

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Extended Study Session

July 23, 2018
6:00 p.m.

Council Conference Room
Bellevue, Washington

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

ABSENT: None.

1. Executive Session

The meeting was called to order at 6:05 p.m., with Mayor Chelminiak presiding. There was no Executive Session.

2. Approval of Agenda

- Deputy Mayor Robinson moved to approve the agenda, and Councilmember Lee seconded the motion.
- The motion carried by a vote of 7-0.

3. Oral Communications

- (a) Chris Buchanan, representing Downtown Action to Save Housing (DASH), spoke in favor of the DASH Glendale Apartments Comprehensive Plan Amendment (CPA). She said the application is consistent with the City's Affordable Housing Strategy and meets the established criteria for threshold review. She said the Planning Commission and staff recommended forwarding the CPA proposal to the Wilburton Study Area work program currently underway. She said DASH supports that suggestion. Ms. Buchanan thanked the Planning Commission, City staff, and the Wilburton Study Area Citizen Advisory Committee (CAC) for their support to develop and retain affordable housing in Bellevue.
- (b) Kevin Sutton spoke in favor of the Bellevue Nursery CPA, noting that the Planning Commission recommended moving it forward for threshold review. He said he is the

agent for the property owner, who is seeking to improve their property and business operations.

- (c) Shawn Bliss encouraged the Council to approve moving the Red Town CPA forward for threshold review.
- (d) Shuyang Liu said she opposes the rezone proposed by the Bellevue Nursery CPA. She expressed concern that the change from Single Family-High (SF-H) zoning to Neighborhood Business (NB) zoning will be materially detrimental to the neighborhood due to increased traffic volumes and noise. She is concerned about the potential for different business uses in the future.
- (e) Xintian Yang expressed concerns about the Bellevue Nursery CPA application and the administrative process. He said the hearing concluded that the application met the threshold review criteria. However, the Planning Commission did not mention when the Comprehensive Plan was last amended in reference to the criteria regarding changed conditions. He said the nursery is a nonconforming use, and there is no evidence about whether it was an explicitly permitted use at some point. He said a number of the threshold criteria were not addressed during the hearing.
- (f) Ann Brashear noted that the Newport Hills CPA was withdrawn. While she is not surprised, she said she appreciated the Planning Commission's review of the application. She expressed support for reviewing the proposal during the neighborhood planning process.
- (g) Tzachi Litov expressed support for the proposal to be discussed under Council Business to convert the Lincoln Center shelter site to a permanent, year-round shelter for the next few years.
- (h) Cynthia Cole said she has often wondered why a permanent shelter at the Lincoln Center site had not been considered. She believes that, if all parties work together, the site can effectively serve as a year-round shelter until a permanent facility can be completed. She said that individuals experiencing homelessness need consistent assistance and support throughout the year.
- (i) David Bowling thanked the Council for the effort and time spent in adopting the Homeless Services Uses Land Use Code Amendment (LUCA) for the permitting of shelters. He appreciates the thoughtful attention paid to the topic. He said the process was challenging for the City, potential shelter operators, and the community. He said Congregations for the Homeless is committed to working with the City and the community to ensure a successful shelter. He said CFH has spoken in support of a year-round shelter for some time. However, he does not want the cost of upgrading the current Lincoln Center shelter to jeopardize funding for a future permanent shelter.
- (j) Karen Studders, speaking on behalf of the Eastside Interfaith Community, thanked the Council for establishing permitting regulations for siting shelters to serve the homeless population. She noted there are concerns about some of the restrictions included in the

LUCA and about Councilmember Robertson's proposal to renovate the Lincoln Center site for its continued use until a permanent facility is built. She encouraged the City to honor the process outlined in the LUCA. Ms. Studders asked the Council to postpone discussion regarding Ms. Robertson's proposal until after the August recess.

- (k) Dietra Clayton asked the Council to take no action on the proposal to be discussed under the Council Business agenda item. She expressed concern about the proposed process and that the affected parties, including shelter operators, have not had the opportunity to provide input regarding the proposal.
- (l) Linda Benson reflected on the impact of homelessness on individuals and thanked the Council for adopting the Homeless Services Uses LUCA on July 16. She expressed concern that it includes stringent regulations that will add years to the permitting and development process. However, she looks forward to moving forward to consider potential shelter sites. She said she appreciated Councilmember Robertson's proposal to renovate the Lincoln Center site for its continued use over the next few years. However, she expressed concern that the expenditure of short-term dollars could jeopardize future funding for a permanent shelter.

4. Study Session

(a) Council Business and New Initiatives

Mayor Chelminiak introduced discussion regarding Councilmember Robertson's proposal for the continued use of the Lincoln Center shelter site. He said that he and Ms. Robertson met with staff on Friday to review the proposal.

Councilmember Robertson reviewed the actions taken by the Council to develop the Homeless Services Uses Land Use Code Amendment (LUCA), noting its consistency with the Council Priorities and the City's Diversity Advantage Plan. She said the Lincoln Center seasonal shelter closed in the spring. She noted the need for an ongoing shelter and day center to assist individuals experiencing homelessness until a permanent facility is funded, permitted, and built.

