

Development Commission
08-20-14

**CITY OF ISSAQUAH
DEVELOPMENT COMMISSION
MINUTES**

August 20, 2014

City Hall South
Council Chambers

135 E. Sunset Way
Issaquah, WA 98027

COMMISSIONERS PRESENT

Carl Swedberg, Vice Chair
Michael Brennan
Mel Morgan, Jr.
Raymond Leong
Katie Carroz
Richard Sowa

STAFF PRESENT

Lucy Sloman, Land Development Manager
Keith Niven, Economic Development Manager
Christopher Wright, Project Oversight Manager
Sheldon Lynne, Public Works Director

APPLICANT TEAM

Jackie Frank, Costco VP Real Estate Dev.
Kim Katz, Costco Wholesale Corporation
Steve Bullock, Mulvanney/G2 Architects

CALL TO ORDER

SWEDBERG, Vice Chair, called the meeting to order at 7:02 PM.

APPROVAL OF MINUTES

MOVED BY MORGAN, SECONDED BY BRENNAN that minutes of the Development Commission meeting on May 7, 2014 be approved as presented. MOTION CARRIED UNANIMOUSLY.

PROJECT PRESENTATION: Costco Wholesale Corporation Development Agreement

Application for recommendations on: (1) a Master Site Plan Amendment and (2) a Land Plan for Future Development of 1,500,000 sq. ft. of office, with the potential to substitute up to 250,000 sq. ft. of non-office uses on 47 acres, as part of the City's Development Agreement with the Costco Wholesale Corporation

SWEDBERG explained that tonight's public meeting will be continued at the next Development Commission meeting on September 3, 2014 at 7 PM. He asked for speakers tonight to sign up and limit their comments to five minutes. He noted that no vote will be taken tonight; the Commission will make a recommendation at its September 3 meeting.

Staff Presentation

Lynne made some introductory remarks to begin staff's presentation. He noted that the City has until the end of September to begin the process to acquire state funds for road improvements as part of this project, which is driving the schedule to review this application. Niven noted that this Development Agreement works within the recently adopted Central Issaquah Plan (CIP), and said that affects the content and how staff looks at the application as well.

Sloman made staff's presentation. She noted the three recommendations on which the Development Commission is being asked to make a recommendation to Council, specifically the Land Plan as part of a Development Agreement with Costco; the Master Site Plan Amendment

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(MSPA) to remove the Master Site Plan from the Costco property; and by implication, relevant elements of the Development Agreement.

She provided some context for the application, as detailed in the staff comments, including the application site and general location; the boundary and existing buildings on the site; photos of the Costco warehouse, office buildings, parking garage, and other structures; the vehicular circulation; and the Land Plan itself.

MORGAN asked could the development include residential development. Sloman said residential is allowed under the zoning but all the traffic analysis so far has all been around retail, so further analysis would be needed.

She continued her presentation on the Land Plan, particularly the circulation facilities (Central Issaquah Development and Design Standards, or CIDDS, 5) and parking (CIDDS 6). She referred to Condition 2 in the staff report (page 26 of 28).

BRENNAN said his understanding of Condition 2 is that the incremental implementation of the entitlement will be phased; and asked will other public amenities such as plazas be phased. If so, he continued, should they be identified and possibly be more prescriptive, he asked. He added that he understands this is a high-level conceptual design at this point. Sloman said she will touch on that issue later in the presentation.

She continued with her description of the Land Plan (CIDDS 6), particularly connections between Lake Drive, existing shared use routes, existing and proposed buildings, and so on. She noted that the proposed connections that were discussed by the City and Costco are not in keeping with the vision for pedestrian circulation contained in the CIP, and referred to Staff Report Condition 1 (page 26 of 28). She gave reasons why staff thinks the solution proposed in Condition 1 would work in this circumstance to meet the intent of the CIP.

BRENNAN said staff has asserted that "most of the people in this area will likely be Costco employees," but that makes it sound as though you are not welcome here if you are not a Costco employee. Yet this is a part of the City that we are trying to invite people to use. He said he doesn't think that is what the corporation wants, but more thought needs to be given to making this inviting for all users, not just Costco employees.

