Attachment D

CITY OF BELLEVUE

Comprehensive Plan 2044

Economic Report

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Contents

ATTACHMENT

FIGURES

TABLES

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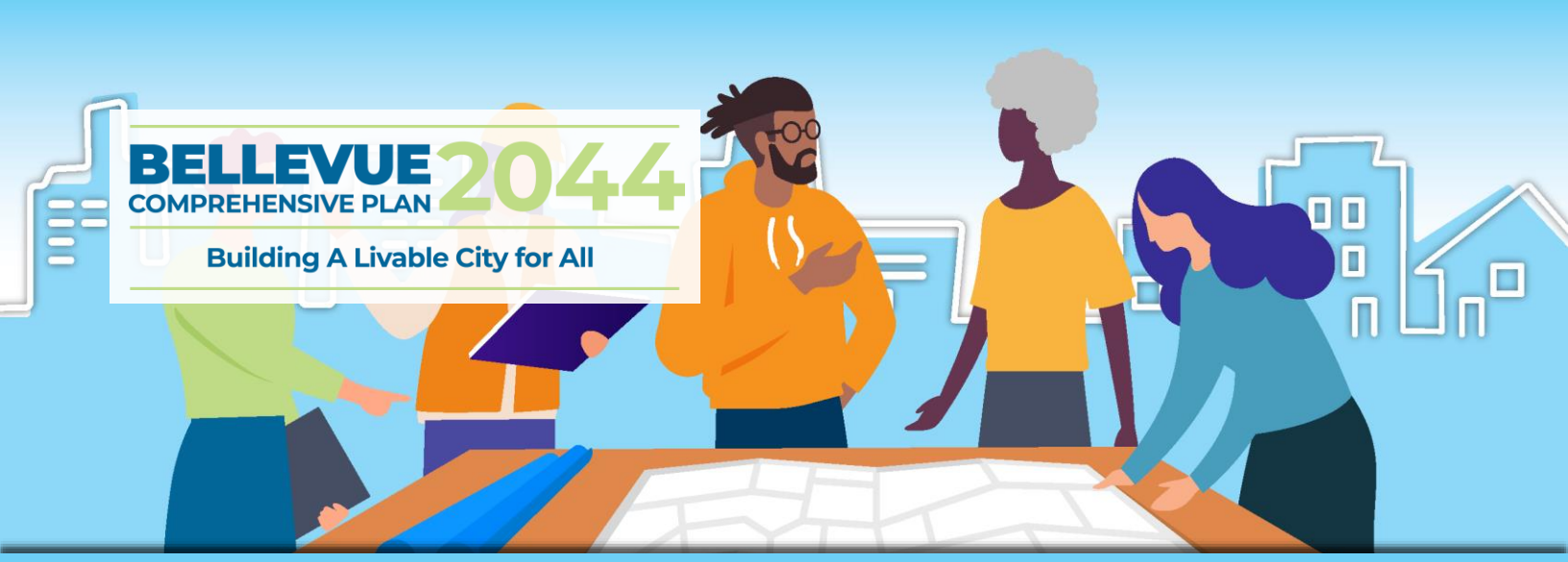

SECTION 1 Economic Analysis

1.1 Introduction

The City of Bellevue is updating its Comprehensive Plan, which will outline a strategy for the future and provide direction for how to address expected growth in jobs and housing units over the next twenty years. In addition, the city is preparing an Environmental Impact Statement (EIS) to identify and analyze different growth strategies. This report provides economic analysis to support the EIS process by broadly evaluating the fiscal impacts of each alternative, for the city, and for the Wilburton study area. After describing current conditions, this analysis considers how each alternative could affect employment growth and the fiscal environment citywide and in the Wilburton study area. This analysis is for the buildout of each scenario, not for the expected growth by 2044.

The difference between the alternatives is in the amount of commercial capacity and the distribution of that capacity. In all alternatives, the vast majority of the commercial capacity is located in the city's Mixed Use Centers (Downtown, Wilburton, BelRed, Crossroads, Factoria, and Eastgate). Therefore, the fiscal impacts, such as retail sales tax, may depend on the types of commercial activity present at buildout.

Data on current and estimated employment, taxable retail sales, and projected revenues from sales, property, business, utility, and other city taxes are from the City of Bellevue, the Puget Sound Regional Council, the Washington State Employment Security Department, and the Washington Department of Revenue.

1.2 Analysis

1.2.1 Employment

In 2019, there were 148,560 jobs in the City of Bellevue (PSRC 2023). This jobs estimate reflects covered employment, which is work covered by unemployment insurance. Covered employment is used in this analysis because King County uses covered employment to track whether the city is meeting its jobs target. For this analysis, we have calculated the number of jobs based on the average square feet per job in

different sectors to be consistent across time. Based on the existing square footage in Bellevue, there were 137,722 jobs in the City of Bellevue in 2019, spread across several sectors (**Table 1-1**). Bellevue is an employment center in the region, with many workers commuting from other cities to jobs in Bellevue. Almost 47 percent of jobs were in the Office sector and 15 percent of jobs were in the Retail sector. As noted in the city's Economic Development Plan, Bellevue has a reputation as a major technology innovation and engineering center.

TABLE 1-1 **Jobs by Sector Citywide, 2019**

Sector	Number of Jobs	Percent of Total Jobs
Education	7,975	5.8%
Food	10,354	7.5%
Government	4,972	3.6%
Industrial	4,307	3.1%
Medical	9,599	7.0%
Office	64,130	46.6%
Retail	21,067	15.3%
Services	11,054	8.0%
Other	4,264	3.1%
Total	***137,722***	***100.0%***

SOURCES: Prepared by BERK based on data provided by the City of Bellevue

NOTES: Jobs are calculated based on commercial square footage and the average square footage per job. Jobs are grouped by sector based on data provided by the City of Bellevue.

In 2019, there were 9,396 jobs in the Wilburton study area, spread across several sectors (**Table 1-2**). About 40 percent of jobs were in the Medical sector and 23 percent were in the Office sector. Another 19 percent of jobs were in the Retail sector. The Wilburton study area has several large office buildings in the Medical Institution and Medical Office zoning areas, in the northern part of the area.

TABLE 1-2 **Jobs by Sector Wilburton Study Area, 2019**

Sector	Number of Jobs	Percent of Total Jobs
Education	71	0.8%
Food	878	9.3%
Government	122	1.3%
Industrial	29	0.3%
Medical	3,820	40.7%
Office	2,147	22.9%
Retail	1,792	19.1%
Services	397	4.2%
Other	140	1.5%
Total	***9,396***	***100.0%***

SOURCES: Prepared by BERK based on data provided by the City of Bellevue

NOTE: Jobs are calculated based on commercial square footage and the average square footage per job. Jobs are grouped by sector based on data provided by the City of Bellevue.

1.2.2 Fiscal Environment

This section describes the city's primary revenue sources and how they would be impacted by commercial and residential development. Impacts on the city's operating costs will be driven by how the alternatives would change demand for public services. A detailed discussion of costs is not included in this analysis.

REVENUE SOURCES

Sales tax revenues are the largest revenue source for the city's General Fund. Sales tax is generated from taxable sales of goods occurring within the city's boundaries and purchases of goods delivered to addresses within the city, such as from online retailers. Differences in sales tax revenue among the alternatives are based on the following components.

- **One-time and ongoing sales tax on construction.** The initial construction of buildings will generate sales tax for the full cost of supplies, material, and labor.
- **Ongoing sales tax from purchases.** The amount of retail sales tax collected depends on the extent of retail space included in the alternatives as well as purchasing behavior by employees and households. The extent of sales tax generated also depends on the types of companies that lease new commercial space.

Property tax is the second largest revenue source for the city's General Fund. When new construction is completed, the city can add the property's assessed value to its tax rolls and collect revenues on it. Assessed value from new construction is the only way for a jurisdiction to increase its property tax revenues by more than 1 percent annually without increasing its property tax levy. The impact of the alternatives on property tax revenues will be the difference between the assessed value of the development in each alternative.

Business and occupation tax and **utility taxes** make up another significant share of the city's General Fund. Business and Occupation (B&O) Tax is collected on gross receipts. A separate square footage tax applies to businesses whose in-city activities produce gross revenue indirectly, such as headquarter locations. Utility taxes are collected on the gross income derived from the sales of utility services provided in the city.

1.2.3 Impacts

ECONOMIC IMPACTS

The economic impacts of buildout of the alternatives would be driven by the major changes in land use patterns from the existing conditions. For the entire city, under the No Action Alternative, buildout could result in up to 105,000 housing units and 91 million square feet of commercial development. Under Alternative 1, buildout could result in 123,000 housing units and 109 million square feet of commercial development. Under Alternative 2, buildout could result in 141,000 housing units and 109 million square feet of commercial development. Under Alternative 3, buildout could result in 159,000 housing units and 118 million square feet of commercial development.

In the Wilburton study area, under the No Action Alternative, buildout could result in 700 housing units and over 4 million square feet of commercial development. Under Alternative 1, buildout could result in 9,600 housing units and 18 million square feet of commercial development. Under Alternative 2, buildout could result in 14,600 housing units and 16 million square feet of commercial development. Under Alternative 3, buildout could result in 14,700 housing units and nearly 19 million square feet of commercial development.

Note that buildout during the 20-year planning period is not expected, as development depends on a variety of conditions in addition to capacity. This analysis broadly reviews impacts of the alternatives on the employment mix and potential for economic development, as well as broad fiscal impacts. The fiscal impacts estimated in this analysis are in current dollars. Actual revenues will depend on the timing of development and future rates of inflation.

Impacts on Employment Growth

While employment is projected to grow under all alternatives, the job mix would vary under each alternative due to different zoning and land use policies. This analysis includes an estimate of the capacity for new jobs in each alternative based on the new square feet of development and average building square feet per employee. Square feet per job is estimated for mixed use and commercial land use types. There are some jobs in the No Action Alternative in the Low Density Residential and High Density Residential land use categories, but no change is projected in the other alternatives. They are not included in this analysis.

"Mixed use" includes neighborhood and community businesses and is estimated at 321 to 330 square feet per job. "Commercial" includes office, medical institution, and light industrial and is estimated at 370 to 379 square feet per job. In the Wilburton study area, the square feet per job for mixed-use is 356 to 339 square feet, and the square feet per job for commercial is 298 to 309 square feet. The 2021 King County Urban Growth Capacity Report uses 300 to 500 square feet per job for mixed use 300 to 444 square feet per job for commercial.

With the shift to hybrid work and shared workspaces, the amount of space needed per employee—particularly office workers—is evolving. The commercial real estate firm CBRE notes that "*work styles and the purpose of the office has changed*" (CBRE 2022). Such trends may impact the real amount of square feet per job needed and may vary from these estimates.

For the city under buildout, the No Action Alternative could result in up to 254,541 jobs, Alternative 1 could result in up to 308,686 jobs, Alternative 2 could result in up to 306,943 jobs, and Alternative 3 could result in up to 330,180 jobs (**Table 1-3**). For the Wilburton study area under buildout, the No Action Alternative could result in up to 13,343 jobs, Alternative 1 could result in up to 54,161 jobs, Alternative 2 could result in up to 47,510 jobs, and Alternative 3 could result in up to 53,857 jobs (**Table 1-4**).

Alternative 3 is estimated to have capacity for the highest number of jobs citywide and in the Wilburton study area. Alternative 2 is estimated to have capacity for fewer jobs compared to Alternative 1 and Alternative 3 in the Wilburton study area due to less development of office space. Alternatives 1, 2, and 3 are estimated to have capacity for more jobs than the No Action Alternative. The buildout scenarios being studied could be fully occupied at the time of buildout or they could be under occupied. This analysis considers a buildout scenario where the commercial development is almost completely occupied.

The 2021 King County Urban Growth Capacity (UGC) Report shows that Bellevue has a net buildable area of 26.4 million square feet for commercial, mixed use, and industrial land use types and capacity for 117,241 total jobs. These figures are less than the jobs and commercial square feet estimated in all the alternatives. Housing and job capacity used in this analysis are higher under the No Action Alternative than the capacity that was reported in the 2021 UGC Report. This is because:

- The City's calculation of capacity does not include the market factor used in the UGC Report that reduced total capacity by about 15 percent overall.
- Since publishing of the UGC Report, the City has added capacity in East Main and on faith-owned properties.
- Permits have been issued for projects that are developing at a higher density than what was assumed in the UGC Report.
- Some properties that were not considered redevelopable in the UGC Report have since been redeveloped.
- The City's threshold for classifying a property as "redevelopable" is slightly more generous than what was used in the UGC Report to try and more accurately capture all potential development in the city.

Redevelopment will likely occur to accommodate higher densities, and this may result in businesses being displaced as land prices and rents increase. Businesses that may be displaced could include single-purpose low-intensity uses and small-scale retailers. Future development is expected to focus on parcels likely to redevelop (see EIS Figure 3-6, *Future Land Use, Citywide*, in Chapter 3, *Land Use Patterns and Urban Form*). Overall, potential displacement of some businesses could occur under all alternatives but may be lower in the No Action Alternative given retention of current building typologies in some areas and less opportunity to add population supporting more business growth. Increases in development space under Alternatives 1, 2, and 3 may be sufficient to accommodate any businesses that may be displaced.

TABLE 1-3 **Projected Employment in the City of Bellevue under a Buildout Scenario**

Land Use Type	Existing Development	SF/Job	No Action Alternative		Alternative 1		Alternative 2		Alternative 3	
			SF	Jobs	SF	Jobs	SF	Jobs	SF	Jobs
Mixed Use (Neighborhood/ Community Business)	30,817,536	321-330	65,721,760	204,856	83,408,105	256,635	83,076,368	254,836	91,672,037	277,956
Commercial (Office, Medical)	13,519,493	369-379	18,408,068	49,685	19,185,584	52,051	19,393,192	52,107	19,801,180	52,224
Total	***44,337,029***		***84,129,828***	***254,541***	***102,593,689***	***308,686***	***102,469,560***	***306,943***	***111,473,217***	***330,180***

SOURCES: Prepared by BERK based on data provided by the City of Bellevue

ABBREVIATION: SF = square feet

TABLE 1-4 **Projected Employment in the Wilburton Study Area under a Buildout Scenario**

Land Use Type	Existing Development	SF/Job	No Action Alternative		Alternative 1		Alternative 2		Alternative 3	
			SF	Jobs	SF	Jobs	SF	Jobs	SF	Jobs
Mixed-Use (Neighborhood/ Community Business)	1,912,910	338-356	2,960,838	8,327	15,921,040	46,927	13,719,114	40,561	16,489,569	47,039
Commercial (Office, Medical)	1,219,730	298-309	1,492,398	5,016	2,213,917	7,234	2,126,875	6,949	2,106,402	6,818
Total	***3,132,640***		***4,453,236***	***13,343***	***18,134,957***	***54,161***	***15,845,989***	***47,510***	***18,595,971***	***53,857***

SOURCES: Prepared by BERK based on data provided by the City of Bellevue

ABBREVIATION: SF = square feet

Some businesses that may be displaced may find new space in a more mixed-use environment. More mixed-use development and expanded densities in and around the Neighborhood Centers—which generally serve as smaller, neighborhood-oriented retail centers—would likely support a wider distribution of commercial space affordable to small business and entrepreneurs. Some businesses may not find space in this environment, such as auto service businesses. In addition, some other existing businesses would have to adopt a different retail model more appropriate to an urban setting, such as a smaller version of a large "big-box" retail store.

Impacts on Income

The different mix of job types in the alternatives could lead to different total incomes for the city's employment base. The job numbers below by sector reflect the information included in the alternatives and 2022 regional wage estimates by sector. Workers in office and medical jobs earn a higher wage on average than other job types. Alternative 3 could produce the highest total wages under a buildout scenario (**Table 1-5**). The share of jobs capacity in each category is similar across the alternatives. If the job mix in an alternative were significantly different—for example, assuming a higher number of jobs with a lower annual average wage – the total estimated wages could be lower in that alternative compared to others. Overall, Alternatives 1, 2, and 3 have estimated total wages higher than the No Action Alternative.

Alternative 1 could produce the highest total wages in the Wilburton study area under a buildout scenario (**Table 1-6**). This alternative has capacity for more jobs than the other alternatives. Alternatives 1 and 3 have a higher share of office job capacity, and Alternative 2 has a higher share of medical job capacity. These sectors have similar wages, so variance between the two sectors does not have a significant impact on total wages. Overall, Alternatives 1, 2, and 3 have estimated total wages higher than the No Action Alternative. Alternatives 1, 2, and 3 increase the share of office and medical jobs capacity compared to the No Action Alternative.

Compared to the No Action Alternative, projected education employment capacity in Alternatives 1, 2, and 3 remains flat. The city's population would increase under buildout for alternatives 1, 2, and 3 but this is due to increasing density in existing commercial centers where there are no schools currently. Investments in schools would be informed by projections of the school-age population, which would require additional analysis in the future.

Impacts on Spending

Employees and residents both generate taxable retail sales, but they have different spending profiles. This section outlines the drivers and differences in spending patterns between the two groups. Section 2.3.2, *Fiscal Impact*, focuses further on quantifying these differences. This analysis considers a buildout scenario, which is not expected to occur within the planning horizon; spending is not projected to increase to this degree by 2044.

Commercial development generates spending from employee purchases, workplace purchases, and building tenant improvements.

TABLE 1-5 **Projected Income in the City of Bellevue under a Buildout Scenario**

Sector	Average Annual Wage	No Action Alternative		Alternative 1		Alternative 2		Alternative 3	
		Jobs	Total Wages	Jobs	Total Wages	Jobs	Total Wages	Jobs	Total Wages
Education	$82,182	7,315	$601,160,338	7,288	$598,941,428	7,193	$591,134,151	7,186	$590,558,878
Food	$41,637	20,758	$864,293,927	21,241	$884,404,437	20,931	$871,497,070	24,307	$1,012,062,457
Government	$74,802	4,035	$301,825,121	3,979	$297,636,222	3,983	$297,935,429	3,968	$296,813,402
Industrial	$59,788	2,218	$132,610,003	2,199	$131,474,029	2,758	$164,895,576	2,198	$131,414,241
Medical	$92,296	14,624	$1,349,730,437	29,087	$2,684,601,286	35,397	$3,266,986,342	31,745	$2,929,922,915
Office	$96,994	172,956	$16,775,650,767	210,803	$20,446,573,167	202,646	$19,655,395,160	222,410	$21,572,379,606
Retail	$67,216	27,124	$1,823,171,950	27,507	$1,848,915,751	27,474	$1,846,697,617	30,869	$2,074,896,584
Services	$59,638	10,008	$596,856,508	11,142	$664,485,932	11,107	$662,398,604	12,057	$719,054,648
Total		***262,485***	***$22,445,299,050***	***316,630***	***$27,557,032,252***	***314,878***	***$27,356,939,949***	***338,112***	***$29,327,102,730***
Average Wage			***$85,511***		***$87,032***		***$86,881***		***$86,738***

SOURCES: Prepared by BERK based on data from the Washington State Employment Security Department

NOTE: Average annual wages are for Seattle-Tacoma-Bellevue metropolitan statistical area and based on categories of Standard Occupational Classification (SOC) code.

TABLE 1-6 **Projected Income in the Wilburton Study Area under a Buildout Scenario**

Sector	Average Annual Wage	No Action Alternative		Alternative 1		Alternative 2		Alternative 3	
		Jobs	Total Wages	Jobs	Total Wages	Jobs	Total Wages	Jobs	Total Wages
Education	$82,182	33	$2,712,002	6	$493,091	6	$493,091	0	$0
Food	$41,637	1,172	$48,798,173	1,721	$71,656,703	1,515	$63,079,550	1,528	$63,620,827
Government	$74,802	67	$5,011,718	11	$822,819	11	$822,819	0	$0
Industrial	$59,788	19	$1,135,974	0	$0	0	$0	0	$0
Medical	$92,296	5,352	$493,965,898	14,408	$1,329,794,593	14,951	$1,379,911,088	13,194	$1,217,747,769
Office	$96,994	4,007	$388,653,950	33,878	$3,285,954,212	27,375	$2,655,203,865	34,618	$3,357,729,586
Retail	$67,216	2,201	$147,942,835	3,009	$202,253,517	2,696	$181,214,850	3,024	$203,261,760
Services	$59,638	416	$24,809,383	1,115	$66,496,304	943	$56,238,578	1,493	$89,039,445
Total		***13,343***	***$1,113,029,934***	***54,161***	***$4,957,471,240***	***47,510***	***$4,336,963,842***	***53,857***	***$4,931,399,387***
Average Wage			***$83,417***		***$91,532***		***$91,285***		***$91,564***

SOURCES: Prepared by BERK based on data from the Washington State Employment Security Department

NOTE: Average annual wages are for Seattle-Tacoma-Bellevue metropolitan statistical area and based on categories of Standard Occupational Classification (SOC) code.