Ms. Robertson requested support to direct the City Manager to develop a plan, schedule, and budget for a year-round shelter, whether at the Lincoln Center site or another nearby location. She said the facility would be a temporary emergency shelter and therefore the full LUCA process would not be necessary. She encouraged public outreach regarding the continued operation of a shelter and day center at the Lincoln Center site. Ms. Robertson said the operation of a year-round shelter will allow the City to collect data regarding homelessness issues and will enable shelter operators to continue to help individuals transition out of homelessness.

Councilmember Robertson said she did not understand the objections to the continued use of the Lincoln Center site. She said she was willing to defer Council discussion of the topic to the August 6 meeting if desired. However, she wants to ensure that a proposal can be considered as part of the budget process.

Deputy Mayor Robinson expressed support for Councilmember Robertson's proposal and concurred with the urgent need to maintain a year-round shelter. She acknowledged that she has reached out to the faith community to identify options for year-round sheltering. Based on her experience as the Council liaison to the Human Services Commission and as a member of the Mental Illness and Drug Dependency (MIDD) Board and the Eastside Human Service Forum, Ms. Robinson observed that funding is increasingly available to support individuals experiencing homelessness by providing medical, dental, and mental health care; job training; and other services. She expressed support for the efforts of One Table to create no-barrier services.

Councilmember Stokes concurred with his colleagues' comments regarding the need for a year-round shelter. He said the proposal to upgrade the Lincoln Center site for its continued interim use is separate from the objective to establish a permanent shelter and day center facility. Mr. Stokes said he serves on the King County affordable housing task force as a representative for Eastside cities. He noted the urgent need to prevent individuals from becoming homeless as well.

Councilmember Zahn said the proposal is consistent with the Council priority to serve the homeless population year-round. She said the desired outcome is to provide a path to independent living, and the continued operation of the Lincoln Center shelter is an opportunity to further that goal. She noted that there might be other options as well that could accomplish the City's objectives.

Councilmember Lee observed that the proposal and discussion reflect the Council's commitment to providing a year-round shelter. He said the Council did not discuss the option during its consideration of the LUCA. He appreciates the intent of the proposal but he knows there is no easy solution. He noted Ms. Studders' concern regarding the cost of renovating the Lincoln Center facility. Mr. Lee said he wants to understand the practical and budget implications before making any decisions.

Councilmember Nieuwenhuis said he appreciated everyone's concerns regarding individuals who are experiencing homelessness. He expressed support for the work of Congregations for the Homeless and for the urgent need for continued support services. He said the operation of a year-round shelter will allow the collection of data to better understand issues affecting homelessness.

Mayor Chelminiak questioned whether the year-round operation of the Lincoln Center shelter will require the permitting process reflected in the Homeless Services Uses LUCA. Deputy City Manager Kate Berens said there is a potential avenue for the shelter to continue on an interim basis through the declaration of an emergency related to the need to assist those experiencing homelessness now. She confirmed that an emergency could be declared as a public safety facility exception for two years, plus a potential one-year extension. Ms. Berens said the criteria for the one-year extension would be based on whether the City Manager finds that homelessness continues to be an emergency situation. The resolution to continue as an interim shelter will require a provision that there will be a permanent solution by the end of the temporary period.

Mr. Chelminiak said he is pleased to hear the full Council in support of continuing an interim shelter. He said he has encouraged staff through a number of conversations over the past year to explore solutions. Responding to Mr. Chelminiak, Ms. Berens said the Lincoln Center facility would need upgrades, primarily to life safety systems, in order to operate year-round. Staff can

provide more details. Ms. Berens said the shelter would not require full compliance with the current building codes. However, the anticipated upgrades would be sufficient for the Fire Marshal and Building Official to allow the use of the facility on a temporary, emergency basis.

Mayor Chelminiak expressed concern regarding the cost of the upgrades. He said he is willing to declare an emergency to use the Lincoln Center facility on a temporary basis. However, he observed that the proposal lacks transparency. He would like to review the topic as part of the budget process this fall. For him to support the proposal, he will want to see a commitment for a permanent shelter to be operational, or at least under construction, by May 2021.

Mr. Chelminiak noted the challenge of upgrading the facility while people are in the building. However, he said there is a need for a permanent shelter as soon as possible. He said it needs to be done in a financially and publicly responsible manner. A discussion in September with alternative solutions will be helpful before considering the option of a full investment.

Councilmember Robertson clarified that she is not seeking a Council vote tonight on a specific shelter location, project scope, or budget. However, she would like to consider proposals from staff to support the goal of year-round shelter operations, whether at Lincoln Center or elsewhere. Responding to Ms. Robertson, Ms. Berens said that, if a permanent shelter is not prepared to open by the end of three years, staff would monitor compliance with the schedule for opening a permanent shelter and bring forward options for the Council to consider. It is possible that additional permitting would be required to continue the temporary shelter.