Sloman reminded the Commission that staff will prepare a briefing response memo to questions and concerns such as the one BRENNAN just raised that will be presented to the Development Commission at the next meeting.

SOWA asked for clarification of which entrances would not be open to the public but rather to Costco employees only. Sloman showed them on a diagram, stating that this is a conceptual drawing only. She read Staff Report Condition 1 (page 26 of 28). She continued her presentation on proposed skybridges in this project, noting that skybridges are not covered in the CIP. She explained why skybridges balance the need for Costco to maintain a secure office complex with the City's need to ensure adequate external pedestrian connections between buildings. She said more details on skybridges are available in the Development Agreement, and read the Staff Report Condition 3 (page 27 of 28).

She continued with the Land Plan community spaces (CIDDS 7) and parking (CIDDS 8 and 15). She said overall the parking associated with the business office space falls in between the minimum and maximum requirements. The Costco Warehouse building, which isn't being

significantly changed in this application, will continue to rely primarily on surface parking. The applicant has requested an adjustment in the size of its non-office parking stalls to a larger size with the same minimum requirement of four stalls per 1,000 square feet. The City countered that the applicant be allowed the larger-size stalls with a minimum of five stalls per 1,000 square feet, or to keep the smaller-size stalls with a minimum of four stalls per 1,000 square feet. SWEDBERG asked would this change potentially result in less than the minimum City requirement for the office space parking portion of this project. Sloman replied no; it could, however, potentially change the maximum.

She continued with the landscape concept in the Land Plan (CIDDS 10), specifically landscaping for streets, community spaces, parking lots, and tree retention. She referred to the drawings supplied by the applicant team in the agenda packet. She continued with the site design (CIDDS 11), which includes requirements for setbacks and build-to lines. She explained the challenges of the property in terms of meeting the standards, and how the proposed design meets the intent of the standards. She showed a diagram on refinements to the Land Plan that would be anticipated to comply with the intent of the CIDDS, and referred to Staff Report Condition 4 (page 27 of 28).

Sloman continued her presentation on buildings (CIDDS 14), noting that specific building designs have not yet been developed. She reviewed the general design of the design of existing buildings on the site, and showed on the diagram where entrances to the buildings would meet the intent of the City's standards. She referred to Staff Report Condition 5 (page 27 of 28).

BRENNAN said in thinking about what we are trying to accomplish with the CIP and in looking at this application for redevelopment, the question is how to accomplish what is in the CIP. The concepts in this application don't really do that, he stated. He said he realizes this is conceptual, but a few elements are troubling; such as a suburban parking lot right up next to the street, which is not what was envisioned as an experience for people walking along the street. He said he realizes there are challenges in taking this existing development and applying the CIP to it, but this concept seems to take a lot of pedestrian activity off the ground and onto a second-story level in order to cross a public road. He said he wonders if that is the right solution. It would be possible for someone to walk across the entire campus without leaving a building, he noted, and he's not sure that's what we are looking for here.

Sloman continued with the Development Agreement review process for projects such as this application, noting that this is a new process for the Development Commission. She described the Development Commission's role in reviewing the Development Agreement and the rest of the process for reviewing the application. She said this application really relies on the CIP and CIDDS, unlike Urban Village Development Agreements. She said the Development Commission is being asked to comment on the Land Plan, including any adjustments and interpretation of CIDDS that staff has applied, and give staff feedback on their appropriateness. She gave more details about the adjustments and interpretations that staff has applied to this project, as detailed in the staff comments, which include FAR (floor to area ratio); density bonus; and setbacks and build-to lines.

MORGAN asked for clarification of the density bonus. Niven said basically the CIP allows for the first third of the area above four stories to be paid by cash; the remainder can be paid in a number of ways, including the use of TDRs, inclusion of affordable housing, providing open space, and so on. The only way not under consideration by Costco right now is providing affordable housing. So Costco will provide some combination of TDRs, open space, and so on, and will compensate for 250,000 square feet of office space above four stories, he clarified.

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Niven added that the Development Agreement isn't done; these adjustments are those being proposed by staff and we are asking the Commission for their feedback on staff's thinking.

