review criteria and that it should not be recommended for inclusion in the work program. The proposal would require changing the subarea boundary, an issue that would be more appropriately addressed by the Bel-Red look back, an ongoing work program approved by the Council. The look back work includes a review of policy implementation and will result in a report to the Council that will include recommendations for what should be done next. The first phase of the look back, intended to be completed by August, is essentially an assessment of where things stand. The look back is the appropriate place to consider changing the subarea boundary, which the Naficy amendment proposes.

Commissioner Morisseau asked about the three-year rule regarding Comprehensive Plan amendments and Mr. Matz explained that applications for Comprehensive Plan amendments that are submitted but are not successful cannot be resubmitted for three years.

Chair Hilhorst asked if the applicant would have to wait three years if it is not moved to the next phase, or if the issue could be rolled into the look back. Mr. Matz said one option open to the Commission is to recommend to the Council including the Naficy site in the Bel-Red look back. The Council could approve that approach, which would then trigger the three-year rule.

Chair Hilhorst asked if the applicant could achieve the same density level if the site remains in the Crossroads subarea. Mr. Matz said the Bel-Red zone sought by the applicant is specifically described by statute to apply only within the Bel-Red subarea. Bel-Red zoning cannot be applied outside of the Bel-Red subarea. There is no designation in the Crossroads subarea that allows for the same density.

Chair Hilhorst opened the floor to comments from the applicant.

Rich Wagner with Baylis Architects, 10801 Main Street, spoke representing the applicant and pointed out that the urban environment to the north of the subject site is dominated by Microsoft. He said the application has been cast as an expansion of the subarea, but that has not been the goal of Dr. Naficy. The 6000-square-foot building on the site is forty years old and it would be almost impossible to rehabilitate it economically. The site is 25,000 square feet and the current zoning allows a maximum FAR of 0.5, which would yield 12,500 square feet. An expansion of only 6500 square feet simply does not pencil out. Dr. Naficy has practiced on the site for many years and many of his clients say they have to drive two hours to get to the office because they cannot afford to live in Bellevue. Dr. Naficy's goal from the start has been to achieve some affordable housing. The Assessment of Housing Needs in Bellevue, updated in March 2016, indicates that Dr. Naficy is on the right path. The desired project would come in at an FAR of about 2.5, would be 60 feet in height, and would have 60 or 70 units, which is far less than what the proposed BR-RC-3 zoning allows, but which is more than what the Crossroads zoning allows for. Redeveloping the site will result in traffic and bulk impacts, but most of the traffic in the area flows to Microsoft. The idea of putting affordable housing in the area to provide living units for those who would provide services to those who work at Microsoft and elsewhere makes sense. The subject property is only about five blocks away from a future light rail station. The applicant was not anticipating a staff recommendation that the proposal does not meet the

threshold criteria and that the issue should be made part of the look back process. Since 2009 there has been a commitment to do a look back of the area, but it has not happened yet. The applicant did not recommend expanding the geographic scoping, that is the recommendation of the staff. The timing of the look back is such that the research will be available to the Commission by the time a decision would be made on the Naficy application in final review. The Commission was asked to advance the application so it can at least be discussed.

The applicant Dr. Kevin Naficy said he has been a practicing orthodontist at the subject site for 31 years. He said all he has come from the community, and he has been able to give back to the community. Beginning in May 2010, 80 percent of the practice has been dedicated at no charge to families below the poverty line. Patients travel to the site from as far away as Wenatchee and Bellingham. He said his desire is to redevelop the property so he can benefit from it in his retirement and to give back to the community. The plan is to include a commercial element by way of an office wing, and to include an affordable housing element. The limitations of the zoning has forced seeking the BR-RC-3 designation, which allows building height to 85 feet even though there is no intent to build that high. Those who would inhabit the affordable housing units would hopefully not have to drive to their jobs. Both to the north and the east there are much taller buildings than what is proposed by the site. He urged the Commission to forward the application to final review.

A motion to open the public hearing was made by Commissioner Carlson. The motion was seconded by Commissioner Laing and the motion carried unanimously.