In further response to Ms. Robertson, Ms. Berens said staff can bring back a proposal and budget for Council consideration in October. Responding to Mayor Chelminiak, Ms. Berens confirmed the need for the Council to approve the staff work, given it will extend beyond the usual 8-hour rule for responding to individual Councilmember initiatives.

- Councilmember Stokes moved to waive the 8-hour rule to allow staff to develop the requested proposal and budget for providing a year-round homeless shelter on an interim basis. Councilmember Robertson seconded the motion.
- The motion carried by a vote of 7-0.

(b) City Council Determination of 2018 Annual Comprehensive Plan Amendment (CPA) Work Program

City Manager Brad Miyake noted the City initially received six Comprehensive Plan Amendment (CPA) proposals. However, two of those have been withdrawn. Mr. Miyake recalled that the applications were discussed with the Council in March 2018. Staff is seeking Council direction about whether the proposals should be added to the annual CPA work program.

Planning Commission Chair Jeremy Barksdale highlighted the Planning Commission's threshold review, under Land Use Code section 20.301.140., of the CPA applications. He said the Commission recommends moving the remaining proposals forward to be included in the CPA work program for final review.

Nicholas Matz, Senior Planner, said that CPAs are legislative decisions made by the City Council that require public noticing as well as a public hearing before the Planning Commission. They are Process IV decisions under the Land Use Code, and the Comprehensive Plan may be amended only once per year. The Planning Commission will study and hold additional public hearings from August to November on the CPAs selected for final review.

Mr. Matz said the Planning Commission recommends that the Council consider an expanded site proposal related to the DASH Glendale CPA application through the Wilburton study area implementation. The Commission voted unanimously in support of including all four proposals in the annual work program.

Mr. Matz described the four CPA proposals. The City Dacha LLC application proposes a site-specific map change from Public/Single Family-Low (P/SF-L) to Multifamily-Medium (MF-M) for a 0.43-acre site in the Wilburton area. He noted that all of the decision criteria are considered by the Planning Commission to be met for the CPA proposals, with the exception of the criteria related to significantly changed conditions. The Commission found that the City Dacha LLC proposal is consistent with the decision criteria and that it addresses the significantly changed conditions. Mr. Matz said the Public map designation was established in the 1990s with the expectation that the property would ultimately be included in Wilburton Hill Park. However, the property is privately owned.

The Bellevue Nursery CPA proposes a site-specific map change from Single Family-High (SF-H) to Neighborhood Business (NB) for the 0.53-acre site at 842 104th Avenue SE. Mr. Matz noted existing neighborhood businesses along the same section of Bellevue Way, which abuts the nursery site. The Commission found the CPA to be consistent with the threshold review decision criteria and that it addresses the significantly changed conditions. Mr. Matz said the Comprehensive Plan anticipated that the nursery site would become residential development at some point. However, that has not occurred.

The third CPA application, Red Town, proposes a site-specific map change from Single Family-Medium (SF-M) to Single Family-Urban Residential (SF-UR) for 1.56 acres at 16425 SE Cougar Mountain Way. The Planning Commission found the application to be consistent with the threshold review decision criteria, and that it demonstrated significantly changed conditions on the subject property or in the surrounding area. When the area was annexed and under development in the 1990s, the City anticipated transitioning the area to an appropriate urban level of density that could be supported by urban levels of infrastructure. However, this parcel was overlooked during that process.

Mr. Matz said the DASH Glendale application proposes a site-specific map change from Multifamily-Medium (MF-M) to Neighborhood Mixed Use (NMU) for 7.5 acres at 12600 NE 8th Street in the Wilburton area. The Commission recommends including the proposal as part of the approved Wilburton Study Area work program implementation using the Wilburton Citizen Advisory Committee's (CAC) work program framework. The Commission recommends directing the Wilburton study policy, code, and zoning implementation work to establish land use districts and densities for the site, consistent with the CAC's vision and principles. Mr. Matz

said staff and the Planning Commission believe the site is a key opportunity for the implementation of the City's Affordable Housing Strategy.

Planning Commission Chair Barksdale said the Commission recommends expanding the Wilburton Study Area to include the DASH Glendale site. The Commission further recommends directing that the Wilburton study policy, code, and zoning implementation establish an appropriate land use and densities for the site. The CAC recommended including the site in the study area and in the framework for affordable housing.

Mr. Barksdale noted the site's proximity to the Wilburton Study Area, transit, and other infrastructure. He said the Commission acknowledged the property owner's interest in providing workforce housing. The Wilburton CAC heard from staff that the proposal could directly mitigate some of the impacts to the affordable housing supply identified in the Wilburton Study Environmental Impact Statement (EIS). Mr. Barksdale said that including the property in the Wilburton study implementation will determine the site's capacity for affordable housing and will lead to Comprehensive Plan policy and map recommendations in 2019. He said the framework, goal, and vision intended by the Wilburton CAC for the area applies equally to the two DASH affordable housing properties.

Responding to Councilmember Robertson, Mr. Matz described the Wilburton Study Area, which directly abuts the Evergreen Court site to the west. Ms. Robertson said she supports expanding the geographic scope of the CPA for final review. However, noting the building heights potentially allowed in the NMU district, Ms. Robertson encouraged that the review consider building heights as well as the density of development.

