

CITY OF BELLEVUE  
CITY COUNCIL

Summary Minutes of Regular Meeting

October 10, 2022  
6:00 p.m.

Council Chambers  
Bellevue, Washington

PRESENT: Mayor Robinson, Deputy Mayor Nieuwenhuis and Councilmembers Barksdale, Lee, Robertson, Stokes and Zahn<sup>1</sup>

ABSENT: None.

1. Call to Order

The meeting was called to order at 6:00 p.m., with Mayor Robinson presiding.

2. Roll Call; Flag Salute

City Clerk Charmaine Arredondo called the roll and all Councilmembers were present. Councilmember Stokes led the flag salute.

(a) Walk and Bike to School Day Proclamation

Councilmember Robertson read the proclamation recognizing October 12, 2022, as Bellevue SchoolPool Walk and Roll to School Day and encouraged everyone to consider the safety and health of children traveling to and from school every day. This year's event is coordinated by Bellevue SchoolPool, a collaboration between the City, King County Metro and the Bellevue School District to encourage students and families to explore sustainable transportation options.

(b) Indigenous Peoples' Day Proclamation

Councilmember Lee read the proclamation recognizing October 10, 2022, as Indigenous Peoples' Day in Bellevue. He urged all residents to reflect on the history, contributions and resilience of Indigenous people to the benefit of our communities.

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<sup>1</sup> Councilmember Barksdale and Councilmember Zahn participated remotely.

(c) Chinese Information and Service Center (CISC) 50<sup>th</sup> Anniversary Proclamation

Mayor Robinson read the proclamation recognizing October 15, 2022, as the Chinese Information and Service Center's 50<sup>th</sup> Anniversary. She thanked the organization for their many decades of service to the community and for helping to foster a welcoming, inclusive environment in Bellevue and the region.

Michael Itti, CISC Executive Director, thanked the Council for recognizing CISC's 50<sup>th</sup> anniversary. He recalled that in 1972, University of Washington students and local youth saw the need to help elders in Chinatown to access public services. CISC provides programs and services for immigrant families at community-based sites, including the North Bellevue Community Center and Crossroads Shopping Center. Assistance is provided in Chinese, Russian, Vietnamese, Spanish and English.

3. Approval of Agenda

→ Deputy Mayor Nieuwenhuis moved to approve the agenda, and Councilmember Stokes seconded the motion.

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

4. Oral Communications

- (a) Liz Walsh noted that she completed the 2018 Bellevue Essentials class. She encouraged the City to create more incentives to protect and retain significant and landmark trees and to make it more difficult to remove them. In addition to their natural beauty, trees provide habitat and shade and improve air quality. Ms. Walsh said that planting replacement trees is not a sufficient strategy because it can take 45-150 years for significant and landmark trees to grow. She said that raising the cost of removing significant trees, along with direct incentives to retain them, will help to preserve mature trees in the community.
- (b) Simon Prior spoke to the need to update tree codes to support and enforce the preservation of trees. He said a neighbor with 20-30 trees on his property removed many of those trees, in some cases without a permit and/or from protected native growth areas. He encouraged a mechanism for reporting and enforcing this activity. He spoke in favor of regulations to prevent the removal of trees and to enforce regulations.
- (c) Barb Williams, said she has worked as an educator for the Pacific Science Center, Bellevue Botanical Garden, Eastside Heritage Center and, currently, the tree ambassador program. She thanked the City for preserving and protecting trees over many years and noted their benefit to overall quality of life. She asked the City to help acquire and preserve the Isola property in the Lakemont area due to its historic significance and opportunities for public education. The Coal Creek-Newcastle coal mines operated at the site for 100 years and at one point the area was the third largest coal producer in the United States. She referred everyone to the book, *The Coals of Newcastle – A Hundred Years of Hidden History*, as an excellent resource. She said the Isola site includes a

meadow that is relatively flat and could accommodate an ADA (Americans with Disabilities Act) accessible loop.

