

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Study Session

August 6, 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 6:07 p.m., with Mayor Chelminiak presiding. There was no Executive Session.

2. Study Session

(a) Neighborhood Area Planning Sequencing

City Manager Brad Miyake recalled that neighborhood area planning was last discussed with the Council in July. Staff is seeking Council direction regarding the desired sequencing of neighborhoods to initiate the planning process this fall.

Mac Cummins, Director of the Community Development Department, introduced staff's presentation to guide the neighborhood sequencing discussion.

Terry Cullen, Comprehensive Planning Manager, recalled the May 29 and July 9 discussions regarding the proposed neighborhood area planning program. In May, the Council directed staff to meet with neighborhood leaders to solicit their input. That meeting was held on June 12 and staff provided a report to the Council on July 9. Mr. Cullen said the Council directed staff to move forward with initiating the program following a schedule of updating two neighborhood plans per year. He said the Council also directed staff to develop criteria for sequencing the neighborhood planning.

Mr. Cullen said the neighborhood plans are in the second volume of the Comprehensive Plan, which guides future growth and development as required by the state Growth Management Act. He said the City will partner with residents throughout the planning process, and the neighborhood plans will be strategic and action-focused.

Mr. Cullen said staff is seeking Council direction to initiate the planning process this fall, consistent with the school calendar, as requested by the Council. He highlighted the process timeline for each neighborhood plan: 1) share information and identify neighborhood priorities, 2) develop and refine strategies, 3) review and validation, and 4) City review and action. For the first set of neighborhoods, Phase 3 is slated for April through June 2019, and Phase 4 will occur September through December 2019, following a summer break.

Each neighborhood area plan will include a community profile, neighborhood opportunities map, and visions, goals and strategies. The tenets of the program are to work closely with residents and to listen to the community. The new plans will reflect key priorities and initiatives, neighborhood-based actions to help support neighborhood and citywide priorities, information relevant to Comprehensive Plan updates, and a strong sense of ownership by the community. Mr. Cullen said that every neighborhood is affected by internal and external changes, including increased traffic, loss of the tree canopy, increased development, changing demographics, and the challenge of housing affordability.

The City will work with two neighborhoods per year to update their plans. Staff developed the following criteria for evaluating the neighborhoods to determine the appropriate sequencing: 1) subarea plan age, 2) new single-family residential permits (i.e., undeveloped land, infill development), and 3) new commercial and multifamily permits. Some of the subarea plans date back to the mid-1980s, and the most recent plans were completed in the mid-1990s. Mr. Cullen recalled the Council's comments to consider selecting two neighborhood areas with a shared boundary or selecting two neighborhood areas that are inherently dependent on each other. However, he acknowledged the interest in retaining the unique character of each neighborhood as well.

Mr. Cullen said the Downtown and BelRed subareas are not included in the neighborhood planning program because the BelRed Plan was established in 2009 and will be updated in the near future. The Downtown Plan was updated in 2004, and the City recently completed the Downtown Livability Land Use Code Amendment (LUCA) process.

Mr. Cullen said the top three neighborhoods most impacted by new residences on undeveloped land, as a ratio to the land area, are Cougar Mountain/Lakemont, Newport, and Crossroads. The three neighborhoods most impacted by infill development are Northwest Bellevue, West Bellevue, and West Lake Sammamish. The three neighborhoods with the highest growth in multifamily and commercial development are Eastgate, Factoria, and Crossroads. Based on the criteria used to evaluate sequencing, the four highest ranked neighborhoods are Northwest Bellevue, Crossroads, Lake Hills, and West Lake Sammamish. Mr. Cullen said staff's evaluation acknowledged that Northeast Bellevue and the Crossroads area are affected by growth in Redmond, and the Newport area is affected by growth in Newcastle.

Staff proposed two options for the Council's consideration: 1) initiating the Northwest Bellevue and Crossroads area neighborhood planning processes in 2018-2019, followed by the Lake Hills and West Lake Sammamish neighborhoods in 2019-2020, or 2) initiating planning for Northwest Bellevue and Crossroads beginning this fall, and directing staff to return with updated

information before selecting the neighborhoods for the 2019-2020 process. Mr. Cullen noted that staff's recommendation is Option 1.

Responding to Deputy Mayor Robinson, Mr. Cullen said the Newport Hills area did not rank in the top four neighborhoods. However, given specific factors affecting the area (e.g., increased growth and traffic impacts), he said the Council could consider moving it higher in its final rankings.

Councilmember Robertson said she was surprised to see the West Lake Sammamish area recommended for the second set of neighborhoods to undergo planning updates. Her perception is that the area has been relatively stable, despite redevelopment. Mr. Cullen agreed that the area is not experiencing the same growth pressures as other areas. Ms. Robertson concurred with Mr. Cullen that she hears more concerns related to growth from residents in the Lake Hills and Newport Hills.

