

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Extended Study Session

January 8, 2018
6:00 p.m.

Conference Room 1E-113
Bellevue, Washington

PRESENT: Mayor Chelminiak, Deputy Mayor Robinson, and Councilmembers Lee, Nieuwenhuis, Robertson, Stokes, and Zahn¹

ABSENT: None.

1. Approval of Agenda

The meeting was called to order at 6:02 p.m., with Mayor Chelminiak presiding. He noted that Councilmember Zahn was participating via telephone. Mr. Chelminiak expressed condolences to the family and friends of Pierce County Sheriff's Deputy Daniel McCartney, who was killed in the line of duty the previous evening.

Councilmember Nieuwenhuis noted that he lost a cousin in the line of duty. He said the Council is saddened by the tragic event in which Deputy McCartney was shot while pursuing two suspects on foot. Deputy McCartney leaves behind a wife and three children. Councilmember Nieuwenhuis said he and the Council appreciate everyone who serves in law enforcement.

Mayor Chelminiak noted the change to the agenda to allow oral communications before recessing to Executive Session. He said the Council will try this on a regular basis when Executive Sessions are scheduled before the Council determines whether to make it a permanent change by amending the Council rules.

2. Oral Communications

- (a) Jennifer Keller, Climate Action Advisers, noted that she lives in the Lake Hills area. She said Climate Action Advisers is a group of concerned residents including engineers, an urban planner, economist, small business owner, green building expert, and others who are concerned about the future of climate change. She described the risks associated with climate change including extreme weather events, reduction in the water supply,

¹ Councilmember Zahn participated remotely via telephone.

wildfires, health impacts, and the devastation of shellfish from ocean acidification. She noted a book entitled *Climate of Hope* written by Michael Bloomberg and Carl Pope. Ms. Keller said cities are responsible for 70 percent of greenhouse gas emissions, and cities must lead the way in addressing the issues. She acknowledged the City of Bellevue's involvement with the King County-Cities Climate Collaboration (K4C).

- (b) Court Olson, Chair of Climate Action Advisers, said he appreciates that Bellevue has taken the lead in some respects to address climate change. He noted information on the City's website regarding Bellevue's greenhouse gas emissions and reduction targets. He expressed concern that Bellevue and King County are not meeting their emission reduction targets. He said many major cities have created climate action plans, including Seattle. He noted mid-sized cities that have completed action plans as well including Bellingham, Washington; Eugene, Oregon; Missoula, Montana; and Fort Collins, Colorado. He requested that the City of Bellevue develop a similar plan with the key action categories of energy efficient buildings, transportation and land use, and renewable energy.
- (c) Claire Waltman, Climate Action Advisers, highlighted four major benefits of reduced greenhouse gas emissions: health (cleaner air and water), cost savings, attracting businesses and residents, and preserving the environment. She said Bellevue needs to be a vibrant and walkable city to remain competitive. She noted that Bellevue is the City in a Park that values nature and trees. She asked the City to make climate change a priority, create a Climate Action Plan, and to make Bellevue a K4C leader.
- (d) Alex Zimmerman, President of StandUP-America, noted that he asked the Council a number of times to schedule oral communications before Executive Sessions. He asked the Council to also restore the five-minute allowance for speakers representing a recognized organization.

Councilmember Robertson apologized for leaving the room and noted that she cannot sit at the table with someone doing the Nazi salute.

- (e) Lara Litov commented on the history and universal positive symbolism of a handshake. She said shaking hands before a meeting has been found to mediate negative interactions during the meeting. She noted that shaking hands releases oxytocin, which fosters trust.
- (f) Tzachi Litov said a handshake is a worldwide symbol of cooperation, respect, and goodwill. He said he was raising the issue due to the recent appointment of a Planning Commissioner who will not shake hands with a specific class of people.

Mayor Chelminiak clarified that the gentleman appointed to the commission, who will shake hands with everyone, was mistaken for someone else. Councilmember Robertson said she was incorrect in her previous comments and has apologized to the newly appointed Planning Commissioner.

Continuing, Mr. Litov opined that the Mayor bypassed the normal route of appointing Board and Commission members and disregarded the input of the Planning Commission

Chair, who is a woman. He said that, while there is freedom of religion in the United States, there is a separation of church and state. He noted that if a member of the Westboro Baptist Church came in and refused to shake hands with a gay person, everyone would be outraged and would inform him or her that the behavior was unacceptable. Mr. Litov said that anyone in a position of public service must be willing to shake hands with anyone.

Mayor Chelminiak reiterated that the gentleman appointed to the commission was mistaken for someone else.

