

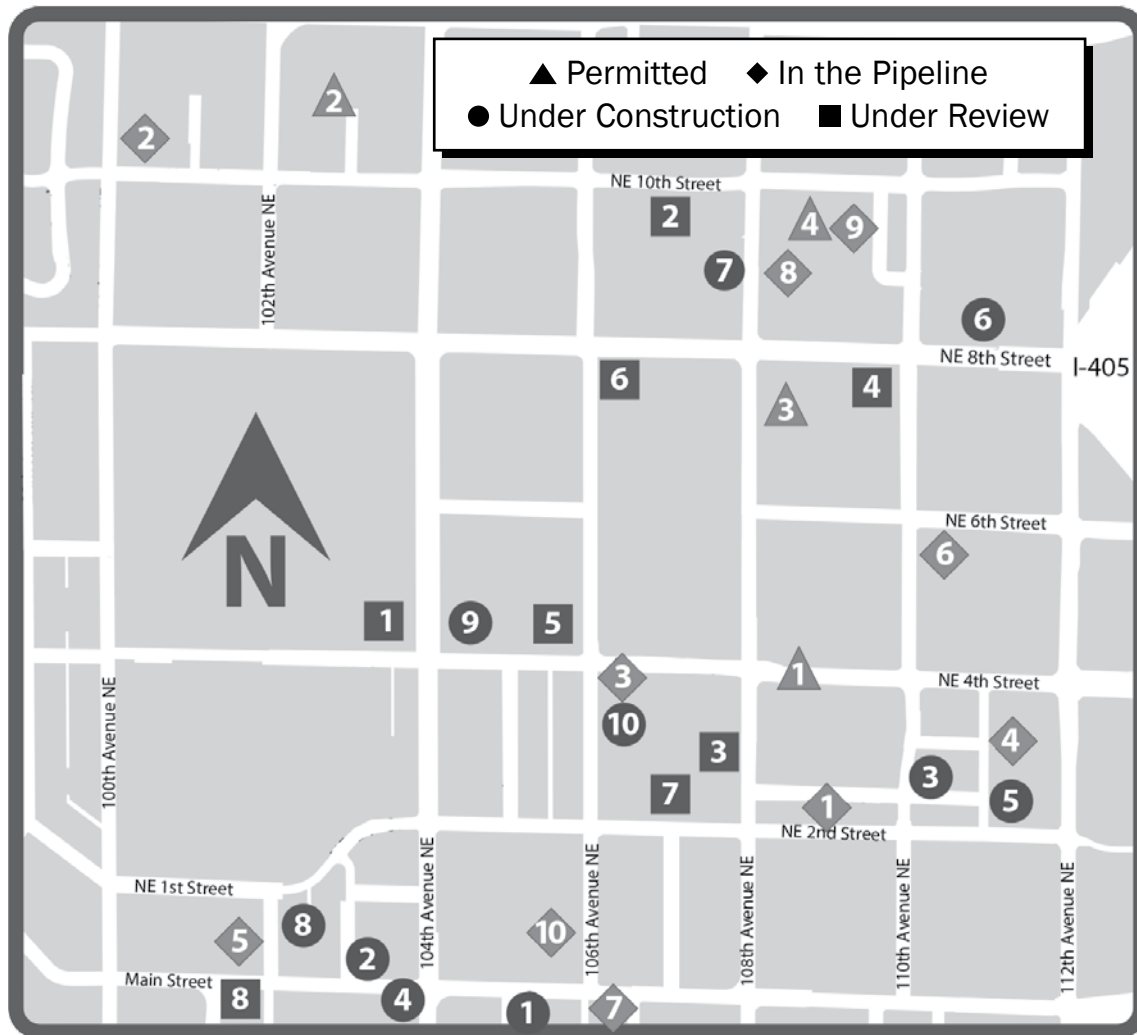
DOWNTOWN BELLEVUE DEVELOPMENT

Seattle Daily Journal
of Commerce

March 26, 2015



MAJOR DOWNTOWN PROJECTS



PERMITTED ▲



3 Bellevue Center, Phase I
10833 N.E. 8th St.

- 24 stories
- 526,132 square feet of office
- 1,258 underground parking stalls
- 8,500 square feet restaurant; 2,500 square feet retail
- 2-acre plaza
- Developer: 10833 NE 8th Associates



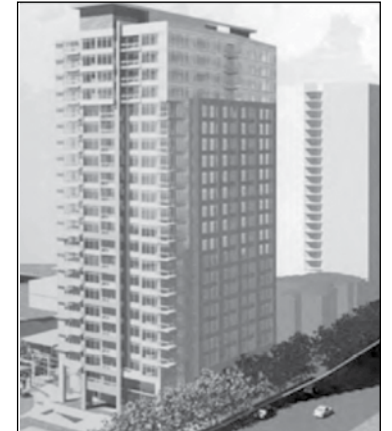
The Summit Building C
320 108th Ave. N.E.

- 300,000 square feet of office
- 652 parking stalls
- Start date: unknown
- Developer: Hines Global REIT



2 103rd Avenue Apartments
1035 103rd Ave. N.E.

- 175 residential units
- 6 stories
- 2 underground levels for 180 cars
- Developer: HSL Properties



4 Pacific Regent of Bellevue, Phase II

919 109th Ave. N.E.

