

## 2026-2032 Financial Forecast Development Services Fund

### *Executive Summary:*

- The Development Services Fund supports delivery of development review, inspections, land use, policy and code enforcement services.
- The Development Services Fund 2026-2032 forecast reflects moderate development activity in the near future and in subsequent years. Current major projects are expected to move through the review and construction phases of the development cycle at a cautious pace. Activity is anticipated to show continued growth through the forecast period.
- This forecast assumes economic uncertainty in the near future, however, interest in development in Bellevue remains high.
- Staff continue to develop workplans for process and reporting changes related to recent legislation adopted by the State of Washington, Bellevue land use code updates, and process improvements to streamline permitting.

### **Background**

In the early forecast years, development activity continues at a moderate pace for commercial mixed-use and housing construction projects in the review and construction phases. Projects are currently planned or under construction in all areas of the City including mixed-use and multi-family development. Two permit extensions were granted consecutively in prior years to help alleviate pressure to complete the projects amidst economic pressures of high inflation, high interest rates and workforce adjustments that created uncertainty for office space. Although interest in construction projects remains strong, economic impacts have tempered the pace of development.

Activity for commercial investment is anticipated to remain low through the early forecast period. New office development has slowed as vacancy rates rise and companies are re-evaluating their in-office work strategies. Additional news of layoffs at several companies based in the area has also had an impact on market confidence. Developers continue to face challenging market conditions which are expected to contribute to more moderate levels of development activity throughout the forecast period. The completion of the Eastlink Light Rail project and updated land use codes near transit routes, create optimism for additional long-term commercial and residential Transit Oriented Development near light rails stations.

Commercial tenant improvement projects are anticipated to continue for existing commercial investments as they move toward completion and deliver new Class A office space, positioning the projects for a more balanced recovery.

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Single-family applications continue to reach peak level as new single family and reinvestment remains at high levels in the forecast period. Although high demand and low inventory for housing continues, new single-family and middle housing projects are impacted by persistent high inflation and high construction costs.

The timing of construction for these projects plays a role in the staffing level needed in Development Services to support major project activity. Staffing levels for review, inspection, and support services increased in prior budgets to meet the growing demand for permit review and inspection services, particularly in anticipation of several major large projects expected to be in concurrent construction phases and increase the demand for inspection services. In the 2027-2028 time horizon, resource levels are anticipated to remain constant or slightly increase in anticipation of demand for review and inspection work if projects move forward.

### **2026-2032 Outlook**

Office vacancy rates in Downtown Bellevue are a key indicator to developers interested in developing new office space. The downtown vacancy rate according to Cushman & Wakefield in Q1 2026 was 25.1%, up by 9.5% from Q1 2025. Office space under construction in 2025 was fully available for lease prior to completion and no major office projects are currently under construction. There is uncertainty around future demands for office space as companies evaluate more expansive and long-term flexible work options for their employees.

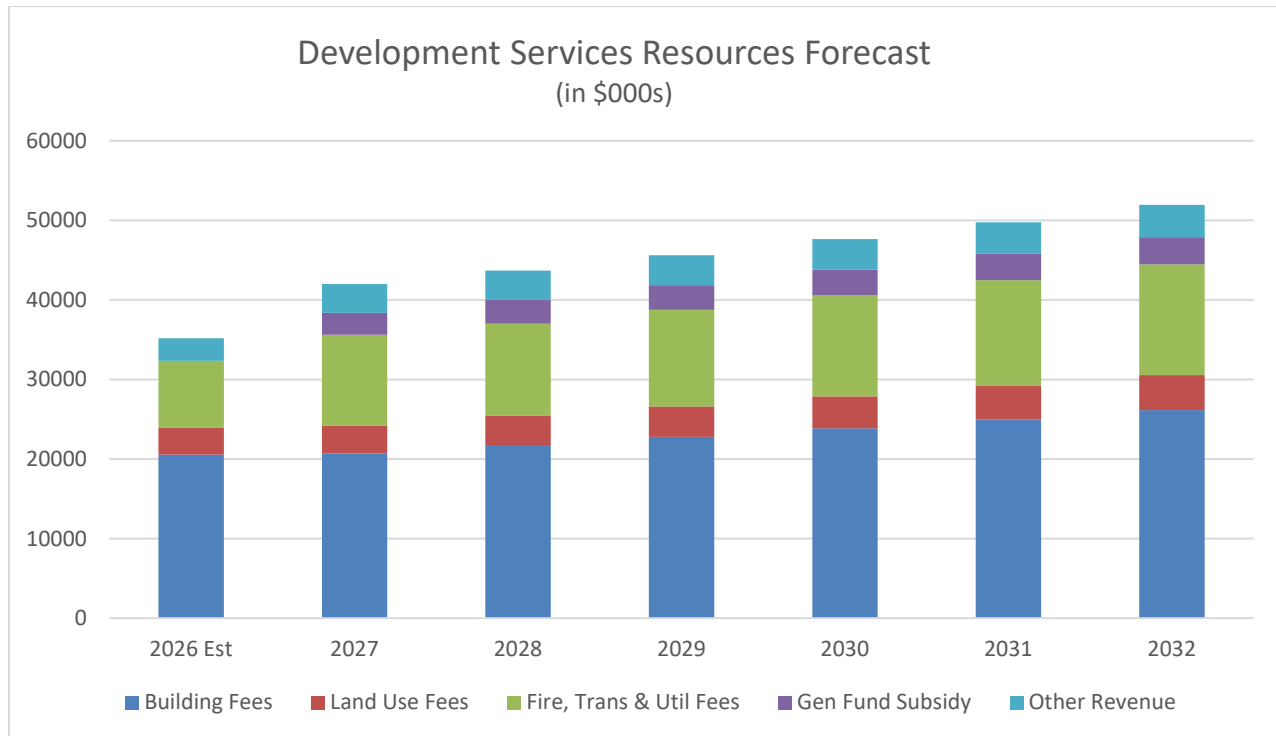
The construction valuation for issued permits, considered a key barometer of development activity, is anticipated to remain at a moderate level. Valuation in prior years is mainly a result of the volume and high valuation of projects. Construction investment for major projects will likely decline for office development, however, strong demand continues for single family, middle housing, multi-family housing, and single-family alterations.