Employee Spending. Office workers generate taxable retail sales near their office site through the purchase of goods and services. In addition to purchases during the workday, employees also generate retail spending nearby before and after work, and by conducting personal online shopping that is shipped to their office.

The shift to remote work and hybrid work schedules means many employees do not visit their workplace every day. A worker who used to travel daily from another city to work in Bellevue may only be coming two or three times a week. Spending that may have occurred daily near the workplace may have shifted online. Online sales tax is collected at the point of delivery, so workers who live in other cities and make purchases online do not pay sales tax in Bellevue.

High housing prices lead many employees to live outside of Bellevue. The capacity for more housing units in the different alternatives could allow more people to live near a job in Bellevue, which means that worker spending would be captured in the city. Living closer to work may also lead employees to work in the office more often, as commute time decreases.

Purchase of Consumables. Companies purchase office supplies and equipment, such as paper, pens, and computers, that are subject to retail sales tax. Many offices purchase these supplies online and have them delivered to the office site, which would source the sale within the city's tax area. The shift to remote work may have an impact on purchases by companies as well. For example, if office employees are sharing space, fewer individual furniture items would be needed.

Purchase of Taxable Services. Companies also purchase many taxable services to support business operations. Services such as networked telephones and equipment are taxable to the site of the business purchasing the service.

Leasing Tangible Property. Leased items such as copy machines, printers, and vehicles used by the company generate sales tax revenue for the city.

Tenant Improvements. Commercial development can generate construction sales tax over time due to ongoing and/or periodic tenant improvements. The level of tenant improvement spending will depend on the types of companies that lease space and the rate of tenant turnover. As mentioned above, the shift to hybrid work means many employees do not visit their workplace every day and offices may have excess space. A company may choose to modify its space to offer drop-in workstations or more collaborative space for when employees do visit the office. Employers may also elect to use a smaller footprint, and the building owner could offer space to a new tenant after completing tenant improvements.

Tenant improvements also generate permit revenue for the city. A permit and associated fee are required for a change to the tenant interior space of a new or existing building and the initial buildout of a new tenant space, Permit fees are set to the reflect to the cost to the city so revenue would be balanced by costs.

Residential development generates spending from household purchases, recreational spending, and leased vehicles.

Household Purchases. Residents generate taxable sales through the purchase of items for the household, such as consumables, appliances, and décor, and through purchases for people in the household, such as clothing or electronics. Adding more housing units could also increase the amount of retail sales tax. Given Bellevue's ample retail offerings and the rise of online shopping that charges sales tax based on the delivery address, it is likely that a substantial share of the retail sales generated by new residents would be captured

within the City of Bellevue. The development of more mixed use retail in Neighborhood Centers may lead people to visit retail near their home, within walking distance.

Recreational Spending. Residents also spend on recreational activities and personal services, such as a gym membership or eating at a restaurant. Creating a walkable community with both residences and retail makes consumers more likely to recreate and spend near their home.

Leased Vehicles. Many people lease a vehicle for personal use instead of purchasing one. Sales tax is charged on a leased vehicle based on the primary residence of the lessee, so each new resident who leases a vehicle would generate tax revenue for the City of Bellevue.

FISCAL IMPACTS

Sales Tax

As described above, sales tax revenue is the biggest revenue source for the city's General Fund, comprising 28 percent of budgeted revenue in the 2023–2024 biennium. Sales tax is a volatile revenue stream that can vary based on the economic climate. Sales tax decreased significantly as the pandemic closed the economy. Most components of the city's sales tax have recovered to pre-pandemic levels, but some sectors (such as food, drink, and accommodations) are forecasted to recover to pre-pandemic levels in 2023 (City of Bellevue 2022).

Sales tax revenue is generated from taxable sales of goods occurring within the city's boundaries, expenditures by households and businesses (including purchases of goods delivered to addresses within the city, such as from online retailers), and development activity. Differences in sales tax revenue between the No Action Alternative and Alternatives 1, 2, and 3 will stem from two components: sales tax on construction (one-time and ongoing), and ongoing sales tax from purchases.

One-Time and Ongoing Construction Expenditures

Development comprises a historically large proportion of Bellevue's sales tax collections. The initial construction of development generates sales tax for the full cost of supplies, material, and labor used in construction. Rider Levett Bucknall's (RLB) *Fourth Quarter 2022 Quarterly Construction Cost Report* provides the average cost of construction in the Seattle metro area for office, retail, and residential construction and allows us to estimate the range of impacts for the different alternatives.

RLB states the average cost of building prime office space is $315 to $585 per square foot; the cost of building multi-family units is $245 to $415 per square foot; and the cost of building retail space is $235 to $375 per square foot. Using the midpoint point of these ranges, **Table 1-7** shows how construction under the buildout scenario for each alternative may translate into construction-related sales tax revenues to the city. This is the potential sales tax impact from new construction under the buildout scenarios; these revenues are not likely to be collected during the planning horizon. **Table 1-8** shows the estimated impact under the buildout scenarios for the Wilburton study area.

TABLE 1-7 **Estimated Sales Tax Revenues from Construction under Buildout, City of Bellevue**

	Office	Multi-family	Retail	Total
Cost per SF	**$450**	**$330**	**$305**	**—**
NO ACTION ALTERNATIVE				
Square Feet	31,885,529	40,857,600	2,314,815	***75,057,944***
Cost	$14,348,488,050	$13,483,008,000	$706,018,575	***$28,537,514,625***
Sales Tax Revenue	$109,765,934	$103,145,011	$5,401,042	***$218,311,987***
ALTERNATIVE 1				
Square Feet	34,424,953	50,740,224	2,200,529	***87,365,706***
Cost	$15,491,228,850	$16,744,273,920	$671,161,345	***$32,906,664,115***
Sales Tax Revenue	$118,507,901	$128,093,695	$5,134,384	***$251,735,980***
ALTERNATIVE 2				
Square Feet	33,926,559	63,270,912	2,296,212	***99,493,683***
Cost	$15,266,951,550	$20,879,400,960	$700,344,660	***$36,846,697,170***
Sales Tax Revenue	$116,792,179	$159,727,417	$5,357,637	***$281,877,233***
ALTERNATIVE 3				
Square Feet	38,477,295	81,868,800	3,443,450	***123,789,545***
Cost	$17,314,782,750	$27,016,704,000	$1,050,252,250	***$45,381,739,000***
Sales Tax Revenue	$132,458,088	$206,677,786	$8,034,430	***$347,170,303***

SOURCES: Prepared by BERK based on data provided by the City of Bellevue and the Rider Levett Bucknall North America Quarterly Construction Cost Report

ABBREVIATION: SF = square feet.

NOTES: The City of Bellevue collects 0.85% of the total sales tax rate charged on a purchase. Estimated sales tax revenue assumes 90% of construction cost is taxable.

TABLE 1-8 **Estimated Sales Tax Revenues from Construction under Buildout, Wilburton Study Area**

	Office	Multi-family	Retail	Total
Cost per SF	**$450**	**$330**	**$305**	**—**
NO ACTION ALTERNATIVE				
Square Feet	567,015	264,192	142,914	***974,121***
Cost	$255,156,750	$87,183,360	$43,588,770	***$385,928,880***
Sales Tax Revenue	$1,951,949	$666,953	$333,454	***$2,952,356***
ALTERNATIVE 1				
Square Feet	9,704,488	9,434,112	464,796	***19,603,396***
Cost	$4,367,019,600	$3,113,256,960	$141,762,780	***$7,622,039,340***
Sales Tax Revenue	$33,407,700	$23,816,416	$1,084,485	***$58,308,601***
ALTERNATIVE 2				
Square Feet	7,716,532	14,548,992	360,417	***22,625,941***
Cost	$3,472,439,400	$4,801,167,360	$109,927,185	***$8,383,533,945***
Sales Tax Revenue	$26,564,161	$36,728,930	$840,943	***$64,134,035***
ALTERNATIVE 3				
Square Feet	9,900,490	14,597,120	468,727	***24,966,337***
Cost	$4,455,220,500	$4,817,049,600	$142,961,735	***$9,415,231,835***
Sales Tax Revenue	$34,082,437	$36,850,429	$1,093,657	***$72,026,524***

SOURCES: Prepared by BERK based on data provided by the City of Bellevue and the Rider Levett Bucknall North America Quarterly Construction Cost Report

ABBREVIATION: SF = square feet.

NOTES: The City of Bellevue collects 0.85% of the total sales tax rate charged on a purchase. Estimated sales tax revenue assumes 90% of construction cost is taxable.

Table 1-9 shows how construction to meet the city's jobs and housing targets may translate into construction-related sales tax revenues. The amount of office and retail square feet is determined by estimating the percentage of office and retail jobs in each alternative and applying that to the target. The amount of multifamily square feet is the same in this estimate because each alternative would add capacity to meet the housing target. There is a little difference between these estimates, but these figures are more likely to be realized during the planning horizon than the buildout estimates.

The range of construction costs for each development type is wide, and therefore final construction estimates could vary significantly from the above. In addition, high rise commercial and residential will cost more to construct than low rise commercial or duplexes and garden style apartments. The former would result in more construction sales tax. Using the midpoint results shows the difference in relative construction costs under the four alternatives.

- For the city, Alternative 3 would likely generate the highest construction spending and the highest resulting sales tax revenue due to having more building space to construct compared to other alternatives.
- Similarly, for the Wilburton study area, Alternative 3 would likely generate the highest construction spending and the highest resulting sales tax revenue due to having more building space to construct compared to the other alternatives.
- Ongoing sales tax from construction will also be generated by improvements and renovations. Office space can have ongoing and periodic tenant improvements when leases change hands. Residential uses would likely generate less in terms of ongoing construction activity, as it is limited to unit-by-unit improvements such as investments in new carpeting, bathroom or kitchen remodels, and other smaller scale contracting activities.

Retail Sales

Per Department of Revenue (DOR) data (**Table 1-10**), the city's taxable retail sales are concentrated in the Retail Trade sector (31.7 percent) and the Construction sector (24.9 percent). Construction makes up a significant portion of sales tax in Bellevue. Bellevue's construction trends tend to move with the region but are somewhat unique due to the fast growth in the BelRed and Downtown areas (City of Bellevue Preliminary Budget, 2023–2024).

Based on the above data and the current retail square feet in the city, current taxable retail sales per square foot is $486. Typically, sales tax revenues scale with retail square footage. Compared to existing conditions, the No Action Alternative could result in approximately 2,314,815 more square feet of retail space, Alternative 1 approximately 2,200,529 more square feet of retail space, Alternative 2 approximately 2,296,212 more square feet of retail space, and Alternative 3 approximately 3,443,450 more square feet of retail space. The No Action Alternative could result in about 41 percent more retail space over existing conditions so retail sales tax revenue may be approximately 41 percent more than current collections. Alternative 1 could result in about 39 percent more retail space, Alternative 2 could result in 41 percent more retail space, and Alternative 3 could result in 62 percent more retail space compared to existing conditions. It is likely that sales tax revenue may be approximately 39 percent more under Alternative 1, 41 percent more under Alternative 2, and 62 percent more under Alternative 3 than current collections.

TABLE 1-9 **Estimated Sales Tax Revenues from Construction To Meet Jobs and Housing Targets, City of Bellevue**

	Office	Multi-family	Retail	Total
Cost per SF	**$450**	**$330**	**$305**	**—**
NO ACTION ALTERNATIVE				
Square Feet	15,009,208	35,840,000	2,695,242	***53,544,450***
Cost	$6,754,143,676	$11,827,200,000	$822,048,879	***$19,403,392,555***
Sales Tax Revenue	$51,669,199	$90,478,080	$6,288,674	***$148,435,953***
ALTERNATIVE 1				
Square Feet	15,165,313	35,840,000	2,265,895	***53,271,207***
Cost	$6,824,390,639	$11,827,200,000	$691,097,883	***$19,342,688,522***
Sales Tax Revenue	$52,206,588	$90,478,080	$5,286,899	***$147,971,567***
ALTERNATIVE 2				
Square Feet	14,659,608	35,840,000	2,275,769	***52,775,377***
Cost	$6,596,823,579	$11,827,200,000	$694,109,473	***$19,118,133,052***
Sales Tax Revenue	$50,465,700	$90,478,080	$5,309,937	***$146,253,718***
ALTERNATIVE 3				
Square Feet	14,983,745	35,840,000	2,381,280	***53,205,025***
Cost	$6,742,685,104	$11,827,200,000	$726,290,514	***$19,296,175,618***
Sales Tax Revenue	$51,581,541	$90,478,080	$5,556,122	***$147,615,743***

SOURCES: Prepared by BERK based on data provided by the City of Bellevue and the Rider Levett Bucknall North America Quarterly Construction Cost Report

ABBREVIATION: SF = square feet

NOTES: The City of Bellevue collects 0.85% of the total sales tax rate charged on a purchase. Estimated sales tax revenue assumes 90% of construction cost is taxable.

TABLE 1-10 **Taxable Retail Sales by Sector, 2021**

2-Digit NAICS	Sector	Estimated Taxable Retail Sales	Percent of Total Revenues
22	Utilities	$1,012,504	0.0%
23	Construction	$2,345,902,727	24.9%
31	Manufacturing	$13,097,447	0.1%
32	Manufacturing	$22,360,658	0.2%
33	Manufacturing	$62,261,662	0.7%
42	Wholesale Trade and Transportation and Warehousing	$476,293,789	5.1%
48	Wholesale Trade and Transportation and Warehousing	$5,482,293	0.1%
49	Wholesale Trade and Transportation and Warehousing	$44,321,829	0.5%
44	Retail Trade: Motor Vehicles and Gas, Furniture, Electronics, Building Materials, Food, Health	$2,979,045,251	31.7%
45	Retail Trade: Sporting Goods, General Merchandise, Misc.	$934,397,606	9.9%
51	Information	$379,762,869	4.0%
52	Finance and Insurance	$91,402,106	1.0%
53	Real Estate and Rental and Leasing	$131,576,860	1.4%
54	Professional, Scientific, and Technical Services	$503,293,771	5.3%
55	Management of Companies and Enterprises	$311,217	0.0%
56	Admin & Support & Waste Management & Remediation Services	$543,775,965	5.8%
61	Educational Services	$11,857,999	0.1%
62	Health Care and Social Assistance	$9,781,767	0.1%
71	Arts, Entertainment, and Recreation; Accommodation and Food Services	$70,997,219	0.8%
72	Arts, Entertainment, and Recreation; Accommodation and Food Services	$612,398,261	6.5%
81	Other Services (Except Public Administration)	$170,467,385	1.8%
	Total	***$9,409,801,185***	***100.0%***

SOURCES: Prepared by BERK based on data from the Washington Department of Revenue.

ABBREVIATION: NAICS = North American Industry Classification System

NOTES: NAICS is a standard used by federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy (U.S. Census Bureau 2022).

Differences in Taxable Retail Sales Generated by Office and Residential Properties

Beyond retail space, the No Action Alternative could result in approximately 32 million square feet of office space and approximately 39,864 housing units over existing conditions. Alternative 1 could result in 34 million square feet of office space and 49,504 housing units, Alternative 2 could result in 34 million square feet of office space and 61,729 housing units, and Alternative 3 could result in 38 million square feet of office space and 79,684 housing units over existing conditions.

Section 2.3.1, *Economic Impacts*, lays out the different ways that office and residential development affect spending. The alternatives could result in more spending compared to the No Action Alternative, which may create far fewer new jobs. The extent of sales tax generated depends on the types of companies that lease the new office space. Companies that purchase a high level of supplies, such as paper or computers, or lease multiple vehicles for their fleet will generate more sales tax than a company with negligible need for physical operations support, such as a call center.

Property Tax

Property tax is another important revenue source for the city. For the 2023–2024 biennium, property tax revenues are budgeted at 16 percent of General Fund revenues (City of Bellevue Preliminary Budget, 2023–2024). When a new building is constructed, the city can add that assessed value (AV) to its tax rolls and collect revenues on it. In this way, AV from new construction is the only way for a jurisdiction to increase its property tax revenues by more than 1 percent per year without increasing its property tax levy. The impact of the alternatives on property tax collected will therefore be the difference between the AV of the development under the No Action Alternative and under the different Action Alternatives.

Assessed value depends on both the assessed value of land and on improvements (buildings). Broadly speaking, assessed land values in King County are generated based on a complex valuation model that considers land sales of properties with the same zoning or with similar development potential. The model also uses location influence and lot size as an indicator for setting land values, and makes some adjustments based on individual site variations.

In its 2020 Commercial Area Reports for Bellevue and SE Lake Washington, the King County Department of Assessments assigns a land value to the city's zoning designations. The land values per square foot by zoning designation and neighborhood are shown in **Table 1-11**. The King County Department of Assessments organizes data into different geographies than the city's defined neighborhoods.

The No Action Alternative would continue the current plan with growth focused in Downtown and BelRed Mixed Use Centers. Redevelopment would be more likely to occur in these areas than in other neighborhoods. In the Wilburton study area, there would be no policy, zoning, or regulation changes. Typical land values for parcels likely to redevelop in the Wilburton study area may remain in the $65–$150 per square foot range (the BR-GC and GC zones).

TABLE 1-11 **Land Values per Square Foot by Zoning Generalized Category and Neighborhood, 2020**

Generalized Category	CBD South	Old Bellevue	Crossroads	CBD North	Midlakes	NW Bellevue	SW Bellevue	South Bellevue	East Bellevue
Single Family (R-1, R-1.8, R-2.5, R-3.5, R-4, R-5, R-7.5)	$22		$14-$35	$40-$70	$12-$40	$35-$85	$5-$50	$2-$62	$2.5-$35
Multifamily (R-10, R-15, R-20, R-30)	$75-$225		$30-$50	$60-$400	$30-$60	$85-$160	$6-$100	$10-$52	$19-$34
Office (O, OLB, OLB 2, OLB-OS, PO, DT-O-1, DT-O-2, DT-OLB, BR-MO, BR-MO-1, BR-OR, BR-OR-1, BR-OR-2, BR-ORT, EM-TOD-H, EM-TO-L, F2, F3)	$125-$625	$425-$450	$50-$75	$75-$600	$50-$125	$65-$165	$55-$85	$23-$55	$33-$57
Commercial (CB, GC, NB, NMU, DT-MU, DT-OB, BR-CR, BR-GC, F1)	$350-$585		$90-$100	$350-$475	$65-$150	$70-$150	$60-$65	$23-$55	$33-$57
Industrial (L1)								$19-$27	
Evergreen Highlands (EH)			$60						

SOURCES: Prepared by BERK based on data from the King County Department of Assessments

NOTES: Midlakes includes the Wilburton study area. CBD is the Central Business District.

Under Alternative 1, there would be capacity for an additional 40 million square feet of commercial development in the city, with mixed use growth focused on current growth areas of Downtown, East Main, and BelRed and with a renewed focus on Wilburton, Crossroads, Eastgate, and Factoria. Under Alternative 1, there would be capacity for an additional 15 million square feet of commercial development in the Wilburton study area, with growth focused on the core of the study area. Land zoned as office space in South and East Bellevue is valued at $23–$57 per square foot. Mixed use development in these additional areas (Eastgate and Factoria) will likely increase land values.

Under Alternative 2, there would be capacity for growth citywide in both Mixed Use Centers and in areas with good access to transit/jobs and to Neighborhood Centers. This alternative would focus growth in the Wilburton study area in a mixed used core like Alternative 1 as well as edges of the study area. Alternative 2 designates more area for residential use compared to Alternative 1. Alternative 2 provides a denser mix of uses within existing Neighborhood Centers. As land gets zoned for more dense residential use and mixed use development, its value is likely to increase. Research has shown that targeted rezoning for more density has resulted in higher property costs.

Property values are likely to increase under Alternative 3 as well, which focuses capacity for growth citywide in Mixed Use Centers, particularly in areas of high opportunity (good access to transit/jobs or near Neighborhood Centers). The Wilburton study area would be transformed into a Mixed Use Center around the transit station with growth in the core and secondary nodes.

Alternatives 1, 2, and 3, with the higher capacity for new construction, would add to the city's total assessed value and total property tax collections. Alternative 3 assumes more multi-family residential development than the other alternatives. Multi-family residential development can take advantage of financial incentives, including a property tax exemption. If a large share of projects were to receive an exemption, this would have a short-term negative impact on total property tax collections for the city.

Other Taxes

As mentioned above, the city also collects B&O taxes and utility taxes from business owners and residents. The growth in commercial space may allow for new business creation, which would increase B&O tax collections. New residential and commercial development could increase utility tax collections. Office buildings use significant amounts of electricity and use telecom services. Residential buildings are also heavy users of utilities. Alternatives 1, 2, and 3 may have more combined retail, office, and residential development than the No Action Alternative, so they could generate more revenue from these taxes.

