

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Extended Study Session

November 12, 2019
6:00 p.m.

Council Conference Room
Bellevue, Washington

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

ABSENT: Mayor Chelminiak

1. Executive Session

City Clerk Charmaine Arredondo opened the meeting and announced that the Council would be in Executive Session for approximately 60 minutes to discuss one quasi-judicial matter.

The meeting resumed at 7:00 p.m., with Deputy Mayor Robinson presiding. She indicated that Mayor Chelminiak would be returning from out of town and hoped to join the meeting later.

2. Approval of Agenda

→ Councilmember Stokes moved to approve the agenda, and Councilmember Zahn seconded the motion.

→ The motion carried by a vote of 6-0.

3. Oral Communications

- (a) Jessie Liu, a youth member of the Bellevue Youth Link Board, thanked the Council for its ongoing support of the Bellevue Youth Link program. She is a member of the climate action team and the student body treasurer at Tyee Middle School. She commented on the importance of addressing the effects of climate change for current and future generations. She thanked the Council for the investments this year to support the City's Environmental Stewardship Initiative (ESI). Ms. Liu noted the need for leadership by adults.
- (b) Sumedh Panatula, a sophomore at Sammamish High School, expressed concerns regarding climate change. He recently attended the Bellevue School District's kickoff

event for the Bellevue Green Team program, where he learned about how our city and world will be affected by climate change. He thanked the City for its Environmental Stewardship Initiative and urged the Council to continue to explore and support renewable energy options. Mr. Panatula said the ESI plan affects every Bellevue resident. He encouraged the City to include strong climate action targets in the updated ESI plan.

- (c) Benjamin Mousseau, president of the Interlake High School Green Team, said he is an intern with the University of Washington Climate Impacts Group because he wants to make a positive difference in tackling climate change. He thanked the City for its environmental efforts, including to increase the tree canopy, and for creating the opportunity for public involvement in the update to the City's ESI plan. He said it is important to look at climate action from the perspective of 2050 and beyond to determine what needs to be done now. He encouraged the adoption of science-based targets to address climate change.
- (d) Karen Morris expressed concern regarding the Temporary Encampment Land Use Code Amendment (LUCA) and the jurisdictions used by City staff to compare regulations. She said an agreement with neighbors related to a tent city in Sammamish was broken when the encampment operators were not cooperative or responsive to complaints. Ms. Morris said her research indicated that seven of the nine cities she contacted restricted encampment stays to 90 days. She is opposed to the proposed five-year permit. She said that her experience over the past 14 years indicates that tent city permits in the region have never been revoked for any reason, despite reports of problems. Ms. Morris submitted her comments in writing.
- (e) Alex Zimmerman spoke about fascism, freedom of speech, and his personal opinions about Seattle elected officials.

4. Study Session Items

- (a) Council Business and New Initiatives
 - Councilmember Zahn moved to approve the remote participation of Deputy Mayor Robinson during the November 18 Study Session and Regular Session meetings. Councilmember Stokes seconded the motion.
 - The motion carried by a vote of 6-0.

Councilmember Lee acknowledged the importance of honoring veterans on Veterans Day. Deputy Mayor Robinson indicated that all of the Councilmembers participated in Veterans Day events.

(b) Update of Environmental Stewardship Initiative (ESI) Plan

City Manager Brad Miyake noted the Council's ongoing discussions regarding the City's update to the Environmental Stewardship Initiative (ESI) Plan. He said staff is seeking Council direction

regarding the recommended goals and targets for the plan update and about how to engage the City's boards and commissions.

Emil King, Assistant Director of Community Development, introduced Jennifer Ewing, Environmental Stewardship Program Manager, and Ana McMahon, Resource Conservation Program Manager, and thanked them for their work on the ESI Plan update. Mr. King noted that he has served on both the cross-departmental core working team and on the staff oversight team that is guiding the initiative.

Ms. Ewing said staff is seeking direction regarding the recommended goals and targets for the ESI Plan update. She said the City hired a sustainability consultant to research the best practices of cities in the region and in the country and to support staff's public outreach activities. She recalled that the Council previously expressed its desire to lead by example, build on a foundation of success, leverage partnerships, and to continue public engagement. The five focus areas of the plan update are climate, energy, mobility and land use, natural systems, and materials management and waste. Staff developed recommended targets for tracking the progress toward the City's goals. The next step will be to develop the strategies and actions to achieve the goals.

