

CITY OF BELLEVUE  
CITY COUNCIL

Summary Minutes of Extended Study Session

February 28, 2011  
6:00 p.m.

Council Conference Room 1E-113  
Bellevue, Washington

PRESENT: Mayor Davidson, Deputy Mayor Lee, and Councilmembers Balducci, Chelminiak, Degginger, Robertson, and Wallace

ABSENT: None.

1. Executive Session

The meeting was called to order at 6:03 p.m., with Mayor Davidson presiding. He noted that an Executive Session was scheduled for the end of the meeting.

2. Communications: Written and Oral

- (a) Will Knedlik spoke regarding East Link light rail and last week's attack on the Council majority for its position relating to the B7 alignment. He alleged that the assault was financed by Sound Transit taxpayers and instigated by Sound Transit senior management. He expressed support for the Council's majority position, and proposed the appointment of a Bellevue resident to Sound Transit's Citizen Oversight Panel (COP). He complimented Deputy Mayor Lee's composure at last week's meeting while the Council was under attack for its light rail alignment preference. Mr. Knedlik submitted his comments in writing on Interstate 90 Users Coalition letterhead, along with the Sound Transit COP Year-End 2010 report.
- (b) Doug Exworthy, TRF Pacific, stated that he and his partners are in favor of improvements to the City. However, TRF is concerned that insufficient consideration has been given to property owners and the impacts of improvements planned for 120<sup>th</sup> Avenue in the Wilburton district. TRF believes that any benefits of the improvements are general benefits and not special benefits to only those properties in the proposed LID boundary. TRF looks forward to bringing Uwajimaya to the neighborhood soon, and would like traffic congestion at the entrance to the store and along NE 6<sup>th</sup> Street to be addressed. Mr. Exworthy reiterated that TRF does not believe there is a special benefit to properties in the proposed LID. [A letter from Mr. Exworthy/TRF is included in Council's desk packet.]

3. Study Session

(a) Council Business and New Initiatives

Councilmember Balducci asked whether the Council will be receiving a more detailed response regarding the Seattle School District's small business program.

City Manager Steve Sarkozy explained that the situation is under review and information will be provided to the Council shortly. The City was involved with the program for approximately one month, believing it would be a good way to train small business owners. However, the City quickly realized there was non-performance on the contract and withdrew from the program. The City's loss is tentatively estimated at \$40,000.

The Police were called in to investigate for possible fraud, and the prosecutor decided against pursuing criminal charges, believing it was a contractual matter. The City's audit team worked with the State Auditor and ultimately with the audit team working with the Seattle School District to continue to investigate. More details will be provided as they become available. Mr. Sarkozy said the possibility of recovering the loss is low.

Councilmember Balducci noted the Council's fiduciary responsibility and thanked staff for their attention to this matter. She noted the diligence applied to researching arts and human services organizations funded by the City, and said she would like to see the same discipline in the economic development program.

Councilmember Degginger reported that he received a number of compliments over the past few weeks related to the City's snow and ice response. He thanked Mike Jackman and the City's crews for their good work.

Noting comments during Oral Communications, Councilmember Robertson said that if a position is available on Sound Transit's Citizen Oversight Panel (COP), she would like the City Council to make a recommendation.

Councilmember Balducci said there have been vacancies for some time, and a series of applicants have been under consideration. Two members were appointed last Thursday. She was not sure of the number of remaining positions or whether citizens can still apply. She clarified that this is not a nomination process, but individuals may apply.

Responding to Mayor Davidson, Ms. Balducci said the required qualifications for COP members are outlined by law. Sound Transit's intent is to maintain a balance of specific areas of expertise and geographic representation.

Councilmember Chelminiak congratulated the Newport High School women's gymnastics team for becoming the 4A state champions.

(b) 2011 Annual Comprehensive Plan Amendment (CPA) Proposals

City Manager Steve Sarkozy opened discussion regarding the 2011 annual Comprehensive Plan Amendment (CPA) proposals.

Paul Inghram, Comprehensive Planning Manager, reported that the City received one application for a privately initiated CPA. The Ren-Fu CPA is located at 1112 and 1114 Bellevue Way SE. The proposal is to change a half-acre site from single-family high density (SF-H) to multifamily medium (MF-M). The Planning Commission will review the proposal, hold a threshold public hearing, and make a recommendation for the Council's consideration. At that point staff will ask the Council to establish the annual CPA work program, including any City-initiated CPAs that might be proposed. Mr. Inghram said staff anticipates potential CPAs modifying some of the street project descriptions to make them consistent with projects along 120<sup>th</sup> Avenue NE and NE 15<sup>th</sup>/16<sup>th</sup> Street. An additional CPA is anticipated to clarify the definition of the master planning process.

Noting that the Council may initiate CPA proposals, Deputy Mayor Lee recalled that approximately one year ago the Council initiated an extension of the time period for development permits due to the economic downturn. He questioned whether people have taken advantage of this modification. Mr. Inghram clarified that the previous action modified the Land Use Code and was not a Comprehensive Plan amendment.

In further response to Mr. Lee, Mr. Inghram said the last significant work on the Economic Development element of the Comprehensive Plan was during the 2004 update. The City has reviewed the planning for each major employment center over the past several years to address economic development issues at that level.

Deputy Mayor Lee suggested it would be appropriate to develop a more strategic and broader vision for economic development within the Comprehensive Plan.