Ms. Robertson said she supports the Planning Commission's recommendations for moving all four of the CPAs forward to final review. She would like to see more details on the proposed density changes and how they relate to existing and potential development.

Councilmember Zahn concurred with the recommendation to expand the geographic scope of the DASH Glendale CPA proposal. She said that will allow staff and the CAC to consider zoning that is consistent with the adjacent Wilburton Study Area and to avoid any lost opportunities.

Responding to Ms. Zahn regarding the Red Town CPA, Mr. Matz said the Lakemont area was viewed as an opportunity for SF-UR zoning. However, he said willing property owners were needed to accomplish that goal. He noted an adjacent planned unit development (PUD) with densities of 7.5 units per acre that included preserving wetlands and a common area for the residences. Mr. Matz said the Comprehensive Plan intended that properties in the area would be reviewed to determine the appropriateness of the SF-UR zoning designation.

Referring to the Bellevue Nursery CPA, Ms. Zahn said she understands that there have been some issues with parking and traffic impacts. Mr. Matz said that moving the CPA application to final review will provide the opportunity to discuss the implications of the Neighborhood Business designation and the merits of the proposal. He acknowledged that there is an ongoing enforcement action related to the site and the adjacent right-of-way. He said the City will address that issue whether or not the CPA moves forward.

Councilmember Stokes summarized his understanding of the process and acknowledged that a more in-depth analysis will be conducted for the CPA proposals that are moved to final review. He supports the opportunity for more affordable housing related to the DASH Glendale proposal. He said it makes sense to add it to the Wilburton Study Area to enable cohesive planning and development that will contribute to the vibrancy of the area. Mr. Stokes expressed support for including the four CPA proposals in final review.

Councilmember Lee expressed support for moving the City Dacha and Red Town CPAs to final review. Responding to Mr. Lee, Mr. Matz said the Bellevue Nursery property is not directly adjacent to Neighborhood Business zoning. The property on the south boundary is a church, and Fire Station 1 is north of the nursery.

In further response to Mr. Lee, Mr. Matz said the Comprehensive Plan envisioned residential development on the site. However, the Bellevue Nursery has continued to operate on the property to become an established neighborhood business. Mr. Matz noted nearby businesses along Bellevue Way. He said the Comprehensive Plan supports local businesses and neighborhood business centers. Changing the zoning designation is a recognition of the historical and current use of the site. In further response to Mr. Lee, Mr. Matz confirmed that certain residents have concerns about traffic impacts. Mr. Matz said that further analysis will determine whether clarifying the designation will solve the current traffic problems.

Deputy Mayor Robinson thanked staff and the Planning Commission for their work and recommendations. She is excited about the DASH Glendale proposal, which is consistent with the Council's objectives for affordable housing options. Ms. Robinson noted that the Bellevue Nursery has been in business for 63 years and she considers it a community asset. Responding to Ms. Robinson, Mr. Matz said there is no capability to expand the nursery on the existing parcel. He said a different business could operate on the site in the future if the nursery decided to sell its property. Deputy Mayor Robinson said she would prefer a provision that the site would revert to residential zoning if the nursery property is sold. Mr. Matz said he would do additional research on that issue.

Councilmember Nieuwenhuis said his questions have been addressed during the discussion. He expressed support for the Planning Commission's recommendations.

Mayor Chelminiak, liaison to the Planning Commission, thanked the Commission for their hard work in the threshold review of CPAs, including the Newport Hills CPA that has been withdrawn. He noted resolutions adopted by the Commission and included in the meeting packet, and asked staff to comment on this new practice.

Terry Cullen, Comprehensive Planning Manager, said staff is implementing a procedure to document the Planning Commission's actions in resolutions, which will make it easier to track and research the Commission's actions. The resolutions will include the rationale for adopting decisions, which provides enhanced clarity and transparency for the Council and the public.

Chair Barksdale observed that the resolution process is consistent with Robert's Rules and makes the meetings more effective and efficient.

Mayor Chelminiak suggested separate Council motions for each CPA proposal.

Councilmember Robertson clarified that advancing a CPA to final review does not mean it will be approved by the City Council at the end of the process. She said it is possible to add limitations and conditions for the CPA properties as part of the final review and adoption.

- Councilmember Robertson moved that the Bellevue City Council finds that the City Dacha LLC privately initiated Comprehensive Plan Amendment (CPA) proposal meets the threshold review criteria for continued consideration in the 2018 CPA work program. Deputy Mayor Robinson seconded the motion.
- The motion carried by a vote of 7-0.
- Deputy Mayor Robinson moved that the Bellevue City Council finds that the Bellevue Nursery privately initiated Comprehensive Plan Amendment (CPA) proposal meets the threshold review criteria for continued consideration in the 2018 CPA work program. Councilmember Stokes seconded the motion.
- The motion carried by a vote of 7-0.
- Deputy Mayor Robinson moved that the Bellevue City Council finds that the Red Town privately initiated Comprehensive Plan Amendment (CPA) proposal meets the threshold review criteria for continued consideration in the 2018 CPA work program. Councilmember Lee seconded the motion.
- The motion carried by a vote of 7-0.
- Councilmember Robertson moved that the DASH Glendale privately initiated Comprehensive Plan Amendment (CPA) proposal meets the threshold review criteria and that the proposed map change and expansion of geographic scope should be considered as part of the Wilburton Study Area implementation work program. Deputy Mayor Robinson seconded the motion.
- The motion carried by a vote of 7-0.

