

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Study Session

April 18, 2011
6:00 p.m.

Council Conference Room
Bellevue, Washington

PRESENT: Mayor Davidson, Deputy Mayor Lee, and Councilmembers Balducci, Chelminiak, Degginger, Robertson, and Wallace

ABSENT: None.

1. Executive Session

The meeting was called to order at 6:03 p.m., with Mayor Davidson presiding. There was no Executive Session.

2. Study Session

- (a) Update on Neighborhood Shopping Centers and Request regarding Land Use Code Amendment for Community-Supported Redevelopment

City Manager Steve Sarkozy opened discussion regarding a proposed Land Use Code Amendment (LUCA) for the redevelopment of neighborhood shopping centers. He noted that this has long been of interest to the Council.

Dan Stroh, Interim Director, Planning and Community Development, provided a status report regarding the Newport Hills Shopping Center. He welcomed Lisa Viereck, Newport Hills Neighborhood Association President, and Jim Granger from the Newport Hills Swim and Tennis Club. Mr. Stroh commented on the importance of neighborhood shopping centers in providing retail services, restaurants, and public gathering spaces.

Paul Inghram, Comprehensive Planning Manager, described the three-way partnership between the Center's owners, neighborhoods, and the City. The Newport Hills Shopping Center is now 40 percent vacant. The Center's owners have contributed financially to studies on revitalizing the Center, and ultimately control the private investment decisions. The City can help to facilitate communication between all parties and can approach issues through zoning decisions.

Mr. Inghram described a market demand analysis that documented the area's demographics, competition from adjacent retail areas, and lessons from comparable neighborhood centers. Competition includes Coal Creek Village, Coal Creek Marketplace, Factoria Village, and the

Marketplace at Factoria Mall. Mr. Inghram said the study indicates a demand for neighborhood services, although there is not sufficient demand for a grocery store. Additional opportunities to explore include child care, recreation uses, Farmers Market, coffee house, and grocery store components such as a butcher shop or produce stand.

The Newport Hills study concluded that there are opportunities to expand housing, including senior housing. The consultants looked at comparable neighborhood centers in Madrona and Magnolia in Seattle, Fairhaven in Bellingham, and Juanita Village in Kirkland, as well as plans for the Kenmore Town Center. Projects are typically developed in phases.

Mr. Inghram said the study concluded that Newport Hills has favorable demographics in terms of the education and income levels of the residents, strong neighborhood amenities, and a compatible pedestrian environment. Challenges include competing retail centers in the area and the relatively isolated location of the neighborhood. The consultants concluded that redevelopment could support 25,000 square feet of retail space, multifamily housing, senior housing, and a modest amount of office space.

Mr. Inghram explained that the second part of the analysis addressed what could fit on the site and the extent to which the current zoning could accommodate desired redevelopment. The consultants analyzed market, financing, construction, and regulatory risks. A developer typically expects a minimum return on investment of 10 percent, and prefers at least a 15 percent return to move forward with a project. Mr. Inghram described three redevelopment scenarios based on different zoning code requirements. Two include more retail space, while the third has a stronger emphasis on housing units.

Tom Boydell, Economic Development Manager, commented on the community outreach efforts associated with the planning discussions. The project team spent a considerable amount of time with the Center's property owners discussing the ideas and approach, and the property owners agreed to finance the studies. Community meetings were held in September and December, 2010, to present the findings of the studies to residents.

Mr. Stroh noted that Newport Hills and Lake Heights are particularly interested in redeveloping the Center. Next steps are to continue to work with property owners and neighborhoods in discussing redevelopment options. The consultant's work demonstrates the financial feasibility for a modest redevelopment concept. The concept would require a significant change to citywide NB (Neighborhood Business) zoning to accommodate mixed uses and to expand the building envelope.

Mike Brennan, Director of Development Services, provided a brief update on the Lake Hills Neighborhood Shopping Center and the Kelsey Creek Shopping Center. Redevelopment at Lake Hills includes the relocated library as well as plans for retail, office use, structured parking, and residential units. The Kelsey Creek Shopping Center will remodel the former K-Mart building and construct a new building along Main Street, which will be a future restaurant use. Plans include a fitness club and grocery store, and work is expected to begin later this year. The drainage culvert on the property will be replaced, and offsite mitigation payments were received

by the City from developers who will provide offsite projects to offset the development. Mr. Brennan noted that patience and persistence have paid off in terms of facilitating and encouraging redevelopment.