- 303 residential units
- Developer: Fountains Bellevue SL LLC



PHOTO | © CHARLIE SCHUCK PHOTOGRAPHY

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IN THE PIPELINE ◆

1 Evergreen Development Bellevue Tower
10827 N.E. 2nd Place
Residential

2 EROS Properties
1000 100th Ave. N.E.
Residential

3 Fana CBD Master Development Plan
320 106th Ave. N.E.

4 Metro 112 Apartment, Phase II
11109 N.E. 3rd St.
Residential

5 17-102nd Avenue NE
Residential

6 Eastlink Bellevue Transit Center Station
450 110th Ave. N.E.

7 10625 Main Street
Residential

8 846 108th Avenue NE
Residential

9 Habib Properties
929 109th Ave. N.E.

10 Bellevue Plaza
117 106th Ave. N.E.

ON THE COVER

Part of the expansion of Lincoln Square in downtown Bellevue includes a hotel called W Bellevue. It will have 245 rooms, meeting and event space, three restaurants and bars, and a gym.

RENDERING BY NEOSCAPE COURTESY OF KEMPER DEVELOPMENT

UNDER REVIEW



1 Bellevue Square Southeast Corner Expansion
701 Bellevue Way NE

- 220,000 square feet retail/commercial
 - 204 hotel rooms
 - 239 residential units
 - 1,700 parking stalls in 5 underground levels
- Developer: Kemper Development Co.



3 Plaza 305
305-108th Ave. N.E.

- 195,340 square feet of office
 - 5,700 square feet of retail
 - 15 stories
 - 510 parking stalls
- Developer: Fana 305 LLC



5 415 Office Building
415 106th Ave. N.E.

- 16 Stories
 - 355,362 gross square feet
 - 2,800 square feet of retail
 - 6,200-square-foot Bank of America
 - 8 levels of underground parking
- Developer: Schnitzer West



7 Marriott AC Hotel
10628 N.E. 2nd St.

- 7 stories
 - 234 rooms
 - 2 levels of underground parking
- Developer: WPPI Bellevue AC Hotel LLC



2 Washington Square Hilton Garden Inn

- 10650 NE 9th Place
• 254 hotel rooms
Developer: West77 Partners

4 Bellevue Center, Phase II

- 10833 N.E. 8th St.
• 18 Stories
• 430,000 square feet of office
• 900 parking spaces underground
- Developer: 10833 NE 8th Street Associates



6 Bellevue Tower Phase I
10605 N.E. 8th St.

- 20 stories
 - Street retail
 - Underground parking
- Developer: Sterling Realty Organization



8 AMCUT
10133 Main St.

- 2 stories
 - 1,586 square feet of office
- Developer: 10133 Main Street LLC

UNDER CONSTRUCTION



3 Marriott Hotel
200 110th Ave. N.E.

- 376 rooms
 - 7,500 SF of restaurant
 - 440 parking stalls
- Developer: WPPI Bellevue MFS LLC



4 Bellevue at Main
15 Bellevue Way S.E.

- 33,000 SF of retail and commercial
 - 262 residential units
 - 475 parking stalls
- Developer: SRM Development



5 Bellevue Apartments
204 111th Ave. N.E.

- 5 stories
 - 57 apartment units
 - 23 parking stalls
- Developer: LIHI Properties



6 Alley 111
11011 N.E. 9th St.

- 259 residential units
 - 76,200 SF retail and restaurant
 - 247 underground parking spaces
- Developer: Skanska USA Development



7 Bellevue Office Tower
833 108th Ave. N.E.

- 19-story office building
 - 2 levels of underground parking
 - Detached 6-story parking garage
- Developer: Trammell Crow Co.



8 Bellevue Park II Apartments
10203 N.E. 1st St.

- 10,400 SF retail/commercial
 - 160 apartment units
 - 213 parking stalls
- Developer: Bellevue Park Apartments LLC



9 Lincoln Square Expansion
410 Bellevue Way N.E.

- 120-room hotel
 - 200 condos
 - 545,000 SF office
 - 392,000 SF retail
- Developer: Kemper Development Co.



2 Main Street Gateway
10328 Main St.

- 24,475 SF of commercial
 - 369 units
 - 625 parking stalls
- Developer: Wolff Co.

10 S O M A Phase II
10608 N.E. 2nd St.
• 15,000 SF commercial
• 124 units

Developer: SU Development



BELLEVUE BLOOMS WITH CONSTRUCTION CRANES

Projects that were just discussions two years ago are under construction.

The tower cranes have returned to the skyline, and there is a lot going on in and around downtown Bellevue these days — with much more to come.

Take, for instance, the state's largest continuous concrete pour recently at the Lincoln Square expansion involving 81 trucks running nonstop for 24 hours. Or the new Marriott Hotel south of City Hall that is nearing completion. Or several major residential buildings that continue to climb upwards, further altering Bellevue's skyline — just as the park corridor from downtown to Meydenbauer Bay alters the streetscape. And it's all according to plan.

Bellevue is constantly looking decades ahead to define how we want to grow. Two important planning processes that encapsulate the City Council's and the community's vision — the latest comprehensive plan update and the Downtown Livability Initiative — are well underway but will include even more feedback from the public before they are approved by council. Both will guide the city's approach to downtown growth and development for the next 20 years.

Projects that were just discus-

sions two years ago are under construction. Many important pieces are coming together nicely to make Bellevue the place where you want to be:

- **Retail destination.** Bellevue's reputation as a center for shopping and entertainment is being enhanced by new construction and changes around Bellevue Square.

An upscale grocer will occupy about 30,500 square feet of the old J.C. Penney space. Across the street, the Lincoln Square expansion adds retail, cinemas, restaurants, hotel rooms, apartments and offices to an already bustling neighborhood.

An established 24-hour restaurant, 13 Coins, is making its first foray into the Eastside.

