

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Extended Study Session

March 27, 2017
6:00 p.m.

Conference Room 1E-113
Bellevue, Washington

PRESENT: Mayor Stokes and Councilmembers Lee, Robertson¹, Robinson, and Wallace

ABSENT: Deputy Mayor Chelminiak

1. Executive Session

The meeting was called to order at 6:12 p.m., with Mayor Stokes presiding. There was no Executive Session.

2. Approval of Agenda

→ Councilmember Lee moved to approve the agenda, and Councilmember Wallace seconded the motion.

→ The motion to approve the agenda carried by a vote of 5-0.

3. Oral Communications

- (a) Dena Fantle said affordable housing on church properties should not be allowed in existing single-family residential zones. She said it would set a dangerous precedent that developers can then use to demand that their multifamily projects also be allowed in single-family zones. She said that, several years ago, there was a request by a church in her R-5 (5 units per acre) zoned neighborhood to provide affordable housing. The Bellevue Planning Commission determined that multi-unit buildings should not be allowed in single-family districts due to the concern about setting a precedent. Her neighborhood suggested that the church partner with Habitat for Humanity to construct affordable, single-family homes, but the church did not choose that option. She was surprised the affordable housing survey does not have any questions about Habitat for Humanity projects. Allowing affordable housing on City-owned properties would also set a dangerous precedent because it puts parks and green spaces at risk. Ms. Fantle said

¹ Councilmember Robertson arrived at 6:52 p.m. and left the meeting at 7:19 p.m.

economically integrated housing creates more interesting, healthy and safe neighborhoods than segregating multi-unit affordable housing units from market-rate housing. She encouraged projects that fit with Bellevue's vision for the future and observed that some of the proposed projects are similar to those in Seattle, which is a different type of city.

- (b) Betsi Hummer said that in a recent conversation with her father, he commented that detached accessory dwellings ruined San Diego. She said he has been providing monetary support for rental housing and works with the homeless through his church in Bellevue. He has noticed a great increase in the number of homeless people over the past 10 years, and an increasing number of those individuals report that they spent the previous night in their cars. She said he opined that homeless men will not want to go to the Eastgate area. Ms. Hummer said her father is one of hundreds of individuals who work through churches and other organizations to help the poor and homeless, and who are very familiar with the issues. She proposed that the City conduct an inventory of all organizations working with the homeless to collect information on their facilities, programs, and outcomes.
- (c) Stephanie Walter expressed support for health and safety inspections of rental housing as part of the affordable housing strategy. She expressed concern that detached accessory dwelling units (ADUs) will have the same impact on single-family neighborhoods as individual room rentals. It will increase density, transient neighbors, and the number of cars parked on residential streets. She said ADUs effectively result in an upzone of single-family neighborhoods to double-family neighborhoods. This will continue to increase property values rather than provide affordable housing. She expressed concern that property owners would use both the ADU and the main house for room rentals, further exacerbating the negative impacts. She asked the Council to not consider ADUs as part of the affordable housing strategy. She thanked the Council for their work. She said she hopes the online information regarding who needs housing is shared with downtown developers to help them understand the need and the responsibility that should be shared by those contributing to the growth.
- (d) Villette Nolon said she is a staff member and former Board member for Imagine Housing, which develops affordable housing. She thanked the City for its support of affordable housing through its contributions to the Eastside Housing Trust Fund. She said Imagine Housing will begin construction later this year of the 30Bellevue project, which will provide 63 new affordable apartments and supportive services. She said the City's ARCH (A Regional Coalition for Housing) contribution is funding innovation throughout East King County, and she requested the Council's support of ARCH recommendations to be presented later in the evening. With regard to the proposed Eastgate homeless shelter, Ms. Nolon said Imagine Housing supports Congregations for the Homeless and finding the best solution for Bellevue.
- (e) Heidi Dean said NextDoor.com describes itself as the private social network for neighborhoods and communities. There are a number of privacy policies related to its use, and the posts are not intended to be shared elsewhere. She said users are not allowed to copy and paste posts to other NextDoor.com neighborhood pages or through other

means. She said it was discovered through a public disclosure request that Mayor Stokes has been copying and pasting comments regarding the Eastgate shelter discussion and forwarding them to the City Manager. Ms. Dean said that is a violation of NextDoor.com's guidelines and ethics. She will send copies of those emails to the Council. She asserted that the comments were manipulated to create a false narrative of support for the Eastgate shelter. Ms. Dean said she will file an ethics complaint with the City Clerk and the Ethics Officer. She asked the Mayor to recuse himself from further votes and discussion on the shelter.