Deputy Mayor Lee confirmed that neighborhood shopping centers are a high priority. He questioned the need for a citywide LUCA for the recommended NB zoning change. Mr. Stroh said it is appropriate to update NB zoning citywide because some of the requirements are no longer working in certain areas. He acknowledged that the zoning changes must be sensitive to surrounding neighborhood conditions. The Planning Commission will review the proposal.

Mr. Boydell commented that certain types of businesses follow a general standard regarding square footage requirements. The City's square footage table has not been updated in some years, and minor adjustments in square footage limitations would be appropriate.

Councilmember Degginger recalled that the City made a number of investments in Newport Hills including gateway treatments, sidewalks, and park development. However, an ongoing issue that has not been resolved is the neighborhood shopping center. He noted the importance of reviewing parking requirements to ensure there are no unintended consequences. Mr. Degginger requested information on other centers with NB zoning and how the LUCA would affect them.

Councilmember Chelminiak expressed support for the redevelopment of the Newport Hills Shopping Center. He questioned whether a citywide LUCA is preferred versus a broader review of the Newport Hills Subarea Plan.

Mr. Stroh cautioned that a zoning change will not solve the issue, although it is a necessary factor in the redevelopment of the Center. It is possible that additional tools and incentives will be identified to facilitate the redevelopment. He recalled previous discussion with the Council regarding the multifamily tax exemption, and suggested it might be appropriate for encouraging housing in the Newport Hills area. Staff is open to considering a wide range of tactics to support the redevelopment effort.

Councilmember Chelminiak noted that the market study is beneficial in setting realistic parameters and guiding community expectations. He favors continuing with the approach to date and encouraging continued community involvement.

Responding to Councilmember Robertson, Mr. Stroh said staff will provide a memo to the Council outlining other areas with NB zoning. Mr. Inghram briefly reviewed a map showing these areas.

Councilmember Robertson said she is in favor of carefully moving forward with a LUCA. She suggested that perhaps there could be two classes of neighborhood zoning as the 'one fits all' approach might not be appropriate in all circumstances. She noted the small store on Lake Sammamish as an example. She stated she would like to see Newport Hills redeveloped in a manner that benefits the neighborhoods. She questioned anticipated traffic impacts.

[Approved by the Council, as revised, on May 16, 2011.]

Mr. Stroh said traffic impacts would be fully analyzed. Some residents have expressed concerns about potential traffic associated with multifamily housing. However, they are less concerned about the impacts of senior housing and see it as a positive alternative for residents to age within their same neighborhood. Ms. Robertson noted that additional housing would have impacts to the area's schools as well.

Responding to Ms. Robertson, Mr. Stroh said what he has heard from residents is a strong desire for redevelopment on the site, an openness to the range of options that might work, and mixed interest in the list of possible uses, including housing. He is impressed with the motivation of residents who want to see a change and to take a fresh perspective on possible solutions.

Referring to the neighborhood meetings, Mr. Boydell said there was a range of concerns on parking impacts. He suggested it would be valuable to discuss this more with residents.

Councilmember Balducci observed that this is an important issue for any neighborhood. Shopping centers provide convenience, as well as a sense of community, for a neighborhood. Although redevelopment is not as rapid as some residents would like to see, Ms. Balducci said the new Lake Hills Library is a strong neighborhood asset. She said the City needs to be a partner in pushing these projects forward. Discussions about and work on the Kelsey Creek Shopping Center have led to specific plans that are now moving forward. Ms. Balducci expressed concern about the economy and questioned whether the feasibility analysis accurately addresses current conditions and projected future conditions.

Responding to Ms. Balducci, Mr. Stroh said Heartland LLC developed the Newport Hills Commercial Area Analysis in late 2010, within the context of the current economy.

Responding to Councilmember Balducci, Mr. Boydell said that while the market analysis indicates that a grocery store is not feasible, there is the potential for smaller specialty stores. If these are feasible based on the market, adjustments to NB zoning would be needed.

Ms. Balducci expressed support for continued community involvement. She would like to identify a solution that would not require considering citywide NB zoning.

Councilmember Wallace observed that senior housing sounds interesting. However, he said that challenges for the Newport Hills Shopping Center include competition from centers in Factoria, Newcastle/Coal Creek, and Renton. He explained that Seattle's Northgate retail center was finally redeveloped after the City of Seattle started making investments such as a community center and library.