And fans of Old Bellevue will be excited to see many new restaurants and other entertainment and retail options being added to that neighborhood; there are three active mixed-use projects within a three-block radius.

- **A growing and active downtown.** All over town we are seeing more residential. The cranes are working hard to stay out of each other's way as everyone moves their projects through to completion. More than 750 residential units will be added in the not-too-distant future in Old Bellevue. With one more residential project under construction adding 260 apartment units just one block to

the east of Bellevue Way on Main Street, there will be no shortage of living space in the heart of downtown.

The second phase of SOMA Towers, a residential high-rise at 106th Avenue Northeast and Northeast Second Street, is under construction. This project will add 127 residential units and three levels of retail, including restaurant space, in the City Center South neighborhood.

On the north side of downtown there has been significant growth as well, within the City Center North neighborhood. The 19-story Nine Two Nine office building will add a substantial amount of office space in what has been known as the Wasatch Super Block. Bringing additional energy is a project under review called Washington Square Hilton Garden Inn that would add 250 hotel rooms.

We have strong expectations for further growth in the City Center North neighborhood.

- **900-acre Bel-Red District.** Development just outside of downtown is also moving along quickly, including the emergence of the new mixed-use Spring District neighborhood. The Spring District will eventually be home to about 3,000 residents, 200 retail workers and 18,000 office workers.

Also, 450 apartment units, including 36,000 square feet of affordable housing, are soon to be completed on the east side of the Bel-Red District.

- **More transportation options.** On the horizon is change that will come with delivery of East Link light rail, a new reliable transportation option that will begin construction soon and provide

rider service in 2023.

East Link was a key foundation piece used in planning and redefining the future of the Bel-Red District and will be the catalyst for new transit-oriented development in that part of the city. It will also provide rider service downtown with a station across the street from Bellevue Transit Center.

- **Supporting links.** Parks, roads and utilities are required to make the city livable, especially as it grows and becomes denser.

We are reviewing those needs through the Downtown Livability Initiative, looking for ways to work with developers to create a downtown that is consistent with Bellevue's moniker, "City in a Park." Current efforts include completing the last quarter of

CRANES — PAGE 11

The second phase of SOMA Towers is underway at 106th Avenue Northeast and Northeast Second Street. It will have 127 residential units and three levels of retail.



PHOTOS FROM THE CITY OF BELLEVUE

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HOMOGENEOUS? BORING? NO WAY! WHY ONE NEW MILLENNIAL LOVES BELLEVUE

Compared to Seattle, Bellevue's architecture and economy are still quite young.

Two years ago around this time I was a city planner in a Colorado town seeking jobs in the Seattle area when I came across a posting for a job in downtown Bellevue.



BY AUGUSTA
DEVRIES
BELLEVUE
DOWNTOWN
ASSOCIATION

My now husband, but then long-distance boyfriend, worked for Boeing. The chance of getting him to move to Golden was slim. I made the leap, packed my bags and set up life in the heart of downtown.

I haven't looked back — just forward and up and around. After two years, I recognize that I am still fairly new to the place; I am still learning the history and am in no way the definitive spokesperson for

my generation, but here's my view as a newcomer, and yes, a millennial.

First impressions

Yes, Bellevue is clean, safe, shiny and new; but there's more. Growing up in the Midwest and then moving to Denver for graduate school, I've experienced great cities of various scales. From a logging town with a "cross-river" high school rivalry to a Wild West growth center with tech hubs and sustainability initiatives, the places I've chosen offer some of the best opportunities for outdoor adventure and recreation.

Adventure is in my DNA, and downtown Bellevue's proximity to opportunity and innovation is no exception.

Like every city, Bellevue is a product of its history. In comparison to Seattle's story, downtown Bellevue's architec-

ture and modern economy are still quite young.

Bellevue incorporated in 1953. As downtown Bellevue came into its own as a thriving business center in the 1970s and 80s, the city was as a bedroom community for suburbanites traveling across the bridges to work in Seattle. First Bellevue saw single-family homes pop up amongst the strawberry and blueberry fields along the shores of Lake Washington. Then came basic community services and shops to meet the demands of the day.

Automobiles were in their heyday and land and parking were plentiful. It's no wonder why the built form reflects remnants of surface lots and strip malls.

I remember my first walk around downtown, a rainy April evening. As I wandered the superblocks and took note of the built environment, it was apparent I was in the business district at first, yet I felt drawn

to the activity on Bellevue Way.

Come to learn the history of Bellevue Square and how the mall anchored and encouraged future development, it started to make sense how the downtown was built out. I can see the connected and walkable downtown that planners envisioned back in the 1980s.

While I know downtown development has made great advances, it still has a lot of potential to better connect downtown dwellers to shopping, entertainment and their jobs.

Evolving stereotypes

That mark of an auto-oriented city may stick around, but the car isn't the only way people are experiencing downtown. I'm seeing more and more companies view downtown and the greater Eastside as prime access to their employees, housing and a desirable quality of life for families.

As a Kirkland resident who

once enjoyed living in Old Bellevue, I appreciate that I was able to access downtown Bellevue by foot, and now by bus, bike or car. That's what makes it attractive to businesses, techies and newcomers like myself: the element of choice and access to amenities.

Downtown Bellevue is diverse. I've heard it called "homogeneous" and "boring," but those labels just don't ring true. Last week, I rode my bus from downtown Bellevue to Kirkland and it was standing room only. As I stared out the window, I could hear three different languages spoken around me. Downtown Bellevue is not as homogeneous as it once was or as people still seem to think.

People toss around the fable that "nobody walks in downtown Bellevue," but I can name numerous colleagues and counterparts who walk to work (not to

MILLENNIAL — PAGE 12

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WHAT CAN BELLEVUE LEARN FROM OTHER BIG CITIES?