- (f) Tzachi Litov, an Eastgate resident, said his family has served the homeless through its faith community for more than 25 years. He served on the Board of Directors, including as Chair, for a nonprofit serving homeless youth in Seattle for three years. He spoke opposed to the siting of the permanent men's homeless shelter at the Eastgate location. He noted Councilmember Wallace's past comments to a citizen for falsely accusing the Mayor of a conflict of interest. Mr. Litov asserted that the citizen's comments were true, and he was upset that Mr. Wallace called the comments "out of bounds." Mr. Litov said what he believes is out of bounds is that the City presented the siting of the shelter as a community process, when the City's documentation indicates a focus on the Eastgate site for years. He expressed concern that Wright Runstad was able to pay a fee in lieu of providing affordable housing in its Spring District development. He said that during the affordable housing workshop the previous week, instead of staff explaining what is meant by affordable housing and the reasoning for decisions, residents were asked questions about the number of units, code restrictions, and other project elements. He noted that four Council seats will be up for election this fall, and he will be voting for individuals who take the best of interests of Bellevue citizens into account.
- (g) Tom Miles, Outreach Case Manager for Congregations for the Homeless (CFH), spoke in support of the Eastgate men's homeless shelter. He was homeless for seven months in the past, living in his car and outside, and he was fortunate enough to benefit from the Congregations for the Homeless shelter system. He sees homelessness as a health and safety issue. He works with the homeless every day and has never been mistreated or attacked. He thinks homelessness is scary but he does not believe that homeless individuals are scary. He would like a safe place for people to be at night.
- (h) Steve Roberts said he works with CFH and supports the Eastgate shelter. He noted that, in 2006, the Eastside had one small agency for men and there were many unmet needs. Now more than 1,500 homeless men and women are served annually on the Eastside. He said day center services have increased for men, women, families and youth. He thanked the City for the men's shelter opened in 2008 and for its support of other shelters. He said that 70 percent of the men in the Bellevue shelter stay less than four weeks, and King County reports that 85 percent of individuals who leave shelters within four weeks do not return to homelessness. Mr. Roberts estimated that 200 men move out of homelessness annually due to Bellevue's winter shelter for men.
- (i) Todd Woosley, Hal Woosley Properties, said he has been working on housing affordability issues in Bellevue since the late 1980s. He recalled that the affordable

regulated housing report that he and his father worked on through the Bellevue Chamber of Commerce in the early 1990s led to some good regulatory reform efforts to set the stage for Bellevue's growth. Mr. Woosley recently participated in the affordable housing workshop and has listened to the technical advisory group (TAG). He said good ideas and solutions were discussed. He said the issue of housing affordability is largely related to the regional lack of housing supply. Mr. Woosley said housing prices in this area have doubled over the past five years, which puts an enormous restriction on the ability to provide housing. He encouraged the Council to look for opportunities through Land Use Code updates to create a significant number of units in the appropriate locations in non-single-family neighborhoods.

Mayor Stokes thanked everyone for their comments. However, he is sad that certain individuals are angry and taking their frustration out on individuals. He said there are thousands of people on NextDoor.com and the comments are shared in a number of ways. He noted there are petitions with the same wording of certain NextDoor.com posts. He was interested in the comments and wanted to share them with the City Manager, with the intent of looking into the issues and community's concerns. If he wanted to deceive the public, he could have shared the information in other ways. Mr. Stokes said he was unaware of the guidelines. NextDoor.com is social media, and individuals cannot reasonably expect that their comments are private and will not be shared. He admitted his mistake, noting that if someone wants to file an ethics complaint, it is their right. However, he will not be recusing himself from doing his job. He said there is no reason the community cannot work together, using facts, to resolve the shelter issue.

4. Study Session

(a) Council Business and New Initiatives

Responding to Mayor Stokes, City Manager Brad Miyake said City staff has been conducting its due diligence regarding the proposed Eastgate men's homeless shelter since November 2016. The resulting information to support the Council's consideration of the shelter is final and will be posted on the City's website. Mr. Miyake said that individuals signed up to receive email alerts will receive notice when the information is available online. Staff will present an overview of the materials during the April 3 Council meeting. City Clerk Kyle Stannert noted there is a link to information on the shelter on the home page of the City's website.