Ms. Ewing said that staff's research into cities in other states and countries indicated three levels of commitment and investment (i.e., stretch, bold and leading edge). King County and the cities of Kirkland, Redmond, Denver and San Diego fall into the category of bold jurisdictions that are implementing best practices through an ambitious commitment to addressing climate change. A community survey indicated that 87 percent of the 385 respondents agree or strongly agree that environmental stewardship is good for the health and livability of their community, 48 percent want Bellevue to be on the leading edge, and 31 percent want Bellevue to take bold actions to address climate change. The City organized a focus group of businesses, Bellevue College, Bellevue School District, Bellevue Downtown Association (BDA), Bellevue Chamber of Commerce, and others to discuss environmental issues. Ms. Ewing noted that Amazon, T-Mobile and Vulcan have set ambitious goals through 2040 regarding zero emission vehicles, zero waste, and carbon-neutral actions.

Ms. Ewing described the proposed 2050 communitywide targets: zero waste, 45 percent drive-alone rate, 50 percent electric vehicle ownership, 50 percent reduction in vehicle miles traveled, 100 percent renewable energy, 30 percent reduction in energy usage, 40 percent tree canopy, 80 percent reduction in greenhouse gas emissions, and 90 percent of residents living within one-third mile of park access.

Ms. McMahon presented the municipal operations targets for 2040: zero waste, 40 percent drive-alone rate, 75 percent of City fleet as light duty electric vehicles, 30 percent reduction in fuel usage, 100 percent renewable energy (by 2030), 40 percent reduction in energy use, 10 percent reduction in water use, 80 percent reduction in greenhouse gas emissions, and 80 percent of trees in Class 1 or 2 condition. She said the City is committed to purchasing green power over the next 20 years through Puget Sound Energy's Green Direct program. By 2021, the City will purchase 70 percent of its green power from a solar and wind farm in Western Washington. The City will participate in PSE's Phase 3 program to achieve the 100 percent renewable energy target.

Ms. McMahon said the City has achieved a 32 percent reduction in energy use due to its high-performing buildings and infrastructure, and a smart chiller will be installed soon at City Hall. All of Bellevue's street lights will use LED bulbs by next year, which will result in operational and energy savings. Ms. McMahon said the City will continue to use biodiesel fuel collected from restaurants for its heavy duty vehicles.

Ms. Ewing said that the next steps in the ESI Plan update process are to continue stakeholder outreach and engagement, develop potential strategies to achieve the established targets, solicit input from boards and commissions, and to estimate the costs and benefits for each strategy. Staff recommends involving the Environmental Services Commission, Transportation Commission, Parks and Community Services Board, Planning Commission, and the Bellevue Diversity Advantage Network (BDAN) in updating policies related to the ESI Plan.

Councilmember Lee suggested that the City explore ways to encourage the development of autonomous electric vehicles. He wants Bellevue to continue to be a leader in addressing environmental issues.

Councilmember Robertson said the United States has led the world in the reduction of greenhouse gas emissions since 2005 due to the conversion from coal to natural gas and renewable energy sources. She said she read recently that there would be a significant reduction in greenhouse gas emissions if every fleet vehicle in the United States was converted to natural gas. However, she noted that the use of natural gas is not included in the City's strategies.

Ms. Robertson said that people want cleaner vehicles and to narrow their carbon footprint. She noted that the market is responding to that by producing more electric vehicles. She expressed support for staff's focus on high-impact strategies. She said it is important to set goals that are challenging yet achievable.

Responding to Councilmember Robertson, Ms. Ewing said staff will look into how much the City can modify the provisions of the state energy code. Ms. Ewing said she believed that energy code requirements can be stricter for commercial buildings. In further response, Ms. Ewing said the City considers hydroelectric power as renewable. She noted that a number of cities advocate for clean energy usage with the state legislature. Ms. Robertson expressed an interest in Puget Sound Energy closing its coal plant.

Councilmember Robertson suggested that as the strategies are updated, the City look at both the costs and benefits of strategies, as well as an economic analysis. She said it is important to understand the projected budgetary impact and operational costs of all strategies before they are adopted.

Councilmember Nieuwenhuis thanked staff for their hard work and research. He questioned whether staff studied the City of Portland, Oregon. Ms. Ewing said staff did research Portland's policies and requirements. She said that some of their goals fall more into the bold category, and others are in the leading edge category. Ms. Ewing acknowledged that Portland is considered a leader in its environmental approach.

Responding to Councilmember Nieuwenhuis, Ms. Ewing said staff focused more on setting longer term aspirational goals while also recommending goals that are more easily achievable. Mr. Nieuwenhuis said he looks forward to discussing the strategies and actions that will be implemented to meet the goals. Ms. Ewing confirmed that there will be opportunities for the public to provide feedback on the strategies and actions during the next phase of the work. She said staff is developing a shorter term plan that also sets the stage for longer term goals. Staff will conduct the public engagement process in the spring and return to the Council with an update in early summer 2020.