The ingredient that sets truly memorable cities apart is diversity. We want to see the things we can't find anywhere else.

The city of Bellevue's rapid transformation from pre-war strawberry fields via 1970s asphalt parking lot to today's high-tech urban village has been astonishing. Such rapid development brings both great opportunity and potential risk.



BY BRIAN BRAND
BAYLIS
ARCHITECTS

As Bellevue continues to head into the future at breakneck speed, what can we do to guide its development and continuing success? How do we ensure that young people attracted to jobs in Bellevue's thriving high-tech sector choose to stay, live, raise their kids and ultimately retire here? How do we make it affordable?

In 1990, just 1,192 people lived in downtown Bellevue. By 2012 it was 10,500. By 2035 we're looking at a probable 19,000 people — most of them in an area that represents just 2 percent of the city's total land area.

That's a truly dramatic transformation for those former strawberry fields. If we are to avoid a repeat of the characterless asphalt phase of the 1970s this growth will need some guidance.

In 2012, the city and the Bellevue Department of Community

Development created the Downtown Livability Initiative. Conrad Lee, mayor at that time, appointed a citizens' advisory committee (CAC) to shepherd the initiative.

Working with a spectrum of stakeholders and community members, and with active and engaged support from the Bellevue Downtown Association, the CAC has identified critical success factors for Bellevue's future.

This excerpt from the Downtown Bellevue Subarea Plan defines livability as being:

"...about quality; about weaving an urban fabric rich in resources and quality of life. Livable cities provide welcoming places to eat and sources of entertainment. Livable cities develop parks and open space. Truly great cities are also memorable. Memorable cities impart an unforgettable experience from having visited there. Memorable cities have strong, clear identities."

With the benefit of hindsight and the opportunity to explore what's working in other burgeoning cities around the world, the CAC identified the key characteristics that will set downtown Bellevue on the path to sustaining itself as a livable, memorable city.

Livable cities are walkable

First among the CAC's recommendations is the overriding importance of creating safe, easy

and attractive pedestrian access in the downtown area.

Melbourne, Australia, recently voted the world's "Most Livable City," is characterized by its wide pedestrian sidewalks bustling with activity and lots of opportunities for socializing or the simple pleasure of people-watching. In Bellevue, where the average block is almost three times longer than a typical Portland or Seattle block, this means finding ways to break the distances with mid-block connectors, wider sidewalks, mid-block street crossings and enhanced pedestrian amenities.

Another challenge is the width of the streets and how much time it takes a pedestrian to cross. The current young demographic of high-tech workers may have no problem with a brisk sprint across four to six lanes of traffic in the allotted 12-second crossing time, but what about parents with toddlers? What happens as we get older and less inclined to jog across intersections? We need to find better, easier ways for pedestrians to safely cross downtown streets.

Open, green space is also an essential feature of walkable cities — one that enhances their appeal but also serves the critical function of providing gathering places that reinforce neighborhood identity, encourage people to linger outdoors and offer recreational opportunities for young and old alike.

Encoding livability

As designers and creators of the built environment we can find many elegant solutions to such challenges, but they require careful planning. The goal of the CAC is to recommend updates to the city land use code, adopted over 30 years ago, that will promote the adoption of livable development strategies as the city continues to evolve.

The recommendations focus on several key areas with consideration to how their development relates to livability:

Major pedestrian corridor

- Extend the pedestrian corridor to the east to be more integrated with the Civic Center District and the future light rail station.

- Create a memorable downtown feature with green, open space, better weather protection and improved wayfinding, lighting and crosswalks.

Open space and amenities

- Identify and incentivize open space for each downtown neighborhood, to help address each neighborhood's needs and character.

HERE ARE SOME LESSONS



In Vancouver, B.C., buildings of varying heights, widths and with interesting tops allow for views and light between them.

PHOTO BY MARK D'AMATO/DCI ENGINEERS



In Denver, some streets provide multi-modal transportation for pedestrians, bikes, cars and transit.

PHOTO FROM BAYLIS ARCHITECTS



In Pasadena, California, mid-block connections on large blocks provide space for quirky retail, landscape, sitting and pedestrian weather protection.

PHOTO FROM BAYLIS ARCHITECTS



In New York City, pedestrian corridors reinforce neighborhood identity and encourage people to linger outdoors with places to sit and people watch.

PHOTO FROM BELLEVUE DOWNTOWN ASSOCIATION

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- Strengthen requirements and guidelines for integrating pathways through superblocks.
- Identify and prioritize amenities that reinforce neighborhood identity and encourage creative design.
- Potential to focus bonuses on the most important amenities.

Building height and form

- Encourage more interesting and memorable architecture and create a more distinctive skyline.
- Be flexible enough to allow architects and designers the freedom to create unique buildings.
- Create opportunity for more light and air between buildings by increasing height and allowing more open space at ground level.
- Incentive schemes for additional height or floor space.
- Promote variability in building heights to reinforce district identity.
- Focus density around light rail and transit.

Parking and transportation

Livable cities have comprehensive parking strategies and encourage efficient, multi-modal transportation including cars, transit, bikes, light rail and pedestrian accessibility. The city needs to adopt common-sense, achievable targets that will greatly enhance the livability experience, for residents and workers alike.