Mayor Stokes said Ernie Simas was appointed as the new City Councilmember and will be sworn in during the April 3 meeting. Mr. Stokes said the April 3 meeting will open in the Council Chamber for the swearing in ceremony, followed by a brief recess before resuming the Study Session agenda.

Mr. Stokes invited Councilmember Lee to provide a report on his participation in the National League of Cities conference in Washington, D.C.

Councilmember Lee said the conference attendees were generally positive about the ability for cities to work with the new administration. He noted the administration's goals to invest in infrastructure, national security, economic vitality, and mobility, which are consistent with the NLC's goals. Mr. Lee said he is Co-Vice Chair for the First Tier Cities Committee. He noted that

many cities surrounding major metropolitan cities are sometimes overlooked with regard to the national focus on challenges and funding. Councilmember Lee said it is important to work with congressional representatives to promote cities' interests. He noted that, due to snow, meetings he had planned with representatives were cancelled.

[Councilmember Robertson arrived at approximately 6:52 p.m.]

City Manager Miyake announced that Bellevue TV was experiencing technical difficulties and the meeting was not currently streaming live. However, it will be posted on the website later for viewing.

Mayor Stokes said Deputy Mayor Chelminiak's father passed away on March 17 due to cancer. Mr. Stokes noted that Clement John Chelminiak was a member of the engineering team who designed the Boeing 747. At the age of 96, he was still playing golf in recent weeks. Mr. Stokes said the Council would make a donation to the American Cancer Society in memory of him.

(b) ARCH (A Regional Coalition for Housing) 2017 Administrative Budget and Work Program

City Manager Brad Miyake introduced discussion regarding the ARCH 2017 budget and work program, as well as the Housing Fund allocation recommended by ARCH for low-income apartment projects: 30Bellevue and Esterra Park. He said the items will come back to the Council for formal action in an upcoming meeting.

Dan Stroh, Acting Director of the Planning and Community Development (PCD) Department, recalled that ARCH annually seeks approval of its budget and work program from member cities. He said staff reviews the work program to ensure that it accurately reflects the City's specific housing policies and activities.

Arthur Sullivan, ARCH Program Manager, referred to the 2017 budget and work program provided in the meeting packet. He said the work program is developed by working with member cities and the ARCH Executive Board. Initiatives include working with cities to develop an East King County approach to winter shelters for homeless individuals and families and exploring opportunities for affordable housing in transit-oriented development (TOD). The work program includes a list of items of interest to each member city. Bellevue's items include supporting work related to the affordable housing strategy and continuing to assist other cities in the administration of their programs. Mr. Sullivan said the ARCH website provides information to help individuals who are in need of affordable housing.

Mr. Sullivan said the development of the budget is overseen by the ARCH Executive Board. The 2017 administrative budget is proposed at 3.5 percent above the 2016 budget, due primarily to increased staffing costs. ARCH is currently helping to administer more than 4,000 units of affordable housing, which includes 500 units of ownership housing with long-term affordability restrictions. The budget proposes increasing one part-time ARCH position to full-time status. Mr. Sullivan said most member cities' contributions increase by approximately two percent. The

City of Sammamish's contribution increases at a higher percentage due to a large annexation. The Sammamish City Council concurs with the increased contribution.

Councilmember Lee said ARCH is a strong example of a successful collaboration among cities. The consortium was founded by the City of Bellevue and has grown to 15 member cities.

Councilmember Robinson expressed her support for the proposed budget and work program, and thanked ARCH for their effectiveness in creating affordable housing.

(c) ARCH Executive Board's Recommended Housing Fund Allocations

Mr. Stroh introduced discussion of two recommended housing projects. He noted that ARCH funds are not spent until the City Council reviews specific funding recommendations.

Mr. Sullivan referred the Council to the memorandum from the ARCH Executive Board providing Housing Trust Fund recommendations. He noted that the ARCH Citizen Advisory Board (CAB) reviews applications and forwards its funding recommendations to the ARCH Executive Board.

Mr. Sullivan described two projects recommended for ARCH (A Regional Coalition for Housing) funding. He said the requested funding was made available in prior years and is reflected in the 2016 budget. The meeting packet materials include a chart showing other funding sources for the projects. The Imagine Housing 30Bellevue project in north Bellevue at St. Luke's Lutheran Church was partially funded last year and provides 62 housing units to serve households at 30 percent, 40 percent, and 60 percent of the area median income (AMI).