Councilmember Wallace said Mr. Lee's suggestion dovetails nicely with recent discussions by the Council Economic Development Working Group. Mr. Lee said it would be good to identify a public outreach strategy for this planning effort as well.

Councilmember Degginger recalled discussion during the Council's 2010 retreat about whether the City should seek an urban center designation for the Eastgate/Factoria area. He noted developing urgency to consider this further, given the current context of transit and light rail planning.

Mr. Inghram said staff can look at the criteria for urban centers and evaluate how well they match up with the population and employment figures for the Eastgate/Factoria area.

Mr. Degginger suggested that the issue could be addressed as part of the current planning effort for the Eastgate area.

(c) South Bellevue Potential Annexation Areas (PAAs)

Mr. Sarkozy opened discussion regarding South Bellevue's Potential Annexation Areas (PAAs).

Dan Stroh, Interim Director of Planning and Community Development, noted the City's longstanding interest in annexing remaining PAAs. Bellevue is currently 32 square miles, and the remaining PAAs (Eastgate, Tamara Hills, and Hilltop/Horizon View) total approximately one square mile. The state Growth Management Act designates cities as the appropriate urban services providers.

Mr. Stroh said staff believes this is a good time to pursue annexation of the remaining areas, as County services are being reduced. The PAAs have some infrastructure needs, and it is beneficial to the City to take these on sooner rather than later. Mr. Stroh noted the potential for sales tax, property tax, and other revenues, and the interest of residents in annexation by Bellevue.

Nicholas Matz, Senior Planner, described the three areas, which are predominately single-family residential. The total assessed valuation for the three areas is approximately \$1 billion, and there are 5,500 residents in 2,123 households. Mr. Matz reviewed the current service levels within the PAAs including Fire and Police services, water utilities, and non-resident parks and recreation fees through the City of Bellevue. The water and sewer infrastructure has aged but functions sufficiently, and there are storm water issues associated with residential flooding. Mr. Matz noted zoning and subdivision impacts, including lot splits and non-conforming issues related to the age of the infrastructure.

Mr. Matz said the demographics of the Eastgate area have shifted to younger households, which is a significant change from the area's demographics 20 years ago when annexation was proposed. The community continues to raise issues related to safe pedestrian access, and the City recently completed a project supporting pedestrian access to Eastgate Elementary School. Residents have also expressed concerns about law enforcement non-emergency response in the unincorporated areas.

Mr. Matz described the Tamara Hills area, which has a population of 211 in 78 households. It is surrounded by Bellevue. However, residents have not approached the City about annexation.

Hilltop and Horizon View have a population of 376 in approximately 149 households. Mr. Matz said that Hilltop and Horizon View have a strong community identity and are interested in annexation. Residents and the City have been addressing issues related to the City's level of regulatory review, especially in the Hilltop area, as compared to the County's level of development review.

Mr. Matz reviewed estimates of revenues and expenditures related to the annexation areas. Primary revenues include property tax, utility tax, state-shared liquor taxes, and state-shared motor vehicle fuel taxes. Major expenditures fall into the areas of Police, Fire, Parks and Community Services, and Transportation. Based on these estimates, there is a net annual operating deficit of \$1.1 million.

Mr. Matz explained that the state sales tax credit is now available to the City, which would fill the budget gap for a period of 10 years following annexation. The annexation must be underway by 2015 to qualify for the credit. It is not a new tax, but diverts some of the State's revenue to the City of Bellevue for purposes related to annexation.

Mr. Matz briefly reviewed estimates for the tax implications to homeowners, which demonstrate that an individual residential property owner will pay lower total taxes in Bellevue than in unincorporated King County. He described the annexation methods available in Washington, and explained that the direct petition method is recommended for a number of reasons. The state sales tax credit is available only for annexation through direct petition or election, and the direct petition method allows the City to be more involved with annexation proponents.

The annexation can be managed within existing City resources, and the labor-intensive aspects of petition gathering would be done by residents. The City would have an information and facilitation role. Each of the three PAAs would have its own direct petition campaign, but would be coordinated by the City as one effort.

Staff is requesting Council direction about whether to initiate a South Bellevue annexation program using the direct petition method. Mr. Matz reviewed the steps to be followed toward an annexation effective date of April 2012.

Responding to Deputy Mayor Lee, Mr. Matz said the state sales tax credit involves the City establishing a threshold amount, or an estimate of the highest amount that the City would recover over the 10-year period. The State remits tax revenues to the City as municipal services costs are spent in the annexation areas.

Mr. Stroh said the 10-year credit is available now but might disappear if the City misses this window of opportunity. He explained that annexations of residential areas typically experience a deficit for some time, while commercial areas tend to do a better job of enhancing revenues.

Mayor Davidson noted that the state sales tax credit applies only to operating costs and not to capital expenditures.

Responding to Mr. Lee, Mr. Matz said the state sales tax credit for Bellevue lowers the state's share because some of their revenue is diverted to the City for annexation-related purposes.

Councilmember Degginger stated that it took a lot of work to convince legislators to include Bellevue in the state sales tax credit program. He urged moving forward to take advantage of the tax credit for 10 years.