In the downtown core these include:

- A comprehensive parking study to assess on-street parking, public garages, and coordinated management of the parking supply such as valet or shared use.
- Review the code to respond

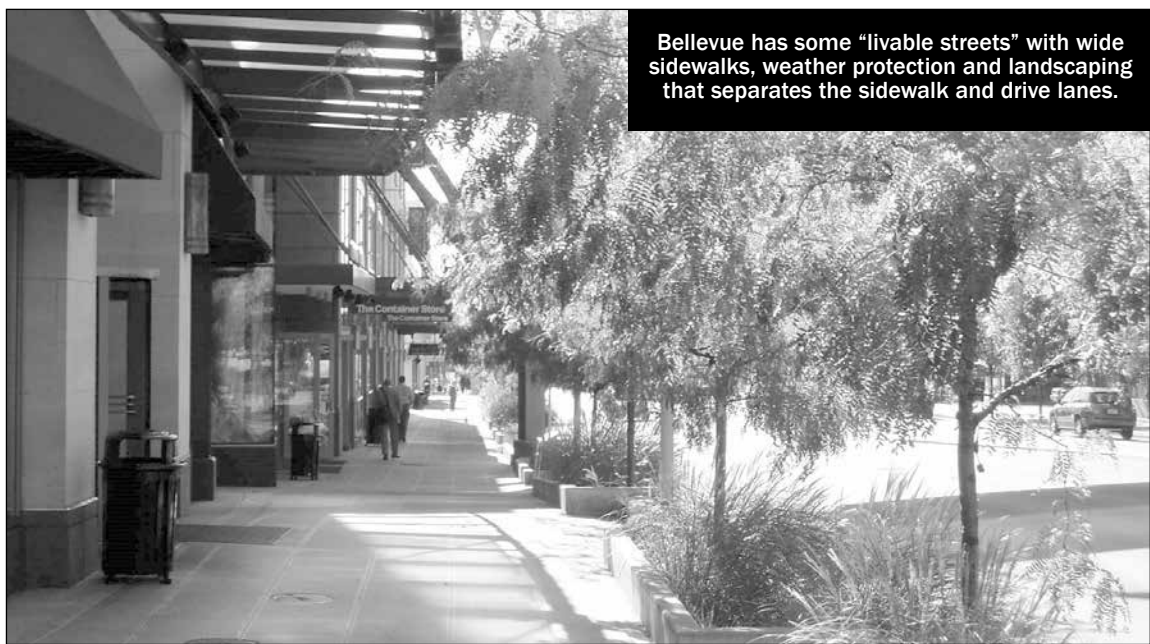
- to changing needs as East Link light rail nears completion (2021-23).
- Explore a potential shared public parking facility for short-term use to serve the Old Bellevue area to encourage visitors and shopping.
 - Reduce single-occupancy-vehicle trips to 40-50 percent of total transportation mix.
 - Wider sidewalks with pedestrian amenities.
 - Clear, easy to read signage.

Build it and they will come

There is much we can do to inform and construct a framework for successful city development, but the critical success factor is less easy to codify: people.

Truly livable cities evolve organically as a result of people choosing to make them their home. Affordable housing, open space, mobility and access, and good jobs are all factors in this decision but the ingredient that sets truly memorable cities apart is diversity. Think of the kinds of things we want to see when we visit a different city: Graffiti Alley in Melbourne, Covent Garden in London, Granville Island in Vancouver, Chinatown in San Francisco, even the Burj Khalifa in Dubai. We want to see the things we can't find anywhere else.

This is particularly challenging for a city as young as Bellevue. We already have many attractive amenities including Bellevue Square and The Bellevue Collection, Downtown Park, Meydenbauer Center, Bellevue Arts Museum, and the newly renovated Bellevue Botanical Garden. The list will continue to grow as the city expands Meydenbauer



Bellevue has some "livable streets" with wide sidewalks, weather protection and landscaping that separates the sidewalk and drive lanes.

PHOTO FROM BAYLIS ARCHITECTS

Waterfront Park and plans the future Tateuchi Center performing arts facility.

As we build new and rebuild old we must find the balance between providing the best amenities and risking the loss of the unique offerings that make a city authentic. Branded restaurants and luxury boutiques have appeal, but they must be balanced by the ethnic "hole-in-the-wall" lunch favorite.

We need a place for quirky, small shops filled with objects that catch the eye and slow down

the passing pedestrian, encouraging them to linger. We need outdoor spaces with their own identities: some days you want the excitement of the skate park, some days you want the Zen-like peace of a tranquil garden.

Memorable cities have nooks and crannies that offer it all.

As we continue to shape the future of Bellevue these are questions we should all be thinking about. The CAC has laid the foundations for a flexible framework that enshrines many of the common elements of successful

cities. It is up to us, developers, designers, engineers of the built environment — people — to add the personal flair and creativity that are the hallmarks of diversity and authenticity.

Brian Brand is a principal at Baylis Architects. He is a longtime resident of the Bellevue area, is a board member and executive committee member of the Bellevue Downtown Association, and a strong advocate for the Downtown Livability Initiative.

- Lincoln Square Expansion*
- Lincoln Square
- Bellevue Arts Museum**
- Bellevue Place
- Bellevue Square

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DOWNTOWN OFFICE SPACE WILL JUMP 23% IN 18 MONTHS

Tech companies seeking the best office space to attract workers have created huge rent disparities between the CBD and outlying areas of Bellevue.

Imagine shopping for your Seahawks jersey the Friday before the Super Bowl. You feel you must have new gear, but everything is picked over, and what is left is the wrong size and 75 percent more expensive than during preseason games.



BY PAUL SWEENEY
BRODERICK GROUP

This is what office tenants have been facing as they look to secure new and expanding space in the Bellevue CBD.

There are simply too few choices at premium rates.