Sloman continued her remarks on adjustments in core street standards; corporate ID signs; retail warehouse parking lot lights; and parking stall size, as well as other elements of the Development Agreement that might be of interest to the Commission, including entitlement and expansion areas.

MORGAN said it appears that 250,000 square feet may be used for non-office uses, and asked for clarification. Sloman said "non-office uses" would rule out residential, so that is why that particularly wording was used.

SWEDBERG asked what is the diagram labeled "FAR Calculation" telling us by including such a large boundary for the site. Sloman staff is simply using a standard graphic that shows Costco property relative to other properties on the site.

Sloman continued her presentation with the diagram of potential expansion areas and explained how FAR would apply; vested rights; and permit processing. She explained that under the CIP, buildings of greater than 150,000 square feet would come to the Development Commission for review if the building was in the Land Plan, and would go to Council only for a decision. MORGAN asked so if an office building of ten stories was proposed, would a public hearing be required. Sloman said if the building was shown on the application's Land Plan, it could come back for input from the Commission but the decision would be made by the Council. That is true for all buildings if they are shown on the Land Plan, she continued. If they are not, then they would be subject to the standard decision process by both the Commission and the Council.

Sloman continued her presentation on Development Agreement issues of the agreement term (30 years) and information on the MSPA, including why Costco is asking for an MSPA for this project and what it would mean for the City to agree to the MSPA. BRENNAN asked have the other properties covered by the Master Site Plan asked to have the agreement eliminated and replaced by CIP, and would that be something the City would promote. The Master Site Plan for this property was done years ago, in 1987, Sloman noted. Staff generally considers removing a Master Site Plan to be kind of a "housekeeping" matter. Those other Pickering Place properties would have to go through a certain process to have them removed, but in this case it would be more of a housekeeping item to allow development to move forward, she stated.

LEONG asked for clarification of the Development Commission's role. Why not go to whoever approved the original Master Plan, where it was presumably reviewed thoroughly and received approval. He said making a change to the plan feels uncomfortable, because a lot of thought probably went into it. Sloman gave background on the Master Site Plan, and noted the Council was the body that approved the Master Site Plan in 1987 and would be the body to eliminate it now. This proposal is looking at how to work with existing pieces that the applicant wants to redevelop to bring them more fully into compliance with the CIP, she noted. She gave examples. Niven clarified that the Master Site Plan was an "ancestor" of development agreements, and noted that it has no termination date. The City Attorney has stated that the City can't relinquish rights conveyed by the Master Site Plan approval, but the applicant can ask for release from the Master Site Plan in cases where there is no date of removal. So without being released from the Master Site Plan, he continued, the property owner cannot redevelop under the CIP. Costco is asking to be allowed to be removed from its Master Site Plan.

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LEONG asked why is this application coming to the Development Commission. Sloman said this is not a rezone application. LEONG noted the Development Commission is being asked for comments on existing buildings and connectivity, plus new buildings and so on, which is a big task. He said he also has questions about the state funding situation that Lynne mentioned earlier.

Sloman continued her comments on the process allowed in the City code for Development Agreements; the decision-making matrix for the application; and public comments received so far on the application, particularly in a letter from resident Connie Marsh about development and/or redevelopment near critical areas.

MORGAN said the Environmental Impact Statement (EIS) for this application was apparently based on 1,500,000 square feet of additional development in Pickering Place. This application would provide the ability for Costco to build, but it appears to preclude any others in Pickering Place to receive approval for additional development or expansion without redoing the EIS. Is that correct, he asked. Niven said his understanding is that the planned action in the EIS included what Costco has asked for. He said staff will include additional information, including exact figures, in its response memo.

BRENNAN said the 1987 Master Site Plan had a “wedding cake” design requirement for buildings with a five-story maximum. He said he recalls that an amendment was sought some years ago to allow a taller hotel building to be built near I-90, which the Commission did not recommend based on the Master Site Plan in effect at that time. So if the Council does not approve the amendment to remove Costco from the Master Site Plan, Costco would be limited to less development than what is allowed under the CIP. Niven said that is correct. He explained the Site Plan restrictions, and said if the integrity of that Master Site Plan were to remain in place, Pickering Place would likely not be redeveloped.