Mr. Sullivan said Imagine Housing is requesting \$432,429 for the project, to be added to the previous allocation of \$442,571. The ARCH Executive Board is anticipated to suggest an additional \$400,000 contingency reserve. Up to half of the units will be available for homeless individuals and households, and up to 20 percent of the units are set aside for disabled residents. The project provides a number of larger units for families as well.

Mr. Sullivan said tax credits will cover more than half of the project costs. He said the project is proposed as a contingent loan in which there are no explicit automatic payments. However, a number of standards are written into the contract that, if met, would trigger repayment from cash flow. If the project is ever refinanced, there would potentially be additional repayment on the principal. He said this has been done for a number of projects in the past.

Mr. Sullivan described the second project, Imagine Housing Esterra Park low-income apartments in Redmond at the former Group Health site, within one block of the future Overlake light rail station. The project concept is a mixed-income rental development of potentially more than 220 housing units. Mr. Sullivan noted that funds cannot be expended until Imagine Housing provides a full application next year. He said Imagine Housing is trying to become more involved in social investment, a new trend in which private investors accept a low-interest rate of return in order to provide affordable housing.

Mr. Sullivan said ARCH is trying to determine the potential for bartering the affordability of adjacent properties slated for housing, in exchange for finding a way to raise funds that would help offset the cost of developing the Imagine Housing site. He said a similar approach was used for a project in the Issaquah Highlands, which resulted in obtaining a piece of land for 150 housing units with no land costs. He said Imagine Housing is interested in securing a portion of the at-large King County transit-oriented development (TOD) funds for the Esterra Park project. Mr. Sullivan said the requested project funding is a preliminary commitment contingent on Imagine Housing providing a detailed sound concept by this fall.

[Councilmember Robertson left the meeting at 7:19 p.m.]

Councilmember Robinson said she is pleased to see the inclusion of three-bedroom units for families. She said stress is the biggest deterrent to early childhood learning, and housing instability is the biggest cause of stress. She said this is a good step toward creating more opportunities for stable family housing.

Responding to Councilmember Lee, Mr. Sullivan said Imagine Housing has a contract for the land for the Esterra Park project. However, it is relatively expensive as currently structured. In further response, Mr. Sullivan said residents of Bellevue's emergency shelter could potentially move to ARCH affordable units, including the 30Bellevue project.

Councilmember Lee questioned whether the potential reduction or elimination of federal Community Development Block Grant (CDBG) funding would affect ARCH. Mr. Sullivan said that portions of funds made available by cities are CDBG funds totaling approximately \$300,000 annually.

Councilmember Wallace expressed support for the project sites but noted concern regarding construction costs. He suggested that the 30Bellevue project would be a good case study for analyzing costs and for considering factors beyond zoning when looking at similar projects as part of the affordable housing strategy.

(d) Update on Affordable Housing Strategy

City Manager Brad Miyake recalled that the Council established the creation of affordable housing as a priority in 2015. He introduced staff's update on the development of the City's affordable housing strategy.

Dan Stroh, Acting Director for the Planning and Community Development (PCD) Department, said affordable housing is an overall need for the Eastside and a priority of employers. He recalled that the Council placed an emphasis on tangible actions to begin to address the need as well as measurable outcomes. He said the full report of the affordable housing work to date will be presented to the Council in April. He noted a focus on finding the best solutions for Bellevue.

Michael Kattermann, Senior Planner, provided an update on the development of the affordable housing strategy. He recalled that, in the 2015 Human Services Needs survey, 68 percent of respondents identified the lack of affordable housing as the top community problem. In the 2013

survey, 51 percent of the respondents indicated affordable housing as the top challenge. A survey of businesses in 2015 identified workforce housing as a primary challenge, and 41 percent of all businesses indicated a difficulty in finding trained and qualified staff. More specifically, 50 percent of retail businesses and 60 percent of tourism-related businesses reported a difficulty in finding qualified staff.

Mr. Kattermann said that nearly one-third of all Bellevue households spends more than 30 percent of their income on housing, while 16 percent of all renters and one-third of senior renters spend more than 50 percent of their income on housing. He recalled the Council's guiding principles including focusing on actions, establishing ambitious goals, building upon ongoing and recent tools, strengthening partnerships, tailoring approaches to different areas, leveraging resources, and enhancing community engagement.

Mayor Stokes noted that the creation of the affordable housing action strategy was initiated during the Council's February 2015 retreat.

Mr. Kattermann said meetings with stakeholders involved businesses, major employers, market-housing developers, nonprofit housing providers, and human services providers. A public workshop was held on March 21 and was well attended with 60-65 participants. An online open house provides the same information presented in the workshop as well as a survey. The survey deadline is April 4, and the results will be presented to the Council with the final report.