Responding to Councilmember Robertson, Mr. Stroh said the County has been supportive of the City annexing the remaining PAAs. The Interlocal agreement and repayment schedule for 150<sup>th</sup> Avenue dates back to when the County had a different attitude toward annexation. Staff believes

that the County will be willing to terminate that agreement and to facilitate annexation moving forward.

Councilmember Robertson said she will be interested to see an analysis of the PAA capital needs. She expressed support for the Newport Way sidewalk project requested by residents, which connects Tyee Middle School, South Bellevue Community Center, and Newport Way Library. She supports directing staff to work with residents through the direct petition method.

Councilmember Balducci expressed support for moving forward with annexation and ultimately addressing capital infrastructure needs.

Councilmember Chelminiak said that annexation is the right thing to do, and this is the right time to do it. He noted that the areas will benefit from a higher level of urban services.

→ Councilmember Chelminiak moved to direct staff to initiate the South Bellevue PAA annexation work program through the direct petition method. Councilmember Robertson seconded the motion.

Councilmember Wallace expressed support for moving forward. He questioned whether administrative and legal costs are considered in the calculations. Mr. Matz said staff looked at the major operating departments. However, staff will provide a greater level of detail including every annexation operating cost and revenue.

Councilmember Wallace questioned improvements to school athletic facilities. Mr. Matz said the City has a joint operating agreement with the Bellevue School District to invest in sports fields and similar facilities.

Councilmember Wallace said he would like a bigger, long-term picture of the implications of annexation.

City Manager Sarkozy noted, for those in the audience who might not be familiar with annexation, that this is not a matter of Bellevue trying to take over smaller areas. This effort is fully supported by King County, and would be a collaborative effort with the County and residents.

Deputy Mayor Lee expressed support for annexation. However, he wants to fully understand the financial liabilities and capital obligations before the annexations are approved.

Mayor Davidson commented that King County is not investing in infrastructure in the potential annexation areas. He noted that the areas are all residential. In addition to paying property taxes, the residents contribute to Bellevue's retail sales tax collections. Annexation provides an opportunity for these residents to benefit from infrastructure investments funded through taxes and other revenues.

→ The motion to direct staff to initiate the South Bellevue PAA annexation work program carried by a vote of 7-0.

- (d) Continued discussion of the Hearing Examiner's Findings, Conclusions and Recommendation regarding the proposed Wilburton Connections Local Improvement District (LID) for the purpose of constructing an extension to NE 4th Street between 116th and 120th Avenues NE and constructing improvements to 120th Avenue NE between the NE 4th Street extension and NE 8th Street.

Councilmember Degginger noted that he will continue to recuse himself from participating in the consideration of this item because his law firm represents a party affected by the proposed Local Improvement District (LID).

City Manager Sarkozy summarized that the Wilburton Connections LID has been discussed on a number of occasions, including the Council's approval in September 2010 of Resolution No. 8141 declaring the intent to consider the formation of the LID.

Transportation Director Goran Sparrman noted the memo in the meeting packet, which provides written responses to previous questions from the Council. He also noted a clarification from the Hearing Examiner regarding his recommendation on this matter.

Councilmember Robertson questioned whether the income-based valuation method was ever considered in calculating special benefit. Mr. Sparrman said there were early discussions about the best method for calculating special benefit, and the method chosen was considered to be the most conservative. Monica Buck, Assistant City Attorney, concurred that the method used was the most appropriate for this situation.

Councilmember Robertson recalled a question she had raised earlier about combining Wilburton Connections projects with other Mobility and Infrastructure Initiative projects into one LID. She interprets the meeting materials to state that it would slow things down, and that the City would risk losing federal grant funding for the 120<sup>th</sup> Avenue NE and NE 4<sup>th</sup> Street projects.

Mr. Sparrman said if the City were to add more projects to the LID, a new special benefit analysis would need to be completed. This would take approximately one year, which would miss some of the targets for obligating the federal grant money. Mr. Sparrman said the special benefit assessment is based on analyzing the two specific projects proposed for this LID. If more projects are added, the special benefit changes and it is likely that assessments would increase.

Councilmember Robertson noted that Phase 2 of the 120<sup>th</sup> Avenue NE project could involve another LID, and some of the properties potentially overlap both areas.

Mr. Sparrman said staff's work program will look at the future Bel-Red Corridor LID, which includes 120<sup>th</sup> Avenue NE Phase 2 and other projects. He confirmed that some properties could have a special benefit from multiple LIDs.

Councilmember Robertson noted that the new project estimates reflect a potential \$10 million in savings on the Wilburton Connections project as a whole. The LID is \$10 million. If the overall project is \$10 million less, why would the federal grant money be at risk?

Mr. Sparrman clarified that the Puget Sound Regional Council (PSRC), which distributes the federal grant funds, does not care how the City funds the project, as long as it is fully funded. He said this is a funding decision for the City Council, whether to fund through an LID or some other mechanism.

Councilmember Robertson questioned whether the City has ever issued an LID in a situation in which there was no property owner or tenant within the LID boundary in favor of the proposal.

Nancy LaCombe, Capital Projects Manager, said that state law requires that property owners representing 40 percent of the assessed value must approve of the LID before it can be formed. If no property owners are in favor, the LID is not formed.

Mr. Sparrman noted that previous LIDs were many years ago, and staff is not familiar with who was in favor or against their formation. The City does have a list of LIDs from the 1970s through the 1990s, and the projects they were formed to support.