Councilmember Stokes said he was concerned about the personal attack and the misinformation about the appointment process. Mr. Stokes said information was distributed to Councilmembers, and the Planning Commission Chair reviewed all of the applicants and identified the final appointee as one of her top candidates. Mr. Stokes said there was no attempt to circumvent the usual process.

Mr. Chelminiak said everyone should be careful about making accusations unless they are certain about the facts. He suggested discussing the process for appointments to Boards and Commissions during the Council's annual retreat, especially with two new members on the Council.

3. Executive Session

At 6:30 p.m., Mayor Chelminiak declared recess to Executive Session for approximately 45 minutes to discuss one item of potential litigation.

The meeting resumed at 7:20 p.m., with Mayor Chelminiak presiding.

4. Study Session

(a) Council Business and New Initiatives

There was no discussion.

(b) Multifamily Tax Exemption (MFTE) Program

City Manager Brad Miyake introduced discussion of the Multifamily Tax Exemption (MFTE) program and said staff would respond to questions raised by the Council during the November 13 Study Session.

Mac Cummins, Director of Planning and Community Development (PCD), noted the Council's interest in reviewing and potentially updating the City's MFTE program as part of the Affordable Housing Strategy. Topics of the Council's November 13 discussion included varying levels of affordability, residential targeted areas (RTAs) citywide, and the applicability of the program. At that time, the Council requested staff's comparison with the City of Seattle's MFTE program. Mr. Cummins said Seattle's MFTE program uses a graduated scale of affordability and unit size,

while Bellevue's does not. He said the Council also previously expressed an interest in the development of two-bedroom and larger units and whether they could be encouraged through the MFTE program.

Deborah Munkberg, Senior Planner, recalled that staff previously presented information regarding permits issued since the MFTE program was implemented, findings from developer interviews, and a feasibility analysis. Staff's recommendations were to adjust the MFTE program only in the Downtown and to adopt 70 percent of household area median income (AMI) for 20 percent of the units. Council directed staff to research Seattle's program with regard to graduated affordability and the ability to trigger the development of two-bedroom units. Following the November meeting, issues were raised regarding the timing for submitting MFTE applications and King County's administrative fees.

Arthur Sullivan, A Regional Coalition for Housing (ARCH) Program Manager, described the graduated affordability approach. The City of Seattle's program identifies different affordability levels for different unit sizes: 65 percent AMI for studios, 75 percent AMI for one-bedroom units, and 85 percent AMI for two-bedroom units. Staff's analysis indicated that Seattle's incentive requirements are higher than Bellevue's. Mr. Sullivan said this occurs because Bellevue's program allows the use of both the MFTE and the City's land use incentive program. For example, the City has a requirement in the BelRed area that approximately eight percent of the units are affordable. The MFTE requires that 20 percent of the units are affordable. Bellevue allows the eight percent to count toward the 20 percent requirement. In Seattle, a builder would be required to provide 28 percent affordable units within a development. Mr. Sullivan said if Bellevue moves to a graduated approach, staff recommends affordability levels of 60 percent AMI for studios, 70 percent AMI for one-bedroom units, and 80 percent AMI for two-bedroom units in the Downtown; and 55 percent AMI for studios, 65 percent AMI for one-bedroom units, and 75 percent AMI for two-bedroom units outside of the Downtown.

Mr. Sullivan said Bellevue staff met with Seattle staff and inquired about the effect of their program on the development of two-bedroom units. Seattle staff indicated that the graduated affordability approach has not significantly affected the production of two-bedroom units. It is a relatively complex approach due to the varying affordability levels and unit sizes. Mr. Sullivan said Bellevue's Land Use Code incentive uses a single affordability level for all unit sizes. Adopting the graduated affordability approach for Bellevue's MFTE program would result in two programs with different requirements.

Ms. Munkberg said Seattle's graduated affordability approach was not originally intended to provide an incentive for two-bedroom units. The number of two-bedroom units produced varied widely over time and appeared to be more a function of market demand than of the MFTE requirements. She said Seattle subsequently adopted an incentive in 2015 to encourage more two-bedroom units as follows: If a builder provides a number of two-bedroom units that is five percent or more of the project size, 20 percent of the units must be affordable. If a lower percentage of two-bedroom units is provided, 25 percent of the units must be affordable. Ms. Munkberg said Seattle staff indicated that the incentive does not appear to be influencing development because the demand for housing is so high in Seattle, and developers are building based on the market.

Ms. Munkberg said Bellevue requires that two-bedroom units make up at least 15 percent of total units in the development. Staff's research indicates that this percentage is consistent with the development of market-rate housing. Ms. Munkberg said staff recommends retaining the City's current requirement.