Mr. Kattermann said staff brought approximately 45 actions to the Council in September and requested feedback. He noted the list of actions in the TAG (Technical Advisory Group) discussion matrix provided in the meeting packet. The strategies are interrelated and there is a set of actions for each strategy. The strategies will be evaluated based on the number of housing units built or preserved, income levels served, estimated costs for the City, funding sources, and feedback from the TAG.

The five draft strategies are to: 1) help people stay in existing housing, 2) create a variety of housing choices (e.g., micro apartments, detached accessory dwelling units, and support of home ownership), 3) create more affordable housing, 4) unlock the housing supply by making it easier to build (e.g., reduce costs, condo development, and changes to floor-area ratio requirements or incentives in multifamily zones), and 5) prioritize state, county, and local funding for affordable housing through existing sources, partnerships, and advocacy for additional tools.

Mr. Kattermann said the City currently allows attached accessory dwelling units (ADUs). The consideration of detached ADUs will be addressed separately with the individual neighborhoods in Bellevue.

Mr. Kattermann said staff does not currently have specific recommendations. He said the City's actions will depend on Council direction regarding the targets for the production of affordable housing units, actions to achieve those goals, and the level and sources of funding.

Mr. Kattermann said the community engagement phase is coming to an end. Staff will review and incorporate input from the TAG into the final Affordable Housing Strategy for Council deliberation and action in April.

Responding to Councilmember Wallace, Mr. Kattermann said information in the meeting packet includes examples of housing production levels and corresponding funding levels based on staff's analysis to date. However, staff is not recommending any type or level of housing at this time.

Mr. Wallace observed that the discussion reflects two objectives. One is a workforce housing affordability level of 80 percent of the median income. The second category of need is an affordability level at or below 60 percent of median income. He suggested that the former is potentially feasible with incentives and/or possible tax credits. The latter category is difficult, if not impossible, to implement without government assistance.

Mr. Wallace suggested looking separately at the two categories to determine strategies, tools, and solutions. He suggested approaching the 60 percent and below category on an individual project basis. For example, if a specific site is identified as a good candidate for a housing project (e.g., church property), the City could explore partnerships and options for developing a project on that site. He suggested moving forward one project at a time as expeditiously as possible.

Councilmember Wallace opined that detached accessory dwelling units (ADUs) are not the right solution for Bellevue. He would like to remove those from consideration and to focus on other options and strategies.

Mayor Stokes concurred with Mr. Wallace's definition of the two categories of housing needs, and with his determination that detached ADUs are not right for Bellevue.

Councilmember Lee said affordable housing is a challenging issue and he appreciates the City's efforts. He said the City is spending significant time studying the right tools to use. However, he said it is important to determine the type of housing people are interested in and need, rather than only focusing on targeted income levels to be served. He said more details are needed, and the City needs to do something innovative, including addressing the costs of building housing. He encouraged long-term solutions rather than near-term solutions that might be too narrowly focused.

Mr. Kattermann said the analysis studied changes in construction types that could lower construction and life cycle costs. He said one issue of concern is that homeowners in Bellevue often cannot afford to sell their houses and buy another house in Bellevue. He said expanding the types of housing available would provide more options for staying in the community. He said the study looked at energy efficiency to minimize ongoing costs as well as universal design that would allow people to remain in their homes as they age.

Responding to Councilmember Wallace, Mr. Kattermann said staff studied practices in other cities and did not find tools that the City is not already studying. Solutions that have been effective in certain cities are allowing accessory dwelling units and waiving certain fees. Mr. Kattermann said the City currently waives transportation impact fees for affordable housing. However, there are other fees beyond the City's control (e.g., utility connection charges). Mr. Kattermann said the final report will include a summary of practices and tools in other cities.

Mayor Stokes noted that the work to date, including through the TAG discussions, has addressed innovative tools. More detailed information is provided in the meeting materials.

Councilmember Robinson expressed support for a Bellevue-specific approach to affordable housing needs and said she is glad Bellevue is addressing the need now. With regard to the focus on 80-percent AMI workforce housing, she said the needs assessment demonstrated that Bellevue has sufficient housing in that category and indicated the need to focus on lower income levels. Mr. Kattermann confirmed that the greatest need is for households earning below the 50-percent AMI level. However, there is a need for 80-percent AMI housing as well.