SUMMARY IMPACT OF EACH ALTERNATIVE

The growth targets are the same for all alternatives. A similar amount of growth is expected by 2044 with all of the action alternatives and would have a similar economic impact. The No Action Alternative may not have enough capacity to meet all of the housing requirements.

Impacts of the No Action Alternative

In terms of fiscal impacts for the city, the No Action Alternative under buildout could have a comparatively smaller benefit than the other alternatives given the lower level of construction-related sales tax and lower capacity for multi-family residential development. In the Wilburton study area, the No Action Alternative

would have a comparatively smaller benefit than the other alternatives. In this alternative, capacity for commercial square feet and jobs is smaller than in other alternatives, which results in less new revenue from sales and other taxes.

Impacts of Alternative 1

Under buildout, Alternative 1 has capacity for 6 percent more commercial square feet and 21 percent more jobs than the No Action Alternative. In terms of fiscal impacts, Alternative 1 could have a comparatively higher benefit than the No Action Alternative given the higher level of estimated construction-related sales tax. Compared to the No Action Alternative, Alternative 1 would include requirements and incentives for affordable housing, so while there is a higher capacity for new housing units, some new residential construction would have a lower cost than high rise development. Depending on what gets constructed, the associated sales tax may be similar to the No Action Alternative. Alternative 1 has capacity for a similar amount of additional retail space as the No Action Alternative and Alternative 2, so could have a similar level of retail sales tax as these two alternatives. Under buildout in the Wilburton study area, new construction would bring in sales tax and likely increase property values.

Impacts of Alternative 2

Under buildout, Alternative 2 has capacity for slightly fewer jobs than Alternative 1 but 15 percent more multi-family housing units. In terms of fiscal impacts, Alternative 2 could have a more favorable impact than Alternative 1 due to higher construction-related sales tax from multi-family development. This alternative would allow lower-density housing types across the city. While this type of construction costs less and would result in less construction-related sales tax, the number of new units built may still result in a higher total amount of sales tax revenue than the No Action Alternative and Alternative 1. More residents could result in more retail sales tax captured locally. The estimated total wages are lower than Alternative 1. Under buildout in the Wilburton study area, there would be capacity for less commercial square feet of development but more multi-family housing units than in Alternative 1. Construction sales tax associated with this development could be higher.

Impacts of Alternative 3

Under buildout, Alternative 3 has capacity for 7 to 9 percent more total commercial square feet and 7 percent more jobs than Alternatives 1 and 2. There is capacity for the highest increase in retail space compared to existing conditions among the alternatives. In terms of fiscal impacts, Alternative 3 could have a comparatively higher benefit than the other alternatives. The construction-related sales tax is estimated to be higher due to capacity for more commercial and multi-family residential development. Like Alternative 2, the number of new units built may result in more sales tax even though development will be a mix of high- and low-density types. Overall wages are estimated to be higher due to capacity for more jobs. Under buildout in the Wilburton study area, there could be a similar impact on retail sales tax as Alternative 1 and more construction sales tax than other alternatives because of capacity for more multi-family development.

Table 1-12 provides a summary of the fiscal impact for each alternative. The terms used here— “high,” “medium,” and “low”—reflect how the alternatives compare when considering them together. In many cases, the impact in a certain category is similar across the alternatives.

TABLE 1-12 **Summary Potential Impacts of Alternatives under a Buildout Scenario**

Fiscal Impact	Citywide				Wilburton Study Area			
	No Action	Alt 1	Alt 2	Alt 3	No Action	Alt 1	Alt 2	Alt 3
Construction sales tax	●	●	●	▲	▲	●	●	▲
Retail sales tax	●	●	●	▲	▲	▲	●	▲
Total wages	▲	●	●	▲	▲	▲	●	▲
Property values	●	▲	▲	▲	▲	▲	●	▲

▲ = high impact ● = medium impact ▲ = low impact

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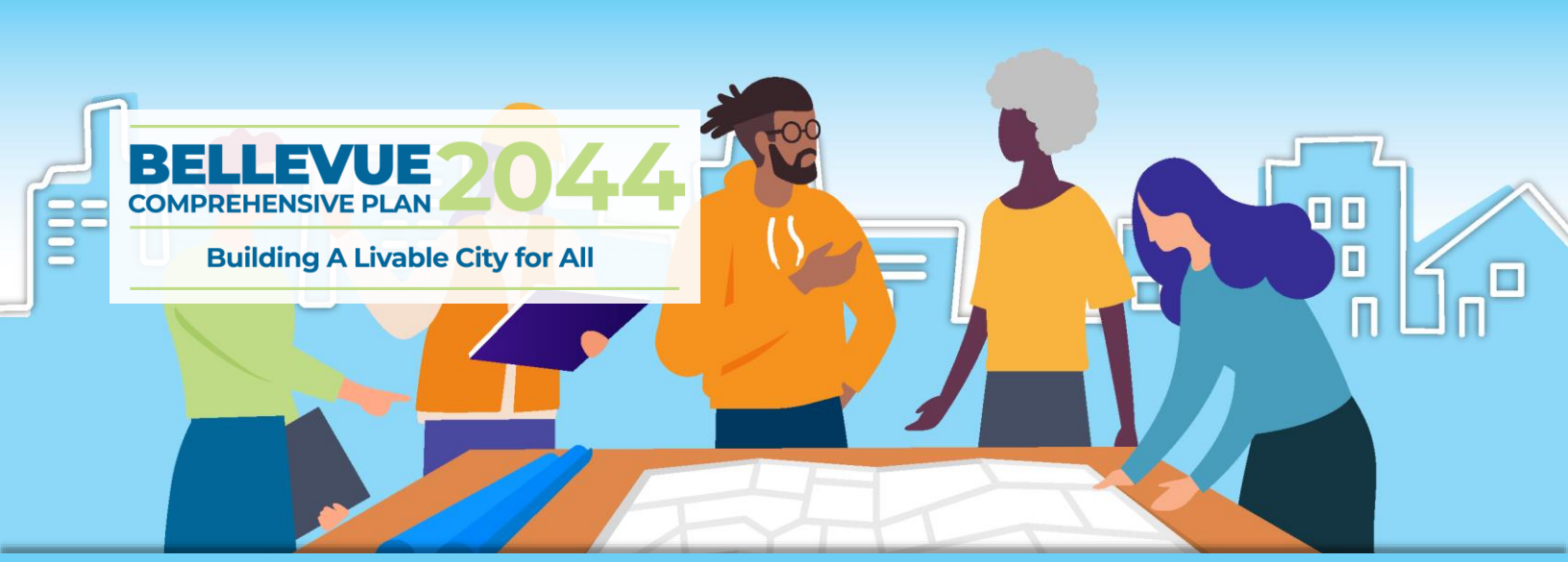


SECTION 2 Commercial Viability Analysis

2.1 Introduction and Background

2.1.1 Introduction

Bellevue's Comprehensive Plan provides goals, policies, and strategies to ensure the city is a livable, welcoming, and vibrant place that maintains a high quality of life as the community grows over the next 20 years. The Comprehensive Plan looks ahead to the challenges Bellevue needs to address and the opportunities to ensure all people can thrive. The proposal evaluated in the Comprehensive Plan Environmental Impact Statement (EIS) includes Bellevue's Comprehensive Plan Periodic Update for the period 2024–2044, a land use plan and implementing regulations for the Wilburton study area, and other coordinating updates to development regulations to meet state and regional goals and requirements.

This second part of the Economics Report supplements the population and employment analysis in the first part (Part 1: Economic Analysis) with a discussion of and framework for planning and evaluating the commercial viability of new or changing commercial nodes outside of the Mixed Use Centers, particularly focusing on Neighborhood Centers of various scales. The report first defines Neighborhood Centers and identifies where in Bellevue they are located. The report then presents information about the four alternatives in the Comprehensive Plan Periodic Update, specific to Neighborhood Centers. The report describes typical characteristics of Neighborhood Centers; goals, objectives, and performance measures that may be applied to Neighborhood Centers. Finally, the report presents recommendations related to maximizing the potential for commercially successful Neighborhood Centers, both existing and future. The Wilburton study area is discussed within the context of citywide Neighborhood Centers and other commercial areas.

2.1.2 Background

The City of Bellevue defines Neighborhood Centers as commercial areas within predominantly residential areas of the city. Neighborhood Centers in Bellevue, although primarily commercial (non-residential use), contain land use types including commercial/mixed use, office, other residential, civic/community centers, parking, vacant, right-of-way/utilities/easements, and parks/recreation/open space. This section describes the objectives in the Comprehensive Plan Periodic Update related to economics and to new and changing Neighborhood Centers. Citywide objectives of the Comprehensive Plan Periodic Update specifically related to economics include:

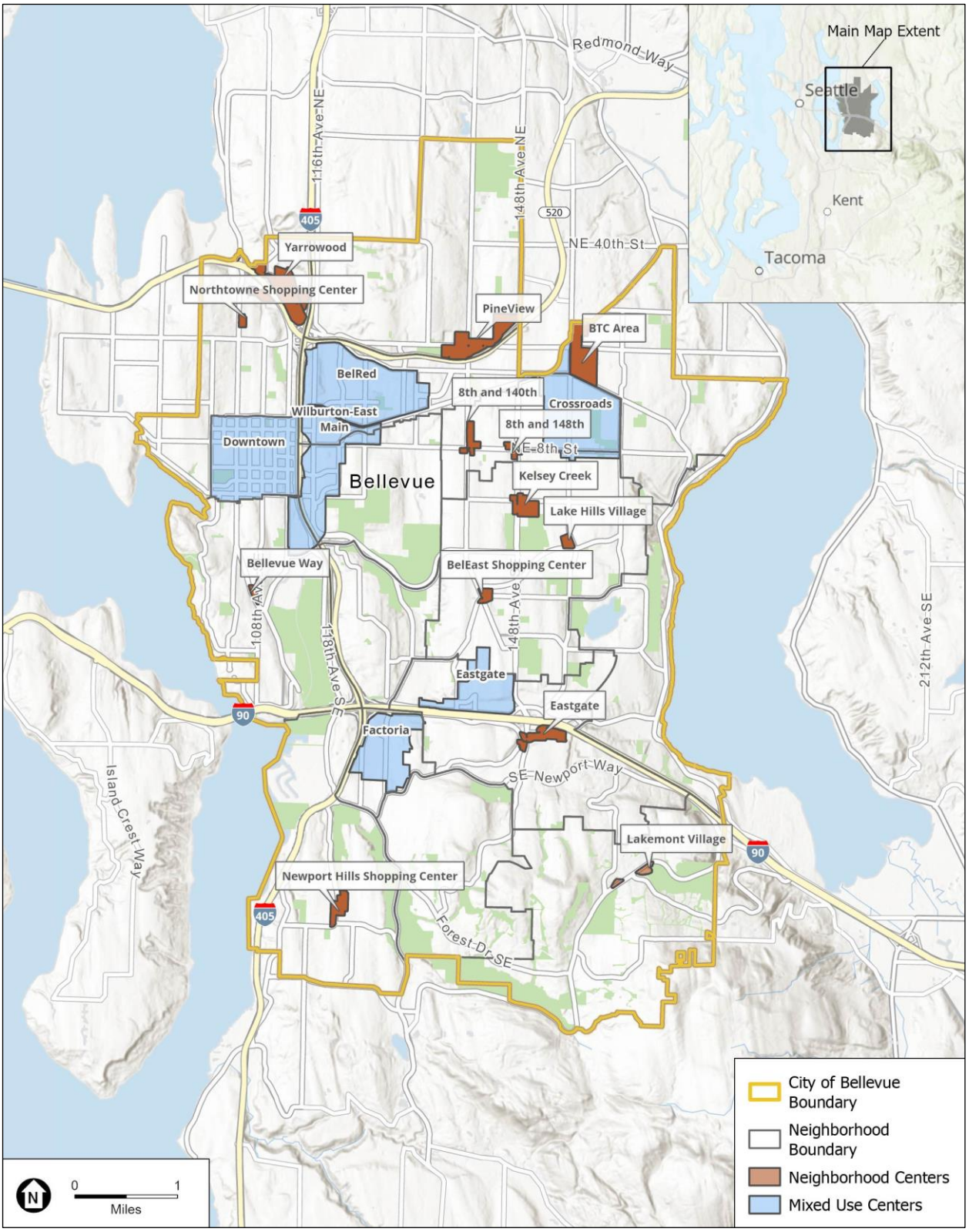
- Plan for residential neighborhoods that support equitable access to *economic opportunity*.
- Support *small and locally owned businesses*.
- Focus *housing and job growth* in places that have good access to a variety of transportation options.
- Enhance access to stores, cafes, services, and other amenities *close to home*.

The City of Bellevue identifies 13 existing Neighborhood Centers: Yarrowood, Northtowne Shopping Center, PineView, Bellevue Technology Center (BTC) Area, NE 8th Street and 140th Avenue NE, NE 8th Street and 148th Avenue NE, Kelsey Creek, Lake Hills Village, BelEast Shopping Center, Bellevue Way, Eastgate, Newport Hills Shopping Center, and Lakemont Village (see **Figure 2-1**). Neighborhood Centers are centers of commercial activity in areas that are mostly residential. Their boundaries are defined by the commercial uses and most contain no housing.

Yarrowood, PineView, and Eastgate are located along major freeways (SR 520, I-405, and I-90), while others, including Newport Hills Shopping Center and Lake Hills Village, are away from major transportation routes. The BTC Area is the only Neighborhood Center adjacent to a Mixed Use Center. Northtowne Shopping Center, Lake Hills Village, and Lakemont Village are commercial/mixed use only. Mixed Use Centers, as opposed to Neighborhood Centers, in Bellevue are larger and include Downtown, Wilburton-East Main, BelRed, Crossroads, Factoria, and Eastgate.[1] Mixed Use Centers can fulfil the role of a Neighborhood Center for residents that live within them or nearby (**Figure A-1** in Attachment A).

Bellevue's Comprehensive Land Use Plan Map (**Figure A-2** in Attachment A) shows land use designations existing today under Alternative 0, the No Action Alternative. Neighborhood Center boundaries are defined by the location of current commercial uses in all alternatives. Alternative 1 does not make land use changes based on the location of Neighborhood Centers. Alternatives 2 and 3, in contrast, propose allowing multi-family residential and mixed use buildings within Neighborhood Centers, and Alternative 3 proposes allowing multi-family residential within walking distance of Neighborhood Centers. The purpose of allowing more residential in these Neighborhood Centers is to increase the capacity and diversity of housing types across the city and to strengthen the viability of retail and service uses in the Neighborhood Centers by expanding their customer base.

1 Note that the Wilburton-East Main Mixed Use Center boundaries are different than those for the Wilburton study area analyzed in the EIS.



SOURCE: Prepared by ESA based on data provided by the City of Bellevue.

FIGURE 2-1 **Neighborhood Centers**

Alternative 2 allows a greater mix of uses within existing Neighborhood Centers than Alternatives 0 and 1, with an emphasis on neighborhood-scale retail, services, and housing. Alternative 2 also allows a greater variety of building types within Neighborhood Centers, including 4- to 10-story mixed use or apartment buildings, as well as townhomes. Under Alternative 2, affordable housing would be incentivized yet voluntary.

Alternative 3 encourages the creation of a framework for establishing new Neighborhood Centers in areas that currently lack convenient access to essential services. It also expands housing capacity by allowing townhomes and small multi-family residential buildings within walking distance around Neighborhood Centers. Under Alternative 3, affordable housing would be mandatory in Mixed Use Centers yet voluntary in Neighborhood Centers.

As shown in **Table 2-1**, Neighborhood Centers would accommodate the following:

- **Additional housing** (100 units for Alternative 0; 100 units for Alternative 1; 1,600 units for Alternative 2, and 1,800 units for Alternative 3).
- **Additional jobs** (2,900 jobs for Alternative 0; 2,800 for Alternative 1; and 3,800 for Alternatives 2 and 3).

TABLE 2-1 **Housing and Job Capacity by Alternative, Citywide**

Location	Housing				Jobs			
	Alt 0	Alt 1	Alt 2	Alt 3	Alt 0	Alt 1	Alt 2	Alt 3
Citywide	41,000	59,000	77,000	95,000	124,000	179,000	177,000	200,000
Mixed Use Centers	31,500	45,900	52,600	60,900	119,500	171,200	168,500	184,500
Neighborhood Centers	100	100	1,600	1,800	2,900	2,800	3,800	3,800
Within ¼ mile of Neighborhood Centers	3,200	3,300	3,900	4,900	1,000	1,000	1,000	1,000
Transit-Proximate Areas	17,900	26,300	34,100	36,800	85,300	123,100	124,000	133,000
Low-Density Residential	3,700	4,500	7,100	14,600	(200)	(200)	(200)	(200)

SOURCE: Prepared by BERK based on data provided by the City of Bellevue.

NOTES: Capacity estimates are rounded to the nearest 1,000 citywide and 100 for geographic subareas. The actual pace of growth could differ or be less than what is shown.

Neighborhood Centers currently account for 6.3 percent of the commercial space in the city, 6.2 percent of jobs, and 0.3 percent of housing units (2019 baseline). Under the No Action Alternative, the share of city commercial space and jobs within Neighborhood Centers is expected to decrease by approximately 2 percent, while the share of housing within Neighborhood Centers is expected to increase slightly (**Table 2-2**) compared to the 2019 baseline conditions. This is because much more commercial capacity is added to Mixed Use Centers than Neighborhood Centers, not because there is a net decrease in commercial capacity in Neighborhood Centers. The Action Alternatives primarily propose adding housing capacity in and around the Neighborhood Centers, increasing the opportunities for housing for employees and customers close to jobs and commercial services.

TABLE 2-2 **Housing and Job Capacity in and near Neighborhood Centers**

Component	In Neighborhood Centers	Within ¼ Mile of Neighborhood Centers	Citywide Total
COMMERCIAL SF [MILLIONS] (% OF CITYWIDE)			
2019 Baseline	3.2 (6.4%)	1.0 (2.0%)	***50.7***
Alternative 0 (No Action)	4.3 (4.8%)	1.1 (1.2%)	***90.7***
Alternative 1	4.3 (3.9%)	1.1 (1.0%)	***109.2***
Alternative 2	4.8 (4.4%)	1.1 (1.0%)	***109.0***
Alternative 3	4.8 (4.0%)	1.1 (0.9%)	***118.0***
JOBS (% OF CITYWIDE)			
2019 Baseline	8,645 (6.3%)	942 (0.7%)	***137,722***
Alternative 0 (No Action)	11,536 (4.4%)	983 (0.4%)	***262,485***
Alternative 1	11,414 (3.6%)	983 (0.3%)	***316,630***
Alternative 2	12,427 (3.9%)	982 (0.3%)	***314,878***
Alternative 3	12,397 (3.7%)	982 (0.3%)	***338,112***
HOUSING UNITS (% OF CITYWIDE)			
2019 Baseline	156 (0.2%)	3,002 (4.7%)	***64,372***
Alternative 0 (No Action)	267 (0.3%)	3,219 (3.1%)	***104,906***
Alternative 1	273 (0.2%)	3,268 (2.6%)	***123,488***
Alternative 2	1,761 (1.3%)	3,891 (2.8%)	***140,708***
Alternative 3	1,908 (1.2%)	4,878 (3.1%)	***158,890***

SOURCE: Prepared by BERK based on data provided by the City of Bellevue.

ABBREVIATIONS: SF = square feet

In Alternative 1, capacity for growth would be located in Downtown Bellevue, BelRed, and Wilburton primarily, and Neighborhood Centers' shares of commercial space and jobs would be about 1 percent less than the No Action Alternative. Housing capacity in Neighborhood Centers would increase but the share of citywide housing capacity would be slightly lower than under the No Action Alternative. The result would be capacity for slightly more housing units relative to commercial capacity.

Under Alternative 2, with housing and job capacity spread more evenly throughout the city, the share of commercial space and job capacity in Neighborhood Centers would be about 0.5 percent less than the No Action Alternative, while the share of housing capacity in Neighborhood Centers would increase by 1 percent compared to the No Action Alternative. Under Alternative 2, there would be a substantial increase in the capacity for housing units within Neighborhood Centers relative to the capacity for jobs compared to the No Action Alternative and Alternative 1.

Under Alternative 3, the share of commercial space and job capacity in Neighborhood Centers would be less than under Alternative 2, and the share of housing capacity in Neighborhood Centers would be slightly less than Alternative 2. Under Alternative 3, the capacity for housing units relative to the capacity for jobs is similar to Alternative 2, reflecting the increase in both of these alternatives of housing units within Neighborhood Centers compared to the No Action Alternative and Alternative 1. Alternative 3 has capacity for more housing units relative to capacity for jobs than Alternative 2 when the area within walking distance is included.