- (d) Chris Randels, speaking on behalf of Complete Streets Bellevue and the Bellevue Housing Research Coalition, thanked the Council for addressing micro apartments. He said the Coalition conducted a survey of 475 Bellevue residents between August 15 and August 19 to gather input regarding the housing market in Bellevue and potential solutions to create more affordable housing. The survey indicated that 51 percent of the respondents are in favor of removing barriers to the construction of micro apartments and 79 percent of the respondents support lowering the cost of permit fees for affordable housing projects. Mr. Randels said the Coalition looks forward to continuing to work with the City to address housing needs.
  - (e) Alex Zimmerman, President of StandUp America, said he did not understand why certain states and cities are changing Columbus Day to Indigenous Peoples' Day and he criticized members of the Seattle City Council.
5. Reports of Community Councils, Boards, and Commissions: None.
  6. Report of the City Manager
    - (a) Award Recognition for the Mobility Implementation Plan (MIP)

Deputy City Manager Diane Carlson said Bellevue has been recognized with the Governor's Smart Community Award for its innovative work to improve mobility.

Transportation Director Andrew Singelakis said the award was received for the City's Mobility Implementation plan (MIP). He noted that this is the second award the City has received to recognize the MIP. He thanked Transportation Commission Chair Karen Sash, Project Manager Kevin McDonald and Assistant Director of Transportation Paula Stevens for their leadership in the development of the MIP.

Valerie Smith, Deputy Managing Director for Growth Management Services at the Washington State Department of Commerce, presented the award to the Council, noting that it highlights the governor's commitment to preserving and protecting Washington's quality of life and recognizes the hard work of residents and local officials. She said the MIP is a model for multimodal connectivity that advances accessibility and climate sustainability goals, which are priorities for the governor and core objectives of the Department of Commerce. Ms. Smith commended the City's public outreach efforts including a series of study sessions, an accessible web page and the community questionnaire that received more than 500 responses.

Mayor Robinson thanked staff for their hard work.

7. Council Business and New Initiatives: None.
8. Consent Calendar

- Deputy Mayor Nieuwenhuis moved to approve the Consent Calendar, and Councilmember Stokes seconded the motion.
- The motion to approve the Consent Calendar carried by a vote of 7-0, and the following items were approved:
  - (a) Council Minutes  
Minutes of September 26, 2022 Regular Meeting
  - (b) Ordinance No. 6679: 1) authorizing execution of an amendment (and supplements if necessary) to the Interlocal Agreement with King County for the Conservation Futures open space acquisition program providing the City with \$450,000 in King County Conservation Futures proceeds, 2) amending the 2021-2022 General Capital Investment Program (CIP) Fund to increase appropriation by \$480,000; and 3) amending the 2021-2027 CIP Plan to increase the budget for the Parks & Open Space Acquisition (CIP Plan No. P-AD-82) by \$480,000.
  - (c) Ordinance No. 6680 amending the 2021-2027 General Capital Investment Program (CIP) Plan to increase the budget for the Public-Private Partnerships - BelRed Transit-Oriented Development (TOD) Project (CIP Plan No. CD-48) by \$2,000,000 and decrease the budget for the Station Area Planning Implementation - East Main/South Bellevue Project (CIP Plan No. CD-30) by \$2,000,000; providing for severability; and establishing an effective date.
  - (d) Resolution No. 10147 authorizing execution of an amendment to the Agreement for Professional Services with Pacifica Law Group LLP, outside counsel for the City in addressing and investigating the events surrounding the January 17, 2022 landslide and in the lawsuit brought by the Surdi family in King County Superior Court, in an amount not to exceed \$625,000, exclusive of any applicable taxes.
  - (e) Resolution No. 10148 authorizing execution of the Telecommunications Right-of-Way Use Agreement with ExteNet Systems, LLC.
  - (f) Resolution No. 10149 authorizing execution of an amendment to the Agreement for Professional Services with Pacifica Law Group, outside counsel for the City in the lawsuit of Wu v. City of Bellevue (KCSC Case No. 22-2-02081-4 SEA), increasing the contract to an amount not to exceed \$100,000, plus all applicable taxes.
  - (g) Resolution No. 10150 authorizing the execution of a general services contract with Stardom Services, Inc. for tennis court cleaning at the Robinswood Tennis Center, with an initial term of three years and two one-year extension options, for a total contract amount not to exceed \$175,000, plus applicable taxes.