CARROZ said during staff’s presentation, there was a brief mention of retail. Is that an option, she asked. Sloman said of the 1,500,000 square feet of allowable development, up to 250,000 could be retail. CARROZ asked could that be ground-floor retail with office space above. Niven said that is not shown on this Land Plan, so such a proposal would have to come back to the Commission for additional review. Sloman said mixed-use development would be supported by the City, but it is not a requirement under the CIP nor it is being proposed at this time. MORGAN asked would Costco’s office space development proposal cut into the available retail space available for other parts of Pickering Place to develop. Niven said that is his understanding. He stated that Costco has not expressed interest in including retail at this time, but the Development Agreement would not preclude that in the future.

Applicant Comments

Jackie Frank, Vice President of Real Estate Development for Costco Corporation, made a presentation on behalf of the applicant team. He extended his appreciation to staff for a good collaborative working relationship over the years, and made introductions of others on the applicant team. He began his comments by discussing the benefits of implementing the Development Agreement between Costco and the City, and said this agreement would continue the long-standing partnership between the City and Costco, and would secure a long-term home for Costco’s corporate campus. He spent a few minutes describing Costco’s status today; gave some history on the company’s formation, beginning in 1983; and gave background on the company’s campus development. He described the many vendors that work with Costco and what Costco brings to the community.

Kim Katz, Costco Corporation Real Estate Developer, made comments about why Costco is pursuing an amendment to remove the Master Site Plan, which currently is limiting Costco's growth potential. She noted Costco's need for additional home office space as Costco continues to grow worldwide. She showed a map of Costco's leased office space in the City and noted that one reason why Costco wants to pursue this Development Agreement is to consolidate its employees and accommodate business growth in a purposefully designed campus.

Steve Bullock, Mulvanny G2 Architecture, showed a rendering of the Pickering Place Master Site Plan approved in the late 1980s, which was largely suburban in design and approach. He showed other images of suburban development that took place in Pickering Place. Bullock continued his presentation on future infrastructure improvements; campus development and campus attributes; available expansion areas; and the applicant's intention to meet the design and development standards of the CIP. Using photographs, he described the community spaces already in Pickering Place, including gathering spaces, connections, plazas, entries, the community amphitheater, and multi-modal pathways. He continued with a description of opportunities to develop new community spaces and connectivity features that are more urban in character than what currently exists there now. He spoke of the challenges of integrating this new campus plan and the new CIP regulations with an existing campus in ways that are mutually compatible. He showed additional examples of ideas for pedestrian entry plazas and other architectural and landscaping features that would create public-friendly spaces for this site. He showed images that are in keeping with the applicant team's concept of materials, scale, detailing, sustainability, innovation, flexibility, and connectivity for this site. Bullock summarized the approach that the Costco applicant team is taking toward this project and the benefits Mr. Frank referred to earlier.

MORGAN referred to a dashed line on one of the diagrams used by Mr. Bullock and asked for clarification. Mr. Bullock said that line refers roughly to the underground parking garage. LEONG asked how many levels of underground parking are envisioned. Bullock said no exposed parking is envisioned for the new buildings; parking would be underground, probably one or two levels.

Niven referred to LEONG's earlier questions about paying for road projects that will benefit north Issaquah, Pickering Place, and Costco as part of this project. He continued the Master Transportation Financing Agreement is a partnership between the City and the applicant; we are hoping we can accomplish much of the City's obligations through state grants. One of the state's criteria for issuing these limited funds is to have a completed Development Agreement in place, he continued, and having a Development Agreement adds points to the City's application. Lynne agreed, and said one of the criteria for this application is growth and development, and to be able to demonstrate that, a Development Agreement must be in place. He continued the screening process starts October 1, and the City must show that we have a substantial and buildable project for us to be considered a viable applicant.

LEONG asked does the City have the money set aside for its portion of the obligations. Lynne said yes, the City's contribution will be added to the grant monies and Costco's contribution. Niven gave more details about the City's share and how it is a great investment in helping our community grow. LEONG said he wants to make sure all the interests of the City are being considered, not just Costco's. In that vein, he continued, he said he would like to see a percentage of square feet that would be dedicated to open community space that could be enjoyed by the public vs. Costco-only office space in this application.