In summary, of the three Action Alternatives, Alternative 1 would be most similar to the No Action Alternative for both jobs and housing in Neighborhood Centers. Alternative 2 would add capacity for an additional 451,538 commercial square feet (capacity for an additional 891 jobs) to Neighborhood Centers compared to the No Action Alternative. Alternative 3 would add capacity for an additional 447,414 square feet (capacity for an additional 861 jobs). Alternative 2 would add capacity for an additional 1,494 housing units within Neighborhood Centers compared to the No Action Alternative. Alternative 3 would add capacity for an additional 1,641 housing units with Neighborhood Centers and capacity for an additional 1,876 housing units within walking distance of Neighborhood Centers.

Housing capacity in and around Neighborhood Centers, as proposed in Alternatives 2 and 3, can help to meet growth targets as well as other planning goals.

2.1.3 Wilburton Study Area

The Wilburton study area evaluated in the EIS contains a variety of housing options as well as retail and commercial services for nearby residents. The Wilburton study area is entirely within a Mixed Use Center (the Wilburton-East Main Mixed Use Center) and therefore not a part of this analysis of Neighborhood Centers.

2.2 Successful Neighborhood Centers

2.2.1 Definition and Attributes

A successful Neighborhood Center can be defined in several ways. Successful Neighborhood Centers attract small businesses and anchor tenants, have low turnover rates, and support local businesses (MAKERS and Leland 2022). They are accessible to all, aesthetically cohesive, comfortable, welcoming, and safe, and offer diverse activities that encourage social interaction. Successful Neighborhood Centers provide economic opportunities in the neighborhood with services and shops; they are connected to a variety of transportation options, and have natural elements, gathering places, and opportunities for social connection. Neighborhood Centers often contain housing at various price points, enabling those who work in the center to live within the neighborhood. Housing also provides retail shops and services with the needed customer base to be successful and thrive. Successful Neighborhood Centers contain a mix of both private businesses and public facilities, such as community centers, libraries, and parks, creating a central hub of activity.

Successful Neighborhood Centers “anchor” a neighborhood giving it a unique identity and sense of place, allowing residents and visitors alike to build a shared history strengthening neighborhood cohesiveness.

Neighborhood Centers also support the physical health of neighborhood residents, employees, and the planet by making daily goods and services accessible by foot, increasing people's opportunities to walk or bike safely to run errands, find entertainment, or recreate. By clustering diverse activities together within an identifiable space, Neighborhood Centers create gravity that attracts more people than one business would alone, enabling businesses within a center to be more economically viable. Being destinations with robust levels of activity, successful Neighborhood Centers also enable more frequent transit service, further increasing access and transportation choices.

Small Neighborhood Centers can support equitable economic growth by providing more affordable commercial space, enabling entrepreneurs and startup businesses a point of entry. Often, Neighborhood Centers provide opportunities for minority and women-owned businesses and increase the number of jobs accessible by public transit, biking, and walking (ODOT 2021).

2.2.2 Considerations When Locating and Developing a Neighborhood Center

Questions the City of Bellevue may ask when deciding where and how to develop, redevelop, zone, or encourage a Neighborhood Center include the following, organized by type of study or effort:

Community Engagement

- What services do residents need that could be provided at the Neighborhood Center?
- Are key services needed in the neighborhood due to long distances to other similar services (e.g., health clinic, grocery store, bank branch, park)?
- What do nearby residents and employees want in a Neighborhood Center?

Market Analysis

- What is the demand for retail and commercial services in different areas of the city? What is the ratio of commercial or retail space to population in the city, and how does this compare to the same ratio in the neighborhood? If the neighborhood ratio exceeds the city ratio, this may be a sign of strong demand for commercial or retail space in the neighborhood (Fanning 2014).
- How do other nearby commercial centers (either Neighborhood Centers or Mixed Use Centers) play a role (e.g., what are the advantages and disadvantages of creating competition among centers or businesses)?
- What type and number of businesses could the neighborhood support?
- What are the results of a competitive location analysis, market analysis, and/or a highest and best use analysis for Neighborhood Center options within Bellevue? How does occupancy affect findings?
- What are the results of a per capita sales analysis, whereby retail sales per capita or per household data are analyzed and converted to a demand-for-space?

Demographic Analysis

- What population size is needed to support a Neighborhood Center (i.e., how many customers need to be within what distance for the commercial center to be viable)?
- What are income levels, spending patterns, and spending levels for those living or working within the *pedestrian shed* of the Neighborhood Center?
- Are there vulnerable or underrepresented populations nearby, and how can the Neighborhood Center be designed to promote equity and inclusion for those populations?

Pedestrian Shed

A pedestrian shed, or walkshed, is the geographic area that can be accessed by foot from a Neighborhood Center. Typically, it is considered to be everything within a ¼-mile radius of the Neighborhood Center.

Land Use and design

- Are form-based zoning or other mechanisms in place, or possible to implement, to create an aesthetic identity for the Neighborhood Center?
- What are the design considerations that help Neighborhood Centers remain economically successful (e.g., sidewalks, parking [amount and location], building arrangement, and orientation)?
- Are there existing pockets of residential use that are not within a pedestrian shed of a Neighborhood Center?
- Which locations offer the best current or future connections to transit?

Based on these questions and criteria, in addition to a review of best practices for measuring the success of Neighborhood Centers, example goals, objectives, and performance measures were developed to guide development of existing and future Neighborhood Centers. These goals, objectives, and performance measures are designed to guide economic and social success, acknowledging that Neighborhood Centers are intended to provide essential services but also represent neighborhood gathering places and build community cohesion.

2.2.3 Example Goals, Objectives, and Performance Measures

The following nine example goals and associated objectives and performance measures (**Table 2-3**) may assist the City of Bellevue in assessing the commercial viability of existing Neighborhood Centers. They may also prove useful in determining whether a nascent commercial area could be considered for development into a new Neighborhood Center. This list is not intended to be exhaustive. Additional goals, objectives, and performance measures focused on markets, community engagement, land use analysis, or demographic analysis may also help to provide an approach to Neighborhood Center development in Bellevue tailored to specific locations.

TABLE 2-3 **Example Goals, Objectives, and Performance Measures for Neighborhood Centers**

Goal	Objectives	Performance Measures	Metrics
1. Neighborhood Center supports equitable economic growth	Provide business ownership opportunities and improve job access for marginalized communities.[1]	1. Increase in Women/Minority Business Enterprises (WMBEs). 2. Increase in jobs in Neighborhood Centers accessible by public transit, biking, or walking.	Quantitative: • Percentage of residents who commute to jobs in Neighborhood Centers by mode (auto, transit, bike, and walk). • Commercial rent affordability and turnover of commercial space. Qualitative: • Do residents feel that they have improved/same/ decreased access to jobs based on changes in transit options? • Can businesses afford to stay where they are located and can new businesses choose where they want to locate, or is rent a major constraint? • Have new businesses replaced similar tenants, or have important services been lost or gained?
2. Growth of jobs in Neighborhood Center held by residents who live within the surrounding neighborhood	Sustain economic growth that is shared by all members of the community. Establish livable wages so that residents can afford to live in the place where they work.[2]	1. Overall increase in jobs. 2. Increase in jobs held by neighborhood residents.	Quantitative: • Average commute time. • Percent of residents with place of employment located within neighborhood vs. outside of neighborhood. • What hourly wage would Neighborhood Center employees have to make to afford to live in the neighborhood? Qualitative: • Can employees of Neighborhood Center businesses afford to live in the neighborhood where they work? • Would employees who live outside the neighborhood choose to live near the Neighborhood Center if they could afford to?

Goal	Objectives	Performance Measures	Metrics
3. Neighborhood Center has many businesses or attractions that contribute to local economic vitality	Advance economic opportunity and prosperity within the neighborhood. Create a retail area that attracts small businesses and anchor tenants.[3]	1. Low turnover in retail occupancy. 2. Balance of local/small businesses and retail chains.	Quantitative: • Total employment by industry sector. • Increase in business licenses/overall number of businesses in diversified sectors. • Number of commercial rent contract renewals. Qualitative: • Do residents feel that their Neighborhood Center is performing well or poorly compared to other Neighborhood Centers in Bellevue? • Do existing businesses feel that the Neighborhood Center is a good place to operate a business, and would they recommend starting a business there?[7]
4. Enhance pedestrian/ bicycle access to and within Neighborhood Centers	Increase walkability and enhance pedestrian/bike safety.[3]	1. Increase in pedestrian and/or bike activity. 2. Decrease in reported pedestrian or bike collisions. 3. Additions of bike lanes, traffic-calming strategies, and crossing signals/markings.	Quantitative: • Pedestrian and bike traffic counts. • Data on mode of transport to Neighborhood Center. Qualitative: • Do pedestrians and cyclists report feeling safer navigating the Neighborhood Center after improvements such as bike lanes or crossing signals were made?
5. The Neighborhood Center meets residents' core needs	Ensure residents can access the essential services and do not have to leave the neighborhood for routine needs like groceries, childcare, the library, parks, basic medical services, etc.[4]	1. Natural environment, public services, and physical infrastructure meet residents' basic needs. 2. Residents are able to access services within 15–minute walk or 5-minute drive.	Quantitative: • Distance, time, and mode traveled to buy groceries, access medical services, etc. Qualitative: • Do residents feel that they have everything they need within a 15-minute walk or 5-minute drive of where they live? • What services would residents most like to see in their neighborhood?

Goal	Objectives	Performance Measures	Metrics
6. The Neighborhood Center fosters a sense of social connectivity	Increase residents' sense of community and communal ownership of where they live.[4]	1. Residents have strong social connections/sense of community. 2. Neighborhood Center has businesses or community gathering places representing multiple cultures, age groups, etc.	Quantitative: • Number of businesses or cultural facilities (i.e., places of worship, schools, senior centers, etc.). • Number of minority-owned businesses. Qualitative: • Do residents feel that the Neighborhood Center is a central place for the community or communities to which they belong?
7. The Neighborhood Center contributes to surrounding neighborhood's sense of character	Amplify aspects of the neighborhood that make it unique, such as elements of the natural environment, cultural heritage, and social life.[4]	1. Identify distinct qualities, amenities, and things to do that give the neighborhood its sense of place. 2. Use creative placemaking efforts that involve residents and local artists and further distinguish why the neighborhood is unique.	Quantitative: • Update zoning code to reflect consistent design and streetscape throughout the neighborhood. Qualitative: • Have urban design and streetscape improvements such as public art or strategic branding helped to create a distinctive feel/look in the Neighborhood Center?
8. The Neighborhood Center is a place where people choose to spend their leisure time	Offer a variety of activities, events, and spaces for people to gather, relax, and play without necessarily spending money.[5]	1. Neighborhood Center is a destination that fosters social interaction and people visit for social purposes, not just to access essential services. 2. The combination of social services, public amenities, and retail/leisure opportunities creates a place where people choose to spend their free time to access opportunities for social interaction, not just to run errands or spend money.	Quantitative: • For what purposes do people visit the neighborhood (e.g., shopping, leisure, business, etc.)? Qualitative: • Is there a blend of public amenities in addition to retail options?

Goal	Objectives	Performance Measures	Metrics
9. The Neighborhood Center is adaptable to change	Improve resilience of Neighborhood Center.[6]	1. Neighborhood Center successfully adapts to changes that impact its health and development.	Quantitative: • Changes in zoning. • Continuity in business tenancy: rate of turnover. Qualitative: • How have the primary uses of the Neighborhood Center changed over time?

SOURCE: 1. ODOT 2021; 2. OPCD 2020; 3. MAKERS and Leland 2022; 4. City of Bellevue 2015; 5. Siyahuii and Shahkaramipour 2014; 6. ECONorthwest 2023; 7. City of Bellevue Cultural and Economic Development Division 2021.

2.2.4 Economic Analysis of Bellevue's Existing Neighborhood Centers

To better predict the likely implications of the various Comprehensive Plan Update alternatives on the economic viability of Bellevue's 13 existing Neighborhood Centers, it is important to understand the current economic dynamics at play in and around those centers.

Neighborhood Center Retail

The International Council of Shopping Centers (ICSC) produces the most commonly used typology of retail center types, in terms of form and intensity of development. Per the ICSC, a Neighborhood Center typically has the following characteristics (ICSC 2017):

- Convenience oriented, primarily serving day-to-day needs of the immediate neighborhood.
- Consisting of 30,000 to 125,000 square feet of retail floor space (on 3+ acres of land).
- Neighborhood Centers are most typically (about 50 percent) anchored by a grocery store, although some may have non-grocery anchors such as discount stores or drug stores or can be anchor-less. Anchors tend to represent 30 to 50 percent of total retail space.
- Tend to serve a 3-mile *trade area* (**Figure A-3** in Attachment A).

Common industry definitions do not specify whether, or to what degree, Neighborhood Centers should attract spending from pedestrians. That said, locating daily household shopping and dining needs within potential walking distance of residents (and vice-versa) is increasingly cited as a goal for land use planners in urban and suburban settings for a variety of quality-of-life benefits, related to traffic/automobile reliance, public health, land use efficiency, etc. A radius of ¼ to ½ mile is typically used to represent a reasonable walkshed in the U.S.

The definition of Neighborhood Centers provided in Section 2.1, *Definition and Attributes*, is consistent with common criteria used in the retail/commercial real estate industry, and most of the Neighborhood Centers listed generally conform to those characteristics. Grocery anchors, the most common hallmark of such Neighborhood Centers, can be found in 7 of the 13 areas, with other typical anchors—a drugstore and a library/cultural center—serving as main focal points for two others.

However, around one-half of the identified Neighborhood Centers in Bellevue do not neatly fit within those stated criteria, or those of the ICSC, due to differences in size and service areas. As discussed further below, some have a smaller retail presence than what is typically found in Neighborhood Centers, and some others are much more office-oriented, relying on support from households across a service area much larger than the typical 3-mile radius.

Trade Area

A trade area is the area from where a business draws most of its customers. Customers are willing to travel varying distances to access different types of goods and services, so the trade area can vary based on the type of retail and where it is located. For instance, grocery stores tend to serve much smaller trade areas (such as the immediate neighborhood surrounding them), whereas specialty stores or big box stores selling items like home appliances, clothing, or premium items would attract residents from farther away, who seek products that are only available at that store or few stores in the area.

Neighborhood Center Composition

Table 2-4 lists the 13 Neighborhood Center areas in Bellevue, sorted by retail square footage, along with basic information on anchors and commercial real estate composition. Of the Neighborhood Centers, only Lake Hills Village includes a residential mixed use component, with three floors of apartments above retail across much of the center.

TABLE 2-4 **Neighborhood Center Composition**

Name	Anchor(s), Largest Tenants (bolded)	Retail SF	Grocery Portion (SF)	Office SF	Office + Retail SF Total
Kelsey Creek	**Walmart Neighborhood Market**, Wingstop, Kizuki Ramen	180,000	60,000	40,000	***220,000***
PineView*	**US Foods Chef's Store** (part grocery), dining, 7-11, Firestone	120,000	20,000	320,000	***440,000***
Eastgate	**Safeway**, RiteAid, Outback Steakhouse	110,000	30,000	80,000	***190,000***
BelEast S.C.	**QFC**, Shell	80,000	40,000	0	***80,000***
Newport Hills S.C.	**S-Mart Asian Supermarket**, Stod's batting cages, misc. dining & shops	70,000	20,000	30,000	***100,000***
Lake Hills Village	**Library**, Temple/Cultural Center, clinics, dining	70,000	0	70,000	***140,000***
Lakemont Village	**Towne & Country** (grocery)	70,000	30,000	0	***70,000***
Northtowne S.C.	**QFC**, Chevron	50,000	20,000	0	***50,000***
8th and 140th	**Walgreens**, Shell, medical offices, TechAce software	10,000	0	120,000	***130,000***
Yarrowood	No retail anchor (business park, medical, prep school)	10,000	0	660,000	***670,000***
8th and 148th	No retail anchor (car wash, Boys & Girls Club)	10,000	0	30,000	***40,000***
Bellevue Way	None (dentist, cleaners, Chevron/Food Mart, pancake restaurant)	10,000	0	10,000	***20,000***
BTC Area	No retail	0	0	450,000	***450,000***

SOURCE: Prepared by Leland Consulting Group based on CoStar™ Data.

NOTES:

S.C. = Shopping Center; SF = square feet

* PineView also includes significant amounts of lodging, vehicle sales (car and motorcycle), and some flex industrial uses which are excluded from this table and from subsequent visitation analysis.

2.2.5 Commercial Viability

Methodology and Data Sources

The best single indicator of viability for retail centers is detailed sales revenues over time. While the city's Finance & Asset Management Department has access to such data, it is almost never shared at levels of aggregation helpful to Neighborhood Center-specific analysis to protect confidentiality.

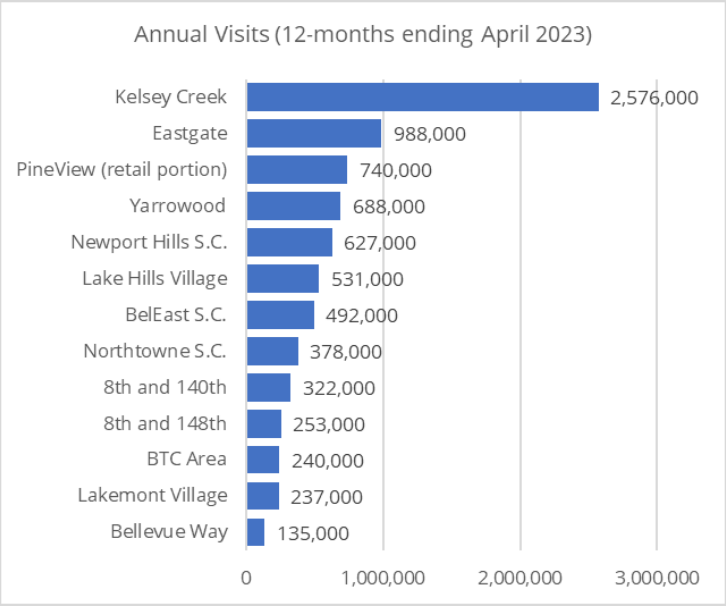
Occupancy and rent data for Neighborhood Centers can be helpful in detecting longer term problems across retail submarkets, but at the individual center-level, data collection and reporting inconsistencies along with different responses to economic ups and downs across individual owners make those indicators less reliable. In general, persistent vacancies, presence of provisional uses (e.g., Halloween stores, conversions from grocery to fitness), and frequent tenant turnover are usually negative performance indicators – although even tenant turnover can sometimes be a positive if it reflects market flexibility and entrepreneurial vibrancy.

For our initial profiling of Bellevue's existing Neighborhood Centers, we rely heavily on visitor foot traffic data gathered from cell phone location tracking services (in this case, from Placer.ai, a leader in that emerging subscription data market) as a primary performance metric. The ability to track visitor frequency, journey sequence, and (anonymous/confidential) home location information can be an excellent proxy for sales activity, while providing valuable evidence of actual trade area geographies for specific venues and centers.

2.2.6 Key Findings

Total Annual Visits

In terms of overall annual visitation (a proxy for sales), Kelsey Creek, with 180,000 square feet of retail space (by far the largest in the group and technically beyond the range of typical Neighborhood Centers) is, not surprisingly, well above the other Neighborhood Centers in terms of total visits, with almost 2.6 million visits over the past year (**Figure 2-2**). The Safeway-anchored Eastgate has the second highest volume at nearly 990,000 visits, but much lower visitation on a per-square foot basis, as shown next.

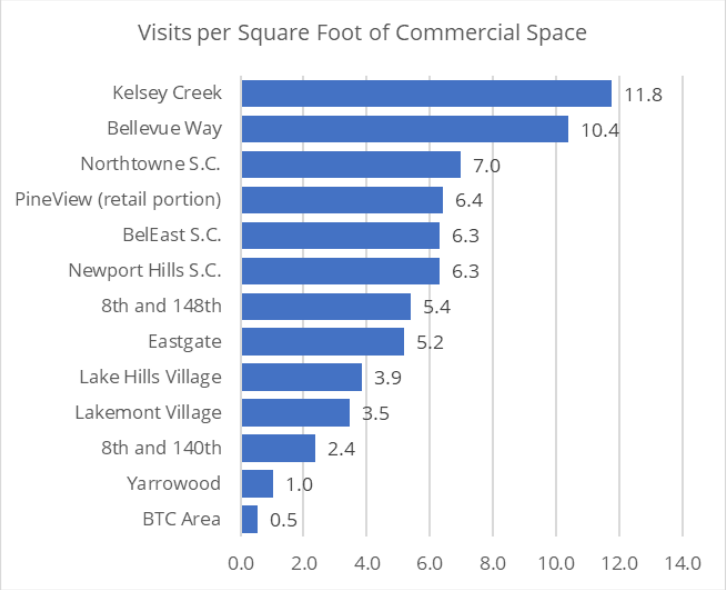


SOURCE: Prepared by Leland Consulting group using Placer™ data.