Regarding the issue of timing for Bellevue, Ms. Munkberg said MFTE application materials must be submitted prior to the issuance of the first building permit. She said a developer recently indicated an interest in using the MFTE program. However, the project is already under construction. Ms. Munkberg said this has happened in the past as well. Staff recommends the consideration of providing the administrative discretion and flexibility to accept those applications, subject to specific criteria.

Ms. Munkberg said King County charges an administrative fee for MFTE applications. The City collects the fee and passes it on to the County. Staff recommends adding language to Bellevue City Code 4.52.050.B indicating that the City will collect the fee as set by the County.

Ms. Munkberg summarized staff's recommendations to: 1) amend the MFTE program only in the Downtown to require that 20 percent of the units are affordable to household incomes at 70 percent AMI, 2) allow the consideration of a MFTE application submitted after the first building permit is issued, and 3) provide a reference in the code to King County's administrative fee.

Deputy Mayor Robinson thanked staff for the presentation and noted her interest in encouraging the development of larger apartments. She prefers the simplicity of Bellevue's affordability level versus the graduated affordability approach. She expressed support for providing administrative discretion regarding the submittal of MFTE applications. She recalled that, when Bellevue's MFTE program was first implemented, at least two developers expressed an interest in the program after the issuance of the first building permit.

Councilmember Stokes thanked staff for exploring Seattle's MFTE program and analyzing its applicability to Bellevue. He expressed support for staff's recommendation and noted that enhanced flexibility in the timing of MFTE applications might increase the production of affordable units.

Councilmember Robertson expressed a preference for the graduated affordability approach. Responding to Ms. Robertson, Ms. Munkberg said Bellevue currently requires that 10 percent of the units in a development are affordable at 60 percent AMI and 10 percent of the units are affordable at 70 percent AMI. Staff's proposed change is to require that 20 percent of the units are affordable at 70 percent AMI. Ms. Munkberg said there are different affordability levels in the RTAs outside of the Downtown.

Ms. Robertson said she would prefer applying the same requirement citywide. She expressed concern regarding the mix of unit types and said she would prefer the graduated affordability model. She said Seattle created a significant number of affordable housing units through its MFTE program.

Responding to Councilmember Robertson, Ms. Munkberg said Bellevue requires that 15 percent of the affordable units in a development must be two-bedroom or larger.

Ms. Robertson said staff's proposed amendments to the MFTE program are an improvement, and she will support them if desired by the majority of the Council. However, she believes the graduated affordability approach would be more effective.

Responding to Mayor Chelminiak, Mr. Sullivan said staff's economic analysis discussed with the Council in November indicated that affordability requirements were reasonable, except in the Downtown. Staff's proposed a change to require that 20 percent of the units are affordable at 70 percent AMI. Mr. Sullivan said Bellevue's combination of the Land Use Code incentive and the MFTE program provide a greater benefit than using only the graduated affordability approach. However, if the Council is interested in the graduated approach, the memo in the Council's desk packet provides the recommended affordability levels for different unit types. Based on feedback from Seattle that the graduated approach did not appear to be providing an incentive for two-bedroom or larger units, staff recommends that Bellevue's MFTE program be consistent with its Land Use Code incentive (i.e., using the same affordability level for all unit sizes).

Councilmember Lee questioned whether the graduated affordability levels in the desk packet memo would achieve a higher production of affordable housing units. Mr. Lee expressed support for flexibility in the timing of MFTE applications. He questioned the feedback from developers to City staff.

Mr. Cummins said City staff held a number of focus group meetings with developers to obtain their input. The developers indicated that the City needs to do more notification and outreach regarding the MFTE program. A number of them did not know about the program and/or did not know how to qualify for the program. Also, at that time, they had already received building permits and would not have been eligible. Mr. Cummins said the Development Services Department has initiated an education effort to assist developers and builders. He noted that cities with longer term MFTE programs have indicated that a number of developers participate in the program multiple times.

Mr. Sullivan said the City of Redmond recently adopted an ordinance reflecting the same affordability level for all unit types, and developers have expressed an interest in the program. The City of Kirkland uses the same affordability level as well.

Councilmember Nieuwenhuis expressed support for adding language regarding King County's administrative fee. Responding to Mr. Nieuwenhuis regarding the timing criteria, Ms. Munkberg said staff recommends requiring the applicant to submit a complete MFTE application no less than 60 days prior to the issuance of a certificate of occupancy for the project. Mr. Nieuwenhuis acknowledged the hard work of staff, Deputy Mayor Robinson, and Councilmember Stokes on this issue. Mr. Nieuwenhuis questioned whether additional outreach would be beneficial, noting his interest in ensuring that the appropriate program requirements are set.