Public Comments

Jim Sievers, owner of Pickering Square, read a statement and submitted it to the Commission (copy on file). He stated he represents the 13 retail tenants in Pickering Square. He said he understands the desire to move from the Master Site Plan of 1987 to a new vision as captured in the CIP, and the urgency to remove Costco from the Master Site Plan. However, he continued, CC&R (covenants, conditions, and restrictions) are still in effect. He said the City apparently thinks it can remove a property from the Master Site Plan at the request of one owner. He gave examples of how such an action could impact the other properties, including common areas and roads. He said he has some questions that are not covered in the staff report, such as whether Costco would assume responsibility for the recently annexed area to Pickering Place and how much parking would be displaced by Costco's proposed car wash. He also said many of the exhibits in the staff report are not accurate. Pickering Place does not support the current application until these and the other issues in his letter have been addressed, he concluded, and added that Costco has not been a good neighbor in this process.

David Kappler, 255 S. Andrews Street, Issaquah, said he hopes that the public and Development Commission review process is not being short-changed by the rapid pace of this application. He said he has a number of small concerns, including the lack of sidewalk on the east side of 11th Avenue and west of Red Robin; the presumption that bikes will use the trail around the pond; and safety concerns of having curved streets with crosswalks. He said he is also concerned about how the City will address open space around Issaquah Creek. The trail there is too narrow; it should be wider and possibly separate bike and foot traffic. At the same time, he continued, several large cottonwood trees are overhanging the trail and create a safety issue. He said at the 12th Avenue overcrossing the design should not preclude bus-flyer type stops over I-90. He concluded the Development Agreement must be in compliance with City code as well as state law.

Connie Marsh, business owner at 1175 N.W. Gilman Blvd., Suite B-11, Issaquah, and Issaquah resident, said all other development agreements are required to be sent to Council with a recommendation from this Commission. In this case, the Commission is actually sending the whole agreement, of which the Land Plan is a part. She continued staff seems to be directing the Commission away from one of its main focuses. She referred to her earlier e-mail (copy on file) and said to qualify for a planned action ordinance for an environmental review would require another legal opinion. She said connectivity needs to be strengthened in this application to comply with the CIP, and said the design concepts presented tonight have been boring and staid. She spoke in favor of a more creative, playful approach that would allow people to enjoy vibrant, fun, and energizing spaces. She noted few of the paths shown in the diagrams actually lead to the nearby trails, and they need to be linked together and looped. She concluded she would like to see the applicant place more emphasis on fun and vibrancy in the design.

Comments from Commission

BRENNAN asked for clarification of the review process. Sloman replied staff is here to receive questions and comments tonight; then we will take what we hear and prepare a response in advance of the September 3 meeting. SWEDBERG invited Commissioners to make comments and ask questions now, in anticipation of that meeting.

MORGAN said he would like to see more specifics about the option of leaving capacity for up to 5,000 housing units and 500,000 square feet of retail. He said this would be a great place to build some housing, right next to Pickering Place. He also commented that the corner of building 4-A, which in the design is brought out to the property line in keeping with creating an urban environment, would also be a good place for open space. Bringing the building out to the edge would eliminate the possibility of doing something creative there, he stated. He also said

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there is nothing in the staff comments about the potential of blocking views to the south, and setting that building back could help maintain more of a view corridor.

BRENNAN said he would like some clarification about the Development Commission's role in reviewing buildings of over 150,000 square feet under the CIP. He said he agrees with a previous speaker that we are new to the CIP plan and process, and that this agreement will last 30 years. He said he wants to be sure that the Costco campus is being held to the same rigor of design standards as previous projects. Sloman noted the level of information that would be supplied to the Development Commission would be the same; you will see the proposed building design, plaza design, landscaping, and so on. The proposal before you is to provide input to the design, but not to be the decision-making body. BRENNAN said that is his understanding. He continued he is concerned about the pedestrian bridges shown crossing public streets, and noted that view corridors are lost with the use of pedestrian bridges. The skybridges shown are largely glass boxes in my opinion, he continued, and are not particularly architecturally interesting. He also expressed concern about the total consumption of office space under this application, and the creation of a barrier to any future development. He noted this Development Agreement would tie up any future office development in the EIS for another 30 years. He said he would also like to encourage residential development here as well. He also commented that the trail that runs along the Creek is on the back side of the property. Trail users aren't going to feel welcome, he added, and the creekside trail is an amenity we should be taking advantage of.