Mr. Wallace suggested looking into potential street frontage investments by the City to stimulate revitalization. He believes this is an opportunity to look at what encourages and what blocks redevelopment, which is applicable to the Bel-Red area as well. He noted issues affecting developers' costs including stormwater handling, parking structures, and impact fees. He looks forward to the Planning Commission's review of the issues.

Deputy Mayor Lee said that neighborhood shopping centers have been a topic of interest for the Council's Economic Development Working Group. He expressed support for staff's approach to working with residents and the property owner, and would like to move forward. Mr. Lee thanked residents and the Newport Hills Neighborhood Association for their involvement in discussions and planning.

Mayor Davidson summarized the Council's interest in continuing to work with the community and in considering potential Land Use Code Amendments for NB zoning.

Councilmember Balducci reiterated her interest in exploring options that would not necessarily require citywide NB zoning changes. She observed that such an approach could cause alarm in other areas of the community, which would then slow the Newport Hills process down. She wants a solution that is good for all neighborhoods and residents.

(b) General CIP Budget/Mobility and Infrastructure Initiative – Scope and Funding

City Manager Sarkozy opened discussion regarding the long-term strategy for the General Capital Investment Program (CIP) Budget and the Mobility and Infrastructure Initiative Financing Plan.

Finance Director Jan Hawn reviewed the key issues for the broad CIP discussion including the highest priority projects; how to address those needs; principles in the Council-endorsed Mobility and Infrastructure Initiative Plan, and their relationship to the General CIP; and the appropriate revenues to be used to finance high priority projects. She described the primary revenues within the 2011-2017 CIP Plan, including restricted and unrestricted revenues. Ms. Hawn highlighted items within the ongoing projects (\$71.9 million) and discrete projects (\$102.8 million) categories of the CIP Plan, as well as the Mobility and Infrastructure Initiative component (\$85 million) of the CIP Plan. Key MII projects are the NE 4th Street extension, 120th Avenue NE, and NE 15/16th Street.

Ms. Hawn described the original Mobility and Infrastructure Initiative Plan and guiding principles endorsed by the Council in 2009. The finance plan includes property taxes to support bond debt, impact fees, Local Improvement District (LID) assessments, and baseline revenues (i.e., incentive zoning, right-of-way dedication, grants, and others). The plan maintains the City's long-term financial stability and enables the development of the Bel-Red Corridor Plan. MII projects adopted with the 2011-2017 CIP Plan total \$86.7 million, and revenues total \$85.2 million. This leaves \$1.5 million funded by the General CIP [See page SS 2-28 of meeting packet.].

Responding to Councilmember Wallace, Ms. Hawn confirmed that there is a \$10.2 million funding gap in the finance plan revenues due to the recent rejection of the formation of the Wilburton LID. Impact fees are budgeted for later years.

Mr. Stroh said the purpose of tonight's presentation is to provide background information and context for future Council decisions in the coming months. He described projected unmet capital

needs through 2030 for: 1) Existing debt, 2) Ongoing programs, 3) MII Plan, 4) Downtown, including Downtown Implementation Plan projects, and 5) Other.

Councilmember Degginger noted that the Downtown Fire Station is not listed.

Responding to Councilmember Balducci, Mr. Stroh noted the possibility that a MII project or other investment that would benefit light rail could serve the secondary purpose of counting as a light rail downtown tunnel MOA contribution.

In further response to Ms. Balducci, Mr. Stroh clarified that unmet capital needs in the 20-year horizon are needs that are not yet funded in the current CIP Plan. However, funding is anticipated in future CIP Plans.

Responding to Councilmember Wallace, Mr. Stroh provided an example of a possible City contribution toward a downtown light rail tunnel. If the City were to purchase the Metro site adjacent to City Hall, the City could then allow Sound Transit to use a portion of it in exchange for credit toward funding the light rail downtown tunnel.

Responding to Councilmember Robertson, Mr. Stroh said staff can prepare a future graphic that captures the difference between projected revenues through 2030 and anticipated needs through 2030.

Mr. Stroh noted that, in the list of unmet downtown needs, the Bellevue Way HOV project is not in any of the City's adopted plans. It is possible that a portion of the project could be paid through Sound Transit mitigation of the light rail project.

Responding to Deputy Mayor Lee, Mr. Stroh said the project has been discussed within the context of mitigation measures. Mr. Chelminiak noted that the Bellevue Way HOV project has been mentioned briefly but not discussed at any length.