Councilmember Chelminiak asked staff to review the map of historic LIDs.

Councilmember Balducci noted the concerns of adjacent property owners that the design of the road projects harm access to their properties. She asked how this is considered within the LID process.

Mr. Sparrman explained that, with any project, the City attempts to maximize benefits for everyone while maintaining safety. Access restrictions are sometimes necessary in order to avoid congestion and keep the roadway safe. As the project goes forward, staff will continue to work with property owners to optimize access as much as possible.

In further response, Mr. Sparrman said he knows there is a concern about left-turn access at NE 7<sup>th</sup> Street to go north on 120<sup>th</sup> Avenue NE, which can be problematic now at peak periods. However, after NE 4<sup>th</sup> Street is extended, also providing access to points north, the left turn access at NE 7<sup>th</sup> Street becomes less of a priority. The City is working to accommodate left-turn access in this area for as long as possible.

Deputy Mayor Lee said he is having trouble with this issue. He is concerned about the ability to distinguish between a special benefit versus a general benefit. It is unfair for people who might not realize the benefit to be assessed. Mr. Lee believes that the LID is creating uncertainty and a burden for business owners, particularly within the given economy. He would like to hear more about the determination and certainty of special benefits. He is ready to listen to the discussion, but he is not ready to support the formation of an LID.

Mr. Sparrman referred to page 3-32 of the meeting packet, which describes the special benefit methodology. This methodology has been court-tested and found to be quite conservative and defensible. The analysis shows that there is a special benefit for properties within the proposed LID boundary.

Councilmember Chelminiak went back to the map of historic LIDs. Ms. LaCombe noted which colors correlate with each decade (1970s, 1980s, and 1990s). Responding to Mr. Chelminiak, Ms. LaCombe said there have been instances in which residential properties were subject to LID assessments.

Eric Miller, Capital Program Manager, explained that the map shows only LIDs associated with major road projects. There are many other local street improvements that provided special benefits to residential properties. Ms. LaCombe said there have been pavement overlays in some neighborhoods that involved residential assessments, and these were petitioned by the citizens.

Responding to Mr. Chelminiak, Ms. LaCombe said the assessments have ranged from 20 percent to 65 percent of total project values.

Councilmember Chelminiak commented on commercial development and LIDs in Bellevue throughout the 1970s and 1980s. He noted that commercial properties in the Wilburton area were primarily auto dealers, and it became clear a number of years ago that these dealers were being priced out by the cost of the land. With the prospect of transit improvements, the City is refocusing on commercial development in the Bel-Red area, which has led to the consideration of LIDs. Mr. Chelminiak believes it is appropriate to form an LID to recommercialize the Wilburton area. The specific benefit analysis indicates that properties do receive a benefit. Mr. Chelminiak recalled that the intent of the Mobility and Infrastructure Initiative (MII) was to fund large projects through a number of resources, and to avoid using funds from the capital budget that have already been allocated to other projects.

Mr. Chelminiak stated that this has been a difficult issue to analyze. However, he noted that a special benefit has been identified, and the Council's policy for MII projects includes using a number of funding sources. He suggested considering an 80/20 split for the Wilburton Connections LID, and seeing whether that is supported.

Responding to Mayor Davidson, Mr. Sparrman said staff is tentatively planning to bring back an ordinance next week for Council action. If approved, the ordinance will authorize bond financing to ensure the project is completed. Once the project is finished, the special benefit analysis will be repeated. At that point, the Council will act on the final assessment roll and establish the assessment ratio. The assessment rate can be set to recover any specific percentage of the special benefit.

Mr. Sparrman clarified that the final assessment level cannot be higher than the assessment ratio set in the ordinance to form the LID, and Ms. Buck concurred.

Councilmember Wallace said the meeting materials reference a study by Heartland, and he would like a copy of that study. Mr. Sparrman said that was the original feasibility study for the Bel-Red corridor. Heartland conducted a broad analysis and outreach to property owners to explore the LID concept. It did not involve property-specific assessments.

Mr. Wallace observed that the Heartland study indicated the potential for approximately \$56 million in LID assessments within the Bel-Red corridor and Wilburton area. Mr. Sparrman said that \$46 million was proposed for the Bel-Red area and \$10 million for Wilburton.

Councilmember Wallace stated that his concerns about the special benefit area have not been addressed, and he is trying to determine what would be fair. He observed that the projects put a road through KG's property, Best Buy's property, and Home Depot's property. He agrees that creating a new road reflects a special benefit. However, other businesses already have a road, and he does not see the special benefit for them.

Mr. Wallace suggested that the three properties associated with the NE 4<sup>th</sup> Street project could voluntarily create an LID based on their special benefit. He said that the LID process should be considered separately from the funding for the project. The NE 4<sup>th</sup> Street and 120<sup>th</sup> Avenue NE projects are the most important regional transportation projects in the capital budget. It is impossible to say how much revenue the City will get from that LID because the special benefit analysis could change at the end of the project, after several years.

Councilmember Wallace suggested clarifying that NE 4<sup>th</sup> Street is the most important mobility project, and then prioritizing capital budget revenues to fund it whether there is an LID or not. He does not feel this is a fair assessment for properties within the LID boundary, and he would prefer to drop the subject.

