

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Study Session

November 6, 2017
6:00 p.m.

Council Conference Room
Bellevue, Washington

PRESENT: Mayor Stokes, Deputy Mayor Chelminiak, and Councilmembers Lee, Robertson, Robinson, Simas, and Wallace

ABSENT: None.

1. Executive Session

Deputy Mayor Chelminiak called the meeting to order at 6:00 p.m., and declared recess to Executive Session for approximately 10 minutes to discuss one item of labor negotiations.

The meeting resumed at 6:17, with Mayor Stokes presiding. He noted that an item regarding pending litigation was discussed during the Executive Session as well.

2. Study Session

- (a) Human Services Commission's Recommended Use of Community Development Block Grant (CDBG) Funding from the U.S. Department of Housing and Urban Development (HUD)

City Manager Brad Miyake introduced staff and Judith Mercer, Chair of the Human Services Commission, to present the Commission's recommended use of federal Community Development Block Grant (CDBG) funding. Mr. Miyake thanked the Commission for its work.

Patrick Foran, Director of Parks and Community Services, noted that Commission members Ann Oxreider and Tim Ma were in the audience. Mr. Foran clarified that tonight's presentation relates only to CDBG funds. The process for considering overall human services funding recommendations will take place at a later date.

Dee Dee Catalano, Human Services Grant Coordinator, highlighted the City's CDBG funding history since 2014 and the Major Home Repair Program income history. Loan repayments qualify as program income and can be used for CDBG eligible activities. The projected program income for 2017 is \$400,000.

Ms. Catalano said the CDBG requirements include that projects must be located in Bellevue and funds must be spent in a timely manner. Multi-year projects are difficult to fund due to the timeliness requirement. Ms. Catalano noted that A Regional Coalition for Housing (ARCH) did not apply for CDBG funds for 2018 because it did not have an appropriate project.

The City received six applications for CDBG funding. Three Human Services Commission meetings were held to review the applications, and a public hearing was held on September 7. The Commission's recommendations are described in Attachment B of the meeting packet. Ms. Catalano said CDBG funding is divided into three categories: 1) public services, 2) planning activities and grant administration, and 3) capital projects and programs. Attachment C provides the contingency plan, which guides how any excess CDBG funds will be allocated.

Ms. Catalano said the six requests totaled \$876,876, and the City anticipates 2018 CDBG funds of approximately \$895,152. Upon confirmation of the specific amount to be received by the City, an additional request for proposals (RFP) will be issued to spend the balance of the grant funds. The Commission recommended to not fund a request for the Kindering Center's exterior repairs. Ms. Catalano said Attachment B in the meeting packet explains that the project would invoke prevailing wage regulations and the related administrative burden, and staff does not have the capacity to ensure compliance with the requirements.

Chair Mercer said the remaining five funding recommendations total \$819,566: 1) CDBG planning, 2) CDBG administration, 3) Jewish Family Service Refugee and Immigrant Service Centers, 4) City of Bellevue Major Home Repair Program, and 5) Sound Generations Minor Home Repair Program. She said the home repair programs preserve and maintain affordable housing in Bellevue, especially for older adults. Referring to the Kindering Center's request, Ms. Mercer said the Human Services Commission has a history of not funding recommendations that involve prevailing wage regulations due to the extensive staff time and expertise required for oversight. She said non-compliance with the complex regulations could result in a fine from HUD. She thanked the Council for considering the Commission's recommendations and for continuing to support human services in Bellevue.

Responding to Councilmember Robertson, Ms. Catalano said additional funding could be allocated to the Major Home Repair Program if it would be able to spend the funds in 2018. If not, the City will request additional funding proposals for the use of the money.

Responding to Councilmember Lee, Ms. Catalano said the 2017 Major Home Repair Program income of \$400,000 has already been expended because it must be used first before using federal dollars. She said staff and the Human Services Commission will come back to the Council with future recommendations for additional funding requests.

Councilmember Robinson thanked staff and the Commission for their work. While she understands the complexity of complying with the prevailing wage legislation, she would like to assist the Kindering Center. She questioned whether the Kindering Center could find a way to guarantee that it will satisfy the requirements.