- (h) Ordinance No. 6681 to facilitate the disbursement of American Rescue Plan Act (ARPA) funding by (1) amending Ordinance 6557, adopted December 14, 2020, as previously amended, to increase the appropriation to the 2021-2022 Operating Grants, Donations, and Special Reserves Fund in an amount of \$2,400,000; and (2) authorizing the City Manager or his designee to execute and implement all agreements necessary to disburse said funds for residential eviction prevention and rent/mortgage relief, including execution of agreements with nonprofits and community organizations to provide the services, in accordance with the requirements of the Act and the direction of the City Council.
- (i) Resolution No. 10151 establishing a new policy and procedure for naming public parks and park and recreation facilities, and repealing Resolution No. 8229.

9. Public Hearings: None.

10. Study Session

- (a) Affordable Housing Strategy Implementation Update

Deputy City Manager Carlson introduced staff's update regarding the implementation of the Affordable Housing Strategy.

Emil King, Assistant Director, Community Development Department, introduced Linda Abe as the City's new Affordable Housing Planning Manager.

Ms. Abe noted her past employment with Su Development and her work as a consultant on the feasibility study for Bellevue's cross-cultural center. She said she is excited for the opportunity to bring her experience and passion for affordable housing to her new position.

Ms. Abe said the actions to implement the Affordable Housing Strategy created or preserved 2,072 housing units since the plan was adopted in 2017. She noted that 806 new affordable housing units are in the pipeline and the City is on track to exceed the 10-year target of 2,500 new or preserved units. During the July 5 Council meeting, the Council directed staff to launch the Next Right Work of initiatives to pursue over the next 12-18 months to supplement ongoing efforts.

Ms. Abe highlighted ongoing work related to regional affordable housing coordination, state legislation, the Housing Stability Program (HB 1590 revenues), funding partnerships and development incentives. Adoption of the Affordable Housing Strategy Action C-1 Phase 2 Comprehensive Plan Amendment (CPA) is targeted for later this year and adoption of the related Land Use Code Amendment (LUCA) is targeted for second quarter 2023.

Mr. King said the Comprehensive Plan periodic update process is well underway and staff is currently working on Environmental Impact Statement (EIS) scoping to consider draft growth alternatives and housing options. The update will examine growth centers (e.g., BelRed,

Downtown, Wilburton), address homelessness and human services, and explore a number of affordable housing approaches.

Mr. King said there are approximately 66,000 housing units in Bellevue and the minimum housing target is to add 35,000 new units by 2044. The EIS will study the potential for adding additional housing capacity. He recalled that Action C-1 allows additional affordable housing capacity on qualifying faith-owned properties in areas well suited to multifamily development. The Planning Commission's recommendation regarding the CPA will be presented to the Council in November and initial work on the LUCA will begin this fall. The Action C-1 Phase 2 work is looking at approximately 30 faith-based sites in single-family zones for consideration of multifamily zoning. Mr. King said the Planning Commission recently held a public hearing in anticipation of preparing its recommendation for the Council.

Ms. Abe said 2022 is the second year of the Housing Stability Program funded by HB 1590 revenues. The request for proposals (RFPs) issued last year resulted in \$1.7 million being allocated for housing and related services, which includes behavioral health services. The capital RFP allocated up to \$1.6 million toward LifeWire to fund the rehabilitation of 25 housing units for domestic violence survivors. The City has received a number of applications during the current RFP process for behavioral health and housing-related services.

Ms. Abe said the multifamily tax exemption (MFTE) program was updated in 2021 and continues to perform well. The program offers a 12-year residential tax exemption in exchange for offering 20 percent of the units as affordable housing. The MFTE program has achieved 147 affordable units since the 2021 update, and nearly 300 potential MFTE units are expected to apply over the next year or so for projects to be completed over the next few years.

Mr. King recalled Council direction on July 5 to launch three Next Right Work items: 1) remove barriers to micro apartments, 2) establish higher floor-area ratio (FAR)/density requirements for residential development, within form and height limits, and 3) reduce permit fees for affordable housing projects. The Council also directed staff to: 1) conduct a capacity analysis to examine how more could be accomplished, and 2) conduct scoping for streamlining the permit process and expediting permitting for affordable housing, and for allowing middle scale housing types (accessory dwelling units, duplexes, triplexes, quadplexes) with provisions for separate ownership.