Councilmember Balducci recalled that the Council adopted the Mobility and Infrastructure Initiative financing plan, which included LIDs as a funding mechanism. She said the issue comes down to whether this particular application is supportable by Councilmembers. She suggested moving forward with staff drafting an ordinance, in order for the Council to take action to resolve the matter. She feels that there has been sufficient review and discussion of the issues, and it is time to take a vote.

Councilmember Robertson addressed the issue of basing the special benefit on the potential for a future upzone. She referred to a letter and read that: "the upzone is not automatic, even once the street improvements are completed. The current City Council cannot bind future Council's upzone decisions. Once the improvements are completed, the future Council must review and decide on any future rezone. Such rezone may or may not be requested, and such a rezone may or may not be approved. It is therefore illegal to assume increased values resulting from an upzone."

Ms. Robertson asked Ms. Buck whether it is her legal opinion that a special benefit can be assessed based on a future upzone that may or may not happen. Ms. Buck responded in the affirmative. She explained that the Macaulay and Associates' appraisal on properties that could

be upzoned is based on the difference between the fair market value of the property before and immediately after the project is constructed. The Comprehensive Plan indicates that once the NE 4<sup>th</sup> Street and 120<sup>th</sup> Avenue NE projects are completed, certain properties will be eligible for an upzone. A market appraisal indicates that an individual would pay more for properties with an upzone potential. Ms. Buck said the additional value identified by the appraiser was approximately 25 cents per square foot.

Responding to Councilmember Robertson, Ms. Buck said the City's legal opinion is that a special benefit can include the value of a potential upzone.

Councilmember Balducci stated her understanding of the issue, which is that the special benefit was calculated with consideration given to the fact that the potential for an upzone could provide some marginal increase to the sales value for a willing buyer. Ms. Buck concurred, noting that there will be a public hearing before the final assessment roll. At that time, the City and property owner can resolve the issue.

Councilmember Robertson said she would like to resolve the matter tonight by proposing a motion to discontinue the formation process. NE 4<sup>th</sup> Street and 120<sup>th</sup> Avenue NE is an important project, and she is pleased that nearly \$10 million in savings has been found in the design of the project. There is sufficient funding for the project without the LID. Ms. Robertson said that for her to support an LID, the project needs to be local in nature and to have a true special benefit that is clearly defined. She is willing to support LIDs that have strong support by the property owners. However, the Hearing Examiner's report indicates that not a single property owner came forward to speak in support of the proposal.

Ms. Robertson noted that the City has not raised property taxes for the past two years, and it is not right to impose taxes on the proposed LID properties. Ms. Robertson said that commercial properties contribute to a number of taxes and participate in paying impact fees and other fees if they redevelop. If an LID is established for the proposed area, she feels it should extend to the second phase of the 120<sup>th</sup> Avenue NE project.

→ Councilmember Robertson moved to direct staff to discontinue the Wilburton Connections LID formation process. Councilmember Wallace seconded the motion.

Mayor Davidson said he is in favor of moving forward with the LID.

Councilmember Chelminiak said he too had hoped to resolve the issue tonight. However, he is not sure that is possible. He suggested withdrawal of the motion, followed by Council direction to staff to prepare an ordinance for Council action next week.

Councilmember Robertson questioned the effect of a tie vote and action scheduled for next week's meeting. City Clerk Myrna Basich said that a tie vote would fail for lack of a majority. She read from Council Rules which state that in the case of a tie vote, an absent member or member whose participation is allowed under Section 10(c) of the Rules may participate when

the question is again brought forward, except when not allowed by state law. Section 10(c) appears to not apply in this situation, and the action would be sorted out next week.

~~Councilmember Robertson offered to withdraw her motion.~~<sup>1</sup>

Councilmember Chelminiak said he would like a definitive vote on the issue.

Councilmember Balducci observed that a great deal of time has been spent on this issue by staff, citizens, and the Council. She would like to have a substantive document before the Council for a vote, and to wrap up this issue.

Deputy Mayor Lee said he cannot support an LID in the current economic conditions. He would vote to discontinue the formation process at this time.

Mr. Sarkozy said he has heard complete support for the project, and support to keep this moving at a fast pace. The concern is the source of funding for making the project occur. There has been a change in the view about what sort of funding mechanisms might be appropriate, given the change in the Council makeup and in the economy. Mr. Sarkozy noted that a significant amount of federal funding is at risk. He observed that the Council has been talking about eliminating a source of funding without talking about how the funding would be replaced.

Continuing, Mr. Sarkozy suggested that the Council can adopt an ordinance, to keep the project moving forward. After the road project is completed, the Council will determine the appropriate assessment level. The City Attorney's Office has explained that the assessment level can be lowered in the future, even to zero. Moving forward with an ordinance provides the time to find substitute funding, if desired. Mr. Sarkozy cautioned against losing \$8.2 million in federal funding, and reiterated that the Council can designate the specific assessment level in the future.

Councilmember Chelminiak expressed an interest in revenue estimates for 50-percent and 60-percent assessment levels, which he would like to see before voting on an ordinance next week, if that is how the process moves forward.

Responding to the Council, Mr. Sparrman said that current project estimates indicate a funding shortfall of \$3.54 million if the LID is not approved.

Councilmember Balducci said that this is her eighth year on the Council, and she cannot recall a time in which the City Manager suggested a specific course of action to this extent. She said he typically does not make suggestions because he respects the City Council's role as the policy-making body. However, she feels that Mr. Sarkozy wanted the Council to have some information that he considers necessary in making thoughtful, conservative financing decisions. She expressed support for keeping all options on the table and moving forward with an ordinance.