(c) Presentation of the results of Staff Review and Analysis of Proposals for Arts and Culture Fund

City Manager Miyake recalled that three arts organizations submitted requests for funding during the 2017 mid-biennium budget update. The Council subsequently established the Arts and Culture Fund in the Capital Investment Program (CIP) allocating \$200,000 per year for a total of \$1 million over five years. He said staff is seeking Council direction regarding how to proceed.

City Attorney Lori Riordan said the three requests total \$450,000 in the first year. She recalled the four guiding principles adopted by the Council in 2007 to be used in the consideration of

funding requests from arts organizations. First, any organization that gets funding through the Council for cultural arts must have a sustainable, long-term financial model, including strong private sector financial commitment. Secondly, they must clearly define a public benefit to be received in exchange for your investment (e.g., an ownership interest in an asset, scholarships, public access to the facility at low or no cost for low-income and disabled persons). The third requirement is that the organization should provide for City involvement in financial oversight, and finally, the funding must be an investment in a facility or to support the operation of the facility. The City's money cannot be used as seed money to fund fundraising efforts.

Two of the organizations that have submitted funding requests have current funding agreements with the City: Bellevue Arts Museum (BAM) and KidsQuest. The other organization, Pacific Northwest Ballet, is a first-time requester. She recalled that PNB was forced to move its facility due to the light rail project. In selecting a new location, they took the opportunity to upgrade their facility. The cost of the new facility outstripped the actual amount that PNB received from Sound Transit for the relocation, which led PNB to initiate a capital campaign.

Ms. Riordan said PNB has requested \$500,000 to be spread out over five years. PNB has indicated that applying the money toward their capital debt would help them to provide expanded access to underserved populations, particularly low-income students who might otherwise not have access to ballet lessons at their school, as well as to low-income individuals to attend performances. Ms. Riordan said PNB would like to continue to participate in the Phantom Lake School program. She noted that they provide transportation to low-income individuals to enable them to participate in programs and performances.

Ms. Riordan said City staff reviewed PNB's financial information to assess their ability to maintain long-term financial sustainability. She said they presented the most robust financial health the City has found with a cultural arts organization. She noted that PNB has an endowment fund. They carry a line of credit but at the present time there is no balance. They are well capitalized and have strong private sector support, and a significant portion of their funding is received through performances. Ms. Riordan said that PNB's new and enhanced dance studio in Bellevue will enable the organization to provide additional programming. She said PNB demonstrates a strong long-term financial stability, with 75 percent of its income from earned sources.

The public benefit principle states that there must be a public purpose to the mission of an organization as well as a benefit accruing to the public. Ms. Riordan reiterated that PNB provides free and low-cost access to ballet classes and performances for low-income individuals. She said PNB proposes providing access to its studios for nonprofit organizations that might not otherwise have access to rehearsal space. She noted that funding agreements include a provision granting the City access to the financial records of the organization. Organizations work with the City's Finance Department to ensure that the City's investment is appropriately managed. The City has monthly access to balance sheets, statements of cash flow, and profit and loss statements, and also receives an annual independent auditor's report. Ms. Riordan said PNB has indicated that they would not use the money for fundraising.

Councilmember Stokes thanked staff for the thorough review and analysis of PNB and observed that the organization is a growing asset to the community that provides a substantial return on

investment. He noted PNB's ability to respond positively and to expand its facility following its forced relocation due to Sound Transit's light rail project.

Responding to Councilmember Robertson, Ms. Riordan said staff's analysis indicates that PNB is financially stable and meets the public benefit principle. In further response, Ms. Riordan said there is money available in the 2018 CIP Plan. If directed by the Council, the City will negotiate an agreement with PNB, which will be presented to the Council for approval. Ms. Riordan said PNB has received small grants through the Arts Commission. However, the Council has not allocated money to them in the past.

Noting that PNB's request is related to the cost of relocating its facility due to Sound Transit's project, Councilmember Nieuwenhuis questioned whether PNB has an opportunity to negotiate further with Sound Transit. Ms. Riordan clarified that part of the additional cost was due to a decision to create a larger and better facility. She said state law prohibited Sound Transit from using public money for the betterment of a facility.

Councilmember Zahn said she appreciated the information from PNB related to the public benefit they provide.

Moving on, Ms. Riordan described the request from the KidsQuest Museum, noting that the City currently has an active agreement with the organization. KidsQuest is seeking funding to help repay debt related to the museum's move from Factoria Mall to the former doll museum in the Downtown.