Ms. Robinson said the City had inclusionary housing requirements in the past for affordable housing in certain developments. Mr. Kattermann said those requirements were used from 1991 to 1996. Councilmember Robinson questioned whether that created affordable housing. Janet Lewine, Associate Planner, said approximately 300 units were created at the 80-percent AMI level for long-term affordability.

Councilmember Lee recalled a focus on condo development. He said he was on the City Council when the inclusionary housing requirement was formally eliminated.

Ms. Lewine said the City enacted voluntary incentives in 1996 in which developers were allowed to provide one additional unit for every affordable unit. She said it has not been well embraced and has produced only 19 units. She said a voluntary program developed in 2009 for the BelRed corridor has been more effective.

Councilmember Robinson said she appreciates that the City is looking at different housing styles and ways to create affordable housing in different neighborhoods, rather than adopting citywide regulations that might not be appropriate for all neighborhoods. She is not supportive of detached ADUs and is not aware of communities where it has been a successful strategy. If allowed in certain neighborhoods, she said it is important to ensure that it works the way it is intended. She thanked staff and the TAG for all of their work.

Mr. Kattermann said the TAG has been a critical party in studying and analyzing all of the issues and potential solutions. He thanked Arthur Sullivan for his involvement and expertise as well.

Mayor Stokes observed that this has been a thorough and comprehensive process. He concurred with Councilmember Wallace's comments regarding the two broad categories of housing needs. Mr. Stokes said the key is engaging and working with the community in a collaborative and positive way. He said the topic of housing includes the issue of homelessness as well. He suggested that specific housing solutions can be addressed through the process of updating neighborhood subarea plans. He said additional information will be presented in April. He thanked staff, Mr. Sullivan, and the TAG for their good work.

Councilmember Wallace asked staff to explore advocating to the County to adjust the sewer capacity charge definition of "affordable unit" to make the development of housing more feasible for a broader range of projects. He encouraged enhanced education and outreach to the development community regarding existing and potential requirements and incentives. He asked

staff to follow up with Sound Transit regarding the REDI Fund, light rail Operations and Maintenance Satellite Facility (OMSF), and the 130th Avenue site in the BelRed corridor. Those might be able to provide better opportunities for affordable housing in the 60-percent and below AMI category.

Mr. Kattermann said staff has studied that to some extent. Mr. Wallace said he did not see it on the list of potential tools. Mr. Sullivan noted that those opportunities generally fall under the transit sites tool.

At 8:12 p.m., Mayor Stokes declared a break. The meeting resumed at 8:25 p.m.

(e) Regional Issues

(1) Transportation Projects

Joyce Nichols, Director of Intergovernmental Relations, introduced discussion regarding regional transportation projects through 2024. She said all of the projects require significant investments of public funds. Coordination between agencies and levels of government can help to reduce costs and streamline construction.

Kate March, Transportation Policy Advisor, presented a list of major Eastside projects (East Link; I-405 Renton to Bellevue; SR 520 on the west side of Lake Washington; and the Eastside Rail Corridor) and Seattle projects (Northgate Link light rail; SR 99 Viaduct removal and replacement; Downtown Seattle transit tunnel reconfiguration; Greater Seattle Convention Center expansion; and Center City Connector Streetcar Project). She highlighted the regional transportation project timeline.

Ms. March said King County Councilmember Claudia Balducci is hosting a meeting on May 5 to begin a conversation about the Eastside projects and their impacts. King County and the Sound Cities Association (SCA) are convening a task force to study the long-term funding and maintenance needs for rural transportation infrastructure. The Puget Sound Regional Council (PSRC) is currently updating its Transportation 2040 Plan, which is the region's long-term plan for major transit and infrastructure projects.

Ms. March said staff will continue to monitor regional efforts and to bring opportunities for involvement by the Council. She acknowledged the Council's longtime priority of collaborating between agencies and optimizing project efficiencies.

Responding to Councilmember Robinson, Ms. Nichols said the west side of the SR 520 bridge project involves the Montlake neighborhood, NE Pacific Street, and the connections to I-5. Ms. Nichols said the project was delayed, in part, by negotiations with neighborhoods and other stakeholders.

In further response, Ms. Nichols said the Wilburton Gap project is the I-405 freeway crossing for the Eastside Rail Corridor. Ms. March said construction of the Eastside Rail Corridor NE 8th Street overpass is not currently funded. However, the City is working to meet the Council's goal

of funding and completing the overcrossing by the time the light rail project is completed in 2023.