Ms. Robertson questioned whether the City tracks the number of Comprehensive Plan Amendment (CPA) applications by neighborhood. Mr. Cullen said the most applications have been received for properties in the Northwest Bellevue, Factoria, West Bellevue, and Wilburton areas. She questioned whether the City tracks the number of complaints received related to growth impacts for different areas. Mr. Cullen said that information was not readily available.

Councilmember Zahn said every neighborhood has its individual characteristics. In evaluating which neighborhood planning efforts to initiate first, she acknowledged there are unique pressures on the neighborhoods bordering Redmond and Newcastle. She said it is important to consider the underlying infrastructure within a neighborhood when addressing growth impacts. Noting that the plans are all at least 20 years old, Ms. Zahn suggested that the age of a specific plan is not as relevant as growth impacts and external forces.

Councilmember Lee noted the evaluation criteria of the age of a neighborhood plan and growth impacts in a specific neighborhood. He said the lack of growth in a particular neighborhood does not mean there are not problems or issues that need to be addressed. He concurred with Ms. Zahn that the age of the plans is less relevant. Mr. Lee said he wants to start the planning process with the neighborhoods reporting the most urgent problems.

Mr. Cullen said staff discussed a number of the issues and growth factors affecting Bellevue neighborhoods. However, staff did not want to impose their judgements on which issues are the most urgent. He said the consistent theme of concern from all neighborhoods, based on input to date, was growth impacts.

In further response to Mr. Lee, Mr. Cullen said there are Newport Hills residents who are concerned about growth impacts, especially traffic. Mr. Lee said there have been concerns about the economic viability of neighborhood businesses as well.

Mayor Chelminiak referred to Attachment D in the meeting packet regarding the number of new units and new infill development. He said that 70 percent of the infill development (581 of 810 permits) has been in the West Bellevue and Northwest Bellevue subareas.

Councilmember Stokes observed that some of the neighborhood boundaries are somewhat arbitrary, and there are smaller neighborhoods within the subareas. He said a number of issues and concerns are shared by multiple neighborhoods. He suggested that the planning process might move more quickly by grouping similar neighborhoods.

Councilmember Nieuwenhuis recalled his previous suggestion to evaluate the first year's process to inform the second round of the neighborhood planning program. He suggested that an understanding of the successes and challenges will enhance the efficiency of subsequent planning processes.

Councilmember Robertson said she is excited to see this moving forward. She suggested beginning with the neighborhoods experiencing the most stress from growth (e.g., changes in trees and open space, impacts of larger homes with redevelopment, changes in density and the number of new dwelling units, traffic impacts, changes in commercial space, and the capacity for growth under current zoning). She anticipates that West Bellevue will be significantly impacted when light rail begins its operations. She suggested that the area could be scheduled later in the neighborhood planning rotation in order to consider those impacts.

Ms. Robertson identified her top five neighborhoods for moving forward: 1) Northwest Bellevue, 2) Northeast Bellevue, 3) Crossroads, 4) Newport, and 5) Lake Hills. However, she recommended not selecting the Crossroads area for the first year because that area and Lake Hills have an extra layer of process related to falling within the East Bellevue Community Council (EBCC) jurisdiction. She recommended Northwest and Northeast Bellevue for the first year of the program, and Crossroads with either Newport or Lake Hills in the second year. She suggested that perhaps all three neighborhoods could be handled together given the proximity of the Crossroads and Lake Hills areas.

Ms. Robertson suggested that the updates of the neighborhood plans include the consideration of the tree canopy and detached accessory dwelling units (ADUs).

Mayor Chelminiak observed that the Northwest Bellevue plan is very old, and Northtowne residents have experienced significant growth impacts. He noted the dramatic effect of the City of Redmond's growth plans on Northeast Bellevue, which he believes should be included with Northwest Bellevue in the first year's planning process. He supports including the Crossroads area for the second or third year, due in part to its proximity to the Uniguard Site and Bellevue Technology Center. He supports addressing Newport Hills during the second or third year as well. He suggested that West Lake Sammamish would be a good candidate beyond that point, given the redevelopment and older infrastructure. Mr. Chelminiak opined that every neighborhood should embrace the concept of mixed incomes, which is how Bellevue began.

Deputy Mayor Robinson expressed support for initiating planning for Northeast Bellevue and Northwest Bellevue in the first year, and the Crossroads and Newport Hills areas in the second year. The next neighborhoods based on her perspective are Lake Hills and Factoria. She concurred with Councilmember Nieuwenhuis' suggestion for a reassessment and briefing following the first round of neighborhoods. Deputy Mayor Robinson concurred with Mayor

Chelminiak about the importance of addressing affordable housing options for all areas of the community, based on input from residents about the desired options for their neighborhoods.