Ms. Riordan said staff has some concerns regarding the financial state of the KidsQuest Museum. She said they have significant debt with repayment due in 2019, and they would like to consolidate the debt and spread it out in a mortgage. While there is strong private donor support for the museum, approximately 70 percent of their funding comes from a single source. She noted that the investment requested from the City is one element of their plan to lower their debt.

Museums are statutorily considered to be facilities with a public mission and therefore meet the principle of providing a public benefit. She noted KidsQuest's mission of making the museum and its program accessible to everyone in the community, regardless of ability to pay. She said the museum is a model for children's museums throughout the country, and KidsQuest has a very high rate of annual attendance.

Ms. Riordan said that, if funding is provided to the KidsQuest Museum, the City would continue the financial oversight role articulated in the current funding agreement. She said the proposal is to use the requested \$500,000 to retire some of the outstanding debt, but it would not be used for fundraising. They are requesting \$250,000 for the first year and \$250,000 in the second year. She reiterated that the Council originally planned a total annual Arts and Culture Fund distribution of \$200,000.

Responding to Councilmember Lee, Ms. Riordan said the debt totals approximately \$3 million, and the agreement signed with the City in 2016 involved a contribution of \$2 million. Under the current agreement, the KidsQuest Museum is obligated to provide free access for low-income

families over a 20-year period. In further response, Ms. Riordan said the City looks at the mix of financial donors and wants to be sure that an organization is not overly reliant on government funding.

Mayor Chelminiak noted that the three requests total \$1.3 million, and the Council has \$1 million in the Arts and Culture Fund. He said KidsQuest strongly matches the City Council's vision and is widely supported by the community. However, he expressed concern that 70 percent of their funding comes from one source.

Councilmember Zahn commended the museum's high attendance rates and the public benefit provided through its programs, including newer programs for adults. However, she expressed concern regarding the dollars requested given the available funding.

Councilmember Robertson recalled that when the museum received the City's \$2 million grant in 2015, she thought the organization stated that it would not be requesting more capital funding. Ms. Riordan said it is possible that was said at that time. However, the project of renovating the former doll museum experienced cost overruns. In further response, Ms. Riordan said the City typically limits or eliminates an organization's ability to receive an Arts Commission grant if the organization has received a large capital funding contribution.

Ms. Robertson questioned whether it is possible for KidsQuest to restructure its debt without the City's assistance. Ms. Riordan said she did not know the answer to that question. Ms. Robertson recalled that at the time of the \$2 million donation in 2015, KidsQuest said they would provide \$100,000 of public benefit per year for 20 years. She questioned what the museum is proposing as additional public benefit for this additional request. Ms. Riordan said they currently provide significant scholarships and free access. However, it is possible the City would want to extend the 20-year public benefit period if another contribution is made.

Councilmember Robertson said the City has been very committed to the KidsQuest Museum in terms of financial assistance and vacating a right-of-way for their new facility. She expressed concern that 70 percent of their funding is provided by one source. Ms. Robertson suggested that, if the Council considers the request, it is important to do so within the current Arts and Culture Fund.

Councilmember Stokes said KidsQuest is a community asset, and its facility and programs have grown significantly. He said Bellevue is an extremely wealthy community that values the arts, children, and education. While other cities have similar museums, Mr. Stokes said this is perhaps the best one in the country. He said other cities often provide a higher level of support and do not have the same constraints related to receiving a public benefit. He observed that the community receives a high return on investment through the City's contribution to the KidsQuest Museum. He opined that \$500,000 over two years is relatively small in terms of the public benefit. Mr. Stokes said he would like to find a way to meet the funding request.

Councilmember Nieuwenhuis concurred that KidsQuest strongly parallels the City's objectives and goals. He would like to see the overall economic impact of KidsQuest in terms of tourism dollars, including money spent at restaurants and shopping. Mr. Nieuwenhuis said that, when families go to the museum, it is likely one stop of their day in the city. He concurred with

Councilmember Stokes that there is a greater benefit to the City from the investment and noted the high attendance rate and participation in museum programs. With regard to the issue of one donor providing 70 percent of the financial support, Mr. Nieuwenhuis said he knows the City receives the monthly financial presentations and annual review. However, he asked whether the City imposes timelines on commitments, for example to reduce the museum's dependency on that one donor.

Ms. Riordan said the City has not done so in the past, but the City has not seen this issue with KidsQuest in the past. The City's second agreement with the Bellevue Arts Museum (BAM) in 2007 included specific benchmarks to receive continued funding over a period of several years. She said the City could take a similar approach with KidsQuest funding.

Moving on to the Bellevue Arts Museum (BAM), Ms. Riordan said the museum has significantly improved its financial situation since its 2016 audit. As requested by the City, the museum hired a new executive director, and its quarterly net income has been steadily increasing. However, the museum has high short-term liabilities and a poor ratio of assets to liabilities. Ms. Riordan said BAM launched a major fundraising campaign in 2017 to finance loans. She said the City holds deeds to the property. However, there are other junior liens on the property as well.