Mayor Robinson thanked staff for the presentation and noted that Councilmember Stokes was the mayor when the Affordable Housing Strategy was adopted.

Councilmember Stokes thanked staff for their work and said he looks forward to continued work to implement the Affordable Housing Strategy. He said the current housing target is relatively low and both the City and the community have learned a great deal about affordable housing to inform continued efforts going forward.

Councilmember Robertson said it is exciting to see the progress in implementing the Affordable Housing Strategy. She is pleased to see that the City's efforts are exceeding its goal and suggested that the total number of new or preserved units could perhaps be twice the goal by

2027. Ms. Robertson thanked staff and community stakeholders for their work. She said the Bellevue Chamber of Commerce helped to improve the MFTE program, which has successfully produced more affordable units.

Councilmember Robertson said she attended the Planning Commission's public hearing regarding the Action C-1 CPA. She said the public was a little confused about the implications of the approach and approximately two-thirds were opposed to the draft CPA. She said she explained to the audience that the CPA provides the foundation for developing detailed policies in the Land Use Code. She expressed support for the CPA and noted that the details and questions raised by the public will be addressed with public input next year when the LUCA is processed. Ms. Robertson asked staff to make provide clear information for the Council and the public when the CPA and LUCA are presented. She believes the public will be supportive after they have a better understanding of the Action C-1 strategy.

Councilmember Barksdale said he looks forward to learning the results of the housing needs assessment. He noted his interest in discussing how that assessment compares to the growth targets set for 2027. He observed that the highest number of units created to date resulted from preservation versus the creation of new units. He asked about ongoing efforts to identify additional opportunities to preserve affordable housing.

Mr. King confirmed that staff will have future discussion with the Council regarding the housing needs assessment and growth targets. He believes the City will continue to see more opportunities to preserve affordable housing as well as to incentivize new units. He said the Housing Stability Program funded by HB 1590 sales tax revenues will allow the City to more proactively seek preservation opportunities, either alone or through partnerships.

Deputy Mayor Nieuwenhuis concurred with Councilmember Robertson's observations about the need for enhanced public education regarding the Action C-1 CPA. He encouraged continued efforts to preserve existing affordable housing. He said he is pleased to see the increasing use of the MFTE program and expressed support for the Next Right Work initiatives.

Councilmember Zahn concurred with the importance of identifying and preserving affordable units. She noted that materials in the meeting packet categorize shelter beds at Mary's Place and the Congregations for the Homeless men's shelter as housing serving those earning below 30 percent of the area median income (AMI). She questioned identifying shelter beds as housing.

Referring to the number of affordable housing units in the development pipeline, Ms. Zahn said that only 10 percent of the units serve households below 30 percent AMI. She wondered whether the housing needs assessment will be completed in time to help inform the City's strategies and areas of focus. She asked about the potential for bonding HB 1590 funds to accelerate the development of affordable housing.

Mr. King acknowledged that shelter beds are classified as housing units. He suggested that future discussions about housing needs and targets can address whether the Council would want to identify them as a separate category in establishing targets.

Responding to Councilmember Zahn, Mr. King said the local needs assessment is underway by staff and the consultants. As the King County process moves forward, staff will provide updates on that work to inform the City's discussions. He acknowledged that the 30-percent AMI units are the most difficult to achieve. He noted that some of the state and county work reflects fairly large numbers of units serving households earning 30-percent AMI or lower.

Regarding the projected \$10.5 million in Housing Stability Program 2022 funding for capital needs, Mr. King said staff will review the applications received during the RFP process this summer and provide an update to the Council during the first quarter of 2023. He suggested discussing potential bonding scenarios at that time.

Councilmember Lee thanked staff for the presentation and for their work. He said the Council continues to learn from staff and regional partners about the challenges of providing affordable housing. He encouraged robust public outreach throughout the CPA and LUCA processes.