FIGURE 2-2 **Annual Visits by Neighborhood Center**

Annual Visits per Square Foot

In terms of annual visits per square foot, Kelsey Creek is again on top with almost 12 visits per square foot (of combined office and retail floor space), driven largely by its grocery-focused 64,000 square foot Walmart anchor, the city's only Walmart since the closing of the Factoria location (**Figure 2-3**). Bellevue Way, one of the smallest Neighborhood Centers, is the only other center that had above ten visits per square foot last year. Notably, Eastgate, roughly tied with PineView for the second largest retail presence, had less than half the number of visits per square foot as Kelsey Creek, possibly indicating an area of concern in terms of viability.

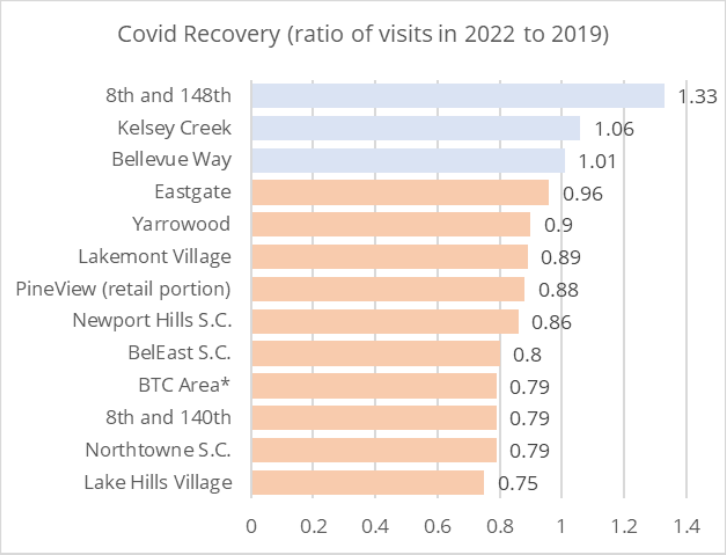


SOURCE: Prepared by Leland Consulting group using Placer™ data.

FIGURE 2-3 **Annual Visits per Square Foot by Neighborhood Center**

Covid Resilience

With few exceptions, Neighborhood Centers in Bellevue have struggled to rebound to pre-Covid levels of visitation activity, even 2 years after the sharp temporary downturns that rocked the retail sector in 2020 due to lockdowns and lingering changes in shopping and dining patterns. Of the 13 centers, nine were still 10 percent or below 2019 levels of visitor volume for 2022. Kelsey Creek, the largest Neighborhood Center in the group in terms of retail square footage, has proven very resilient, with 2022 visits 6 percent higher than in 2019 (**Figure 2-4**). The 33 percent increase for the Walgreen's-anchored NE 8th Street & 148th Avenue NE Neighborhood Center is somewhat less reliable, due to that center's small retail presence.



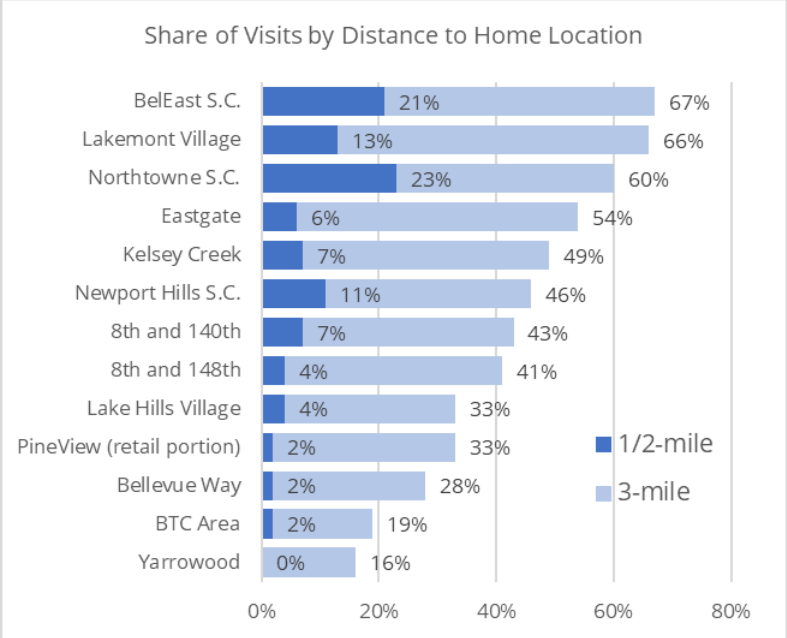
SOURCE: Prepared by Leland Consulting group using Placer™ data.

FIGURE 2-4 **Ratio of Visits by Neighborhood Center, 2019–2022**

2.2.7 Retail Demand

Most of the retail spending supporting the Neighborhood Centers in Bellevue comes from surrounding households, with some additional visitation/spending likely from nearby office workers (primarily for dining and personal services). While the ideal Neighborhood Center would draw a significant share of demand from households within easy walking/biking distance, the shopping and dining behavior in suburban America, and Bellevue specifically, is much more auto-oriented.

Based on analysis of visitor home locations, just two centers (BelEast and Northtowne Shopping Centers, both QFC-anchored) sourced more than one in five visits from homes within a ½-mile radius (**Figure 2-5**). Just three centers (adding the Towne & Country grocery-anchored Lakemont Village) saw 60 percent or more of total visits accounted for by households within a 3-mile radius.



SOURCE: Prepared by Leland Consulting group using Placer™ data.

FIGURE 2-5 **Percentage of Visits Originating within a ½-Mile and 3-Mile Distance**

Given that a typical Neighborhood Center is defined as drawing 70 to 75 percent of retail spending from within 3 miles, this suggests a considerably more dispersed base of demand than might be expected.[2]

Figure A-5 in Attachment A shows Eastgate as a fairly typical example of the actual trade area shape, with a darker red blob indicating the extent of households accounting for 50 percent of that Neighborhood Center's total visits, and a lighter red shape showing how much geography is necessary to encompass 70 percent of center visits. A 3-mile radius around the site is shown for reference (**Figure A-4** in Attachment A).

Note that most of the visits can be accounted for by households within the generally accepted 3-mile radius, but to reach a 70 percent threshold, a much larger geography is required. Some of the more far-flung clusters likely reflect people who work (and occasionally shop) in and around south Bellevue but reside farther away.

[2] The discrepancy between observed market area size in Bellevue and the typical Neighborhood Center trade area size found in common typologies of shopping centers may be driven by two factors. First, it is possible that, with the advent of more precise cell phone-based measures of actual trade area geography, organizations like ICSC and major brokerages may need to acknowledge that Neighborhood Center trade areas are simply larger than previously believed. Second, a radius-based approach to gauging trade areas is prone to some inaccuracy in markets like Seattle and Bellevue where local geography and transportation networks tend to elongate travel patterns to follow more linear north–south patterns of the area's major highways.

The relatively small proportion of demand sourced from nearby walking distances around each Neighborhood Center, along with the size and extensive degree of overlap in actual trade area geographies, both have important implications for assessing the likely impacts of small changes to nearby housing unit counts on the overall demand for any one Neighborhood Center.

In short, modest increases in housing counts on or adjacent to any given Neighborhood Center will only account for a very small fraction of overall demand support for that center. The addition of housing across Bellevue and surrounding communities will of course result in gradual increases to overall retail demand, including within Neighborhood Centers, but current shopping behaviors are so diverse and auto-dependent that the physical adjacency to new housing developments is not currently likely to have much measurable impact in any one Neighborhood Center. Increasing housing near Neighborhood Centers could contribute to other goals of the city, such as increasing walking and biking access to commercial space that can meet daily needs and reducing the reliance on personal vehicles for more residents.

2.2.8 Estimating the Impacts of Additional Housing

The heavily overlapping nature of the trade area geographies for Bellevue's Neighborhood Centers results in a very complex retail environment where it is not easy to tease out the cause-and-effect relationship between stores and surrounding households. This in turn limits the precision with which we can predict how much the retail viability for a given Neighborhood Center will be impacted by the addition of differing amounts of new housing in the vicinity of that center. While it is difficult to accurately project the total impacts of prospective new housing within a Neighborhood Center's entire trade area, we do have enough data to make a conservative estimate by focusing on differences across alternatives for housing capacity that is very nearby each Neighborhood Center (within a ½-mile radius).

Why Build Housing around Neighborhood Centers?

In addition to the direct effects on visitor and spending traffic volumes. Bellevue and its Neighborhood Centers will benefit from new housing development throughout the city for a variety of other important reasons.

- The city and region are already in dire need of new housing, especially of the medium and "missing middle" densities that tend to fit well around Neighborhood Centers. Every new occupied housing unit added anywhere in city helps address the growing affordability crisis.
- Adding 100 housing units adjacent to a Neighborhood Center may not move the needle much in terms of directly expected new sales from those households but does add activity at more hours of the day, injecting visual human interest that can enhance a sense of place that is often a key ingredient in placemaking—increasing the likelihood of positive experiences, linger time, and propensity to return.
- The very concept of walking to a grocery store or local restaurant is almost an untested proposition in most of the properties listed by Bellevue as Neighborhood Centers. Wayfinding and public infrastructure for biking or walking into and out of most shopping centers is very underdeveloped in the area. Careful investment in bicycle/pedestrian infrastructure around properties intended to be "Neighborhood Centers" is an essential ingredient to increasing the share of visits from that ½-mile walkshed area—and comes with a potential cascade of quality-of-life benefits if that behavior switch can gain a foothold.

At the very least, both common sense and Placer.ai cell phone location data support the assumption that Neighborhood Centers tend to attract more annual visits from a nearby household than from a household farther away. For example, using data on visitor home locations for the BelEast Shopping Center, an average household within ½ mile generated approximately 61 visits per year, while a household anywhere within 1 mile generated about 35 annual visits. The relationship falls off steeply thereafter: expanding to all households within 2 miles yields 6.4 visits per year, down to 3.2 for the full 3-mile radius area. The exact visitor volume per household varies across the different Neighborhood Centers (due to a variety of factors, including the center size, tenant mix, and the overall compatibility of the retail offering with nearby residents), but the general shape of the relationship based on distance is quite consistent.

Focusing the analysis on future housing capacity within ½ mile of each Neighborhood Center (almost entirely avoiding the complication of trade area overlaps) allows us to conservatively assume that one incremental new housing unit will generate the same number of annual visits as one household currently living within that radius area. We can then look at differences in allowed housing unit capacity across the four Comprehensive Plan Update alternatives (including the Alternative 0, No Action) to arrive at low-end estimates of likely incremental visits coming from those new households.

Table 2-5 summarizes those conservative impact estimates for each Neighborhood Center, expressed in likely incremental visits under the different Comprehensive Plan Update alternatives. The final columns show what those added visits would represent in terms of a percentage change above current visits (sales) volumes. Thanks in part to its heavy reliance on nearby households as a source of current visits, the BelEast Shopping Center Neighborhood Center represents the high end of potential impacts as a percentage of current activity. With the possibility of 2,600 to 3,300 new households being added to its ½-mile vicinity under the various Action Alternatives, the BelEast Shopping Center Neighborhood Center should see around 160,000 to 200,000 new visits per year, a 32 to 40 percent increase over current levels.

In terms of absolute increase in visits, the Kelsey Creek Neighborhood Center should see the highest impact from new nearby housing capacity, nearing 445,000 new annual visits under Alternative 3, due to the potential addition of approximately 3,300 units. However, because Kelsey Creek already generates almost 2.6 million annual visits, the corresponding *percentage* increase is not as great as for some of the smaller grocery-anchored Neighborhood Centers, like Newport Hills Shopping Center, Northtowne Shopping Center, Eastgate, and Lakemont Village.

In general, Neighborhood Centers that have more dispersed customer bases see the lowest potential boost from adding nearby housing, and Neighborhood Centers like the BTC Area and Yarrowood, with little or no retail presence, see no significant benefits from new ½-mile unit capacity.

TABLE 2-5 **Estimated Impacts of Added Nearby Housing Capacity, by Neighborhood Center and Alternative**

Neighborhood Center	½-Mile Added Unit Capacity					Estimated Incremental Units				Estimated Percentage Impact on Sales			
	Current Annual Visits (Placer.ai)	Alt 0	Alt 1	Alt 2	Alt 3	Alt 0	Alt 1	Alt 2	Alt 3	Alt 0	Alt 1	Alt 2	Alt 3
BelEast S.C.	492,000	144	2,576	3,181	3,279	8,717	155,933	192,555	198,487	2%	32%	39%	40%
Newport Hills S.C.	627,000	370	2,083	2,455	2,956	22,947	129,184	152,255	183,327	4%	21%	24%	29%
Northtowne S.C.	378,000	15	889	887	1,499	1,003	59,465	59,331	100,268	0%	16%	16%	27%
Lakemont Village	237,000	27	1,518	1,532	1,769	942	52,983	53,472	61,744	0%	22%	23%	26%
Eastgate	988,000	58	1,090	1,111	1,893	5,675	106,657	108,712	185,231	1%	11%	11%	19%
Kelsey Creek	2,576,000	290	2,413	3,290	3,470	37,068	308,431	420,530	443,538	1%	12%	16%	17%
8th and 140th	322,000	164	3,900	4,373	4,778	1,647	39,169	43,919	47,987	1%	12%	14%	15%
PineView (retail portion)	740,000	347	3,341	3,757	5,368	5,420	52,183	58,681	83,843	1%	7%	8%	11%
Bellevue Way	135,000	28	1,202	1,868	2,324	92	3,954	6,145	7,645	0%	3%	5%	6%
8th and 148th	253,000	66	1,567	1,837	1,837	448	10,641	12,474	12,474	0%	4%	5%	5%
Lake Hills Village	531,000	101	987	1,029	1,127	1,299	12,691	13,231	14,491	0%	2%	2%	3%
Yarrowood	688,000	700	1,310	1,908	2,443	0	0	0	0	0%	0%	0%	0%
BTC Area	240,000	131	3,969	5,482	5,863	0	0	0	0	0%	0%	0%	0%

SOURCE: Prepared by Leland Consulting Group based on data provided by the City of Bellevue.

2.3 Analysis of Alternatives

When determining the viability of Neighborhood Centers, many factors require consideration, as discussed in Section 2.2, *Considerations When Locating and Developing a Neighborhood Center*.

The customer draw for a Neighborhood Center typically depends on the type of commercial activity offered. For example, a bank or nail salon may attract customers primarily from a 5- or 10-minute walkshed. A specialty grocery store would attract customers from a larger area, both walking customers and customers in vehicles traveling from other neighborhoods or areas of the city. A Neighborhood Center usually has an anchor, which can be supported by customers within a 2- to 3-mile radius around the center.

Each Neighborhood Center has a group of households with a walkshed as well as a larger trade area within driving distance. In some cases, trade areas overlap, such as if a grocery store located in a Neighborhood Center is approximately 2 miles from another grocery store in a Mixed Use Center or another Neighborhood Center.

When making decisions about maintaining or growing Neighborhood Centers, reviewing how a Neighborhood Center began helps to identify the needs of the neighborhood. Were businesses successful immediately, or did they take some time to catch on? Which types of businesses have been more successful than others? What is the tenant turnover? Every Neighborhood Center is different and needs to be analyzed on a case-by-case basis. The trade area will depend on the tenant type.

Figure A-2 in Attachment A shows that many different zones exist in each Neighborhood Center. Would an increase in housing within the Neighborhood Centers (as in Alternative 2) or within and around the Neighborhood Centers (as in Alternative 3) be enough to support additional businesses?

2.4 Recommendations

Recommendations related to sustaining the commercial viability of existing Neighborhood Centers and ensuring the commercial viability of new Neighborhood Centers include the following:

1. Develop a set of questions appropriate for Bellevue and a set of processes and outreach to gather information from residents.
2. Implement goals, objectives, and performance measures specific to Bellevue's Neighborhood Centers.
3. Identify potential locations for new Neighborhood Centers based on existing land use patterns and areas where services are lacking. For example, the northeast area of Bellevue near Lake Sammamish and the Lakemont/Cougar Mountain area between Newport Way and Forest Drive are large areas of residential use that may benefit from a new Neighborhood Center.
4. Invest in pedestrian-supportive public infrastructure (including secondary transit connectivity) for any new redevelopment around existing Neighborhood Centers. That is currently an essential, but largely missing, ingredient in the viability and resilience of such Neighborhood Centers, with desirable upside benefits to resident quality of life in Bellevue.
5. Consider novel incentives for developments that directly address the central goals of the Neighborhood Center concept – providing convenient goods, services, and gathering places that are close to the

households that will use them the most. Although Placer.ai and similar location tracking data services are still new and improving, such information could be used to develop potentially highly targeted criteria for incentives (in the form of sales and/or property tax reductions, for example), rewarding businesses, developers, and establishment owners when projects increase the share of visits originating from nearby housing units.

6. Such incentives could also aid in the retention of local independent businesses like grocers, hardware stores, and restaurants, that already provide important basic goods and services to locals but are being crowded out by businesses more able to afford increasingly unsustainable rents, such as national chain tenants, dentists, chiropractors, wealth management advisors, etc.
7. Support housing supply growth wherever possible, especially in and around Neighborhood Centers. The addition of housing can allow more residents of Bellevue to have access to daily needs for goods and services within walking and biking distance of their homes. This can alleviate traffic congestion and contribute to more equitable access to opportunities. It can also allow more people who work in Bellevue now or in the future to live close to where they work.

SECTION 3 References

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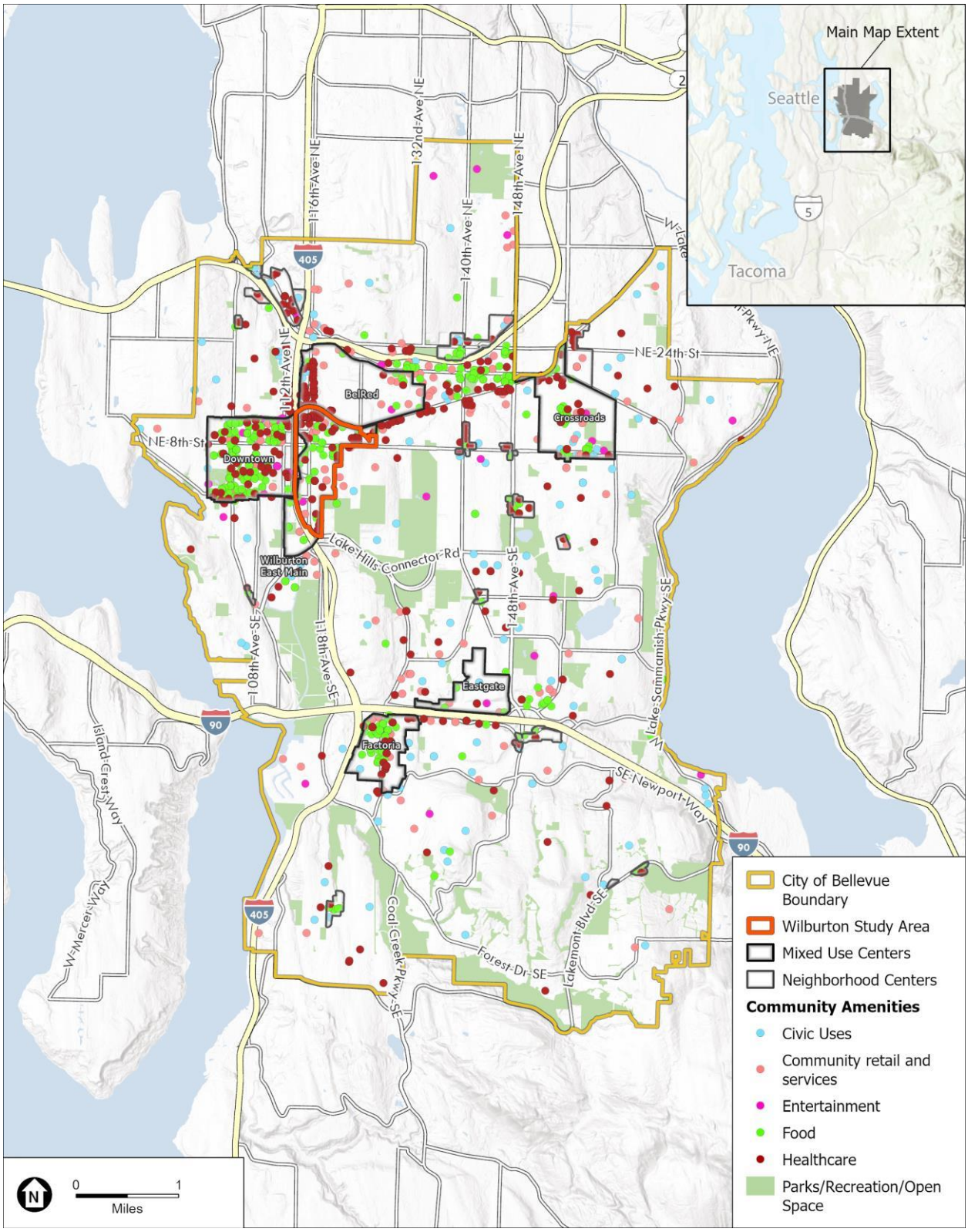
ATTACHMENT A Supplemental Figures



SOURCE: Prepared by BERK based on data provided by the City of Bellevue.