Ms. Catalano said other organizations have provided oversight and ensured compliance with the wage requirements themselves. However, the Kindering Center does not have the expertise and resources to do so, and the City is not staffed to provide the needed oversight and compliance.

In further response to Councilmember Robinson, Ms. Catalano said the Kindering Center does not have the funds to hire someone to provide the oversight. Mr. Foran said the project totals approximately \$53,000 and therefore staffing the oversight function is not considered to be a cost-effective approach. He said the Kindering Center understands the issues and will continue to pursue other funding sources.

Mayor Stokes noted a Council consensus in support of the CDBG funding recommendations.

(b) Discussion of Development Services Department's Fee Update as part of the
2017-2018 Mid-Biennium Budget

City Manager Miyake introduced discussion regarding the Development Services Department's proposed fee update for the 2017-2018 Mid-Biennium Budget.

Mike Brennan, Director of the Development Services Department (DSD), noted that action on the overall budget is anticipated on November 27. Staff is seeking Council direction to prepare an updated Consolidated Fee Ordinance for adoption as part of the Mid-Biennium Budget.

Mr. Brennan said staff is also seeking direction regarding adjustments to the Issaquah School District's and Renton School District's impact fees.

Carole Harper, Assistant DSD Director, said the City conducts an annual cost of service study to review and update development services financial policies, financial planning and forecasting, and the management of reserves. This year, an additional comprehensive review was conducted by the Financial Consulting Services Group.

Ms. Harper noted that existing financial policies state that development services fees should be regionally competitive, permit applicants should pay for the services they receive, fees should be predictable and understandable to customers, and the funding structure should support ongoing development services through economic cycles.

The consultant's comprehensive review found the City's development services function to be in line with best practices and with sound financial planning and forecasting methods. The consultants determined that the existing reserves for prepaid work, technology (e.g., online permitting), and core staffing during economic downturns maintain stable development services fees. Ms. Harper said the consultant provided a new modeling tool to improve efficiency and accuracy in assessing development services' fee rates and resource needs and to enable the City to be better able to respond to economic fluctuations.

Mr. Brennan said the consultant's study validated that the Development Services Department's business practices are strong, including financial and workload management.

Councilmember Wallace questioned how the technology reserves for economic downturns were set. Mr. Brennan said there is an estimated ongoing cost of technology investments for routine hardware and software updates, as well as for significant technology projects such as replacing a permit tracking system. He said the reserves accommodate those investments without causing significant fluctuations in permit fees. Mr. Brennan said the current permit tracking system has been in use for approximately 17 years, and replacing that system would be very costly. He said the technology reserve is approximately \$3.5 million.

In further response to Mr. Wallace, Mr. Brennan said technology investments often occur during economic downturns because staff has the capacity to study and implement process improvements. Mr. Brennan said reserves typically fluctuate between \$4 million and \$11 million. The technology and core staffing reserves decreased and ranged from \$2.5 million to \$4 million during the last recession.

Responding to Councilmember Lee, Mr. Brennan said technology investments are funded through development services fees. He said the ongoing operations costs are incorporated into the City's fee rates based on the cost recovery model. Mr. Lee said it is important to be able to fund technology investments on an ongoing basis.

Mr. Brennan said the reserves are currently in good shape, and staff can provide additional details to the Council if desired. He said the consultant verified that the Development Services Department currently has adequate reserve funding.

The proposed fee update aligns with existing financial policies, updates hourly rates, adjusts building review and inspection fees for inflation, and adjusts flat fee rates to reflect changes in the hourly rate. The cost recovery objectives are 100 percent for administrative support, technical review, and inspection, and 50 percent for land use discretionary review. There is no cost recovery goal for code compliance, public information, and policy development functions.

Mr. Brennan said building permit fees are based on a project's estimated value using the International Code Council (ICC) building fee table and adding the local three percent inflation adjustment. He noted proposed hourly rate adjustments which include a cost-of-service adjustment, a share of business costs, and a contribution of two percent to the core staffing reserve. Mr. Brennan described the proposed hourly rates for land use review, transportation review and inspection, fire review and inspection, and utilities review and inspection. He highlighted examples of projects with flat fees and with valuation-based permit fees.