BAM's mission aligns with the public benefit principle, and cities are allowed to operate museums. In exchange for the requested funding, BAM proposes an enhanced public benefit including a renovation and repurposing of the ground floor of the museum. Ms. Riordan noted the memo in the desk packet that updates the document included in the meeting packet published last week. She said BAM is exploring how it can integrate the museum with the Grand Connection and enhance its role as a public space, and the museum plans to update its auditorium and forum space. BAM proposes using a portion of the funding to commission local artists.

Ms. Riordan said BAM is requesting capital funding as well as an investment in their programming. The museum is requesting \$100,000 per year for three years to complete the projects. She said BAM is also exploring the potential for reopening its café to bring in the public. The City receives monthly financial statements and the annual audit report from the museum. The requested funding will not be used for fundraising.

Deputy Mayor Robinson recalled that it was a difficult decision when the Bellevue Botanical Garden began charging an entry fee for its annual holiday lighting. However, it did not appear to reduce attendance to the event and it generated needed revenues. She questioned whether BAM would consider an entry fee for its annual arts and crafts fair.

Ms. Robinson suggested that perhaps a benchmark could be established for the first year to determine whether funding to BAM would continue beyond that point. Ms. Riordan said staff will bring back a proposal for the Council's consideration.

Responding to Councilmember Zahn, Ms. Riordan said the City has two deeds of trust on BAM's facility. The City provided \$3 million when the museum was under construction in 1998. The museum has been buying down the City's investment since that time and the value of the

deed is down to approximately \$1.1 million. In 2007, the City provided \$2 million to BAM and took out a second deed of trust. The value of that deed is down to approximately \$900,000. If the museum ceased its operations, the City could choose to operate the museum or it would be reimbursed for its investment if the museum is sold.

Ms. Zahn noted that the support of arts and cultural organizations is a high priority for the Council, and there are economic benefits to having the museum in the community. She said she would like to see a public benefit itemization for BAM that is similar to what was provided for KidsQuest and Pacific Northwest Ballet.

Noting that the City has given \$5 million to BAM over the years, Councilmember Robertson recalled that the Council stated in the past that it would not provide any further investment to the museum. She requested information regarding the history of all donations. Responding to Ms. Robertson, Ms. Riordan confirmed that BAM raised approximately \$5.5 million from the sale of air rights.

Ms. Robertson observed that the proposed uses of the money requested by BAM appear to be operational rather than capital purposes. Ms. Riordan said the Council's funding principles state that investments "must be an investment in a facility or for support of the operation of the facility." Ms. Riordan said the rationale for past donations has been to enable an organization to provide programming that makes the arts accessible to everyone in the community. In further response, Ms. Riordan said that, if the Council directs staff to move forward regarding any or all of the three requests, staff will negotiate an agreement that meets the Council's approval.

Councilmember Robertson suggested that some of the proposed uses of the funding would be more appropriate as funding requests through the Arts Commission's grant allocations. In further response, Ms. Riordan said the City cannot participate in the creation of a private sector group that is similar to the Seattle Foundation. However, Bellevue would benefit from that type of effort. Ms. Robertson noted that a number of individuals in Bellevue support the Seattle Foundation through financial donations.

Councilmember Stokes said the City has made an extensive effort to support and encourage improvements in the management and operation of BAM. He said the museum is an important part of the community and the future Grand Connection. He said the museum is focused on serving the entire community and providing multicultural exhibits and activities. He suggested an investment of \$100,000 for the first year to undertake the renovation of the ground floor as a public space.

Mayor Chelminiak said the Bellevue Arts Museum is a critical part of the community. He suggested that it is time to start thinking about the creation of an architecturally special building at a key point on the Grand Connection. He said the Arts and Cultural Fund contains \$1 million to be spent over a five-year period. He opined that all three of the funding requests are reasonable. However, the total dollars requested is not consistent with the Council's plan to provide \$200,000 annually for five years.

Mr. Chelminiak said BAM is at a key location on the Grand Connection. He would like to see whether there is funding available in the Grand Connection budget that could be tied to the concept of energizing both the Grand Connection and BAM.

Councilmember Lee said that all three organizations requesting funding are strong community assets. He suggested that the \$1 million in the Arts and Culture Fund could be spent over five years as anticipated or over a shorter period of time. He said the Pacific Northwest Ballet is financially healthy and has a long history in Bellevue and the Seattle area. He said BAM is an important community asset as well in a great location. He said KidsQuest is a popular museum that is managed well and enjoys high attendance rates.

Mr. Lee said all three organizations are facing challenges and need financial assistance. He would like to see stronger corporate support for arts facilities. He observed that BAM has the greatest need, and he expressed support for meeting their request. Mr. Lee said PNB appears to be in the best shape financially. KidsQuest is very popular and has a broad reach into the community.

Councilmember Lee proposed working with the organizations to fulfill all three requests for the first year. He said staff would negotiate the dollar amounts and timing with the organizations. He expressed support for providing the total requested amount of \$450,000. He concurred with Councilmember Nieuwenhuis' suggestion to pursue additional funding from Sound Transit, and with Councilmember Robertson's suggestion to encourage increased corporate participation.