Councilmember Stokes concurred with Councilmember Robertson's interest in the closure of PSE's coal plant. Mr. Stokes noted that some of the targets are 30 years into the future, and he is concerned that we might not have that long to effectively address climate change issues. He said the line between bold and leading edge goals is not completely clear. He would like to see Bellevue as a leader in its approach to climate change impacts. He acknowledged that it will be necessary to consider the costs of actions. He suggested that some of the targets could be more aggressive.

In the area of waste reduction, Mr. Stokes said the solid waste agreement with King County provides the opportunity to consider alternatives. He encouraged the City to explore waste-to-energy solutions as a leading edge strategy. He would like Bellevue to be a leading city in addressing environmental issues.

Councilmember Zahn said it will take everyone working together to reduce the impacts of climate change. She suggested that all of the boards and commissions should be engaged in the process. She said she appreciated the separate goals for the City's operations and the community. She expressed support for more ambitious, leading edge goals. Ms. Zahn said the King County Cities Climate Collaboration (K4C) has established strategies to achieve an 80 percent reduction in greenhouse gas emissions by 2050. She suggested that manufacturers will make heavy duty electric vehicles if there is a market demand. She expressed support for setting goals for 2030 instead of only 2040 and 2050. Ms. Zahn suggested that the City start looking at every decision across the organization through the lens of the impacts on climate change.

Deputy Mayor Robinson commented on the challenge of balancing best practices with achievable goals. She would like to see more aggressive goals. She suggested focusing first on the actions that can be more easily implemented, while considering more aggressive, longer term goals as well.

Councilmember Zahn noted that public health is affected by clean water and air. In analyzing the costs and benefits of certain strategies, she suggested exploring non-monetary costs and benefits as well (e.g., impact on the frequency of asthma).

(c) 2019-2020 Mid-Biennium Budget Update

City Manager Miyake introduced discussion regarding the 2019-2020 Mid-Biennium Budget update, which is required by state law.

Toni Call, Director of Finance and Asset Management, said staff is seeking Council direction regarding Substitute House Bill 1406 involving the affordable housing sales tax credit. She said Council action is needed on November 18 in order to meet the November 30 deadline to ensure that the City may collect the funds. Staff is also seeking direction regarding fire inspection fees before the adoption of the budget update on December 2. Ms. Call noted that further discussion of the budget is slated for November 18, and the budget public hearing is scheduled for November 25.

Ms. Call said the mid-biennium budget adjustments are limited. She recalled that a one percent property tax adjustment was adopted in the 2019-2020 budget. Staff will present proposals regarding transportation impact fees and Police Department staffing on November 18. Ms. Call said there are no changes to the Capital Investment Program (CIP) Plan.

Ms. Call presented the General Fund forecast and noted that expenditures will exceed revenue beginning in 2022, due in part to the opening of Fire Station 10 and the termination of the sales tax annexation credit. In response to direction from the City Manager, staff is analyzing best practices to identify potential efficiencies and reviewing the service levels of certain major programs. Staff will present the results of that analysis to the Council next year. Ms. Call noted that the actual ending fund balance is currently 22 percent. However, the ending fund balance is likely to drop below the Council-adopted 15 percent policy in 2023 if expenditures exceed revenue as anticipated.

Responding to Councilmember Nieuwenhuis, Ms. Call said staff is conducting a thorough review of expenditures to identify opportunities for budget reductions and will discuss those issues with the Council during next year's budget process.

Keyi Lu, Assistant Director of Finance and Asset Management, introduced the topic of House Bill 1406, which implements the affordable housing state sales tax credit. Staff is seeking Council direction to return with legislation on November 18 in order to secure the receipt of revenue from the State. House Bill 1406 was approved during the 2019 state legislative session. The law is not a tax increase but it redirects a portion of the state retail sales tax for local use related to affordable housing efforts. The sales tax credit is authorized for 20 years and is estimated at \$625,000 annually.

The next steps to secure the funding are to approve a resolution of intent and an ordinance to impose the credit and to modify the City's sales tax code. If adopted by the Council, staff will notify the State of Washington Department of Revenue about the tax change and the City will provide annual reporting to the State. Ms. Lu noted that the eligible uses for the revenue is in alignment with the Council-adopted Affordable Housing Strategy adopted in 2017. The eligible uses are: 1) acquiring, rehabilitating, or constructing affordable housing, and 2) funding the operations and maintenance of the new units. Ms. Lu said the housing and services may be provided only to individuals whose annual income is below the 60-percent AMI (area median income) level.

If approved by the Council, the first distribution of revenue will occur in January 2020. The Council and staff will discuss the use of the revenue next year.

Councilmember Stokes expressed support for moving forward with implementing the sales tax distribution for affordable housing activities.

Councilmember Zahn concurred and noted the importance of preserving the existing affordable housing in Bellevue.