Mayor Robinson recalled that the Council understood that the target of 2,500 housing units was low and that it would likely be surpassed. She is pleased to see that is the case and encouraged setting a more ambitious goal in the future given the ongoing growth in Bellevue.

Ms. Robinson noted that some developers overlap the MFTE program with other incentives, and she asked about the affordability levels generated by that approach. Mr. King said the overlapping units typically serve households earning 65 percent AMI.

Councilmember Stokes recalled the preservation of the Highland Village apartments in collaboration with King County and multiple community partners and said he looks forward to additional partnerships going forward.

At 7:13 p.m., Mayor Robinson declared a break. The meeting resumed at 7:20 p.m.

(b) Council Initiation of Amendments to Land Use Code to Enable and Encourage Micro-Apartments

Deputy City Manager Carlson introduced discussion regarding micro-apartments. She said staff is seeking Council direction to initiate and direct the Planning Commission to process a LUCA to enable and encourage micro-apartments.

Liz Stead, Interim Co-Director, Development Services Department (DSD), said this item was identified for consideration as part of the Next Right Work effort.

Nick Whipple, Planning Manager, said a micro-apartment is a small studio or loft apartment (less than 400 square feet) with a private bathroom and kitchen. They are typically located near jobs, transit, shopping and services and provide lower rental rates, generally \$900 to \$1,500. Typical residents include students, young professionals, people in transition and retirees.

Mr. Whipple recalled that Strategy B of the Affordable Housing Strategy is focused on creating a variety of housing types and Action B-1 is to encourage micro-apartments around light rail



stations through actions such as reduced parking requirements for developers. The purpose of the LUCA is to remove barriers to the construction of micro-apartments. There are few micro-apartments in Bellevue as they have narrower profit margins than other residential development. Mr. Whipple said that challenges for creating micro-apartments include insufficient zoning density, high minimum parking requirements and the expense of residential amenities.

Mathieu Menard, Senior Planner, said the proposed scope of the LUCA is to establish maximum floor area requirements, determine accessibility needs and to amend the Land Use Code requirements for density, parking requirements and residential amenity requirements. The LUCA proposes allowing micro-apartments in all mixed-use land use districts, which are typically near jobs, transit, shopping and services. Micro-apartments are not allowed in single-family zones.

Public engagement will follow Process IV requirements regarding legal noticing and the Planning Commission public hearing and meetings. Staff will directly engage in individual conversations and stakeholder meetings to solicit input, and information will be provided on the City's web site. Stakeholders include micro-apartment developers, affordable housing developers, micro-apartment residents and the overall community.

Mr. Menard highlighted the proposed timeline for the LUCA process. The Planning Commission will study and discuss the LUCA through the first quarter of 2023 and hold its public hearing in early 2023. Discussion with the City Council is anticipated during the first quarter of 2023, with City Council action tentatively set for second quarter 2023.

Mayor Robinson thanked staff for the presentation.

Councilmember Zahn said it would be important to have this housing choice in Bellevue. Given the expense of providing kitchens and bathrooms, she asked about the potential for altering the kitchens to reduce costs. She wondered what would be needed to provide micro-apartments at the 30-percent AMI level and suggested mixing micro-apartments with larger apartments within a building or complex.

Ms. Stead confirmed that there would be an opportunity to provide micro units with other sized apartments. Mr. Whipple said the Land Use Code currently allows shared kitchens and bathrooms for group quarters (e.g., dorms and other congregate housing). He said the Planning Commission could be asked to study that issue if desired by the Council.

Deputy Mayor Nieuwenhuis spoke in favor of initiating the LUCA process with the Planning Commission. He asked whether developers are interested in building micro-apartments in Bellevue. He suggested talking to developers about what works best in existing micro-apartment buildings.

Mr. Nieuwenhuis encouraged outreach to potentially impacted neighborhoods, primarily to discuss parking issues and potential impacts. Even if located near transit, he expects that many residents will also have cars.

Mayor Robinson suggested asking the Planning Commission to study parking issues.

Mr. Whipple said there is micro housing in Kirkland, Redmond and Seattle. The Affordable Housing Strategy estimated the creation of 100-200 micro units. He said staff will continue working with the development community and neighboring cities for guidance and input.