Rental rates for the best spaces and buildings are \$35-\$40 per square foot, making the Bellevue CBD the most expensive submarket in the entire Puget Sound region. Once operating expenses — real estate taxes, janitorial services, utilities, building management and maintenance — are considered, the total can be over \$50 per square foot annually, excluding parking.

These rental rates are tame

by San Francisco standards, but are 75 percent higher than when most office tenants last shopped for new space following the 2008 recession.

In regards to supply, any vacancy rate lower than 10 percent signifies a tight, landlord's market with increasing rents. Vacancy rates for Class A office space in the Bellevue CBD are 7.4 percent, with the premium buildings at less than 5 percent.

Recruiting tool

Over the 28 years of my career, the view of office space by tenants in our area has transitioned from that of a necessary expense to a very important asset, mainly as a recruiting tool.

Most of Bellevue's office market is made up of technology tenants that are competing for the best and brightest employees. As such they need to offer the best office space and location.

Technology has allowed greater efficiencies in space usage, and as a result companies are averaging densities between five and seven people per 1,000 square feet versus the historical three to four.

Parking ratios have remained at four per 1,000 square feet or less in suburban Bellevue, which means that companies must provide convenient mass transit options to make up the difference. Additionally employees want a "walkable" 24-hour environment with restaurants and retail, nearby housing, and hotels for visitors and conferences.

Downtown Bellevue is the place to go for all these required amenities, and companies are willing to pay accordingly. For example, comparably aged buildings along I-90 in Bellevue are \$18-\$21 per square foot less costly per year (\$23-\$27 including parking) than downtown Bellevue — an incredible disparity that never existed before.

Clearly, office tenants are "paying up" for downtown Bellevue.

This rent disparity was created by Bellevue technology companies paying average salaries of \$167,000 to attract top workers. With an additional \$18,000 for benefits such as health insurance and retirement, the totals come in at a staggering

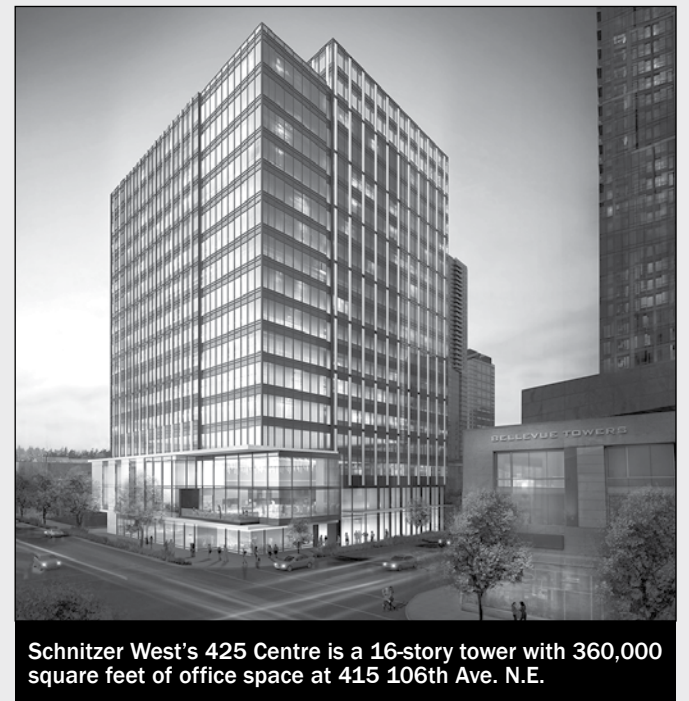
INVENTORY — PAGE 11

3 BIG OFFICE PROJECTS



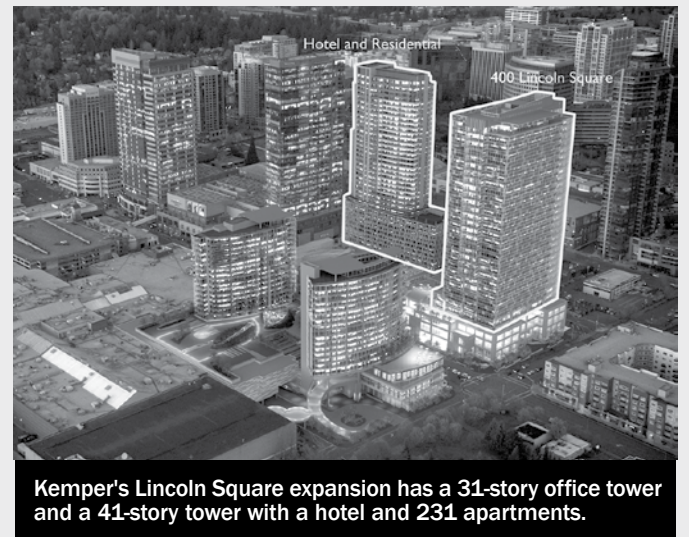
Trammell Crow and Principal Real Estate Investor's 929 Building is 19 stories with 462,000 square feet of office space.

IMAGE BY STUDIO 216, COURTESY LMN ARCHITECTS



Schnitzer West's 425 Centre is a 16-story tower with 360,000 square feet of office space at 415 106th Ave. N.E.

IMAGE COURTESY OF STUDIO 216



Kemper's Lincoln Square expansion has a 31-story office tower and a 41-story tower with a hotel and 231 apartments.

IMAGE COURTESY OF KEMPER DEVELOPMENT CO.

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RETAIL DRIVES GROWTH IN ONCE 'SLEEPY' DOWNTOWN

Staying ahead of retail trends and catering to changing demographics of shoppers will keep the downtown core strong.

As cities around the country strive to revitalize their downtown cores, Bellevue is thriving. This is not by accident, but rather by design.