Councilmember Nieuwenhuis expressed support for the proposal.

Councilmember Robertson concurred and suggested public education to clarify that this is not a tax increase. The law enables cities to spend the State's portion of the sales tax on affordable housing initiatives.

Responding to Councilmember Lee, Ms. Call said the law indicates that the State will continue the sales tax distribution over a 20-year period.

Deputy Mayor Robinson observed that the City is uniquely poised to utilize the sales tax because the Affordable Housing Strategy is in place to guide implementation efforts. She directed staff to bring the item back on a future consent calendar for formal action.

Fire Chief Jay Hagen recalled that on December 3, 2018, the Council approved Ordinance No. 6443 requiring the collection of fire inspection fees beginning in January 1, 2020. At that time, the Council directed staff to conduct stakeholder outreach throughout 2019, adjust the fee as necessary to cover the cost of the inspections, and to ensure there is a nexus between the fee and the level of effort required to complete an inspection.

Ken Carlson, Fire Marshal, said that he and Chief Hagen met with representatives of the Bellevue Chamber of Commerce and the Bellevue Downtown Association (BDA) to discuss the fire inspection fees. Additional outreach included notices to stakeholder associations, direct mailings to properties scheduled for inspections, handouts distributed at the time of the inspections, information on the Fire Department's website, and numerous responses to stakeholders' questions.

Mr. Carlson said the Fire Department completed more than half of the 2019 inspections by June. Staff tracked the time they spent at each inspection and developed a more accurate database of buildings. As a result of the analysis, staff recommends a number of changes to the original proposal: 1) elimination of individual tenant inspection fees, 2) elimination of fee exemptions for State and County agencies, 3) change in the fee structure for covered malls, 4) change in the methodology used for high-rise buildings when multiple buildings exist atop a common podium, 5) decrease in the inspection fees for townhomes, mini-storage warehouses, and multifamily buildings up to three stories, and 6) a maximum fee of \$3,240 for multifamily and school (K-12) complexes.

Mr. Carlson presented examples of how the proposed fees will affect building owners. He requested Council direction to present legislation on December 2 approving the fire inspection fee schedule.

Councilmember Nieuwenhuis thanked staff for their work and the public outreach activities. Responding to Mr. Nieuwenhuis, Mr. Carlson said there is a wide range in the length of time required to complete an inspection, and the proposed fees are a reflection of the level of effort required. Mr. Carlson said the inspections this year provided the opportunity for staff to educate building owners and tenants about the upcoming fees and the underlying analysis. He noted the ordinance indicates that staff will provide updates to the Council every two years.

Councilmember Robertson thanked staff for their work with the community and stakeholders. She suggested that the updates occur during the full budget process every two years.

Responding to Ms. Robertson, Mr. Carlson said that many of the fees will decrease and individual tenants will no longer be charged. In the case of malls and high-rise buildings, the City will charge the building owner but not the tenants. He said the City received input from building owners who preferred that approach over charging tenants separately. Mr. Carlson noted that firefighters are involved in minor inspections.

Councilmember Lee thanked staff for their work throughout 2019 and noted that further adjustments can be made in the future if needed.

Councilmember Zahn expressed support for the approach of charging building owners instead of individual tenants. Responding to Ms. Zahn, Mr. Carlson said that federal agencies and nonprofit organizations will be exempt from the fire inspection fees. Ms. Zahn said she likes the alignment between the fee and the time required for an inspection. In further response to Ms. Zahn, Chief Hagen said the inspections provide the opportunity to educate building owners and tenants about the fire code.

Councilmember Stokes suggested considering a fee exemption for affordable housing and/or subsidized public housing, and Councilmember Zahn concurred. City Manager Miyake suggested reviewing the issue during next year's full budget process.

(d) State law requirement for new Business and Occupation Tax Model Ordinance

Toni Call, Director of Finance and Asset Management, said staff is seeking Council direction to bring back an ordinance to update the City Code to reflect the new state model ordinance for the local business and occupation (B&O) tax. The State mandated in 2004 that cities adopt the model ordinance to create consistency in the administration of the B&O tax, and the model ordinance has been updated a number of times.

Troy Lucas, Tax Manager, said that adoption of the most recent updates is required by January 1, 2020. The changes: 1) simplify the definition of customer location by allowing the use of standard business records (e.g., invoices and purchase orders) to determine where a business would report its local B&O tax, and 2) establish a process for businesses to request a change in their tax calculation.

Deputy Mayor Robinson noted a Council consensus to place approval of the ordinance on a future consent calendar.

5. Council Discussion of Upcoming Items: None.

6. Continued Oral Communications: None.

At 9:00 p.m., Deputy Mayor Robinson declared the meeting adjourned.

Charmaine Arredondo, CMC
City Clerk

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