Responding to Deputy Mayor Lee, Mr. Sarkozy clarified that he is suggesting that there are two potential problems in the making. One is this initial project, which would have a budget gap of

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<sup>1</sup> Revision approved with adoption of meeting minutes on March 21, 2011.

\$3.5 million. The bigger problem of concern to Mr. Sarkozy is that the City spent a great deal of time analyzing the financing structure for the Mobility and Infrastructure Initiative, which includes the use of LIDs. Given this considerable investment of staff and Council time, changing that policy at this point, with nothing new in place, makes it impossible to know how to move forward.

Mr. Sarkozy explained that moving forward with an LID formation ordinance gives the Council time to reevaluate the funding strategy for the overall Mobility and Infrastructure Initiative. Once the NE 4<sup>th</sup> Street and 120<sup>th</sup> Avenue NE Phase 1 project is completed, the Council will set the assessment level, which can be set at zero if other funding has been identified by that point in time.

Deputy Mayor Lee stated that other funding sources could be identified now. He suggested that money in reserves could be used to cover the \$3.5 million project shortfall.

Mayor Davidson called for a vote.

→ The motion failed by a tie vote of 3-3, with Councilmember Degginger recused.

Mayor Davidson commented on concerns throughout the region about the federal government's efforts to withdraw funding on a number of projects.

Councilmember Robertson said that the \$3.5 million project shortfall, without the LID, could be lowered or eliminated by some of the design options under consideration.

Mr. Sparrman clarified that the options referred to by Ms. Robertson are predicated on design solutions that the City cannot promise today, including voluntary property sales from third parties.

Councilmember Chelminiak expressed concern about funds that have been redirected from citywide capital projects to the Mobility and Infrastructure Initiative. He noted that the purpose of the MII financing plan was to complete projects within the Bel-Red corridor using alternate revenue sources that would not compromise the regular Capital Investment Program.

→ Councilmember Wallace moved to allocate \$3.5 million from the Council Contingency Fund to the NE 4<sup>th</sup> Street and 120<sup>th</sup> Avenue NE project, until such time that staff can come up with an alternative solution. Deputy Mayor Lee seconded the motion.

Councilmember Chelminiak indicated that Councilmember Degginger should be present to vote on budget matters. He questioned whether it is in order to propose a budget action without prior public notice.

Mayor Davidson stated that the motion is not appropriate at this time.

Councilmember Wallace withdrew the motion.

At 8:33 p.m., Mayor Davidson called for a five-minute break.

The meeting reconvened at 8:41 p.m., and Councilmember Degginger rejoined the meeting.

(e) Regional Issues

(1) Update on King County Metro's Draft Strategic Transit Plan

Diane Carlson, Director of Intergovernmental Relations, introduced staff from King County Metro to present their strategic plan for public transportation. She noted that the plan comes in part from the work of the Regional Transit Task Force, on which Councilmember Degginger served.

Jim Jacobson, Deputy General Manager of King County Metro, thanked City staff for recent snow removal efforts to keep bus routes open. He provided an overview of the Strategic Plan for Public Transportation, which was transmitted by the King County Executive to the King County Council today. Mr. Jacobson thanked Councilmember Degginger for his effective leadership and participation with the Regional Transit Task Force. Additional guidance is provided by the King County Strategic Plan and the regional Vision 2040 and Transportation 2040 plans. Challenges include regional growth, a funding shortfall, the economic environment, and integration with the evolving regional transportation system.

Mr. Jacobson explained that the 2011 Strategic Plan combines policies and goals from the Comprehensive Plan with strategies and actions identified in the 2007 Strategic Plan. The new plan is supported by a set of service guidelines that will focus near-term actions and performance monitoring. Mr. Jacobson described the goals that the plan delivers, as well as how the goals will be delivered. Objective, quantifiable measures will be developed to monitor service performance, and to adjust performance and focus resources based on these measures.

Mayor Davidson questioned the meaning of the term "geographic value." Mr. Jacobson said the term tries to capture several issues identified by the task force. Within the framework of targeting services to areas with high ridership demand, the concept is that no area should lose all of its service and access to public transportation. There is also an element of tax equity recognizing that all citizens pay taxes and should be getting something in return.

Councilmember Wallace questioned how Metro's mission differs from Sound Transit's mission, and where there are overlaps in service. Mr. Jacobson said Metro's system is a combination of local and regional commuter services, as well as para-transit services. Sound Transit is primarily a builder of rail and an operator of regional, express bus services. The two agencies coordinate with each other to avoid duplicating services within the same corridors. In further response to Mr. Wallace about geographic equity, Mr. Jacobson said Metro works to serve primary population and employment centers in an equitable manner.

Deputy Mayor Lee complimented Metro and Mr. Jacobson on the presentation. He is pleased with Metro's work with the Regional Transit Task Force and the development of performance measures. He said it will be important to focus on funding challenges as well.

Responding to Mr. Lee, Mr. Jacobson said that up until a couple of weeks ago, full funding was in place for the Rapid Ride program. However, some of the federal funding is now at risk. He understands that the Bellevue City Council will discuss, later this evening, about whether to send a letter with the City of Redmond in an effort to maintain this funding.