Mr. Cummins said City staff is continuing its outreach through a number of forums. He said the current economic analysis indicates that the recommended program is the most feasible. However, the program can be reviewed and updated in the future.

Councilmember Zahn said she likes the education component for developers, and she supports the proposed flexibility regarding the timing of MFTE applications. She stated her understanding that staff looked at establishing requirements for the MFTE program based on the goal of providing projected revenue and value to the developer that is aligned with the 12-year property tax exemption. She noted different affordability levels in place in other areas of the community. Ms. Zahn thanked staff for the analysis and suggested that the program can be reevaluated if it does not appear to produce the desired level of affordable housing units. Ms. Munkberg confirmed that staff will evaluate the program on an ongoing basis and provide updates to the Council. Councilmember Zahn expressed support for staff's recommendation.

→ Councilmember Stokes moved to direct staff to prepare amendments to the MFTE Ordinance as outlined in Option 1 in the meeting packet's agenda memo. Deputy Mayor Robinson seconded the motion.

Deputy Mayor Robinson summarized that staff's analysis of Seattle's graduated affordability requirements determined that there is no advantage in this approach for Bellevue. However, a graduated scale is provided in the Council's desk packet for consideration should the Council be interested in that approach. Staff also indicated that such an approach can be confusing for developers.

Responding to Mayor Chelminiak, the Council concurred with bringing the item back for formal adoption as a Consent Calendar item.

→ The motion carried by a vote of 7-0.

Responding to Mayor Chelminiak, Ms. Munkberg said the item will be included in the February 5 Consent Calendar.

Councilmember Robertson invited the development community and other interested individuals to submit comments to the City regarding the proposed amendments.

Mayor Chelminiak asked staff to provide information on additional public comment in the February 5 agenda memo for this item.

(c) Proposed Updates to the Interlocal Agreement of the eCityGov Alliance

Mayor Chelminiak commented on the significant benefit of the eCityGov Alliance for a number of jurisdictions in the Puget Sound region.

City Manager Brad Miyake introduced staff's presentation of proposed updates to the interlocal agreement for the eCityGov Alliance. He recalled that the Alliance was formed in 2001 with Bellevue as one of the founding partners. The Alliance is governed by a Board of Directors, and Deputy City Manager Nathan McCommon is Bellevue's representative on the Board.

Deputy City Manager McCommon said staff is seeking Council direction regarding the proposed amendments to the eCityGov Alliance Interlocal Agreement, which outlines the structure and services of the Alliance. During 2017, the Executive Board reviewed the governing structure and looked for ways to enhance the efficiency of the organization. Mr. McCommon noted that the Alliance worked with Pacifica Law Group in its review, and the updated agreement has been reviewed by the City Attorney's Office.

Mr. McCommon said the Alliance was formed in 2001 as a technology partnership to provide better customer service for the public. Bellevue is one of six partners represented on the Board. However, the Alliance serves more than 15 local governments in King and Snohomish Counties.

Sabra Schneider, Chief Information Officer, said the Alliance offers three web-based applications: MyBuildingPermit, GovJobsToday, and NWProperties. She said building officials from all of the jurisdictions identified key features to be included in MyBuildingPermit and helped the Board set its strategic direction. The MyBuildingPermit website provides a virtual permit counter and enhances consistency in the permitting process across jurisdictions. GovJobsToday allows users to submit information and to customize it when applying for multiple jobs. NWProperties supports economic development and provides information on commercial properties.

Ms. Schneider said Bellevue is the technology service provider for the Alliance. City staff provide software development, project management, and financial services for the Alliance, and the Alliance reimburses the City for staff time.

Tracey Dunlap, Chair of the eCityGov Alliance Board and Deputy City Manager for the City of Kirkland, said the partner cities are Bellevue, Issaquah, Kenmore, Kirkland, Sammamish, and Snoqualmie, and each city has a representative on the Alliance Executive Board. The Executive Director manages the operations, marketing, and regional relationships and recommends strategic direction to the Board. Ms. Dunlap said subscriber jurisdictions pay a fee to access the software applications.

During the second quarter of 2017, the Alliance Board worked with Pacifica Law Group to review and draft changes to the Interlocal agreement. Board members worked during the second half of 2017 with the legal counsel of the six partner cities. Ms. Dunlap said the Board approved the changes in late 2017 and is seeking ratification of the updated agreement by the cities.