Mr. Brennan recalled that one of the guiding policies is for the City's fees to be regionally competitive. He noted the challenge of comparing between jurisdictions due to the different ways that development services costs are funded and budgeted. He said a number of jurisdictions fund development services in their general funds. Mr. Brennan described a comparison of fees, noting

that Bellevue is competitive with the City of Seattle and King County for both single-family additions and tenant improvements.

Moving on, Mr. Brennan highlighted the impact fees proposed by the Issaquah School District and the Renton School District, which are used to meet capital needs. He said these are pass-through fees that the City of Bellevue collects and passes on to the districts. The Bellevue School District does not have an impact fee.

Next steps are to move forward with the adoption of the Consolidated Fee Ordinance on November 27 as part of the 2017-2018 Mid-Biennium Budget update. Staff requests Council action on school impact fees on November 20. All fees will go into effect on January 1, 2018.

Councilmember Robinson recalled comments in the past by staff regarding development cycles. Mr. Brennan said this has been a long positive cycle. However, the City is starting to see a slight decrease in large projects while tenant improvements and residential projects continue to experience a high level of activity.

Ms. Robinson questioned whether fees will be adjusted to encourage affordable housing. Mr. Brennan said that concept is not included in staff's proposal. However, the Council could explore that option as part of the affordable housing work plan. Mr. Brennan noted that there would still be a cost to providing the services, and a funding source would need to be identified.

Councilmember Robinson questioned the Council's interest in exploring that approach. Mayor Stokes suggested that fee adjustments could be made later as part of the continued discussion about the affordable housing strategy.

Mayor Stokes said it will be interesting to see if approving the Downtown Livability Initiative Land Use Code Amendment (LUCA) will stimulate new development. Mr. Brennan acknowledged that certain developers were waiting to see the outcome of that process. He has heard comments from the community. However, the City has not yet experienced a change in permit activity for larger projects.

Mayor Stokes questioned the difference between fees in Bellevue versus the cities of Issaquah, Kirkland, and Redmond. Mr. Brennan said the way those cities budget for development services and charge fees is not directly tied to the cost of the services they provide. Bellevue's development services function operates more like a business. Mr. Brennan said the fees in a number of cities go into their general funds, and those cities use their budget process to advocate for the staff needed to deliver services.

Councilmember Lee expressed concern that homeowners have similar fees for residential remodeling projects as businesses completing tenant improvements. He said residences are not a source of income. Mr. Brennan said the fees are based on the cost of providing the services. However, the fee for new single-family homes is slightly discounted.

Mayor Stokes commented that additions and remodeling projects do increase the value of single-family homes.

Mayor Stokes noted a consensus to move forward with the proposed development services fee adjustments and school impact fees.

(c) Proposed Amendments to the Centers Framework used to implement the Puget Sound Regional Council's (PSRC) Vision 2040 Plan

City Manager Miyake introduced discussion regarding the distribution of federal transportation funds administered by the Puget Sound Regional Council (PSRC). He noted that Deputy Mayor Chelminiak currently serves on the Growth Management Policy Board (GMPB), which issued a draft proposal on October 10 regarding the centers framework used to implement the Vision 2040 Plan. Comments on the proposal are due by November 8. Mr. Miyake said staff is seeking Council direction on the interest statement and letter to be submitted to the GMPB by that deadline.

Mac Cummins, Director of Planning and Community Development (PCD), said staff evaluated the proposed changes to the PSRC regional centers framework and determined that they are consistent with Bellevue's interests.

Mike Kattermann, Senior Planner, said the Vision 2040 Plan for the four-county region identifies regional growth centers and manufacturing-industrial centers. Bellevue's downtown is one of 29 regional growth centers, but does not have any manufacturing-industrial centers. He described PSRC's role in distributing federal transportation funds to the regional growth centers and the nine manufacturing-industrial centers. He noted the importance of maintaining the integrity and value of the regional designations. Otherwise, the funding can be spread too thin among regional centers.