Deputy Mayor Lee said he thought the City had a 20-year, long-term finance plan that was previously adopted by the Council. He feels that document should guide funding unmet capital needs.

Councilmember Wallace said it would be helpful to have a cost estimate for each of the unmet downtown needs. He observed that the Downtown Fire Station is not listed. Mr. Stroh referred the Council to Attachment D, page SS 2-43 of the meeting packet, for preliminary cost estimates of unmet capital needs in the Downtown.

Responding to Councilmember Robertson, Mr. Stroh said there is approximately \$1.6 million in the CIP Plan for the Downtown Fire Station. There is a question about whether to include it in the list of unmet capital needs.

Mr. Sarkozy noted \$10 million for Ashwood Park development, and suggested that a portion of that could apply to the construction of a fire station. He explained that the bigger issue associated with a new fire station is the cost of staffing it.

Ms. Robertson suggested that the Downtown Fire Station should be added to the project list because the Council has allocated some funding to it.

Councilmember Chelminiak concurred that there needs to be a separate listing for the Downtown Fire Station.

Mr. Sparrman noted that staff is working to update cost estimates for the NE 4th Street and 120th Avenue NE projects. The total anticipated funding gap is \$4 million to \$13 million. The gap for 120th Avenue NE is \$500,000.

Councilmember Balducci recalled that this agenda item was scheduled as a follow-up to discussions during the Council's retreat. Given the changes in the economy, the Council identified the need to update the capital budget and project cost estimates. She said it is important to deal with both the immediate funding needs and the longer term MII plan.

Mr. Stroh referred the Council to Attachment C in the meeting packet, noting that there are additional unmet needs through 2030 that are not included on the list. He summarized revenue projections through 2030. Future decisions focus on the City's potential light rail tunnel contribution, funding the NE 4th Street project, funding the overall MII Plan, and meeting the longer term gap between unmet needs and available funding. Sound Transit anticipates making its decision on the final light rail alignment in July.

Councilmember Balducci suggested a future discussion to look at where the City expected to be at this point based on the original MII Plan, including revenue and what it could buy. The Council and staff can then look at alternatives for adjusting funding resources and priorities. Ms. Balducci said she would like to review the benefits of the MII Plan again, as well as actual and projected traffic counts. With the dip in the economy, the transportation needs might not be as urgent as they would have been with a stronger economy.

Councilmember Wallace noted the need to move toward a more detailed evaluation of unfunded projects and potential timelines. As one example, if the City plans to coordinate investments in the NE 15th/16th Street corridor with light rail implementation, the needs go beyond the current MII Plan.

Referring to page SS 2-37 of the meeting packet, Mr. Wallace expressed concern that estimated revenues are no longer accurate and realistic. He recalled that in 2008-2009, a joint capital budget committee of the Bellevue Downtown Association and Bellevue Chamber of Commerce addressed infrastructure needs. He suggested establishing a similar work group to address unmet needs and funding options.

Councilmember Chelminiak noted that Councilmember Degginger served on the Downtown Implementation Plan (DIP) Update Committee. Given that the Bellevue Way HOV project is not included in any of the City's adopted plans, Mr. Chelminiak suggested that the project be moved to the list of potential unmet needs.

Responding to Councilmember Degginger, Mr. Sparrman said cost estimates contained within the MII Plan will be updated over time, especially as right-of-way is acquired and those costs become known.

Deputy Mayor Lee asked for a summary of the baseline future needs.

Mayor Davidson suggested discussing the use of project savings, and whether to transfer the savings to new projects or toward already identified unmet needs.

Councilmember Wallace observed that Bellevue Way is a Sound Transit mitigation project, as far as he is concerned. If 1,400 to 1,600 parking stalls are to be added to the South Bellevue Park and Ride, along with a light rail station, Sound Transit needs to expand Bellevue Way. With regard to the DIP Update, Mr. Wallace recalled that there was a committee associated with that effort which did recommend the Bellevue Way HOV project.

Councilmember Degginger said there was a robust discussion about the project by the DIP Steering Committee. Councilmember Chelminiak recalled that some on the Committee favored the project. However, the Council did not choose to include the project in its DIP Update Plan.

At 7:59 p.m., Mayor Davidson declared recess to the Regular Session.

Myrna L. Basich, MMC
City Clerk

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