Ms. Dunlap highlighted the proposed revisions to the interlocal agreement. Responsive to the goal to use Board participation more efficiently, the Board recommends removing the requirement of an Operations Board. The second amendment enables the Board to add, by a supermajority vote, one or more non-voting seats to the Board to represent subscriber cities. The third amendment stipulates that the Board determines the process to select and replace any non-voting representative. The fourth amendment gives the Board the authority, by a supermajority vote, to charge investing partners on a pro rata basis, depending on the programs of interest to a partner.

Mr. McCommon requested Council direction regarding the proposed amendments to the interlocal agreement.

Councilmember Lee expressed support for the amended interlocal agreement. He questioned the cost sharing for the Alliance. Ms. Schneider said Bellevue pays approximately \$340,000 for the Alliance's services, and receives approximately \$1.1 million annually for the staffing that supports the Alliance. The Alliance fees for partners and subscribers total \$1.5 million. In further response to Mr. Lee, Ms. Schneider said the fees for jurisdictions vary. Bothell contributes approximately \$56,000 to MyBuildingPermit based on the number of permits issued. Snohomish County contributes approximately \$240,000 based on the number of permits issued. Tukwila is a NWProperties subscriber and pays \$2,500 annually. Gig Harbor subscribes to GovJobsToday with a fee of \$1,500 annually.

Responding to Mr. Lee, Ms. Dunlap said Kirkland's share is approximately \$165,000 and Snoqualmie's fee is \$21,000. The amounts are based on the services used and the level of development activity. Ms. Dunlap said the partners now pay slightly less than half of the total revenues as the subscriber base continues to grow.

Councilmember Robertson expressed support for the proposed updated interlocal agreement. She said the Alliance is a good example of government done well. She questioned how the fees are calculated. Ms. Schneider said each city's share is a percentage of the permit fee based on the jurisdiction. She said many of the cities add a surcharge for users of the online applications. In further response to Ms. Robertson, Ms. Dunlap said there is a joining fee for new members to invest in maintaining the technology. Ms. Robertson observed that it benefits everyone to have more members. She encouraged the Board to explore ways to attract smaller cities with a lower ability to pay.

Councilmember Nieuwenhuis expressed support for the revised agreement. Responding to Mr. Nieuwenhuis, Ms. Schneider said the three products can be used separately. MyBuildingPermit is the most heavily used application, however. She said the Board has expressed an interest in retaining the ability for future innovations beyond the current three products. In further response, Ms. Schneider said approximately half of the jurisdictions using MyBuildingPermit also use one of the other two products.

Councilmember Stokes expressed support for the Alliance and the revised interlocal agreement. He said the products are the result of a great deal of work and coordination between multiple jurisdictions.

Councilmember Zahn expressed support for the regional effort of the eCityGov Alliance. She suggested that the ongoing use and expansion of the system will foster continued improvements and benefits. She noted that the consistency provided by the products makes it easier for users of the systems to conduct business with the different jurisdictions. She asked staff to provide additional details regarding the cost sharing established by the Alliance. Ms. Schneider said she will provide that information.

Deputy Mayor Robinson thanked Ms. Dunlap for her leadership of the Alliance Executive Board. Ms. Robinson questioned the cost savings achieved through the City's participation in the Alliance. Ms. Schneider said that, with regard to MyBuildingPermit, the savings occur somewhat

through the jurisdictions and through the people applying for permits. She said permit staff provided examples of cost savings. For a relatively small residential permit, the savings could be \$200 to \$500 in printing and travel costs. For a large commercial project, the savings range from \$30,000 to \$50,000. Ms. Schneider said the public benefit is significant.

Ms. Dunlap said the Master Builders Association supports the importance of MyBuildingPermit and the willingness to pay a surcharge for the level of service it offers.

Mayor Chelminiak concurred with the comments that the Alliance represents smart regionalism, smart government, the effective use of technology, and the ability to continue to adapt. He noted that he worked for Snohomish County when it adopted MyBuildingPermit. Staff enthusiastically supported the introduction of the technology, as did architects, engineers, plumbers, and others who access the permitting system.

Mr. Chelminiak thanked staff for the presentation and noted that the interlocal agreement will be placed on a future Consent Calendar for formal approval.

5. Council Discussion of Upcoming Items

Mayor Chelminiak encouraged Councilmembers and the public to attend the two Martin Luther King, Jr. Day celebrations: January 10 at City Hall and January 15 at Crossroads Shopping Center.

6. Continued Oral Communications: None.

At 8:34 p.m., Mayor Chelminiak declared the meeting adjourned.

Kyle Stannert, CMC
City Clerk

/kaw