Councilmember Degginger stated that the term geographic equity was originated by an Eastside member of the Regional Transit Task Force, Councilmember Butler from Issaquah. The concept recognizes that there needs to be some relationship between where the money is raised and where it is spent. Although the relationship is not necessarily intended to be dollar for dollar, there needs to be some sort of balance in service between geographic areas.

Mr. Degginger commented on the importance of the service guidelines, noting that the task force did not have time to get into developing a model for this activity. The idea is to provide objective measures of productivity and efficiency while also ensuring that service is provided to job centers. Social equity refers to serving minority and special needs communities. Mr. Degginger noted that this is a new, complicated paradigm. However, he believes there will be greater transparency than the traditional approach.

Mr. Jacobson said that Metro is just completing a planning exercise with a group of individuals from Bellevue about how to restructure the local service around the Rapid Ride implementation. This type of process has successfully been used for a number of planning efforts, and helps to incorporate local input into service decisions.

Councilmember Balducci questioned the process for developing performance measures and using them to make transit services planning decisions. Mr. Jacobson noted that the last one-third of the document released to the King County Council provides the service guidelines, and outlines how the calculations were made and how the information will be used. The document is available online. Mr. Jacobson said the service guidelines incorporate a wide range of information including ridership estimates, census data, employment centers, and productivity data for existing service.

Councilmember Balducci concurred with Councilmember Degginger that the process needs to be transparent, and stated that the rationale behind the service guidelines and decisions should be clear. Responding to Ms. Balducci, Mr. Jacobson said Metro will consider alternative service delivery other than large buses for areas with lower ridership demand.

Ms. Carlson reviewed the process for City staff and the Council. Staff will review the proposed guidelines at the same time that the Regional Transit Committee is beginning to work through the task force's recommendations. A significant amount of technical work is needed to assess, with Metro, the impacts of applying the performance scores. The information will be shared with the Council as the work is completed.

Responding to Councilmember Balducci, Mr. Jacobson said the intent is not to engage in a major restructuring of the system. However, the strategic plan will be used to guide ongoing system design and management.

Councilmember Chelminiak observed that the 40/40/20 transit approach was not based on objective material. However, policies based on objectives and performance measures will result in good policy. Decisions will ultimately be made by the County Executive and County Council. Mr. Chelminiak hopes the effort will result in a thoughtfully designed system.

Mr. Chelminiak thanked Metro for its comment letter on the East Link Light Rail Supplemental Draft Environmental Impact Statement, and for its support of the Downtown Bellevue tunnel.

Deputy Mayor Lee questioned whether Metro is looking into private-public partnerships. Mr. Jacobson said the partnership programs developed as part of Transit Now and the Rapid Ride project are the only two elements that are currently fully funded, and those partnerships are in place. Metro will place a high priority on partnership opportunities within the strategic plan.

Councilmember Degginger noted the task force's interest in a review of the overhead charges to Metro by King County, and questioned the status of this issue. Mr. Jacobson said the County is implementing a new financial system that will allow some of the questions raised by the task force to be answered more clearly. Mr. Degginger said the task force wondered why different divisions of the County charged overhead to Metro in different ways. This seems to place a higher burden for the agency on paying for services from other County departments instead of using the money for delivering service hours for the public.

Mr. Jacobson explained that the County's financial structure and method of billing departments like Metro was essentially developed by the finance department and is audited by the State, which determines whether practices are appropriate. He confirmed that the County's finance department heard this feedback from the task force. Councilmember Degginger suggested that this issue could be addressed by the Regional Transit Committee.

Councilmember Degginger commented that in discussing the economic growth and built environment goals, the task force talked about recognizing communities that are attempting to meet their growth management targets and to develop increased densities. He questioned whether this has been incorporated into any performance measures. Mr. Jacobson said this has not yet been addressed to any extent due primarily to resource needs, although the concept has been discussed. Mr. Degginger said he hopes that the long-range plan will consider this contingency.

## (2) State Legislative Update

Moving on, Ms. Carlson requested Council approval of draft letters provided in the desk packet. One expresses support for legislation to fix the levy suppression issue related to the King County Flood Control District. The other two relate to federal legislation. One expresses support for

Community Development Block Grant funding and the other supports funding for the Rapid Ride program.

Mayor Davidson suggested that the Council not get into wordsmithing, as he thinks that the letters essentially stand on their own as drafted. He encouraged support of the Flood Control District legislation because it ensures that Bellevue's tax dollars are going to the King County District, as opposed to funding other districts. In addition, Dr. Davidson recalled that favorable language was added the last time the flood control bill was dealt with by King County. He noted one project in the Newport Keys area.

Ms. Carlson explained that, without the bill next year, the Flood Control District would likely face another suppression situation. And if the suppression is large enough, it reaches a point where they will likely choose to not implement it. This year it ended up being approximately \$3 million that the District bought out, which was smaller than anticipated. However, as the Mayor noted, Bellevue did achieve favorable language related to the Newport Keys project.

Councilmember Chelminiak stated his understanding that this year there will be a small buy down, which essentially means that Bellevue taxpayers are subsidizing some, most likely fire, service in other areas. Joyce Nichols, Policy Advisor, said there are eight fire districts within the County.