Responding to Councilmember Wallace, Ms. March said she did not have an updated date for the closure of the South Bellevue Park and Ride lot. However, Sound Transit will update the Council in April.

Mr. Wallace recalled past discussions about tolls on Highway 99 in Seattle when the new roadway is constructed. He expressed concern about the impacts to I-5 traffic by drivers wanting to avoid the tolls. Ms. March said she would follow up with information on current planning.

Mr. Wallace observed that limited funding sources are available for road and bridge projects in unincorporated King County (i.e., sales tax, motor vehicle licensing, and property tax). He expressed concern that King County is pursuing a property tax increase for arts funding while also considering a property tax for rural infrastructure.

Ms. Nichols said a roads and bridges task force convened by King County in recent years reported that the County road tax was not adequate to meet infrastructure needs. One proposal at that time was, if a portion of a county road crossed into a city, King County wanted to grant ownership of that section of the road to that city. She said there was essentially no interest in the proposal by cities. Ms. Nichols anticipated that there will be additional study and involvement by cities to identify solutions. One possible option is a countywide levy. She said staff will provide updates to the Council as that work moves forward.

Councilmember Wallace said the City of Seattle has allocated \$200 million for a downtown local improvement district (LID) to complete the waterfront project when the Highway 99 project is completed.

With regard to education funding obligations under the McCleary Decision, Mr. Wallace said the Republican proposal results in a \$40 per \$100,000 increase in Bellevue's property tax. He said Democrats generally took the position that the proposal would not provide adequate funding. He expressed concern about overall tax increases going forward and said that increases in the property tax will not help efforts to provide affordable housing. He noted that property tax increases by other levels of government will affect Bellevue's capacity for property tax adjustments.

Ms. Nichols concurred and said staff will keep the Council apprised about tax impacts. She noted the need to discuss taxes and fees related to utilities and a number of other subjects under consideration by the state legislature.

Responding to Councilmember Lee, Ms. Nichols said staff will provide the agenda for King County Councilmember Balducci's meeting on May 5. Mayor Stokes said the City will be involved in that cooperative effort.

Responding to Mr. Lee, Ms. March said I-405 bus rapid transit (BRT) is a Sound Transit project. Sound Transit has not provided construction dates for BRT stations along I-405. However, more information is anticipated to be provided after the April meeting of the Sound Transit Board.

In further response to Councilmember Lee, Ms. Nichols said the estimate for the I-90 bridge light rail project was recently updated and she will follow up with that information to the Council. Mr. Lee requested an update on the technical feasibility of light rail on the bridge.

Mayor Stokes stated his understanding that the 23 questions raised by technical experts have been resolved, and the project is ready to move forward. City Manager Miyake said staff will make sure that Sound Transit addresses the Council's questions during the April update to the Council.

(2) Legislative Update

Ms. Nichols said there is one month remaining in the state legislature's session. She highlighted key deadlines for bills to move forward. She said the State Revenue Forecast Council's mid-March revenue forecast anticipates revenue collections through 2019 to be \$571 million above the previous forecast.

Ms. Nichols said the State Senate released its budget the previous week, which proposes a total operating budget of \$43 billion. That proposal adds \$1.8 billion to fund K-12 education as required by the McCleary Decision, which is focused on reducing the need for school districts to rely on local school levies for funding. Under the State's proposed budget, education funding would be provided through higher-than-projected tax revenues related to reductions in state services.

Ms. Nichols confirmed Mr. Wallace's earlier comment that the Senate Republican budget proposed an increase in the state property tax of \$1.55 per \$1,000 assessed valuation for K-12 education funding. This is intended to replace the local school district operating levies.

Ms. Nichols said the Senate budget proposal preserves state-shared revenues from the liquor tax and marijuana taxes and provides funding for additional classes at the Basic Law Enforcement Academy without increasing cities' costs. Ms. Nichols highlighted challenges for cities reflected in the budget including Law Enforcement Officers and Fire Fighters (LEOFF 2) pension funding, Public Employees Retirement System (PERS) surcharge for employers, and elimination of the Fire Insurance Premium Tax (which helps fund LEOFF 1 medical obligations). The shifting of the State's contribution to the cities for LEOFF 2 employees would result in an unanticipated annual cost of \$1.5 million.