FIGURE A-1 **Community Amenities, Citywide**

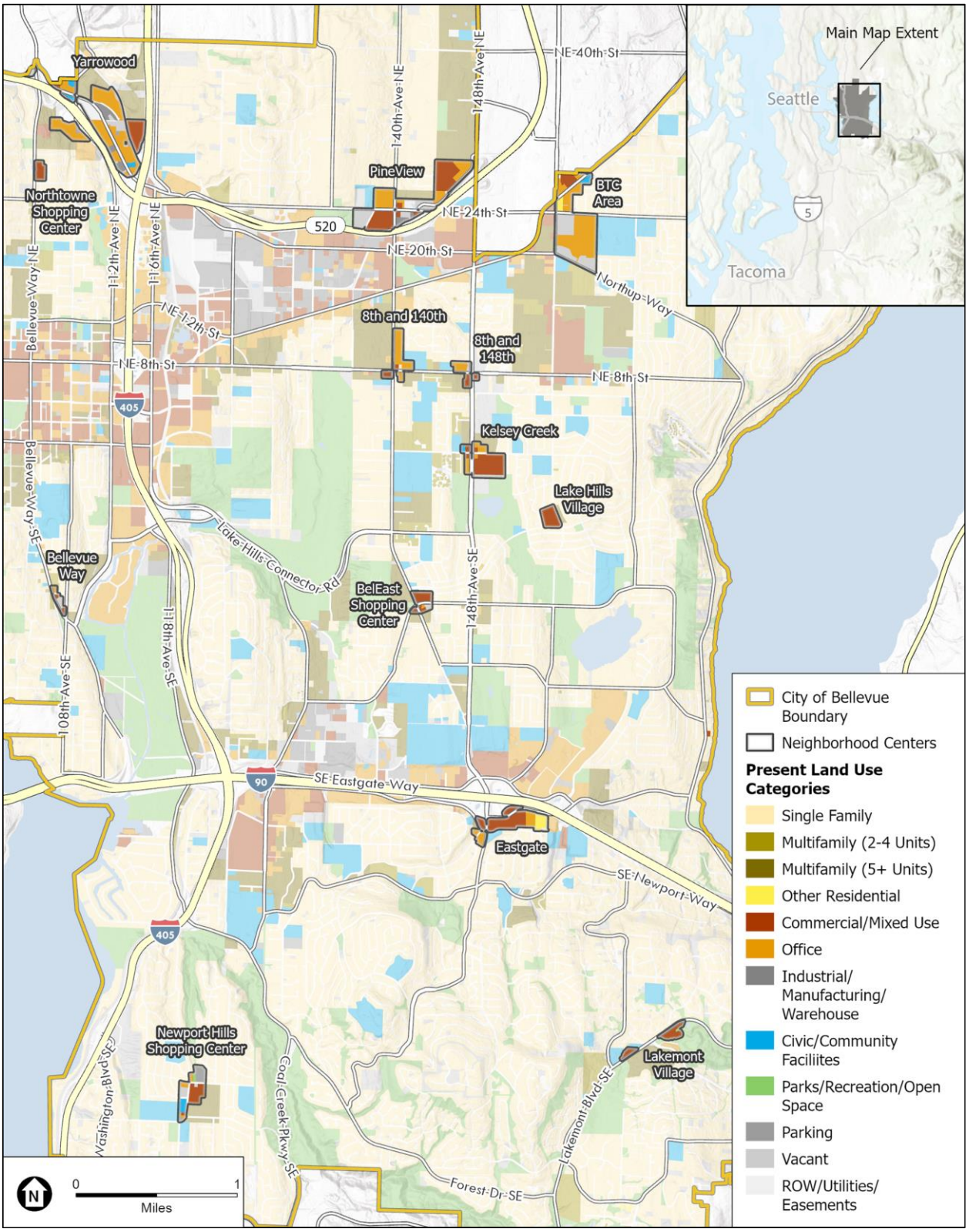


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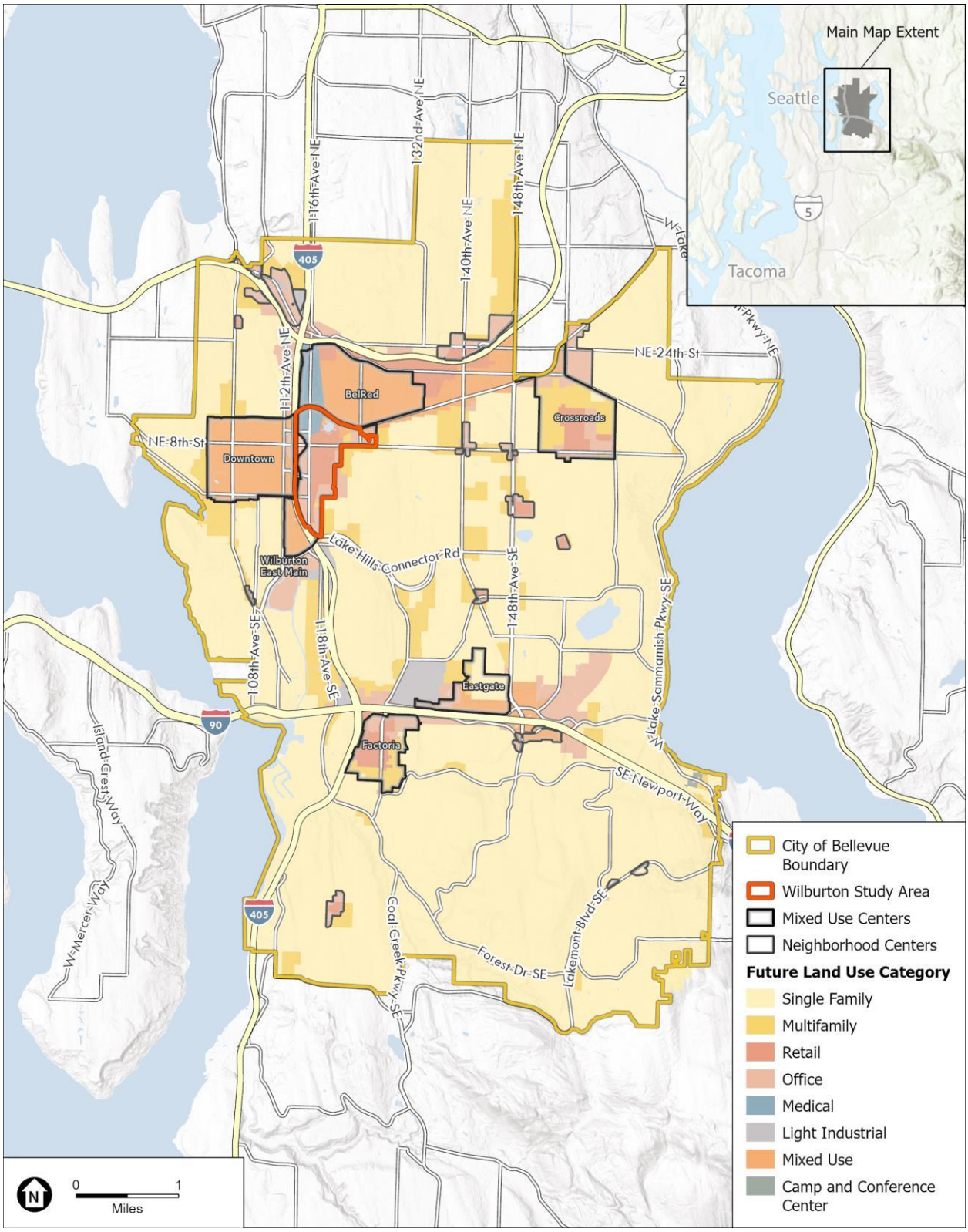
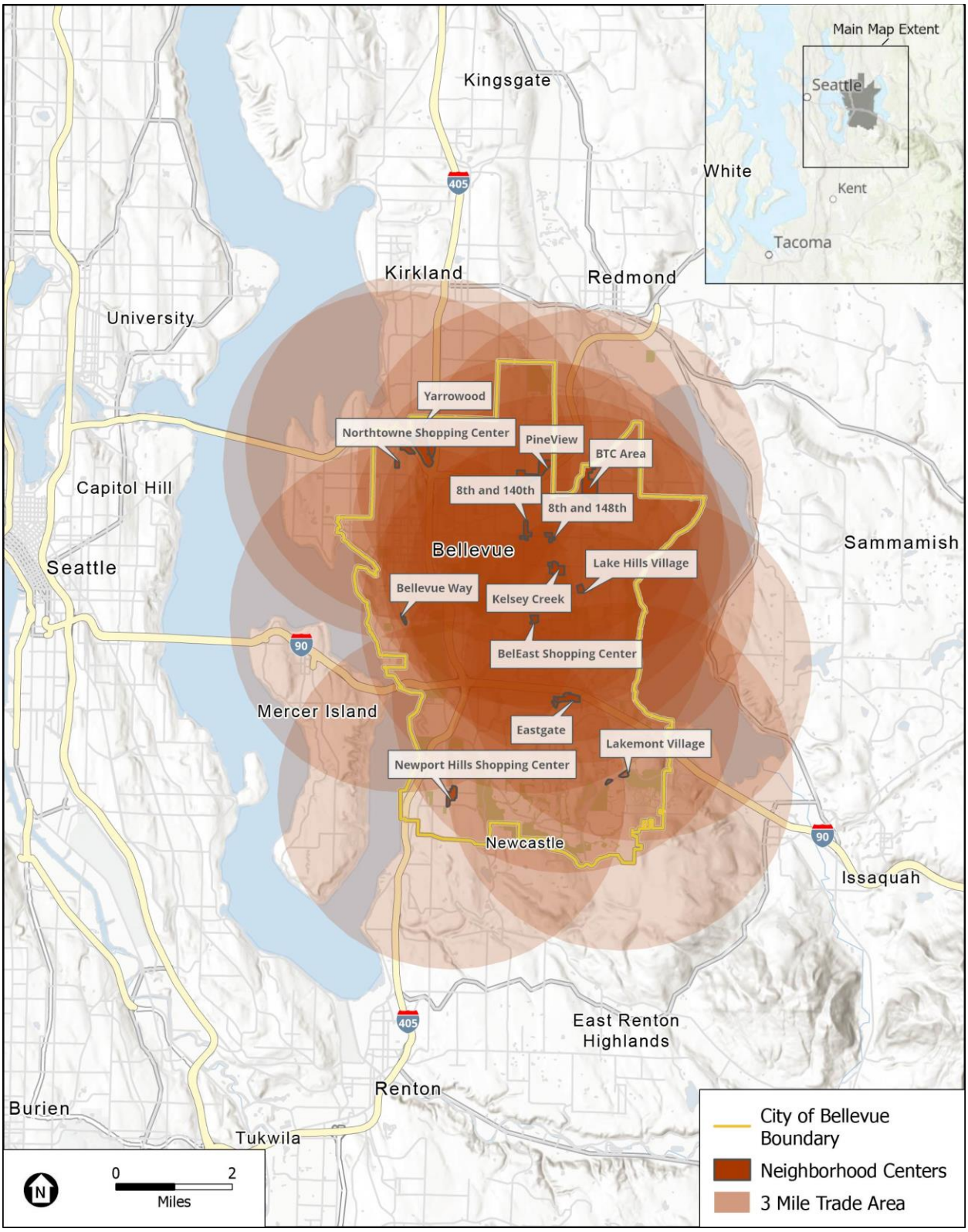
FIGURE A-2 **Current Neighborhood Center Land Use**



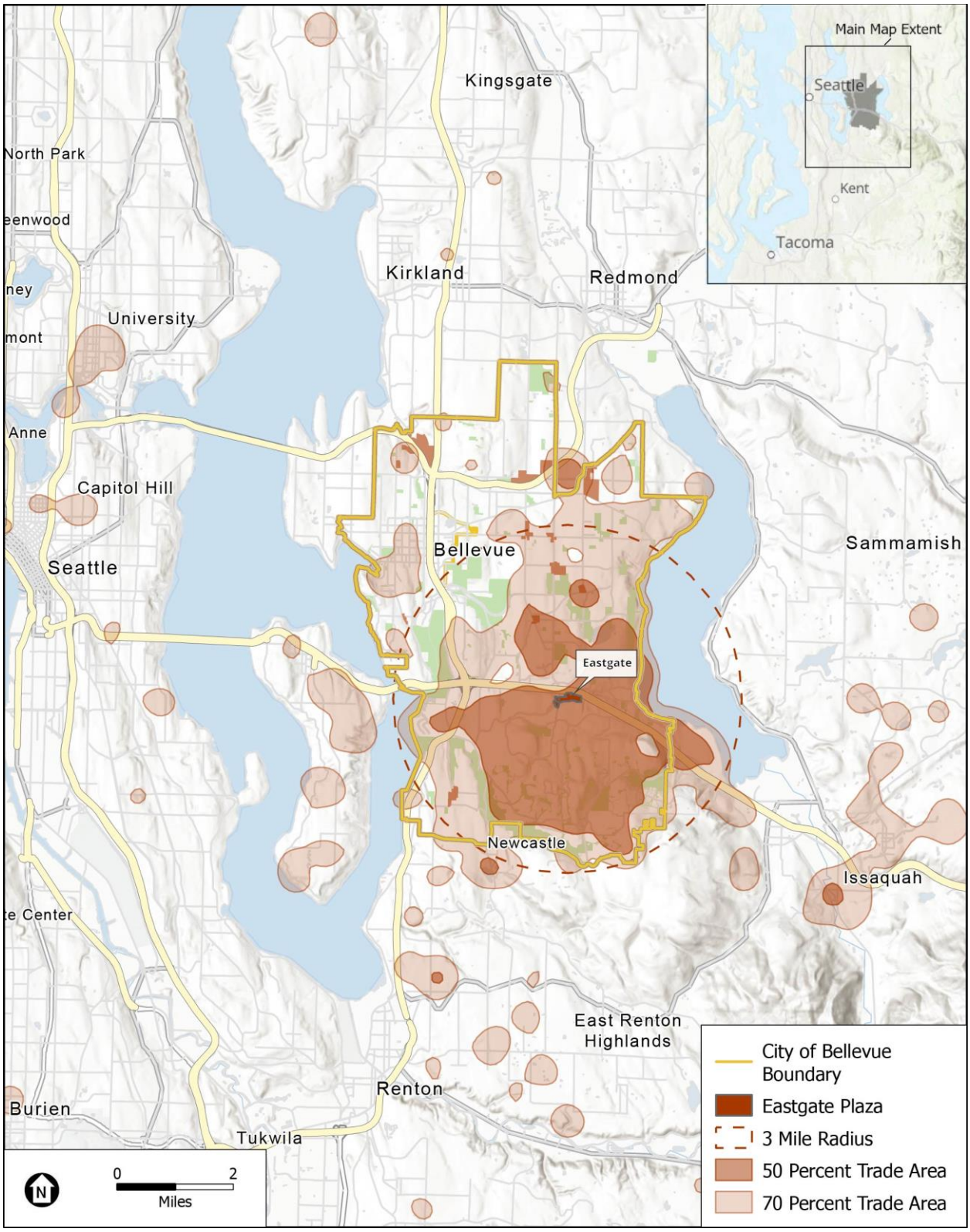
SOURCE: Prepared by BERK based on data provided by the City of Bellevue.

FIGURE A-3 **Comprehensive Land Use Plan with Mixed Use and Neighborhood Centers**



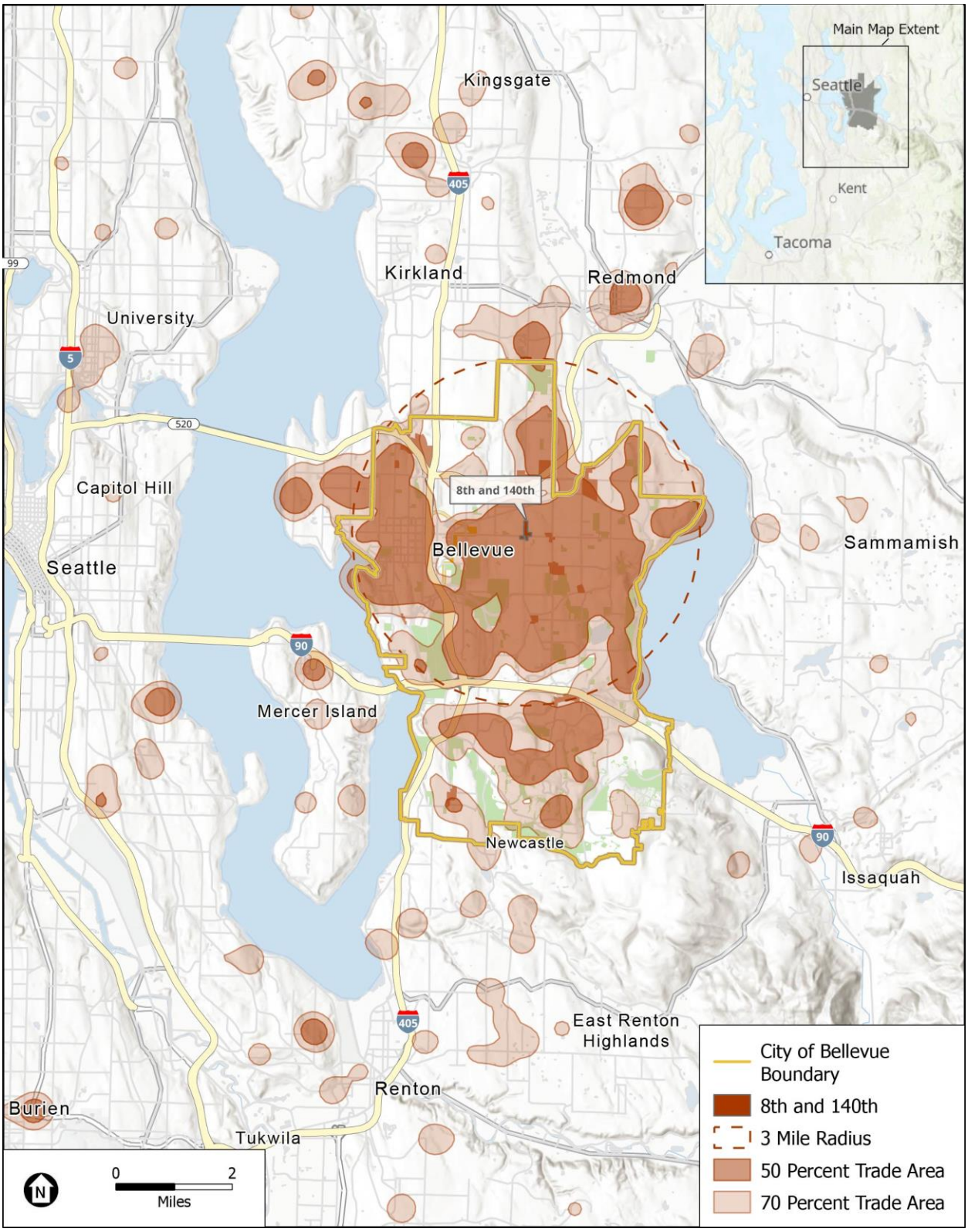
SOURCE: Prepared by ESA based on Placer.ai data and data provided by the City of Bellevue.