The land use design review application activity has declined slightly in recent years, however, interest in future development in Bellevue continues as evidenced by new applications following the Wilburton land use code amendments. The pace of development is anticipated to increase somewhat in the latter years of the forecast as Bellevue moves to a growth phase in the development cycle.

Recent adoption of City Council policy direction for affordable housing and state legislation for permits related to land use decision timelines will likely impact process and reporting efforts. Staff continue to conduct analysis and develop workplans to address and administer the new requirements.

Because of the variables, the early forecast years reflect revenue collections for several existing major projects poised to move to construction and additional new multi-family projects, with sustained revenue growth through the latter years.

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### Forecast Drivers and Assumptions

1. Development services is supported by permit fees collected through hourly rates and fees based on the calculated value of the permitted work. Building fee growth is based on increases for estimated construction value and the forecasted level of development activity. Hourly rate revenue for land use, fire, transportation and utilities plan review and inspection are expected to grow by inflationary cost increases. Other revenue includes investment interest, operations fees and late fees. The General Fund supports public information, policy development, code compliance, and programs that support small businesses and reduce permit fees for qualifying affordable housing projects.
2. A significant driver of the resource outlook is the consideration of need for office space in the future and additional amenities in the downtown as persistent challenges include elevated vacancy rates, high material costs and strained financing conditions that restrict new development. As demand recovers, the constrained pipeline may create a more favorable environment for existing inventory, positioning the area for a more balanced recovery.
3. Major projects with issued building permits or under construction are included in the early years of the forecast. Mixed-use and nonresidential development projects are Alexan Eastgate, Bellevue College Building W and BSD Big Picture School at Eastgate. Residential and senior housing development continues with construction of several apartment and townhome projects including 100<sup>th</sup> Ave Investments, BRIDGE OMFE Affordable Housing – South and North buildings, Cambridge Manor townhomes, DOE townhomes, Flament East and West, High Street Residential, Perel Apartments, and Polynesia.