Mr. Russ Paravecchio, 2495 158th Place NE, concurred with the staff recommendation. He suggested, however, that it would be good for the Council to hear from the great number of area residents who would vote against the proposal. The added traffic would add to the danger of the area by reducing access times by emergency vehicles, and the density would encroach on the borders of what for many years has been delineated for housing. Changing the subarea border would open even more sites to denser development. People should be allowed to develop their properties so long as they play within the rules. While over time changing the rules may be necessary, it is not always necessary to do so. Those who live in the single family homes close to the site purchased their homes on the understanding that the area would remain for families over time. They have seen numerous attempts to allow for more and more encroachment by higher intense uses and they need to be protected.

A motion to close the public hearing was made by Commissioner Laing. The motion was seconded by Commissioner Carlson and the motion carried unanimously.

ii. Eastgate Office Park

(6:54 p.m.)

Mr. Matz said the Eastgate Office Park amendment seeks to change the designation for the 14-acre site to the east of 156th Avenue SE at approximately SE 30th Place from Office (O) to Office Limited Business (OLB). The site is developed with 280,000 square feet of office in four buildings with surface parking. He said the recommendation of staff was to advance the proposal into the work program. The applicant asserts that the proposal will implement the city's Comprehensive Plan vision for the Eastgate subarea by encouraging continued economic vitality and development capacity. Staff also recommends expanding the geographic scoping to include the two properties to the east which are similarly situated in terms of their designation and the type and quantity of existing office buildings.

Mr. Matz said the applicant has made the case that they were missed by the Eastgate/I-90 land use and transportation project and would like to revisit the question of whether or not the site should have been included in the area. By advancing the amendment to final review, the door to digging deeper into the issue would be opened. It would also allow for looking at some of the economic issues that have been raised by the applicant.

Mr. Matz said staff have concluded that the decision criteria have been met. The area was part of the Eastgate study area, and the amendments from the Eastgate study have been adopted into the Comprehensive Plan. If for some reason the potential for the subject property and the geographically expanded area was overlooked, there is no other venue for reviewing the designation for the site other than the Comprehensive Plan amendment process. The proposal does address significantly changed conditions of the Eastgate process, namely the presence and the extent of the Eastgate changes that established the OLB and OLB 2 designations which allow for mixed use and transit-oriented development around the park and ride.

Commissioner Walter asked what the requested designation could yield on the site. Mr. Matz said the OLB designation allows for a slightly broader set of mixed uses, no limit on the residential component, and building height to 45 feet.

Chair Hilhorst said she wanted to be sure changing the designation to OLB would not set a precedent for siting the designation adjacent to a residential neighborhood. Mr. Matz said there is OLB to the west that borders the Tyee neighborhood and some that borders Bellevue College. The subject property borders residential on its northern edge as well. Mr. Cullen added that in the proposed dimensional charts for O and OLB, the FAR remains at 0.5. It is in OLB 2 that the FAR is increased to 1.0.

Mr. Matz said the Department of Natural Resources is the owner of one of the properties in the area in the proposed geographic expansion area. When contacted, their property manager expressed a willingness to be included for consideration. Additionally, a phone call was received from the manager of the Subaru dealership who also expressed an interest in the proposal without committing himself in any way.

Commissioner Walter asked what the buffer on the northern portion of the property be under the proposed designation. Mr. Matz said it would be subject to transition, which typically requires a larger buffer depth and more specific vegetation. Mr. Cullen said the rear yard setback would be 50 feet and the side yard setback would be 60 feet in addition to the transition buffer.

Chair Hilhorst opened the floor to comments from the applicant.

Ian Morrison with McCullough Hill Leary, 701 Fifth Avenue, Suite 6600, Seattle, spoke representing the applicant. He concurred with the staff recommendation to docket the application. In working through the Eastgate process in 2012, the Commission was focused on economic data that was created in 2010 and 2011. At that time it was reasonable to conclude the existing buildings on the site still had some useful economic life. Now that the Eastgate policies have been adopted along with a vision for transit-oriented development around the college and infill development involving more retail and pedestrian uses along 156th Avenue SE, the subject property should be reviewed in light of the adopted vision. Clearly the process is in its infancy and the applicant is intrigued by the vision of the OLB that involves pedestrian retail and the like. The Eastgate process included looking at opportunities to create additional pedestrian park connections, which trail connecting through to Robinswood Park represents. Having a pedestrian-oriented streetscape would improve mobility generally in the Eastgate neighborhood.