Planning that stems back several decades by the city, local residents and the business community created the perfect union of a strong business center, a great place to live, and vital and lively retail. Staying ahead of retail trends and catering to the changing demographics of shoppers will keep the downtown core a central driving force in strengthening our community.

According to a report by the University of Wisconsin on downtown business developments, "Few, if any, downtowns or Main

Street districts can ever create and maintain a retail mix the way a retail mall can. This is especially true for the vast majority of the commercial districts located in small and medium-sized communities."

Yet, Bellevue continues to strengthen its retail offerings, restaurants and nightlife centering around The Bellevue Collection and spreading outward to the benefit of small retailers, Main Street restaurants and shops, and other retail developments. With the expansion of Lincoln Square and Bellevue Square bringing 375,000 square feet of new retail, dining and entertainment along the city's main retail street Bellevue Way in fall 2016, the power of retail in downtown Bellevue will continue to grow.

Studies show that great retail is the catalyst for growth within cities and the core of a successful downtown.

Jobs in downtown Bellevue

have quadrupled since 2008 as businesses like Microsoft, Expedia and Eddie Bauer have expanded and newer companies like Bungie and Valve have moved in. That growth is reintroducing downtown to diverse workforces and changing its past reputation as a sleepy place to its rightful place as a premier urban center.

Recent articles cite young professionals choosing to live and work downtown in part because of the thriving nightlife and access to diverse retail and dining options.

A relevant and thriving retail core also helps stave off the challenge presented by online retail powerhouses that increasingly capture sales from traditional brick and mortar stores. Even during the tough economic downturn in 2009-10, sales at Bellevue Square grew every month and new retail continued



BY JIM HILL
KEMPER
DEVELOPMENT



The expansion of Lincoln Square, shown here, and Bellevue Square will bring 375,000 square feet of new retail, dining and entertainment by fall 2016.

RETAIL — PAGE 12

IMAGE FROM KEMPER DEVELOPMENT

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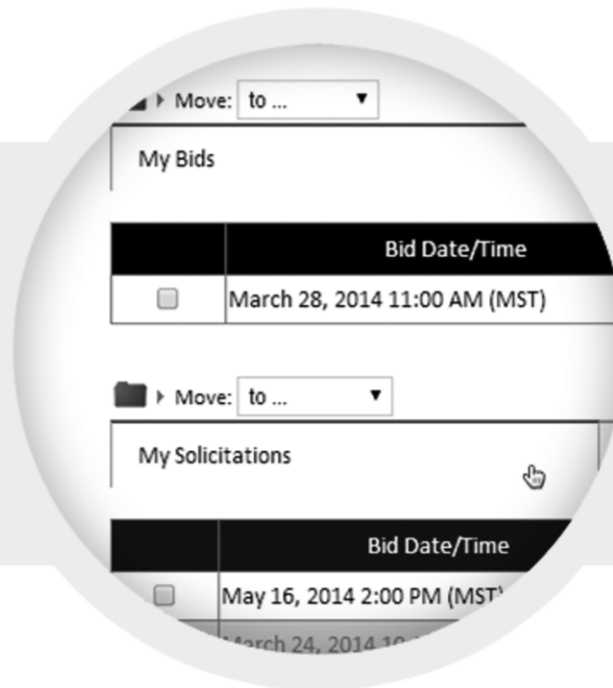


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CRANES

CONTINUED FROM PAGE 4

the circular promenade at Downtown Park, and expanding the playground.

The city is in the initial stages of construction to create Meydenbauer Bay Park, which will provide a link to the waterfront from downtown.

The conversations continue about other office and residential buildings that developers are looking to start. We anticipate ongoing discussions with the development community and downtown residents as these projects unfold in the next few years.

Like the rest of the region and country, Bellevue struggled through the recession, but that has changed. It's wonderful to see so much happening after those challenging years.

Looking ahead, we are not anticipating the rapid decline we experienced with the last cycle. Investment and development interests are at a high level with no signs of a sudden fall off.

The tower cranes will continue to swing, the skyline will continue to change, and Bellevue will continue to follow its plan that will lead to a bright future.

Mike Brennan is the city of Bellevue's director of development services.

INVENTORY

CONTINUED FROM PAGE 8

\$185,000 per year per employee.

Translating those figures to the language of office space leasing, using six workers in 1,000 square feet as average occupancy, it equates to \$1,110 per square foot per year being spent to attract talent.

With that employment cost per square foot in mind, it is easy to see why tenants might think \$50 per square foot annually in rental costs is a bargain to secure the best office space and location on the Eastside. The average worker spends over half of their work week in their office so the quality of office space, ease of access to it, and neighboring amenities becomes a very large component in deciding which company a prospective employee chooses.

The result of all this is a very tight downtown Bellevue office market and rents at historic highs finally driving new construction.

But, relief is on the way.

Under construction

Opening December 2015: Trammell Crow and Principal Real Estate Investor's 929 Building is 19 stories that will deliver 462,000 square feet of office space at 833 108th Ave. N.E. The building has large common areas, an athletic facility, conference rooms, and the desired downtown location within walking distance to the Bellevue Transit Center.

October 2016 (approximate): Schnitzer's 425 Centre at 415 106th Ave. N.E. will add 354,000 square feet

in a 16-story building, also comprised of attractive large common areas, an athletic facility, conference rooms and easy access to the transit center.

November 2016: Kemper Development's Lincoln Square expansion will deliver a 31-story, 715,000-square-foot office tower; a 41-story tower with a 245-room four-star hotel and 231 luxury apartments; and 180,000 square feet of retail and restaurants. All will connect to Kemper's existing 4 million square feet of office, retail, hotel and residential properties.