Councilmember Lee expressed support for Northeast Bellevue and Newport Hills as the first two neighborhoods. He noted that residents of Newport Hills have been requesting attention to a number of issues in recent years. For the second year, Mr. Lee said he would choose Northwest Bellevue and the Crossroads area, and for the third year, he supports the selection of Factoria and Lake Hills.

Councilmember Nieuwenhuis expressed support for initiating planning for Northeast Bellevue and Northwest Bellevue during the first year, then Crossroads and Lake Hills, and then Factoria and Newport Hills. He believes there can be efficiencies from choosing adjacent neighborhoods each year.

Councilmember Zahn said her selection criteria is determining which neighborhood has the most pressing issues. Her first grouping is Northwest Bellevue, Northeast Bellevue, and Newport Hills, and her second grouping is Crossroads, Factoria, and Lake Hills. She noted that some of those areas border and have growth pressures from neighboring jurisdictions. She suggested demographic changes as a potential consideration in studying growth impacts and neighborhood character. Ms. Zahn concurred with her colleagues' support for a mixture of incomes and affordability within each area.

Councilmember Stokes observed that handling two neighborhoods per year does not mean that pressing issues in other neighborhoods will not be addressed by the City. He noted general Council support for updating the Northwest and Northeast neighborhood plans for the first year of the program. He suggested the Crossroads and Lake Hills areas for the second year.

Mayor Chelminiak said he heard almost unanimous support for Northeast and Northwest Bellevue as the first two areas to be addressed through the neighborhood planning process. He noted additional support for the Crossroads area and Newport Hills, followed by support for addressing Lake Hills. Mr. Chelminiak suggested proceeding first with Northeast and Northwest Bellevue, followed by Crossroads and Newport Hills during the second year.

→ Councilmember Robertson moved to initiate Comprehensive Plan Amendments for preparation of the Northwest Bellevue and Northeast Bellevue neighborhood area plans in 2018-2019; and for the Crossroads and Newport Hills neighborhood area plans in 2019-2020, consistent with the Bellevue Land Use Code Section 20.30I.130.B.3 and RCW 36.70a.130. Councilmember Lee seconded the motion.

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

(b) Review of Cascade Water Alliance Proposed 2019-2020 Budget and Rates

Joyce Nichols, Director of Intergovernmental Relations, said staff was seeking direction on whether the Council can support the 2019-2020 Cascade Water Alliance budget, and whether the Council wanted to give direction to staff regarding future issue management. She said the

Cascade Water Alliance CEO typically comes to Bellevue in July during its budget year, and they work their budget around the budget processes of the member cities. Cascade anticipates adopting its budget during its September meeting. Ms. Nichols said the purpose of tonight's agenda item is to present the Cascade budget proposal and to give the Council the opportunity to ask questions and provide feedback to staff.

Ms. Nichols noted that Councilmember Stokes is the Cascade Board Chair, and Councilmember Nieuwenhuis is the alternate member for the Board.

Nav Otal, Director of the Utilities Department, said the City purchases all its water from Cascade, and therefore Cascade's budget is a significant rate driver for Bellevue water customers. For every dollar that Bellevue customers pay, 40 cents goes to the Cascade Water Alliance. Ms. Otal said that Chuck Clarke, Cascade CEO, would review the major cost elements of Cascade's budget. The largest components of the budget are water purchased from Seattle and debt service to pay for Lake Tapps. Other than the opportunity to renegotiate the contract with Seattle and to be very mindful of future investments that require additional debt, there is not much that can be done about those cost categories. The key opportunity to contain costs is on the administration and operational side, which comprises nearly 70 percent of the total budget to operate and maintain the entire water system managed by Bellevue. Ms. Otal said it is important to continually evaluate costs.

Ms. Otal said it is necessary to be mindful of the extent and timing of future investments in Lake Tapps. Over the past 15 years, there has been a major shift in the industry projections of future demand. When Cascade was created, there was an expectation that demand would continue to escalate and Seattle would not have adequate supply without investing in new sources, and that the Eastside would have to pay for those sources. That was the need for the creation of the Cascade Water Alliance. However, demand has never increased in line with the expectations and projections from the 1990s/2000s. Ms. Otal said the demand for Bellevue water has been lower in the past couple of years compared to demand from 10 years ago, despite the extraordinary growth. She said the total demand for the region is expected to remain relatively flat as well.