LEONG said he understands that residential development is not being considered as part of this application, but that including some residential development would help make the area more lively and ensure people would be using the plaza, trails, and so on. He said he is also concerned with the four-foot walkways leading to and from the trail, and would like to see them widened. He said he would like to see the design take advantage of the water on the west side of the site, and more ways to invite people to spend time there. He also asked for specific percentages of the site design devoted to open space, plazas, gardens, and so on.

SOWA said he understands that there is an existing Master Site Plan and the need for Costco to enter into a new Development Agreement for it to expand, but doesn't understand how that situation will be reconciled. It seems the onus is on the remaining Pickering Place property owners, he continued, and they are being penalized if this action is granted to Costco. He also said he has concerns about the City's financial obligations if the state does not provide grant funds from its Transportation Improvement Program grant monies. Where would the City get its share in that case, he asked. Niven replied the City's obligation of the total transportation improvement package is about 52 percent, which could be as high as \$26 million. However, he continued, the state funding would supply all but about \$5 million. Even with no grant funding, he continued, the City would be building a project with 50 cents on the dollar.

CARROZ said her questions have been adequately covered by other Commissioners' questions, remarks, and comments.

SWEDBERG said he would like staff's response to clearly answer the questions raised in Ms. Marsh's e-mail and Mr. Sievers' letter as well as the comments they have made tonight. Niven also noted that a communication has been received from the Fred Meyer/Home Depot shopping center, and those letters and staff's response will also be provided to the Commission. He said that represents all the public comment received by staff to date.

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SWEDBERG continued he is wary of hearing that “we have to hurry because we have a deadline,” in this case the state funding deadline. He said he is aware, as Ms. Marsh said earlier, that these standards will be place for 30 years. He also said he would like more clarification about the City’s plan to pay its share of the funding arrangement, particularly if the grant monies are not forthcoming.

Niven said it may be helpful to the Commission to consider its purview in this application and elect not to comment on the financing portion. Lynne provided some clarification on the state TIP grant process. He said this work is part of a suite of improvements that are part of the CIP. To date, the City has already received \$12 million in grant monies for these improvements, and would be looking for just under \$10 million for this specific application. He said there are no guarantees, but the response to the City so far in terms of receiving the grant money has been very positive. Staff estimates that, with the grant from the state, the City will only need to contribute about \$3 to \$5 million from “its own pocket” in exchange for about \$50 million in improvements.

SWEDBERG continued he is also concerned about underground parking and the ground water table. Mr. Bullock replied he understands the concern, and continued that existing buildings 1, 2, and 3 all have under-building parking garages. They are completely below grade in front but are exposed on the back side where the topography drops off. That may also be the case for the proposed buildings, he continued, but in any case the design will include at least one level of parking under the building. LEONG asked could more levels of parking be added to the existing parking structure. Mr. Bullock replied yes; the existing garages were built to accommodate two additional floors.

ELECTION OF COMMISSION CHAIR AND VICE CHAIR

Wright suggested that, in the absence of the Chair (HARRISON) tonight, the Commission could consider delaying taking action on electing Chair and Vice Chair until the meeting on September 3. SWEDBERG said he would try to reach HARRISON over the next few weeks and determine his level of interest in continuing as Development Commission Chair. He also indicated he would be willing to continue to serve as Vice Chair. The Commission agreed to hold the actual election for Chair and Vice Chair at the September 3 meeting.

Commissioners asked for clarification of their membership term expiration dates (BRENNAN, HARRISON—2015; MORGAN, SWEDBERG—2016; CARROZ, SOWA, LEONG—2018).

ADJOURNMENT

With no further business to conduct, SWEDBERG adjourned the meeting at 10:00 PM.

Respectfully submitted,

Susan Lowe
Recording Secretary