Mr. Kattermann said specific criteria are applied by the county and PSRC for qualifying as a regional center. The Growth Management Policy Board does not make funding decisions but it does make decisions about the designation of regional centers. Mr. Kattermann said there are also countywide centers, which involve no specific criteria or procedures to receive that designation. There were approximately 120 applications for countywide center funds during the last funding round, due in part to the lack of specific criteria.

One purpose of the current GMPB proposal is to develop criteria to be used in all four counties to designate countywide centers. The proposal retains certain criteria and increases other requirements for regional growth centers and manufacturing-industrial centers. Under the proposed centers framework, Downtown Bellevue would fit into the new Metro regional center designation based on population and employment. Other areas in Bellevue could potentially qualify as regional centers in the future, including the BelRed corridor, Crossroads, Factoria, and Wilburton. The proposal establishes clear, measurable, and reasonably high requirements to maintain the value of the designation.

Mr. Kattermann said new types of regional centers are being considered, including military installations. He said they have a benefit and economic impact to adjacent local jurisdictions. However, the population and number of jobs on military bases is dictated by the federal government. He said they are currently eligible to apply jointly with jurisdictions for the funding distributed to countywide centers.

Under the proposal, Bellevue will retain its designation as a regional growth center and is anticipated to receive the new Metro designation. For another area in Bellevue to be designated as a regional center, it would first be evaluated under the County's criteria through the Growth Management Planning Council (GMPC). He noted that Councilmember Robertson serves on that regional committee.

Mr. Kattermann said staff is seeking Council direction regarding the draft interest statement [Attachment A in the meeting packet]. The draft letter from the Mayor is provided as Attachment C.

Deputy Mayor Chelminiak said the process of reviewing the PSRC regional centers framework highlights the need for a center to experience growth. He said one of the strengths of the regional economy is that there is still a good manufacturing economy throughout the four counties.

Responding to Mr. Chelminiak, Mr. Kattermann said the Bremerton airport site is currently well below the required number of jobs to qualify as a manufacturing-industrial center. However, they are grandfathered into that category because they were designated before specific criteria were developed. He said the airport center would have until 2025 to demonstrate growth. At that time, the GMPB could potentially designate the airport area as a countywide center or could grant them additional time to achieve growth.

Mr. Chelminiak said Pierce County supports designating military bases as regional growth centers. However, Seattle, King County, Bellevue, and most of the suburban cities disagree because bases are not growth centers in the typical use of the term. He said the federal government can increase or decrease the number of personnel on military bases, and therefore the size of the bases is not dependent on the economy or other growth factors. Responding to Mr. Chelminiak, Mr. Kattermann said the proposed designation is Major Military Installation. Mr. Chelminiak acknowledged that military bases provide jobs. However, he opined that does not put them into the regional growth center category.

Mr. Chelminiak said Downtown Bellevue is in a good position to be designated as a Metro center, and other areas in Bellevue could potentially be designated as other types of growth centers. He said Seattle and King County are less supportive of the overall proposal than Bellevue and the suburban cities. Deputy Mayor Chelminiak expressed support for the interest statement presented by staff.

Councilmember Robertson said she served on the GMPB for four years (2010-2013), and Deputy Mayor Chelminiak has served on the committee during the past four years. Ms. Robertson expressed support for the interest statement and letter provided in the meeting packet. She

supports the goal of having more and different types of centers in Bellevue, which would make it more competitive in seeking transportation funding. Ms. Robertson suggested that the centers with higher population and employment densities should receive the majority of the funding. She said there are areas in Bellevue with higher population and employment figures than certain centers designated throughout the four counties.

Councilmember Robertson said she served on the Transportation Policy Board's prioritization working group, which established criteria for transportation funding throughout the region. The group supported the concept of providing higher funding levels for the larger and more densely populated growth centers. She questioned whether that work informed the GMPB's proposal regarding regional centers.

Mr. Kattermann said the project selection task force is currently studying the criteria for the next round of funding to occur in 2018, and the regional centers framework proposal will not directly affect that work. However, the new centers designations will affect future funding rounds and inform the update of the Vision 2040 Plan to Vision 2050.