Mr. Lee said BAM has the greatest need. He suggested that the City work with them to provide an interactive, multicultural community gathering place. He believes there is the potential for enhancing the public benefit of the facility.

Councilmember Stokes noted that the Council previously provided funding for studying the potential of a multicultural center. He concurred with Mr. Lee that BAM's ground floor would be a good opportunity for expanded multicultural programming and events. Mr. Stokes expressed support for meeting all three funding requests as good investments with a positive return of public benefit. He reiterated his suggestion to reevaluate BAM's situation after the first funding year before considering additional investment.

Councilmember Robertson said she felt the Council took a bold step in creating the Arts and Culture Fund with \$1 million. However, the first three requests exceed the total available funding and anticipated annual expenditures. She said all three organizations are worthwhile and valuable to the community, but this is taxpayers' money. She noted the earlier discussion about renovating the Lincoln Center shelter and the concerns expressed about funding. She said BAM and KidsQuest have received millions of dollars from the City. She supports meeting PNB's full funding request. If donations to the other two organizations are considered, she would want them to fall within the targeted annual spending of \$200,000 and the total \$1 million in funding over the next five years.

Councilmember Zahn said all three organizations are valuable to the community. She questioned whether economic development and/or tourism funds are available to contribute to the museums. Ms. Riordan said staff will follow up with information on that issue.

Ms. Zahn said she is pleased that Pacific Northwest Ballet chose to stay in Bellevue with its relocation, and she supports granting their funding request. She does not want to see any of the three organizations fail. However, given that she has not yet gone through the City's budget process, she would like a better understanding of how allocations are made and the potential resources.

Deputy Mayor Robinson said she is a big supporter of the arts and believes they are a key contributor to Bellevue's reputation as an innovative community. She said there are few cities of Bellevue's caliber that do not support major arts programs. She said KidsQuest is consistent with the City's values, and the organization provides access for children, parents, and caregivers. She thanked Putter Bert for her leadership with the museum. Ms. Robinson commented on the importance and professionalism of PNB's programs and performances and thanked Ellen Walker for her leadership with the organization. She commended BAM's multicultural exhibitions and programs and said the museum is a critical part of the community. Ms. Robinson said BAM is integral to the Downtown's vibrancy and she wants to see the museum continue to grow. She thanked Mitch Smith for his leadership.

Ms. Robinson said the three organizations are essential to the success of Bellevue's quality of life and economic development. She would like to ask the City Manager to prepare a proposal for meeting all three requests. She spoke in favor of establishing benchmarks tied to the funding.

Councilmember Nieuwenhuis agreed that all three organizations are strong community assets. However, he concurred with Councilmember Robertson that donations should stay within the established plan for the use of the \$1 million Arts and Culture Fund. Mr. Nieuwenhuis expressed an interest in information that quantifies the organizations' impact, including economic impact. He spoke in favor of outlining benchmarks related to the funding. He said all are worthy organizations. However, he expressed concern regarding the requested dollar amounts.

Deputy Mayor Robinson said she has witnessed the community benefit of serving underprivileged children through all three organizations. She said that opportunities for exposing youth to the arts is a significant community benefit.

Councilmember Lee expressed support for establishing benchmarks linked to the funding. However, he questioned what would happen if an organization does not meet a benchmark. He suggested that the City would not want to see any of them discontinue their operations. He said they are community assets that the City should support.

Mayor Chelminiak said the City's continued growth is both positive and challenging. He said it will be expensive to address the issue of homelessness, and it will be necessary to have the Council's support. He suggested that the City consider how it can be supportive of a creative economy. He said the Council established the \$1 million Arts and Culture Fund to consider funding requests outside of the City's budget process.

Mayor Chelminiak suggested a discussion during the budget process regarding the level of funding and whether more resources should be added to the Arts and Culture Fund. He said the Council strongly supports the three organizations requesting funds. However, he believes further consideration should be given as to how the City will fund the community's many priorities.

City Manager Miyake acknowledged the Council's interest in information on additional funding sources, benchmarking, and the funding requests within the greater context of the budget.

Mr. Chelminiak said he is excited about BAM's proposed projects. He suggested that the City explore additional funding sources.

5. Council Discussion of Upcoming Items: None.

6. Continued Oral Communications

- (a) Garrett Rysko, a Downtown resident, expressed concern regarding illegal vehicle noise. He has observed an increase in noise due to custom mufflers on cars and motorcycles and would like the City to explore the issue. He said he will provide information to the Council about the health and societal impacts of noise.
- (b) Pamela Johnston provided feedback on the Red Town Comprehensive Plan Amendment (CPA) and expressed concerns regarding the CPA review process. She said she did not understand the issue of a changed condition related to the Red Town CPA proposal. She opined that the public does not understand the CPA process and the implications of the CPAs. She said an online video recording of Planning Commission meetings would be helpful in order to see the presentations.

At 9:41 p.m., Mayor Chelminiak declared the meeting adjourned.

Kyle Stannert, CMC
City Clerk

/kaw