FIGURE A-4 **3-Mile Trade Area Radius for All Neighborhood Centers**



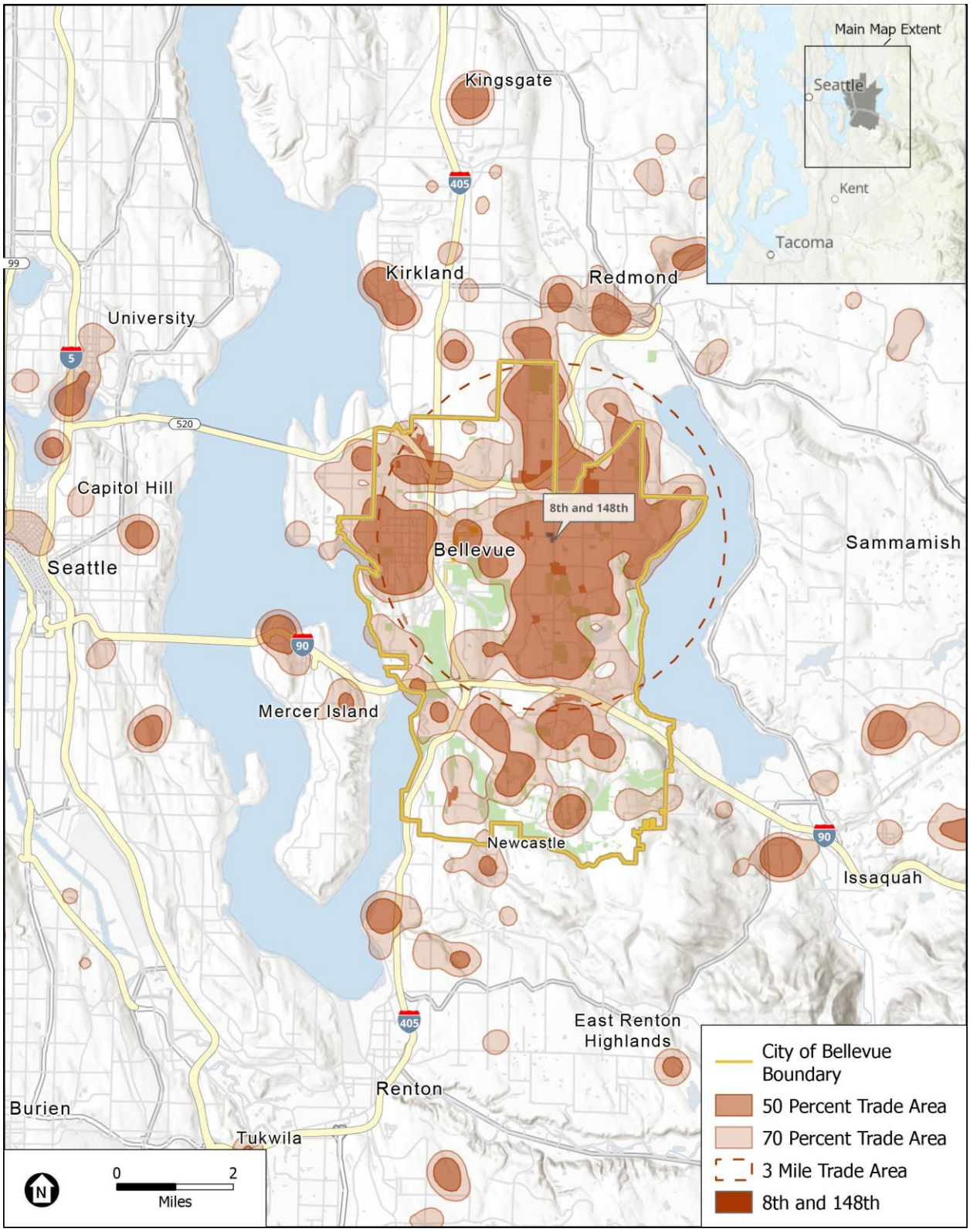
SOURCE: Prepared by ESA based on Placer.ai data and data provided by the City of Bellevue.

FIGURE A-5 **Eastgate Trade Areas**



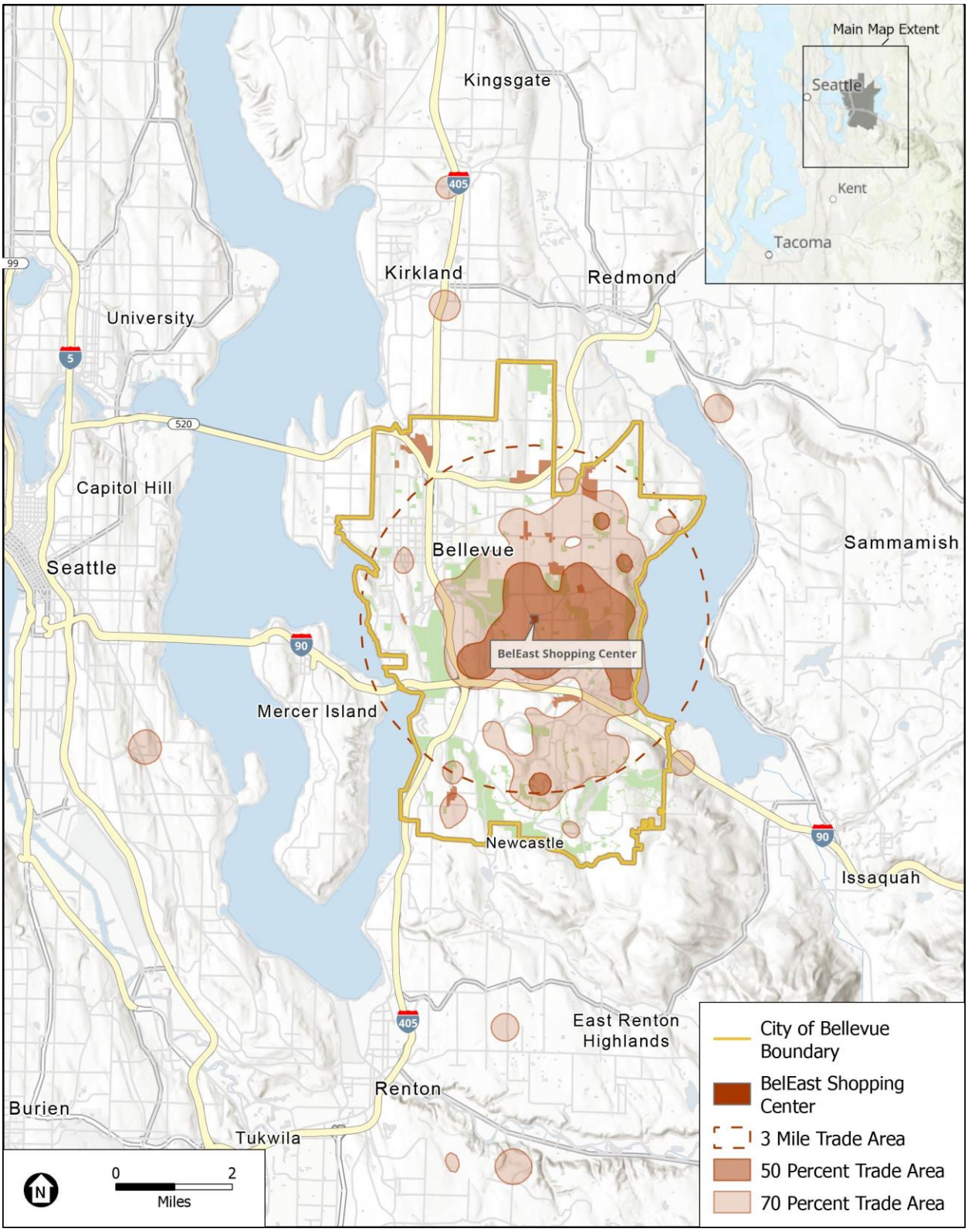
SOURCE: Prepared by ESA based on Placer.ai data and data provided by the City of Bellevue.

FIGURE A-6 **8th and 140th Trade Areas**



SOURCE: Prepared by ESA based on Placer.ai data and data provided by the City of Bellevue.

FIGURE A-7 **8th and 148th Trade Areas**



SOURCE: Prepared by ESA based on Placer.ai data and data provided by the City of Bellevue.

FIGURE A-8 **BelEast Shopping Center Trade Areas**

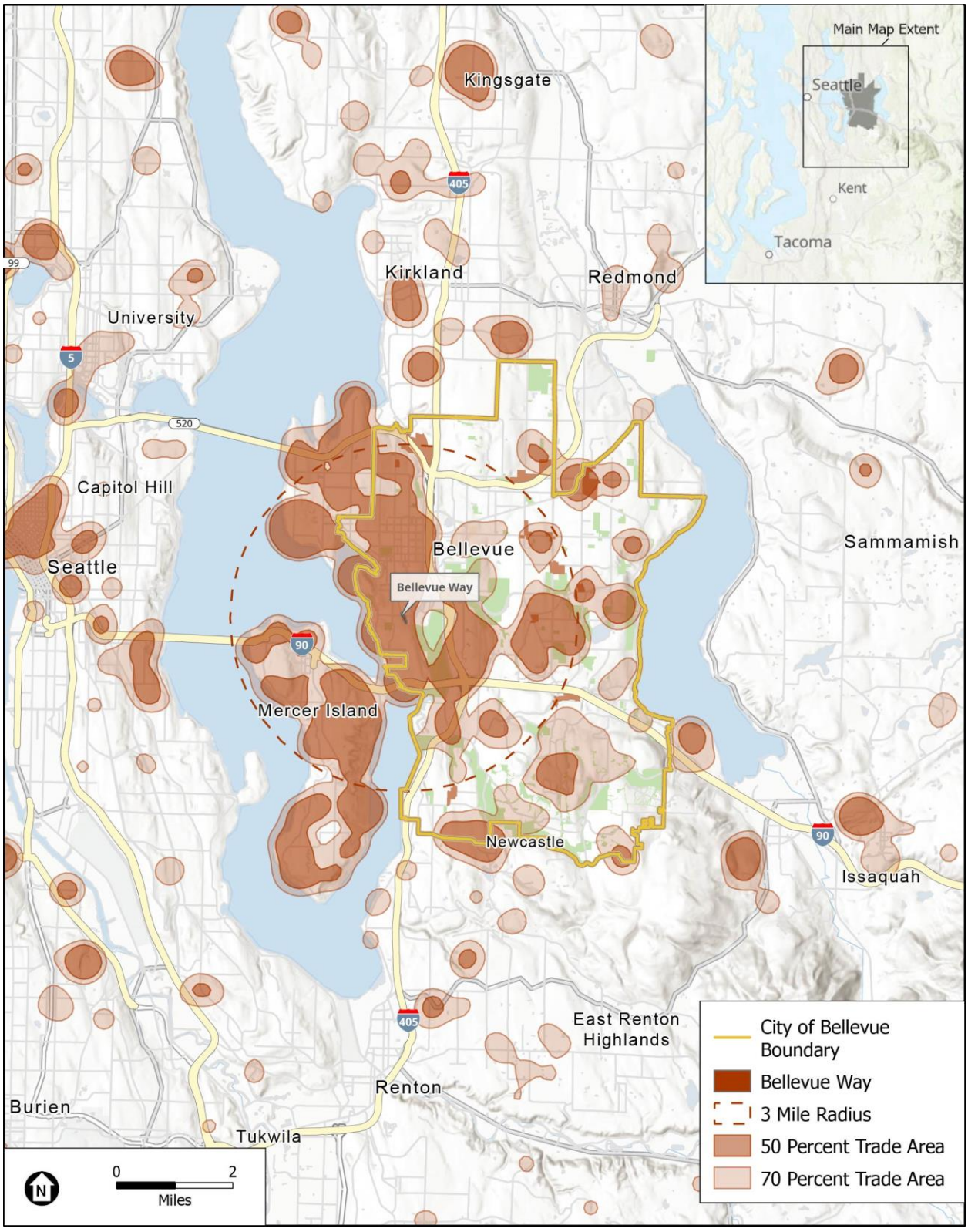


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FIGURE A-9 **Bellevue Way Trade Areas**

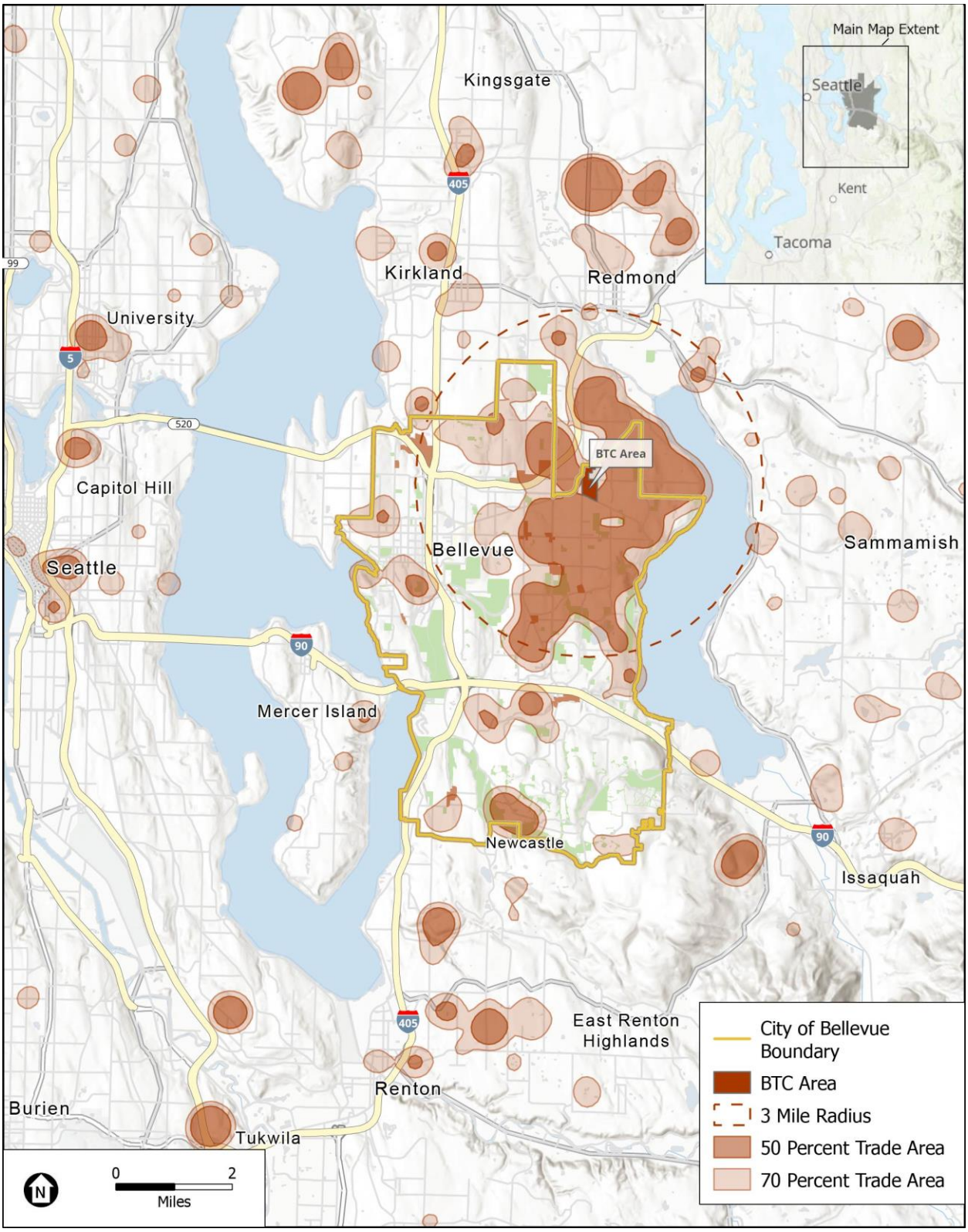

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FIGURE A-10 **BTC Area Trade Areas**