Councilmember Robertson expressed support for the interest statement and letter. She noted her interest in Bellevue moving forward as quickly as possible to apply for the appropriate growth centers after the PSRC proposal is approved.

Councilmember Robinson said she was surprised that Renton is not designated as a manufacturing-industrial center. She said Redmond-Overlake is considered a regional growth center, and that growth significantly impacts Bellevue. She questioned whether Bellevue can be compensated for the impact of growth in a neighboring city.

Mr. Kattermann said centers are not allocated certain amounts but compete for funding for certain projects. He said sometimes there are joint applications for projects overlapping jurisdictions, and projects connecting two centers are likely to receive more points in the evaluation process. He said the City would work with the City of Redmond to draft a project application that would benefit both jurisdictions.

Mr. Kattermann noted that he was involved in the Renton designation when he worked for that city. At that time, the standards were different and were based on both jobs and population.

Councilmember Wallace recalled the Bellevue-Redmond-Overlake Transportation Study (BROTS) many years ago that resulted in Bellevue and Redmond coordinating their transportation planning. He suggested it might be helpful to reestablish those discussions.

Mr. Wallace said the centers approach under the Growth Management Act has been a detriment to some areas. If PSRC is going to further solidify the regional centers approach, he questioned how the infrastructure in unincorporated areas will be funded. As an example, he recalled a grant request a number of years ago from the City of Kenmore for a bridge that was failing, which did not receive funding. Mr. Wallace expressed concern that smaller towns and rural areas do not have the resources to maintain the appropriate infrastructure.

Councilmember Wallace said the tax revenue sources (property tax, sales tax, and motor vehicle excise tax) that King County could use to fund its own roads and bridges, which the County admits are failing, were supported by the King County Executive as revenue sources for the Sound Transit 3 package. Mr. Wallace said light rail is receiving significant funding while the County is not able to maintain its roads and bridges. He said Sound Transit actively pursues Transportation Policy Board applications while it is already funded by the voters. Mr. Wallace opined that Sound Transit should be excluded from these grants when there are significant needs in other areas and when Sound Transit has its own funding sources.

Mr. Wallace expressed concern regarding the lack of supply and the ever-increasing cost of single-family homes. He said permits for single-family homes have considerably lagged population growth. The combined single-family and multifamily development in King County is managing to keep up with growth. However, that is not true in Snohomish County. Mr. Wallace said the region needs to consider how it will produce single-family homes. He noted that young working professionals might be happy living in apartments now, but at some point they are likely to want to move into single-family homes. He expressed concern about the long-term ability of employees to afford to live in this area. Mr. Wallace suggested that PSRC and the state legislature need to address this issue.

Mr. Wallace noted his recent article in *It's Your City* regarding Bellevue's growth corridor. He questioned whether the City should focus on obtaining a regional center designation for that growth area. Mr. Kattermann said planning staff have contemplated the BelRed corridor becoming a regional center of some type in the future. He said the proposed centers are first evaluated by King County. One issue will be whether to treat the BelRed corridor as one center or whether to treat the two development nodes as two different centers. Mr. Kattermann said it is likely that the area currently experiencing development along 120th Avenue NE would qualify as a center before the rest of the corridor. Mr. Wallace opined that working to have the growth corridor designated as a regional center would provide more visibility within the region for the BelRed corridor's growth and infrastructure investments.

Responding to Councilmember Lee, Deputy Mayor Chelminiak said representatives of other counties have at times discussed separating from the PSRC four-county process. Mr. Chelminiak said there are individuals representing jurisdictions in Pierce County who have suggested that there is an anti-military bias in PSRC's framework. He said Pierce County sees the recognition of military bases as regional centers as a way to enhance their ability to weather base closings or similar actions because they want to retain jobs. However, Mr. Chelminiak opined that there is a difference between a military installation or base with an employment component versus a regional or metropolitan growth center that has significant economic, residential, and commercial components. He believes that the proposed regional centers framework is a way to hold the four-county PSRC together while allowing counties to deal with their individual issues and needs.

Councilmember Simas expressed support for the interest statement and letter. With regard to military bases, the key element is partnerships and collaborations with local jurisdictions. He

expressed support for Councilmember Wallace's comments about pursuing one or two regional center designations for the BelRed corridor.