Councilmember Barksdale asked about the size of the micro-apartments and wondered whether the LUCA should specify a minimum size. He asked about the potential for creating units to serve 30-percent AMI households. He asked how micro-apartments compare to studios.

Mr. Whipple said the Planning Commission can discuss a minimum size if desired by the Council. He said the MFTE program offers units with less than 400 square feet at deeper affordability levels.

Responding to Mayor Robinson, Mr. Menard said that MFTE units of that size must meet the 45-percent AMI threshold. Mr. Whipple noted that the estimated rents of \$900 to \$1,500 are market rates.

In further response to Councilmember Barksdale, Mr. Menard said micro-apartments seem to follow the same market trends as studio apartments in terms of annual rent increases.

Councilmember Robertson expressed support for the proposed scope of the Planning Commission's review. She supports studying minimum size, mix of units, kitchen options and ADA accessibility.

Referring to the map in the presentation showing the geographic scope of the LUCA, Ms. Robertson suggested that micro-apartments should be only in mixed use areas with frequent transit. She agreed with Deputy Mayor Nieuwenhuis' suggestion to engage residents near the areas where micro-apartments could be developed. Councilmember Robertson suggested using HB 1590 revenues to buy down affordability for this type of housing unit.

Councilmember Lee said there are many micro units in Seattle, including rooming houses in the University District that are similar to dorms with shared bathrooms and kitchens. He said there are also a number of housekeeping units, which are essentially the same as micro-apartments. He asked whether Bellevue's code allows rooming houses and wondered whether the City is missing out on other options.

Mr. Whipple confirmed that Seattle has a longer history with a number of housing types, including those with communal living arrangements. Bellevue's Land Use Code allows communal living in rooming houses, congregate care, group quarters and dorms. However, they have not been widely utilized. Mr. Whipple said that for the proposed LUCA, a micro-apartment includes a private bathroom and kitchen. The purpose of this effort is to identify and remove barriers to building micro-apartments.

Councilmember Stokes expressed support for moving forward as proposed by staff. He acknowledged that there are many housing configurations that could be considered. However, the purpose of the LUCA is to focus on micro-apartments.

Mayor Robinson said she lived in micro-housing as an intern in Hollywood and loved it. She expressed support for initiating the LUCA process with the Planning Commission. She would like the commission to discuss ways to achieve 30-percent AMI affordability, including through vouchers and HB 1590 funding. She expressed an interest in studying occupancy limits.

Ms. Robinson said she would like the commission to look at mixed use land districts and high-frequency transit areas in developing their recommendations. She suggested having the commission study efficiencies versus micro-housing units and asking developers about which models are more feasible. She supports studying parking impacts, minimum size, affordable housing incentives, the mix of apartment sizes, ADA accessibility and the geographic scope of the LUCA.

Responding to Mayor Robinson, Councilmember Lee concurred with Councilmember Robertson's suggestion to consider limiting micro-apartments to high-frequency transit areas in mixed use districts. Deputy Mayor Nieuwenhuis agreed as well.

Councilmember Stokes suggested keeping an open mind and asking the Planning Commission to study the issue.

Councilmember Zahn concurred and said she would like the Planning Commission to broadly explore the appropriate locations for micro-apartments.

Councilmember Barksdale said he favors allowing the Planning Commission to explore a number of options as well.

Mayor Robinson said staff will provide the geographic scope map to the commission and ask for their recommendation.

Councilmember Robertson said that, as liaison to the Planning Commission, she will brief the commission on the Council's discussion.

→ Deputy Mayor Nieuwenhuis moved to direct staff to initiate a Land Use Code Amendment (LUCA) to enable and encourage micro-apartments. Councilmember Stokes seconded the motion.

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

(c) Budget Update – Utilities Department Proposed 2023-2024 Operating Budget and Rates, and 2023-2029 Capital Investment Program (CIP) Plan

Ms. Carlson introduced staff's presentation of the Utilities Department budget and utility rates.

Nav Ota, Director of the Utilities Department, said staff is seeking Council input regarding the Utilities Department's 2023-2024 operating budget, utility rates and 2023-2029 Capital

Investment Program (CIP) Plan. She noted that overall budget discussions will continue into November, with Council adoption of the budget tentatively targeted for November 21.