Ms. Nichols said the House budget of \$44.6 billion was released earlier that day. It relies on \$7.7 billion in tax increases, with \$7.15 billion to be invested in K-12 education. The budget includes a capital gains tax on earnings above \$25,000 for a single person and \$50,000 for joint filers; an increase in the State Business and Occupation (B&O) tax for certain businesses; and a change in the Real Estate Excise Tax (REET) to a progressive graduated rate. The budget also allocates more funding to address homelessness and affordable housing.

Ms. Nichols said she will provide more information to the Council on McCleary Decision funding proposals and impacts.

Responding to Councilmember Robinson regarding housing funding, Ms. Nichols said that funding for the Housing Trust Fund is typically in the capital budget. The capital budget is constrained due to requirements to cover a portion of the costs of new school construction, and there has been significant new construction in recent years.

Councilmember Wallace expressed his ongoing concern about the McCleary Decision obligations and the impacts on the Bellevue School District and local property taxes. He said the Republican proposal characterizes it as a no-tax-increase budget item. However, that is true only for areas that do not have high property values. Responding to Mr. Wallace, Ms. Nichols said she would provide information on other sources (e.g., sales tax) that would provide higher revenues. Mr. Wallace expressed an interest in hearing the positions of school districts regarding the proposal.

Mr. Wallace expressed concern regarding a potential property tax related to proposed changes affecting pension plan expenses. Ms. Nichols said Bellevue and others are working to discourage the State from shifting its obligations to the cities.

Mayor Stokes said he would like to understand the potential net effect of budget proposals. If school districts lose the ability to present levies to voters, funding for Bellevue schools is likely to decrease. Ms. Nichols said staff will contact local school districts to hear their perspectives.

Ms. Nichols noted Councilmember Lee's earlier comments about the National League of Cities Conference. She concurred that cities are exploring ways to collaborate with the new administration and with Congress to accomplish major goals (e.g., economic development, jobs, and infrastructure investments). In the area of economic development, staff is educating congressional representatives about Bellevue's Smart City technology initiatives, as well as efforts producing job growth in Bellevue. With the new administration, Ms. Nichols said there are still thousands of federal jobs to be filled, many of which directly affect Bellevue projects and funding (i.e., transportation, Community Development Block Grants).

5. Council Discussion of Upcoming Items: None.

6. Continued Oral Communications

- (a) Stephanie Walter expressed concern regarding vacation and short-term rentals that are being used for purposes other than housing permanent residents. She noted there is vacant housing left to degrade as well, and enforcement of the single-family room rental regulations continues to be problematic. She would like to see an inventory of those types of housing uses to determine whether and how they could be used to enhance housing availability. Potential tactics could include a tax on vacant housing and prohibiting short-term vacation rentals (e.g., Airbnb) in residential areas. She suggested exploring the International Property Maintenance Code for additional tools. Ms. Walter said Bellevue has adopted portions of that code. However, she suggested that additional code provisions would help to address those situations. She said three houses within one mile of her home have been vacant for more than 10 years. She acknowledged there are barriers to

acquiring the housing for those in need of a place to live. However, she would like to see those barriers eliminated, if possible.

- (b) Betsi Hummer encouraged Councilmembers to complete the City's online affordable housing survey. She concurred with Councilmember Lee that many details related to affordable housing are unclear. She observed that the questions are biased and directed toward certain responses. She said residents are being asked for input, but little background information is provided as a basis for providing meaningful input. Ms. Hummer said she did not feel comfortable completing the survey because the questions were leading and unclear. She observed that the meeting materials present options as ideas that are under consideration. However, she feels that comments by ARCH indicate that decisions have been made. With regard to housing options to provide affordable housing, Ms. Hummer said residents need to know that the Council is looking out for their interests. She thanked Councilmembers for their hard work.
- (c) Pamela Johnson expressed her frustration and concerns regarding the number of campers in the Bel-Red and Wilburton areas. If the individuals move the campers slightly, the Police must allow them to stay based on parking regulations. She said Code Enforcement also is not able to effectively address the issue. She encouraged the City to consider regulations to remedy the problem.
- (d) Dena Fantle expressed her frustration with the camper situation as well and noted the need for an ordinance to address the problem. She said it is a problem in areas stated above, as well as in Factoria and other areas of Bellevue. She said it feels like the Council and City staff do not have residents' best interests in mind when staff presents recommendations and the Council makes decisions. Ms. Fantle clarified that her comments earlier in the meeting were related to the affordable housing survey. She said some individuals might have thought she was talking about the Eastgate shelter.

Mayor Stokes declared the meeting adjourned at 9:24 pm.

Kyle Stannert, CMC
City Clerk

/kaw