A motion to open the public hearing was made by Commissioner Walter. The motion was seconded by Commissioner Barksdale and the motion carried unanimously.

Ms. Michelle Wanamaker, 4045 149th Avenue SE, asked if the FAR would increase on the site under the proposed designation. Mr. Cullen said the proposal is to apply OLB to the site, and as currently envisioned, O and OLB would have an FAR of 0.5, and OLB 2 would have an FAR of 1.0.

A motion to close the public hearing was made by Commissioner Walter. The motion was seconded by Commissioner Laing and the motion carried unanimously.

Chair Hilhorst noted that one of the threshold decision criteria is that a proposed amendment does not raise policy or land use issues that are more appropriately addressed by an ongoing work program approved by the City Council. She asked why the proposed amendment is not rolled into the work currently under way in regard to the Eastgate corridor. Mr. Matz said the designation opportunities that exist for the site include OLB, and any subsequent rezone could involve any of the cluster of OLB zones that are currently being contemplated. The work under way by the Commission is focused on implementation of the zoning and land use regulations resulting from the work to update the Comprehensive Plan, which has been completed.

iii. Newport Hills

Mr. Matz said the application seeks to amend the map designation on the easternmost 4.6 acres of the 5.9-acre site at 5600 119th Avenue SE from Neighborhood Business (NB) to Multifamily High (MF-H). The remaining site area would retain its current NB designation along 119th Avenue SE. The site is currently developed with retail and business uses in one larger building and three small building. The applicant has stated that the change would enable redevelopment of the site into a mixed use residential and retail complex. The application suggests the opportunity is unique and would allow for a development consistent with the surrounding neighborhood. To the north and west of the site is NB and Professional Office (PO), and to the east and south are MF-H.

Mr. Matz said the staff recommendation was to advance the application to final review but to not expand the geographic scope. Although there is adjacent NB, those properties are not similarly situated in terms of the questions posed by the request of the applicant for the amendment. The application does address significantly changed conditions which include changing market patterns for neighborhood retail uses, challenging economic conditions faced by neighborhood centers citywide, and greatly increased competition from retail centers in Factoria and Newcastle.

Mr. Matz said there has been a great deal of public outreach regarding the proposal that has resulted in a great deal of thoughtful public comment. Those expressing disapproval have, in no particular order, highlighted the potential impacts of redevelopment to existing community retail and parking places that form a common bond for residents; adding traffic to a road system already constrained by Newport Hills' geography and access points; already crowded area schools; growth in the City of Newcastle; and displacement of current business owners/tenants of the existing center. The comments in support of the proposal included the need to redevelop the center because of the impact its current state is having on the community; and it is time to redevelop with an attractive and mixed use character that continues to serve the area. The majority of the comments received to date have been opposed to the proposed amendment.

Commissioner Barksdale asked if consideration has been given to any mitigation strategies that

might ease the concerns voiced by those opposed to the proposal. Mr. Matz said should the amendment be advanced to final review, the door will be opened to talking about the merits of the application and discussing the impacts.

Mr. Matz said staff believes the amendment addresses issues that have been identified in the Land Use Element and the Newport Hills subarea for aging commercial areas and neighborhood commercial centers.

Commissioner Carlson pointed out that when the neighborhood commercial centers issue came to the Commission a few years ago, the Newport Hills Shopping Center was hurting and trying hard to find tenants. He said it was his understanding that the center now has tenants and is doing much better than it was. Mr. Matz said the economic development conclusion reached by the Heartland study was that for the long term NB uses will not be viable to the extent they are allowed on the site. Since there the area has witnessed a marked economic recovery and spaces at the shopping center have been leased out. Commissioner Carlson suggested the criteria of changing market patterns and challenging economic conditions would have been appropriate to address the problems in play five years ago, but does not seem to be as relevant currently. Mr. Matz said if the amendment goes forward, it will allow for conducting more economic-based research on the state of the conditions. The fact is changing market patterns, challenging economic conditions and increased competition from Factoria and Newcastle is in fact accelerating and it is worthy taking a look at the extent to which those factors will affect redevelopment of the subject property. The fact that the site is fully leased currently is not enough to warrant ignoring what are significantly changed structural conditions.