Ms. Otal said the Utilities Department delivers water, wastewater, storm and surface water, and solid waste services in a manner that is environmentally responsible and cost competitive. She said the services impact the quality of Bellevue neighborhoods and the natural environment and are also vital to the economy.

The utilities operate as enterprise funds within the City structure, and each utility is a self-sustaining, standalone business that must be financially self-supporting. The rates paid by customers are the primary funding resource and the utilities are infrastructure intensive. Ms. Otal said that approximately half of the Utilities Department's budget covers external costs (e.g., water supply and wastewater treatment costs) which are not controlled by the City. She said utilities are highly regulated, which adds to the operations costs.

Ms. Otal compared Bellevue's water, sewer and storm water rates with surrounding jurisdictions, noting that Bellevue falls approximately in the middle of the list of other cities in terms of residential, multifamily and commercial rates. She noted that strong financial policies address funding for current and future expenses, pass-through wholesale costs, predictable and uniform utility rates, and long-term capital investments.

The Utilities Department budget totals \$378.1 million and approximately half of the costs are driven by external factors, including taxes, support services and wholesale costs for water supply and wastewater treatment. Ms. Otal said the majority of the budget, \$318 million, is in the 2023-2029 CIP Plan: 1) aging infrastructure, \$262 million, 2) environmental preservation, \$41 million, 3) operational efficiency, \$11 million, and 4) capacity for growth, \$4 million.

Ms. Otal presented the 2023-2028 utility rates forecast, noting a 6.7 percent increase in 2023 and a 5.8 percent increase in 2024. Increased costs for wholesale water supply and wastewater treatment are responsible for one-third of the rate increases. Rates from 2025 through 2028 are anticipated to increase by approximately 6 percent annually.

Ms. Otal described the impact to a typical residential utilities bill. A monthly bill of \$197.44 increases to \$210.62 in 2023 and \$222.81 in 2024. She noted that both Redmond and Issaquah have their own water supply source and lower rates. Kirkland and Bellevue buy all of their water from the Cascade Water Alliance. Ms. Otal said another reason for the rate differences between jurisdictions is that Bellevue provides adequate funding to replace aging infrastructure over the Utilities Department's long-range capital plan. She said Bellevue is one of the few cities in the country that is putting aside adequate funding for infrastructure replacement.

Ms. Otal said the City has three programs to support residents with financial need. The emergency assistance program provides temporary relief by waiving up to four months in utility bills. In addition, a 70-percent discount is available for low-income seniors and disabled residents and a utility tax rebate is available for certain low-income households.

Ms. Otal said the Environmental Services Commission discussed two policy issues for consideration for 2024: 1) transition to monthly billing, and 2) recovery for credit card costs. She said staff will bring these topics back to the Council next year for discussion.

Councilmember Lee, liaison to the Environmental Services Commission, expressed support for the proposed Utilities Department budget and thanked the commission for their hard work. He said the commission had robust deliberations about the budget and rates throughout the year. He said he worked closely with the commission to ensure that the proposed budget allows Bellevue to continue to deliver reliable, high-quality utility services into the future. While rate increases are never easy, they are necessary to continue to provide essential services. Mr. Lee said he has worked with staff on efforts to pursue external funding to mitigate rate adjustments. He thanked staff for continuing to pursue grant funds for utility functions.

Vanja Knezevic, Chair of the Environmental Services Commission, said the commission advises the City Council regarding water, sewer, storm and surface water, and solid waste programs including planning, budget, rates, capital financing and policies. The commission reviewed the utilities budget over a series of nine meetings and collected public input regarding the CIP Plan through an online open house. The commission held a public hearing regarding the budget and utility rates on September 1. Ms. Knezevic said the commission voted unanimously in support of the proposed 2023-2024 operating budget and rates and the 2023-2029 CIP Plan.

Councilmember Barksdale thanked Chair Knezevic and staff for the presentation. He recalled the previous presentation to the Council by the Cascade Water Alliance. He said he asked Cascade to conduct a regular detailed review of the information used to determine the membership fees for member cities. He said Cascade is in discussions with Seattle Public Utilities regarding a contract extension.