Mr. Wallace encouraged the City to give some thought to the entire growth corridor between the BelRed and Wilburton areas, and potentially to include the East Main Station area.

Mayor Stokes observed that boundaries around centers are essentially artificial and not necessarily recognized from the public's perspective. He said most cities are currently focused on their own centers. However, he believes Bellevue can help foster the mindset of collaboration between jurisdictions.

Mayor Stokes expressed support for the interest statement and letter.

Councilmember Lee said Bellevue is one economy, and Downtown Bellevue is still the goose that lays the golden egg. However, he acknowledged that it connects to Wilburton and the BelRed corridor, as well as to areas in Redmond.

- Deputy Mayor Chelminiak moved to approve the interest statement and letter regarding the Puget Sound Regional Council's regional growth centers framework. Councilmember Robertson seconded the motion.
- The motion carried by a vote of 6-0, with Councilmember Robinson temporarily out of the room.

Noting the time, Mayor Stokes suggested addressing items from the Regular Session agenda.

3. City Manager's Report [Regular Session Agenda Item 6]

(a) Pikes Peak Reservoir and Pump Station Project and Community Engagement

City Manager Miyake introduced staff's update regarding the Pikes Peak Reservoir and Pump Station project in the Bridle Trails area.

Andrew Lee, Deputy Director, Utilities Department, said the City initially identified the need for a larger reservoir at the Pikes Peak location to address seismic deficiencies and fire flow storage and to provide sufficient water storage for a portion of West Bellevue and the Downtown. The existing reservoir and pump station facilities were constructed in 1968. He said the City's proposal was initially rejected by the community. However, staff was able to work with residents to reach a mutually supported solution.

Mr. Lee said Jay Hummel, Utilities Capital Projects Manager, worked extensively with the community and the engineering team, and Regan Sidie, Engineering Manager, provided a key role in reaching the preferred project alternative. Mr. Lee noted the role of Paul Bucich, Assistant Director of Engineering, who provided a creative solution for handling the West Bellevue water storage needs.

Mr. Lee said a Community Advisory Group (CAG) was established with representatives of the Bridle Trails Community Club, Bridle Trails Park Foundation, Lake Washington Saddle Club, Washington State Parks, and residents of the Pikes Peak and Cherry Crest neighborhoods. Residents' primary concerns were to minimize the impact to the park, limit the physical footprint, and to limit the height of the reservoir. The CAG held six meetings from December 2016 to August 2017 and conducted a site visit in February 2017. A public open house and online comment period were held in June 2017.

Four final project alternatives were evaluated based on minimizing initial capital costs, life cycle costs, trail impacts, construction traffic impacts, and environmental impacts (i.e., tree removal, land disturbance, and noise impacts). Mr. Lee said City staff and the CAG separately conducted their own evaluations. Both groups selected Alternative C, which includes a circular prestressed concrete reservoir in the park and moving the pump station to the Cherry Crest reservoir site. Mr. Lee noted that it was also the lowest cost alternative. The three projects within Alternative C are the Cherry Crest pump station replacement, offsite water main replacement, and Pikes Peak reservoir replacement. Mr. Lee said public outreach will continue throughout the design and construction of the projects. He noted the list of CAG members and thanked them for their work and time commitment.

Councilmember Robertson questioned the status of the Somerset water tower project. Mr. Sidie said the project is nearly completed, and site restoration and landscaping will be provided. Ms. Robertson congratulated staff for their work on the Pikes Peak and Cherry Crest projects, including the extensive public engagement efforts.

Responding to Mayor Stokes, Mr. Lee said the Cherry Crest reservoir was built in the 1990s and will remain in place. The pump station will be replaced and will operate as the pump station for the Pikes Peak facility as well. The Pikes Peak reservoir will be demolished and replaced with a new concrete structure.

Councilmember Robinson thanked staff for their good work and effective public outreach process. She suggested that every department can learn from the experience of this project.

At 7:55 p.m., Mayor Stokes declared recess to the Regular Session.

Kyle Stannert, CMC
City Clerk

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