Chair Hilhorst agreed that if it were 2009, the conversation would be much different. The fact is that many of the family oriented businesses weathered the economic storm. Bellevue is growing and more families and children are moving in and there is no reason to believe those businesses will not only stay but continue to thrive and grow. The economics of Newcastle is not part of the threshold review, but is part of the reality for Newport Hills. Mr. Matz made it clear that staff have reached no conclusions that what is going on currently in Newport Hills is not economically viable. The staff have looked at the Comprehensive Plan and have looked at the struggles neighborhood shopping centers have had citywide, including Northtowne, Lake Hills, Eastgate and Crossroads. The Heartland study serves as a starting point rather than a conclusion. The fact is that citywide neighborhood centers are experiencing changing market patterns, challenging economic conditions, and increased competition from areas outside of the city. The question before the Commission, which is supported by policies adopted in the Comprehensive Plan, is how to redevelop the centers to assure that they will continue to play the role they are currently playing.

Commissioner deVadoss pointed out that the Commission was recently updated with regard to low-impact development principles. One of the principles outlined was doing the analysis and homework up front to mitigate potential issues downstream. He asked if a full analysis could be done relative to the proposed amendment relative to the impacts on transportation and the schools before making a threshold determination. Mr. Matz said that could be done. Threshold review at its simplest is simply answering a question of whether or not a proposal should be considered, and the parameters under which the considerations are made are exactly those things identified, including traffic and school impacts. The threshold review stage is not, however, the time to drill down on the specifics; it is the stage at which a decision is made to drill down.

Mr. Cullen said the threshold hearing in most years is conducted in March and it involves a broad brush look as to whether or not proposed amendments should move forward. To spend the energy in doing a full analysis up front would negate the threshold review entirely. The way the

process is set up, the threshold review is the phase at which a determination is made as to whether or not a full analysis should be done during the final analysis phase.

David Macduff, vice president of development of Intercorp, the applicant for the Newport Hills Comprehensive Plan amendment. He said the project has history going back for many years and the proposed amendment will give the city and the community the opportunity to study and investigate the potential implications of redevelopment. Much has been said about the potential impacts to traffic and the schools, but the reality is there is no information in hand relative to those topics. Intercorp is excited about its idea and believes it to be well-grounded. The company is willing to spend the additional time and money to thoughtfully evaluate the merits. The Commission should recommend to the Council that the proposed amendment be moved forward. The site contains a 1960s vintage shopping center that formerly was anchored by a grocery store; it has both inline spaces and a couple of out parcels.

Mr. Macduff said conditions affecting the site are certainly changing. The evolution of Factoria and Newcastle has changed how people shop and has changed the type of retailers that can come into such shopping centers. The challenges being faced by the Newport Hills Shopping Center are being faced by other neighborhood centers citywide. The last grocery store to occupy the center left in 2009. Over a number of years, the property owner, the city and the neighborhood made a valiant effort to figure out how to revitalize the center, but those efforts have not worked. The center is only 64 percent leased; if the batting cage business were not there, the center would be only 41 percent leased.

The Heartland study included alternative uses that to date have not proven to be financially feasible for the market. The property owner is focused on a right-sized concept, with the right amount of retail and the right amount of residential, to balance the perspectives the community has voiced about what they want to see happen on the site. The outreach conducted to date has been focused on improving the concept. The owner's representatives have met with the current tenants to gain their thoughts; have met with individuals; have met with businesses; and have held five public outreach meetings attended by about 75 people. The concerns voiced to date have included traffic, schools, the continued provision of neighborhood services for the community, preserving the current set of tenants, and the loss of parking on the site from other businesses that do not have enough parking the community. Many voiced support for the proposed mix of uses, and for the fact that the housing would be ownership rather than rental.