Responding to Councilmember Zahn, Ms. Otal said there is sufficient funding for the customer discounts and rebate programs. Ms. Otal said the City could market the programs better and increase public outreach efforts. She said there has not been much growth in the number of people accessing the programs. She said the City received approximately \$100,000 from the State for a program managed by Hopelink to help Bellevue customers pay overdue bills. In further response to Ms. Zahn, Ms. Otal said the City works with human services agencies to assist individuals and Bellevue is one of the few cities that provides rebates to multifamily residents.

Ms. Knezevic agreed with the need to do more public education with multifamily residents. She said she too has been surprised at the low utilization of the programs, especially during the pandemic.

Deputy Mayor Nieuwenhuis noted the significant increase in rates in 2028. Ms. Otal said the increase is due to the King County Solid Waste Division, which anticipates an annual rate increase of nine percent beginning in 2028. Mr. Nieuwenhuis thanked Ms. Otal for describing Bellevue's approach to infrastructure reserves compared to other cities and agencies. He thanked staff for listening to residents who have asked the City to consider monthly billing to enhance predictability for customers.

Responding to Mr. Nieuwenhuis, Ms. Knezevic said the commission has had robust conversations about what to do about the credit card charges.

Councilmember Robertson thanked staff and the Environmental Services Commission for their work. She thanked Councilmember Barksdale for serving on the Cascade Water Alliance Board.

Ms. Robertson expressed support for the Utilities Department's policy to provide adequate infrastructure reserves. However, she expressed concern regarding the projected rate increases over the next 10 years. She said it would be good to use the capital budget to create more water supply and drive down water rates. She noted a reference to a groundwater well project to increase supply.

Ms. Otal said the City is currently pursuing groundwater primarily for emergency supply. She said the City does have water rights and is looking at the feasibility of developing wells. If the City wanted to use those wells as a water source, it would be necessary to work with Cascade. Ms. Otal said she would like to have some level of independent water supply.

Councilmember Robertson concurred with Councilmember Lee's suggestion to continue to pursue grant funds for projects.

Referring to the water, sewer and storm water connection fees in Bellevue, Ms. Robertson said the charges are typically paid upfront by the developer in other cities. In Bellevue, it appears that the charges are paid over a 10-year period by the customer. She asked how often the City updates connection charges. Ms. Otal said the charges are reviewed annually and they do recover the cost of buying into the City's infrastructure. She said Seattle allows customers to pay over 10 years or to pay the full amount upfront. Ms. Robertson said she would like the Utilities Department to explore the option for customers to pay upfront instead of adding to their bills for 10 years.

In further response to Ms. Robertson, Ms. Otal said that any one-time monies, for example from the hypothetical sale of utility property adjacent to Marymoor Park, would go into the corresponding fund, which in that case would be the sewer fund. The money would be used to fund replacement reserves, which helps to keep rates from fluctuating.

Councilmember Stokes expressed support for the Utilities Department's maintenance of reserves. Responding to Mr. Stokes, Ms. Otal said the department has a robust asset management program, and staff assesses the probability and potential consequences of failures on an ongoing basis. Ms. Otal said the City is replacing five miles of pipe every year, which is more than most other jurisdictions.

Mr. Stokes expressed support for the Utilities Department's budget and utility rates. He supports exploring the option for monthly customer billing.

Mayor Robinson said the cost of utilities makes housing even more expensive. She expressed concern regarding the proposed rate increases over the next 10 years. She would like King

County to start looking at waste management techniques for reusing resources. Ms. Robinson thanked staff for their forward-thinking approach and proactive management of resources.

Councilmember Lee noted that he serves on the King County Regional Water Quality Committee and he shares his colleagues' concerns regarding the projected increases in King County's wastewater treatment rates. He complimented staff and the Environmental Services Commission for their work.

11. Land Use: None.
12. Other Ordinances, Resolutions, and Motions: None.
13. Unfinished Business: None.
14. New Business: None.
15. Executive Session: None.
16. Adjournment

At 9:06 p.m., Mayor Robinson declared the meeting adjourned.

Charmaine Arredondo, CMC  
City Clerk

/kaw