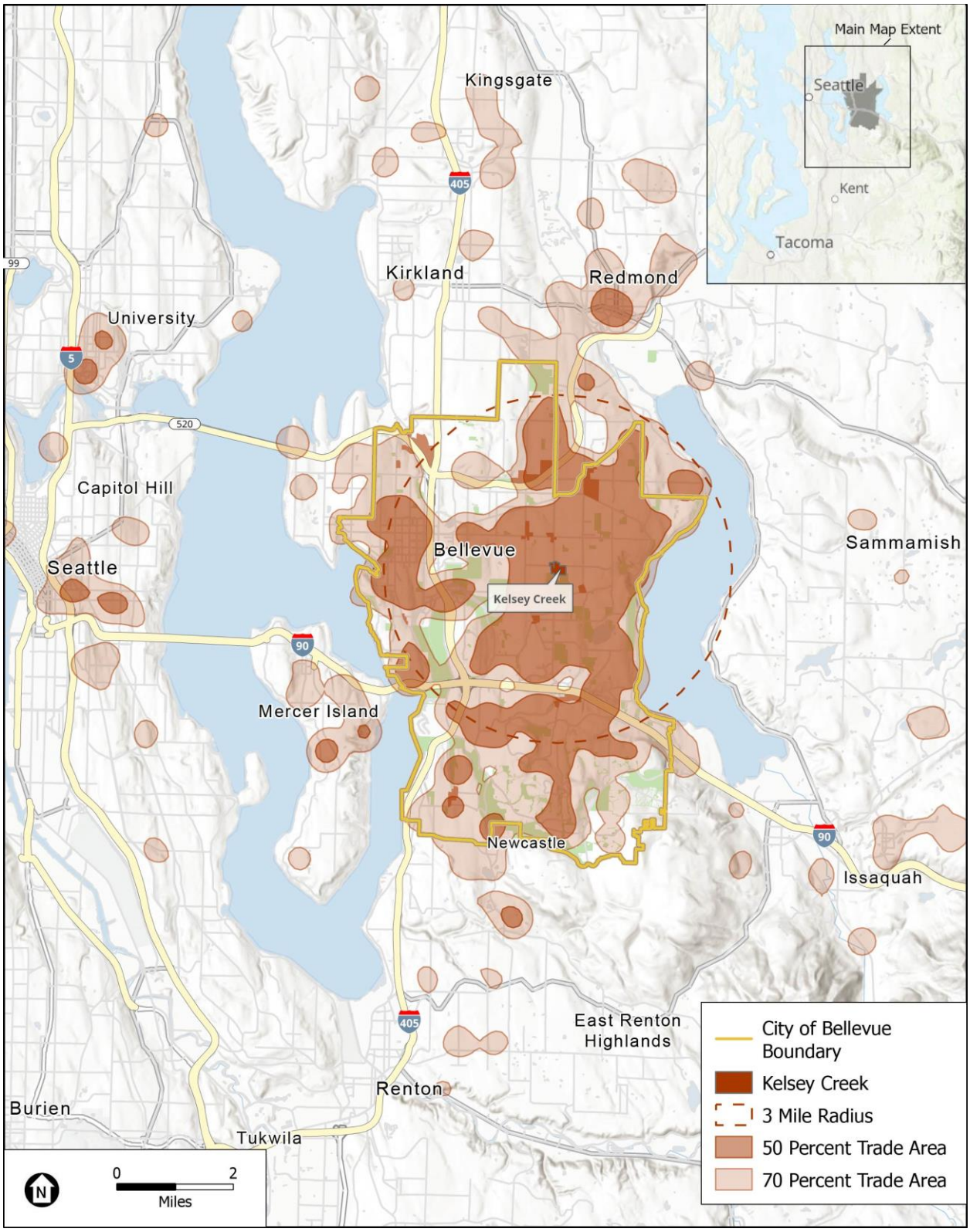

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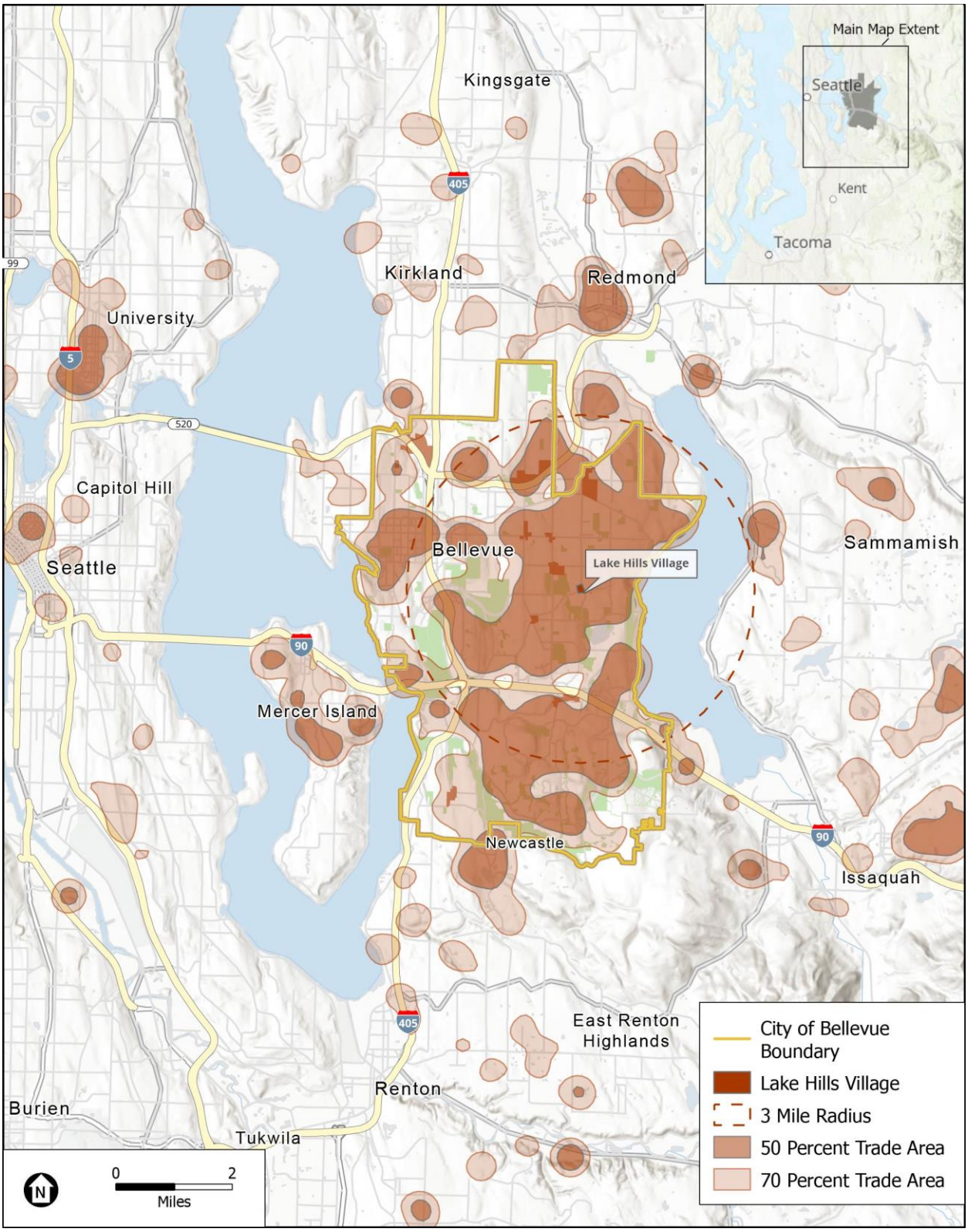
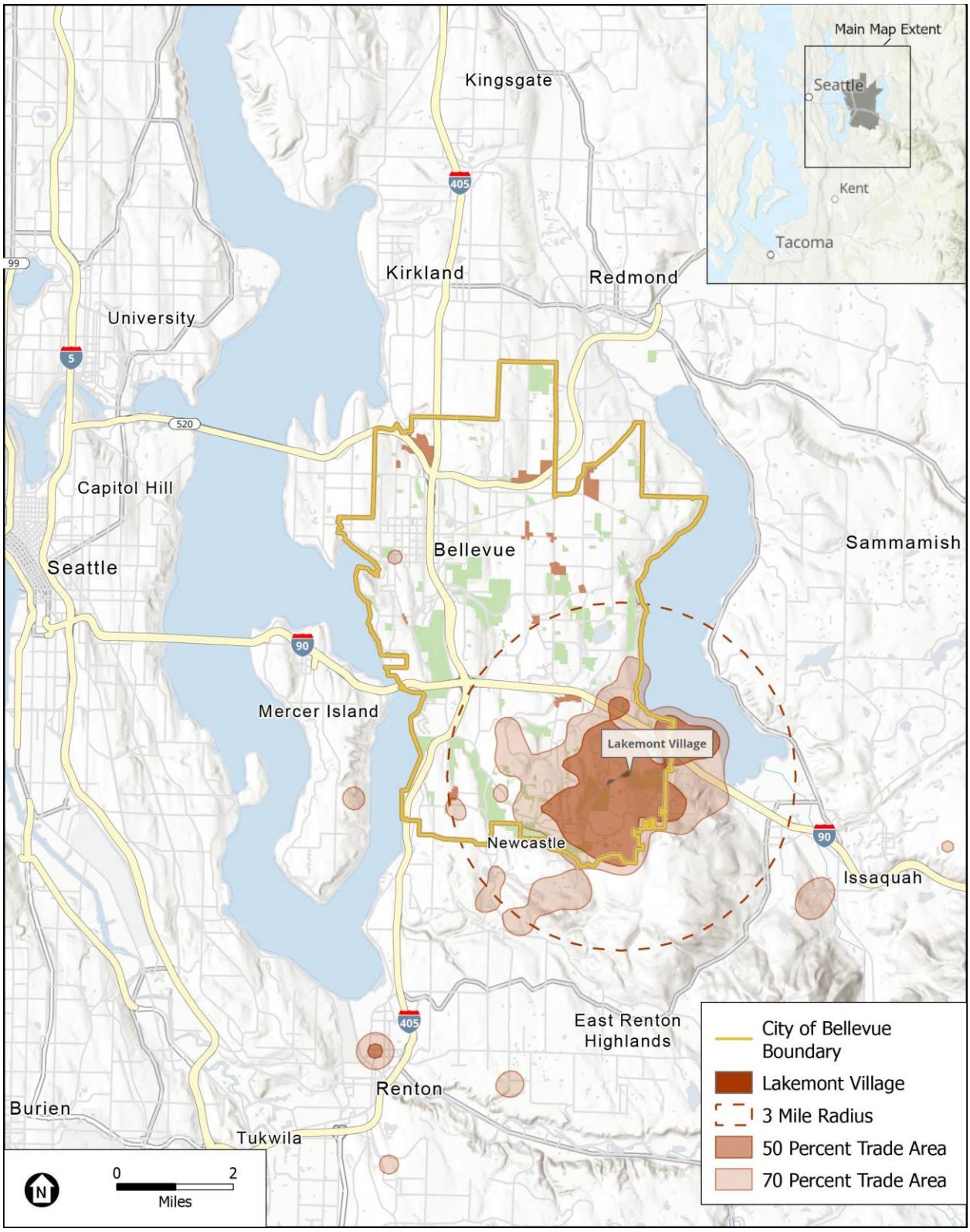
FIGURE A-11 **Kelsey Creek Trade Areas**



SOURCE: Prepared by ESA based on Placer.ai data and data provided by the City of Bellevue.

FIGURE A-12 **Lake Hills Village Trade Areas**



SOURCE: Prepared by ESA based on Placer.ai data and data provided by the City of Bellevue.

FIGURE A-13 **Lakemont Village Trade Areas**

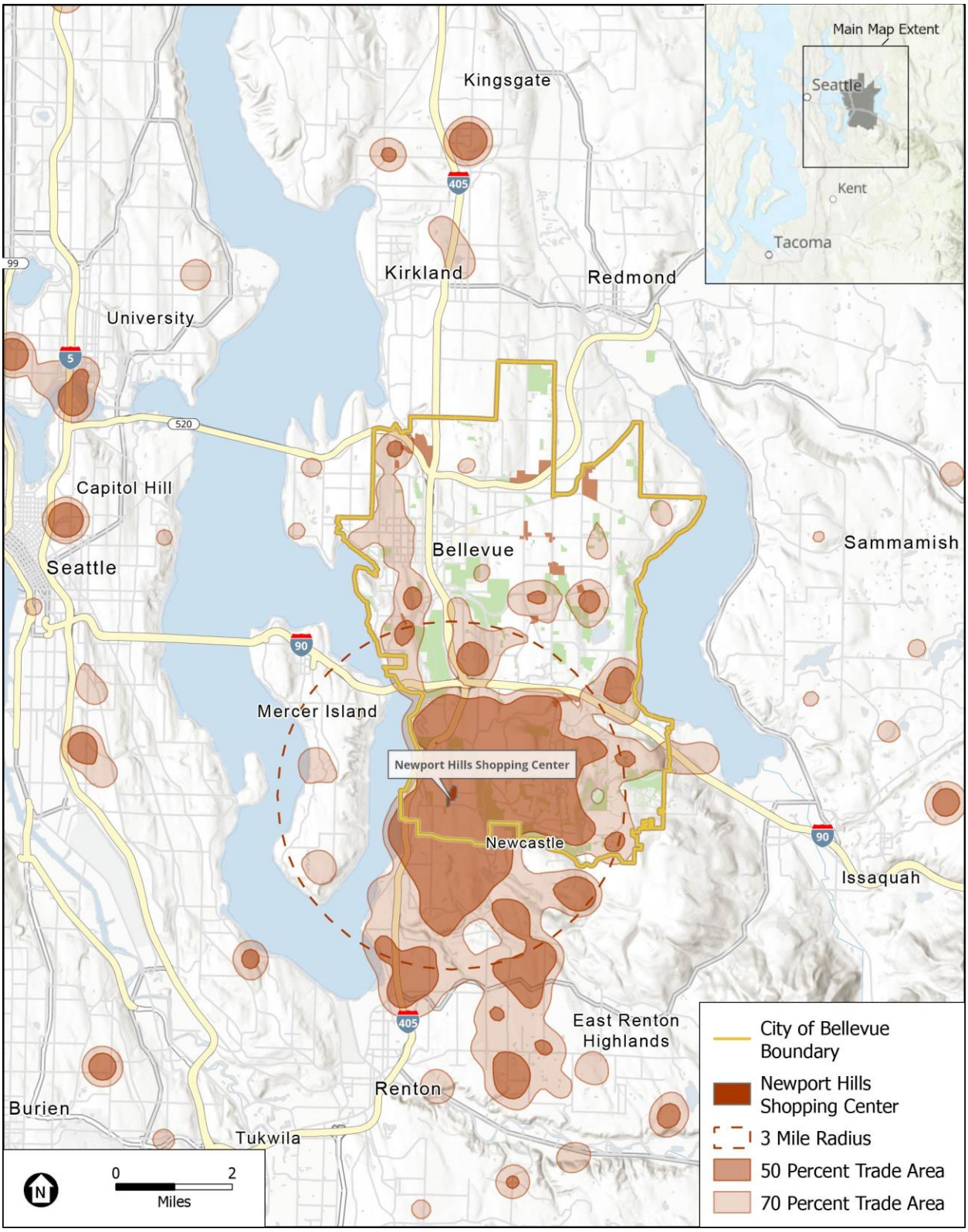


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FIGURE A-14 **Newport Hills Shopping Center Trade Areas**

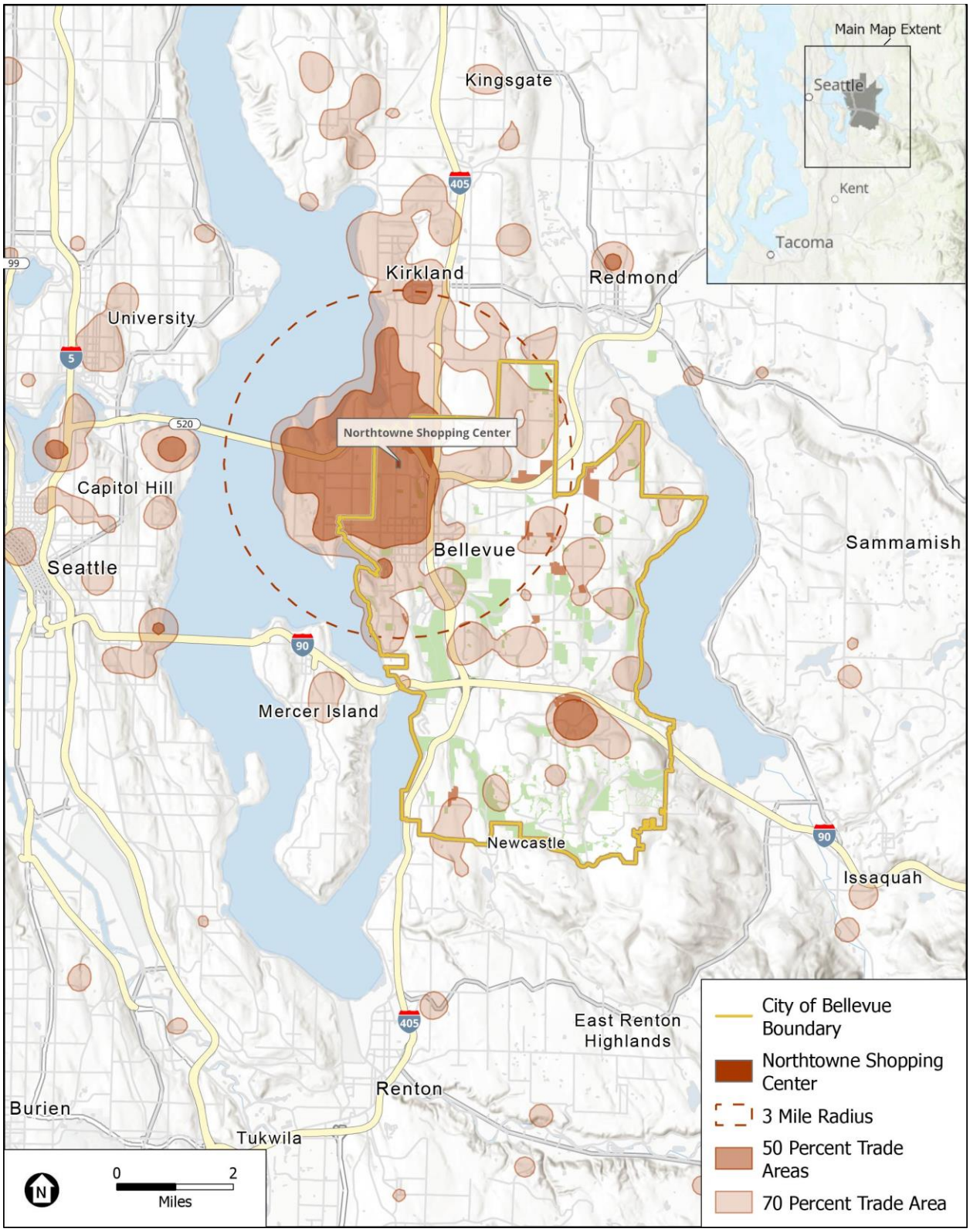

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FIGURE A-15 **Northtowne Shopping Center Trade Areas**

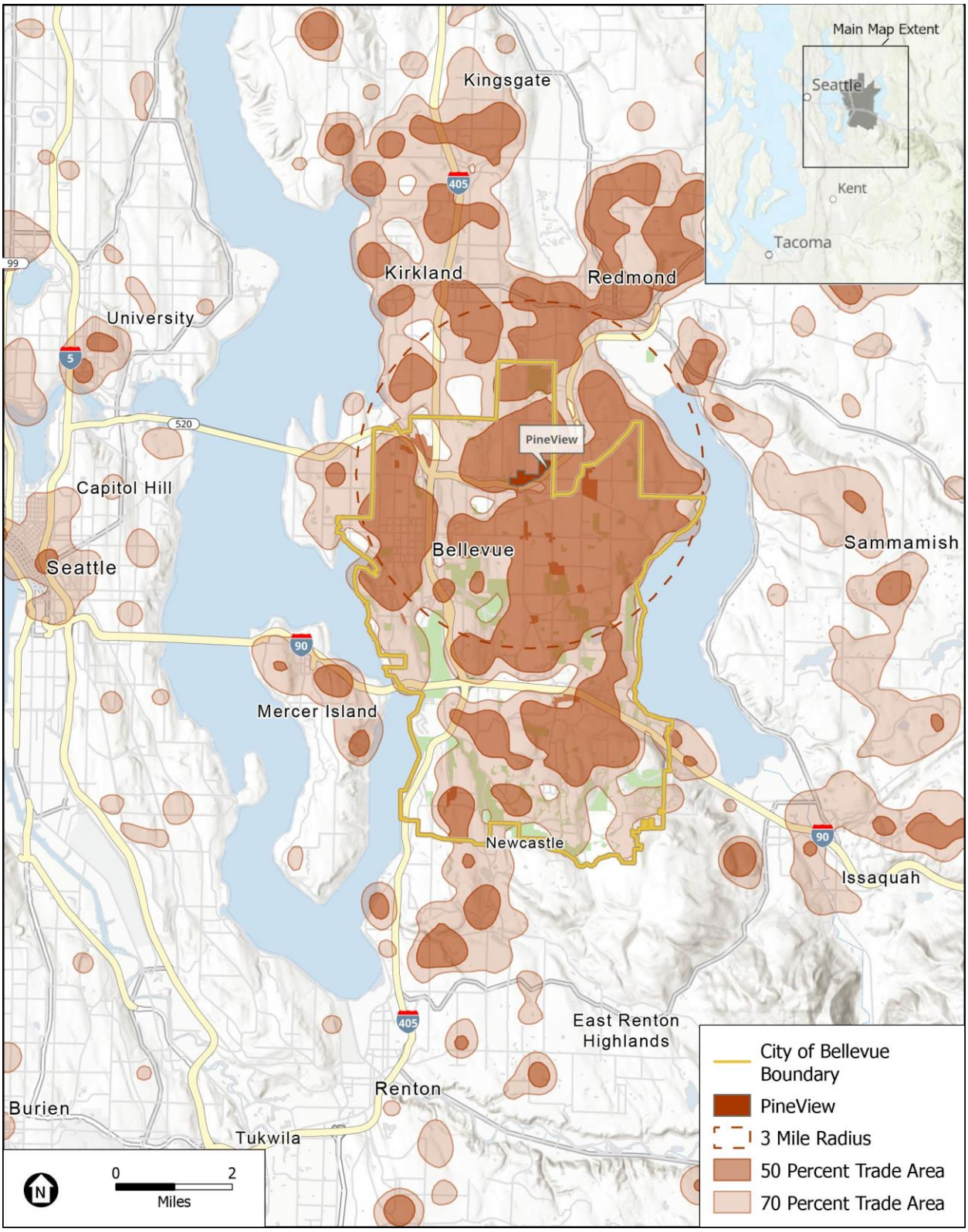

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FIGURE A-16 **PineView Trade Areas**

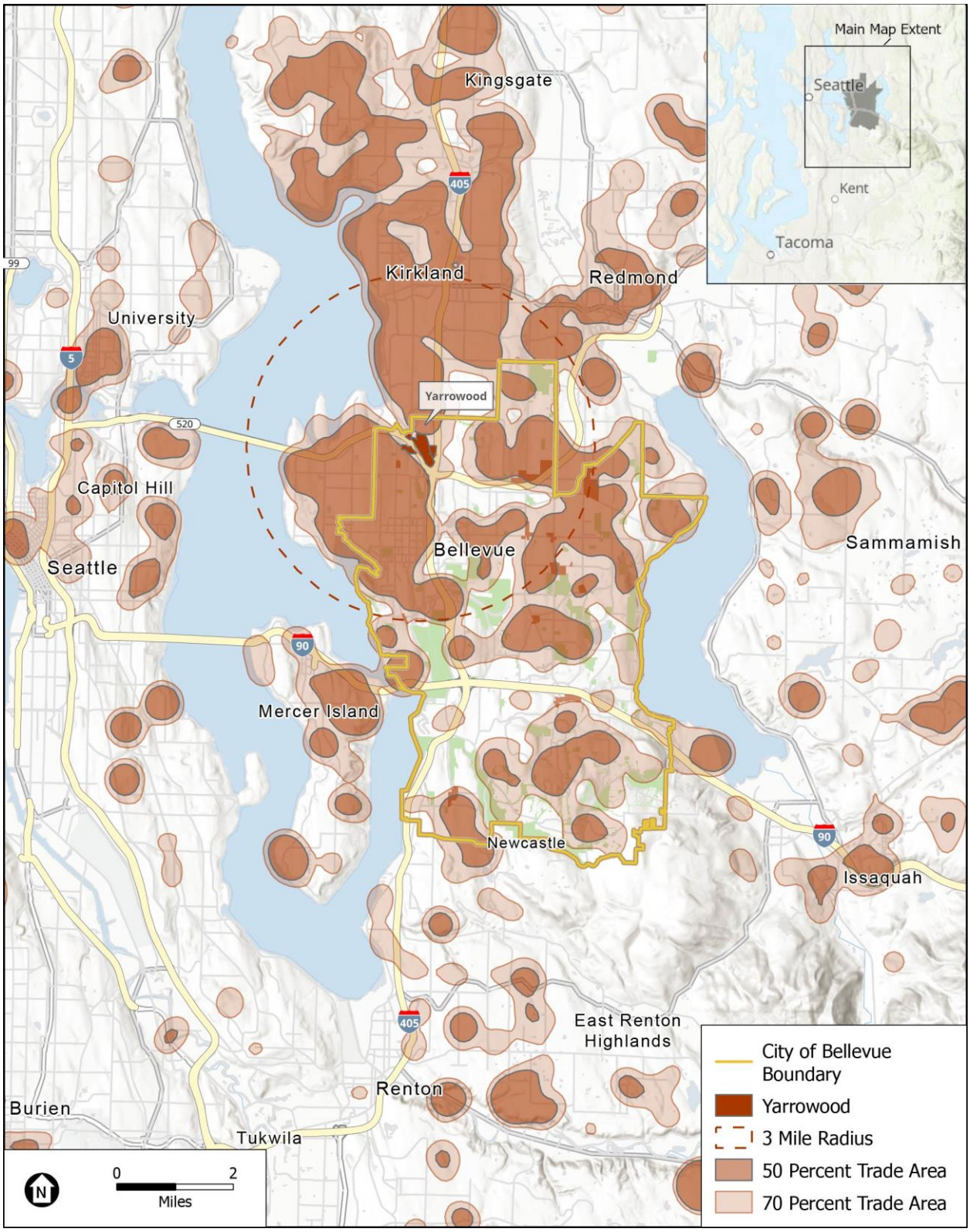

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FIGURE A-17 **Yarrowood Trade Areas**