Ms. Otal said the City should be very cautious about investing additional ratepayer dollars into the development of new water sources through Lake Tapps. She said it is important that the Cascade Water Alliance stay focused on its core business as a water supplier. She said staff will continue to work with Cascade as they develop future policies, work plans, and budgets. Ms. Otal said the Cascade budget will be incorporated into the City's utilities budget as it is developed over the next few months. The Cascade rates will have an impact on the total rate increases to be passed on to Bellevue ratepayers.

Chuck Clarke, CEO, Cascade Water Alliance, thanked Councilmember Stokes for his role in moving the Cascade Water Alliance Board forward. Mr. Clarke said that the demand for water continues to be flat, and per capita use continues to drop. Cascade knows there are risks going forward, including issues related to climate change. He noted that Cascade extended its contract with Seattle Public Utilities instead of moving forward with developing a water supply at Lake Tapps at this time.

Mr. Clarke noted that the key messages from a recent Cascade Board retreat included continuing to give the Board the flexibility to optimize value to the ratepayer and protecting Cascade assets. He said Lake Tapps is a nearly \$1 billion asset. He said Cascade is involved in reclaimed water at the regional and statewide level. He said King County has reclaimed water and would like to have the unilateral authority to utilize it.

Mr. Clarke presented a comparison of the 2019 Cascade member rates. Bellevue's fee represents approximately 39 percent of the total administrative dues. The cities of Bellevue, Kirkland, and Tukwila rely solely on Cascade for water. Issaquah, Redmond, Sammamish, and Skyway have some level of an independent water supply.

The City of Seattle recently changed its method for calculating wholesale water charges, resulting in significant cost increases for the Cascade Water Alliance. The adopted 2017-2018 operating budget totaled \$87,533,182, and the proposed 2019-2020 operating budget totals \$90,688,508. Mr. Clarke highlighted elements of Cascade's Capital Improvement Program (CIP), which included settlements with the cities of Tacoma and Seattle to renegotiate contracts and to buy Cascade out of those contracts. He said Cascade acquired a diversion dam at Lake Tapps, across the White River, that was built in approximately 1900. He said the U.S. Army Corps of Engineers has taken responsibility for the dam and will spend \$100 million to \$200 million to reconstruct it. Cascade will pay \$3 million to \$5 million for benefits related to the dam reconstruction.

Mr. Clarke highlighted key elements of the operating budget: wholesale water costs, debt service, operations, administration, and water conservation programs in schools. He acknowledged that the City adds other costs based on different rate drivers. Cascade anticipates rate increases for Bellevue of 2.7 percent in 2019 and 2 percent in 2020, resulting in a monthly billing impact of \$1.73 and \$1.35 respectively. Mr. Clarke described the Regional Capital Facilities Charge (RCFC) for new customers, which is intended to provide fairness for both new and longtime customers. The Cascade Water Alliance will reopen negotiations with Seattle in 2019-2020 for a contract extension. Mr. Clarke said that extending the contract with Seattle reduces the RCFC charge for Cascade member cities.

Responding to Mayor Chelminiak, Mr. Clarke said staff will provide additional information on specific capital budget items. Mr. Chelminiak noted the importance for the City to continue to focus on impacts to Bellevue ratepayers.

Deputy Mayor Robinson thanked Mr. Clarke for the presentation. Referring to capital expenses, Ms. Robinson said it would be great if Puget Sound Energy (PSE) would do more with hydroelectric power. She said it seems like that would be mutually beneficial for Cascade and PSE. Mr. Clarke said Cascade has studied the potential for generating hydroelectric power. However, an extensive analysis of approximately 75 scenarios was not able to identify one in which the capital investment could be recaptured.

Responding to Councilmember Zahn, Mr. Clarke said the capital risk line item is used for unanticipated maintenance needs.

Noting that the demand for water has remained relatively flat, Councilmember Robertson questioned the need for continued spending on conservation programs. Mr. Clarke said that conservation postpones the need to develop a water supply at Lake Tapps. He said Cascade consolidated all of the conservation programs of member cities, including public education.

Responding to Ms. Robertson, Mr. Clarke acknowledged that Cascade overbuys its block of wholesale water. He said the Cascade Board has discussed the potential for certain member cities to develop their independent water supplies. Responding to Ms. Robertson, Mr. Clarke commented on the history of the previous unfavorable contracts with Tacoma and Seattle.

Councilmember Stokes said the Cascade Water Alliance involves staff from all member cities in its planning and analysis. He said Cascade remains focused on its future direction and role as a water supplier.

(c) Bellevue Smart Mobility Interest Statement

[Moved to Regular Session.]

3. Council Discussion of Upcoming Items: None.

At 8:02 p.m., Mayor Chelminiak declared recess to the Regular Session.

Charmaine Arredondo, CMC
Assistant Director, City Clerk's Office

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