The Lincoln Square expansion will offer the most iconic tower, best amenities, views, and access to retail and hotels, albeit at a premium over the others.

Planned

Waiting in the wings is the Summit III site at Northeast Fourth and 108th, recently purchased by Hines. The garage is complete and there is only a 16-month delivery timeline to provide an additional 333,000 square feet of office space in a 15-story building.

These new buildings, including Summit III, add approximately 1.9 million square feet to a downtown Bellevue market that is now only 8.2 million square feet. This represents a 23 percent increase in inventory in a short 18 months.

Since the late 80s, Microsoft has been the driver of the market, currently occupying 26 percent of the entire Eastside

office market, and over 21 percent of the space in downtown Bellevue. In years past they would readily lease a large percentage of this new construction space. However, Microsoft's appetite for speculative space has paused and that leaves opportunities for the new and growing tenants looking to capitalize on both premium new offices and the Eastside's wealth of educated talent.

Supply is clearly on the way, and it will be provided with these new buildings that offer higher floor-to-ceiling heights, more natural light with improved exterior window design, improved views in some cases, and electrical and cooling standards that better meet the technology requirements of today's tenants.

Despite the extreme construction costs to provide better office space, rental rates will still be in the \$35-\$42 per square foot range (\$48-\$55 including expenses) for these new buildings as the increased competition puts at least a temporary lid on continuing rent increases.

The wait is over as tenants are already signing leases and soliciting proposals for the new space. It remains to be seen if it is too much or not enough new construction, but regardless it will provide a welcome relief to those companies that seek the best in Eastside office space for their highly valued employees.

Paul Sweeney is a principal and co-founder of Broderick Group, a Seattle- and Bellevue-based commercial real estate brokerage.



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MILLENNIAL

CONTINUED FROM PAGE 5

mention the hundreds who venture out to the food truck pod near Barnes & Noble each day). Just stand at 108th Avenue Northeast and Northeast Fourth Street for 10 minutes over a lunch hour and see how many people flood the streets at lunch time. And take note of the diversity; I would venture to say more and more people feel like they “fit in” downtown, myself included.

An opportunity

As downtown Bellevue continues to grow into an even more mature city, transportation choices will become more abundant and community amenities like farmers markets, street fairs and festivals will continue to pop up, making downtown attractive to all generations.

What I have observed in my first few years here are the early signs of Bellevue’s fastest growing neighborhood. We will continue to see the density around here that resembles a bustling community and less of a business-only district.

Downtown Bellevue is an interesting, fast-paced, thriving economy maturing with each new crane that goes up. It has come a long way I’ve been told, but in my view, we are bound to see an even greater, grittier, vibrant downtown.

I had the chance to sit on the founding board of the downtown residents association in 2014 and was also fortunate to graduate from the city’s inaugural civic leadership class of 2013. Both were fascinating experiences, demonstrating momentum for millennials to get involved as downtown Bellevue continues to evolve.

Augusta DeVries is the transportation program director at the Bellevue Downtown Association. She holds a master’s degree in urban and regional planning from the University of Colorado-Denver and a bachelor’s degree in legal studies from the University of Wisconsin-Madison.

RETAIL

CONTINUED FROM PAGE 9

to expand throughout the downtown business district.

Keeping our eye on the changing needs of the community is critical for retail to continue to be the powerhouse that it is today in downtown. Apple, Microsoft, Tesla and Leica represent retailers that infuse new life to retail settings where customers can experience technology-rich products from knowledgeable salespeople.

Street-front shopping has created a healthy walking community in Bellevue, linking shopping communities from Main Street to Bellevue Square. Lincoln Square and the expansion of Bellevue Square will continue to stretch the walkability of the downtown core southward, keeping the sidewalks filled with shoppers, workers and families.

Unique and first-to-market retailers will also draw shoppers. Chef-inspired restaurants, creative stores and boutiques will attract millennials, the 79 million people born from 1985 to 2004 who soon will become the largest population of shoppers.

Millennials are unlike any other as they have grown up with prosperity and recession, and unheard-of availability of diverse products. They see technology

as second nature, yet they are not necessary brand driven. They will drive long-term sales in the future, but don’t sideline the 23 million additional over 55 baby boomers’ buying power, which will translate to overall higher spending and greater influence in retail for the next decade.

Keeping it fashionable is critical, and Bellevue stores are the envy of many communities, with designer clothes, sleek home furnishings and technology “fashion” from high-end stores like Bose and Leica.

Keeping it eventful is also critical. People come for Fashion Week at The Bellevue Collection, Snowflake Lane during the holiday season, Bellevue Summer Outdoor Movies and Bellevue Arts Fair. These events attract people that eat, play, shop and stay downtown.

Keeping Bellevue accessible with free parking is another important element. To shop in Seattle, you pay to park. With street parking free or low cost, 10,000 free parking slots today plus thousands more coming with the expansions at The Bellevue Collection, shopping is easy, safe and accessible in Bellevue.

Open spaces and gathering

places also build communities. The more spaces to meet, talk and interact, the more people will be drawn to Bellevue. Parks, along with the open gathering spaces within The Bellevue Collection, welcome people to make downtown their destination.

And, don’t ignore green and healthy. While buying green is still a minority option, consumer buying habits are approaching a tipping point. Retailers that cater to a healthy lifestyle and offer products with sustainability in mind will influence a portion of future retail.

The future of Bellevue retail is stronger than ever and with careful planning will continue to be a driving force in building the downtown community.

Jim Hill is vice president of Bellevue-based Kemper Development.



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