Councilmember Chelminiak questioned whether a Bellevue resident's tax burden increases if the legislation passes. Ms. Carlson said it would not, but the legislation transfers the County's authority over certain funds to the State. Mr. Chelminiak said it is still unclear to him why the legislation would be good for Bellevue.

Mayor Davidson favors it because it ensures that what Bellevue taxpayers are paying for flood control actually goes to flood control. Ms. Carlson confirmed that it would ensure that flood control money stays in the Flood Control District.

Councilmember Chelminiak expressed concern about the potential for increasing the levy for the Flood Control District and taking more money from Bellevue taxpayers. He does not like the buy down concept.

Ms. Nichols said there is the \$5.90 cap on local government taxation, and \$3.50 that rests with the State. Fifty cents of the total capacity is protected, and the districts that fall within the \$5.90 cap that can be protected are EMS levies, affordable housing, metropolitan park districts, county ferry districts, criminal justice, fire districts, and county transit. This adds flood districts to that group, but does not create any new taxes or new taxing authority.

Councilmember Chelminiak noted that if the legislation passes, the King County Flood Control District (King County Council) could implement an increase. Ms. Nichols said the County does not have plans to increase the tax.

Mr. Lee said he shares Mr. Chelminiak's concerns, and he is not comfortable with supporting the legislation.

Councilmember Degginger said he has problems with the way the levy is set up. Noting that \$3 million was suppressed last year, he said that is essentially the amount that citizens of Bellevue sent to the County Flood Control District.

Responding to Mr. Degginger, Ms. Nichols explained that County Councilmember Hague helped Bellevue to achieve a couple of amendments that addressed some longstanding issues. One is to question the nexus between where the money is collected and where it is spent on projects. Councilmember Hague said that when the advisory committee looks at the six-year capital investment plan, they must consider subregional equity, or equity related to where money is collected. Another amendment that Councilmember Hague was able to pass related to funding for Bellevue's \$20 million Coal Creek project.

Noting the approximate \$350,000 that Bellevue gets back annually, Councilmember Degginger questioned whether the City is banking that for the Coal Creek project. Ms. Nichols said there are two separate pots of money. The subregional Opportunity Fund that provides approximately \$350,000 to Bellevue per year is funding the SE 30<sup>th</sup> Sunset Creek project. The Coal Creek project will be paid for by the Flood Control District as a project on its capital improvement project list.

Councilmember Wallace observed that the Flood Control District is trying to protect flooding in the Kent Valley, which has businesses and industrial uses that are important to the region's economy. He feels there are some good arguments for supporting countywide funding, including Bellevue taxpayer funding, to try to prevent flooding in the Kent Valley and other areas. He feels it would be helpful to communicate to the King County Council that Bellevue would prefer to not increase the tax. However, he supports sending the letter.

Councilmember Degginger said he is comfortable with the letter. He concurred with Mr. Wallace's suggestion to state that Bellevue does not want the County Council/Flood Control District to increase the tax.

Councilmember Chelminiak stated that he appreciates Mayor Davidson bringing the letter back to the Council. He believes the point was solidly made about the importance of the Kent Valley to the overall regional economy. He will support the letter, with the caveat that Bellevue does not want the District to increase the tax.

Councilmember Degginger said there has been flooding in Bellevue in past year, and the City invested \$30 million over 15 years to address the problem. In all of the years that the Green River Flood Control District existed, it never had a capital levy.

Moving on, Ms. Carlson noted the upcoming deadline that any legislation must come out of the House or Senate by Monday. Several bills will impact the City, both positively and negatively.

Councilmember Wallace questioned the I-405 HOT lane issue. He recalled that the Council talked previously about developing a policy, and it is not a matter of implementing HOT lanes because it will generate money that will be spent in Bellevue. He said it appears that the legislation was passed out of committee without any amendments, and now the City will be hoping that the state legislature adds the amendments. He referred the Council to page 3-68 of the meeting packet, and questioned whether Bellevue should send another letter to its representatives clarifying that the City is not supporting HOT lanes without the amendments.

Ms. Carlson reviewed the process, noting that the bill could come up for a House vote tonight or tomorrow. There are five or six amendments, including one from Representative Clibborn to strengthen the requirement that funds raised in the corridor be used for projects in the corridor. Ms. Carlson anticipates that this issue will be addressed in the House. Senator Litzow is expected to address the other amendments when the bill goes to the Senate. Ms. Carlson said that communication from the City Council to state legislators is still very important at this point.

Mayor Davidson suggested that Ms. Carlson distribute a copy of the speaking points he used to the Council for review.

Ms. Carlson reviewed that the three key issues are local street impacts, ensuring that funding mechanisms are studied for unintended consequences, and ensuring that collections are spent within the collecting corridor.

Councilmember Balducci noted the time, and the remaining agenda items that will likely involve extensive discussion.

City Manager Sarkozy suggested postponing the items to March 14.

Councilmember Wallace requested that cost information be added to the presentation on the NE 15<sup>th</sup>/16<sup>th</sup> Multi-Modal Corridor. Mr. Sparrman noted that cost information was provided in the Council's desk packet.

- (f) Review of NE 15<sup>th</sup>/16<sup>th</sup> Multi-Modal Corridor Design Approach

[Postponed.]

#### 4. Executive Session

- (a) Potential litigation

[Postponed.]

At 9:50 p.m., Mayor Davidson declared the meeting adjourned.

Myrna L. Basich, MMC

City Clerk

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