Mr. Macduff said the vision is to simply right-size a redevelopment opportunity for the entire center driven by an understanding of the commercial demand. The research done indicates there should be between 15,000 and 20,000 square feet of commercial, and a townhome residential component at a lower density than what was highlighted in the Heartland study. The provision of neighborhood services will be critical to success, as will sidewalks and open space. The property owner is willing to commit to entering into a development agreement with the city as part of the process to guarantee development will occur as promised. The property owner is willing to commit to building new commercial space before allowing occupancy in the residential component. The property owner is also willing to commit continuing the dialog that has been opened with the community.

Jessie Clauson with McCullough Hill Leary spoke representing Intercorp. She stressed that at the threshold stage the property owner is not asking for a yes on the proposed amendment, rather concurrence that the proposal warrants study. Real estate and retail markets go up and down over time, and there have been discussions about the center for a very long time. The opportunity is finally at hand to usher in a full study, including potential impacts on traffic and schools, and an up-to-date retail study to determine the right-size retail component for Newport Hills. Once the

study data is in hand, it will be possible to make an informed decision regarding the proposed amendment.

Chair Hilhorst noted that she has been part of the process for a long time. In the discussion about right-sizing the commercial, it was clear that some of the current uses, including the batting cage, will not fit in the future. Many of the family recreation businesses have survived and thrived. Additionally, the Heartland study envisioned more than 100 residential units, but they were for assisted living, the residents of which would create far fewer trips on the roads. She asked if there were any potential for a compromise in which there would be less housing and more commercial. Mr. Macduff said the amount of commercial in the proposal is based on relatively newcomer knowledge of the studies that have been done and the conversations that have taken place to date. When it comes to determining the right size, studies are needed to determine what the market will accept. If the studies show the demand for commercial is higher, there is the ability to expand some of the buildings, though that could restrict the open space and gathering areas. The issue of housing type really goes to the types of buildings constructed. Intercorp has developed five-over-one multifamily apartment housing in downtown Seattle, but the economics of that kind of a structure would likely not work in Newport Hills. Intercorp is, however, open to looking at new ideas. The proposed ownership townhouse approach would have less of an impact than market-rate rental housing.

Mr. Macduff said as envisioned, the new commercial to be developed would be on the part of the site that would remain NB. He allowed that for purposes of the amendment, lines were drawn on the map without having a plan in hand. As the site plan gets refined, the percentages of commercial and residential could change.

Ms. Clauson said the density shown in the amendment documents actually works out to R-23. However, that would require self-limiting under R-30. Mr. Macduff added that townhomes are not permitted in the NB zone, which is why an amendment is needed for a portion of the property. Commercial is the driver.

Commissioner Morisseau asked why the larger percentage of the site is shown as having multifamily if in fact commercial is the driver for the site. Mr. Macduff said it is the amount of demand for new commercial that has determined the split between residential and commercial. Commissioner Morisseau asked if there is an acceptable middle ground that would have less commercial. Mr. Macduff said that would need to be determined after the studies are done. Intercorp is certainly open to new information but does not believe the site should remain predominantly commercial. The level of flexibility will be informed by the studies, but Intercorp does not believe the studies will show a dramatically different demand for retail on the site. Commercial is a driver because it is important, but that does not mean it will be the predominant use.

David Hsiao spoke representing the ownership group of the Newport Hills Shopping Center. He said the group has owned the shopping center for over 30 years. He voiced support for moving the amendment forward for further study. He said when purchased, the center was thriving and had no issues with vacancies. In more recent times, however, the center has experienced a steady economic decline. The center has been aggressively marketed but with very little success. The rental rates that can be achieved are simply too low to justify any capital investment in the existing layout. In its current form, the center no longer fills a need for both retailers and customers. The center faces stiff competition from areas in close proximity, including Factoria, Newcastle and Coal Creek; it suffers from outdated NB zoning; and it experiences very low traffic counts. The center is not, in fact, currently thriving. It has a 40 percent vacancy rate, something that has been as high as 60 percent. From the standpoint of tenants, the center has