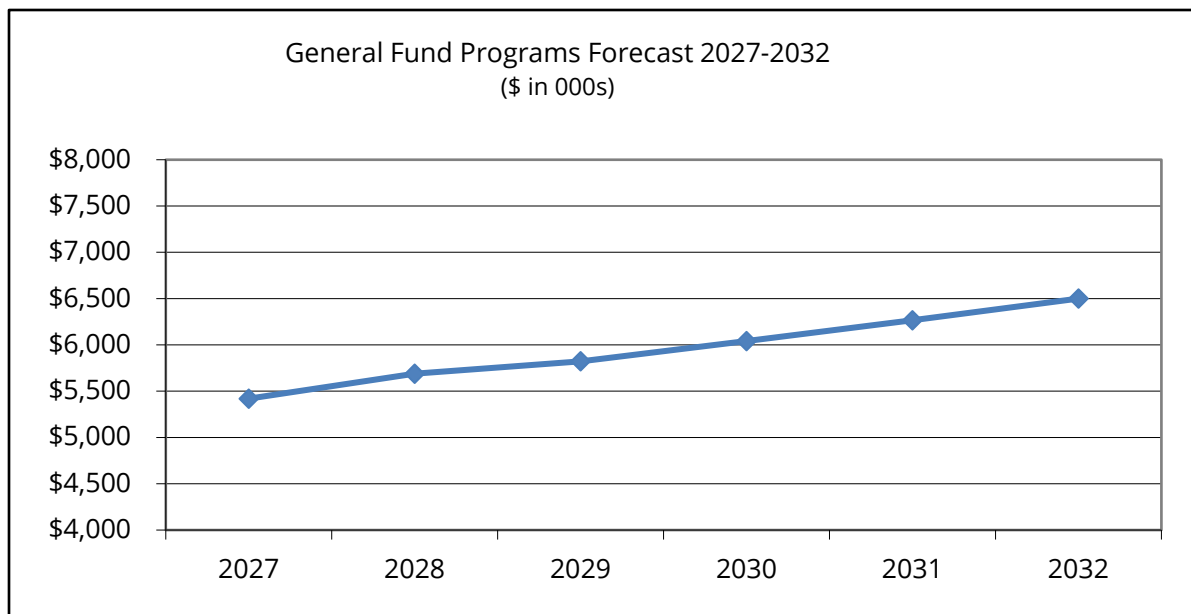
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4. New project activity continues as several currently in the review process have the potential to begin construction in the early forecast years. Projects include 111<sup>th</sup> Ave NE Apartments Lakeshore Multifamily, 12 Bellevue Way Mixed Use residential, 125<sup>th</sup> Ave Townhomes, 200 112<sup>th</sup> Office Above and Below Grade, 305 Office Building, 400 108<sup>th</sup> Tower, 88 Degrees Townhomes, 9838 Middle Housing Frong/Rear Units, ACST – Bellevue, Airfield Townhomes, Amity Court, BASIS Bellevue K-5 School, Bel 10, Bellevue 600 Phase 2, Broadstone Bellevue, Camellia Lane Townhomes, Chambers Apartments, Crossroads Multifamily Mixed Use Bldg, Forest Edge Apartments, Gables 12<sup>th</sup> Pl Apartments, HoM District Phase 2, NE 8<sup>th</sup> Street – Buildings A-D, North of Main mixed-use, Onni 606, Park Row, Pine Forest Building A, and Soma BelRed. Tenant improvements of new office buildings will also continue, however, activity is anticipated to be at a more moderate rate.
5. Council continues to review land use codes that are pertinent to the future growth in Bellevue, including areas such as Wilburton, BelRed and the Downtown.
6. Affordable housing continues to be an area of focus and priority for the Council. The Affordable Housing strategy impact Development Services includes creating a permissible land use code to reduce barriers, increase flexibility, and streamline development of affordable housing. Strategy goals are to reduce costs and timelines for permitting, expand fee waivers, explore design review exemptions, and provide technical support to lower development costs.
7. The forecast reflects maintaining the current level of staffing to address the current and continuing workload. While the slowdown has been somewhat buffered by a high pace of development permit applications in other sectors, staff have also focused on continuous improvement efforts such as working with the Bellevue Development Committee (BDC) to identify and prioritize opportunities to streamline and improve the permitting process. Consistent with the long-range financial planning effort, changes in resource levels are continually assessed and modified to accommodate workload and maintain service levels, and to maintain budget alignment.
8. Development fees are reviewed annually and may be adjusted to assure they are set accordingly to meet cost recovery objectives endorsed by the Council. Cost increases are for staffing, city-wide overhead, facilities and technology services. Development Services expects to utilize reserve funds to offset major cost increases and maintain rate stability. This forecast assumes that rates will grow at levels near the average rate of inflation.

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### General Fund Programs

The General Fund supports Development Services programs that have been designated as general-funded activities. These programs include personnel and M&O costs for Policy & Code Development, Code Compliance, and Small Business Assistance. Additional Development Services activities supported by the General Fund include permit presubmittal assistance, public information, and the affordable housing permit fee reduction program.



General-funded programs in Development Services Fund are expected to grow in the early forecast period to support code and policy development, and updated 2027-2028 budget expenditures supported by the General Fund. In latter years, the contribution grows by inflation factors, consistent with projections for staff and operating costs.

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### Development Services Fund Reserves

The Development Services Fund includes prepaid fees and reserves to assure that core staffing levels are balanced with cyclical needs, thus mitigating the effects of downturns or rapid increases in development activity. Reserves also ensure the Permit Center, capital equipment, and technology systems are adequately funded when they need replacement or renovation.

Development Services Fund level is forecast at approximately \$79 million through 2026, reflecting the most recent development growth in Bellevue and updated staffing costs to meet the demand. As development activity slows and costs increase, the fund level declines through the forecast years as reserves are drawn upon to maintain enough staff to complete the review and inspection of projects in construction and continue process improvement work.

Development activity and the Development Services fund levels will be closely monitored over the next biennium. Corrective measures will be taken during the forecast period if market conditions warrant doing so.

