

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Extended Study Session

March 12, 2012
6:00 p.m.

Council Conference Room 1E-113
Bellevue, Washington

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

ABSENT: Mayor Lee

1. Executive Session

The meeting was called to order at 6:09 p.m., with Deputy Mayor Robertson presiding. She noted Mayor Lee's excused absence. There was no Executive Session.

2. Oral Communications

- (a) Bill Hirt provided a brief history of the Sound Transit East Link light rail project. He recalled that, in the 1990s, Option R8-A was chosen for bus service using the I-90 bridge. However, that option was later dropped in favor of placing light rail on the bridge. Mr. Hirt said that light rail service will not ease congestion on I-90 or I-405. He suggested that the City Council should use the permitting process to require that Sound Transit finish adding the fourth lane to each side of the outer I-90 bridge. He noted that the lanes have already been added for the Bellevue-Mercer Island segment. Mr. Hirt submitted his comments in writing.
- (b) Eddie Lin, Perkins Coie, spoke on behalf of the Best Buy store. He reiterated Best Buy's willingness to support a Local Improvement District (LID) if an alternative to the NE 4th Street alignment can be reconsidered.
- (c) Shira Mora asked the Council to change two ordinances that regulate adult cabarets. One prohibits cabarets from operating within 660 feet of houses and apartments, and the other requires that dancers keep a distance of four feet from patrons. She said that the presence of cabarets reduces prostitution and other sex crimes, benefits the economy, and improves the lives of many women by providing an employment alternative to prostitution. She described her research to compile estimates of the number of prostitutes within Bellevue and other cities. She reported that communities with adult cabarets experience lower

levels of prostitution. She spoke about the importance of monitoring club activity, screening for drugs, and charging the dancers low rental rates. Ms. Mora submitted her comments in writing.

3. Study Session

(a) Council Business and New Initiatives

Councilmember Balducci recalled past discussions about the NE 4th Street project. She noted that last week's discussion was fairly abbreviated, and suggested that the Council and staff take the opportunity to review the rationale for the alignment decision.

City Manager Steve Sarkozy acknowledged that there were a number of Council discussions before the alignment decision was made.

Ms. Balducci suggested it would be helpful to provide more details for the public and the parties.

Responding to Deputy Mayor Robertson, City Clerk Myrna Basich said the project is scheduled to come back to the Council in the near future for contract and other related decisions. Further formalization of the alignment decision by the Council was not anticipated. However, Mr. Sarkozy said staff will get back to the Council with the schedule.

Councilmember Davidson referred to the proposed letter in support of Sound Transit's application for TIGER IV funds provided in the desk packet. He expressed concern that taxes are paid to Sound Transit by Bellevue residents, yet Sound Transit's East Link light rail project is not receiving federal funding.

Deputy Mayor Robertson noted that the City's East Link Memorandum of Understanding (MOU) with Sound Transit indicates that the two parties will support each other's applications for grant funding. She said the City is considering submitting a grant request for the Bellevue Way HOV project.

Transportation Director Dave Berg said that staff plans to bring back the grant acceptance for the NE 4th Street project for Council action next week as a Consent Calendar item. The condemnation ordinance is anticipated to come back in April.

Ms. Robertson noted that an additional item on next week's draft agenda is the consultant agreement for the NE 4th Street project.

Councilmember Wallace suggested deferring any decision on Sound Transit's request for a letter of support, which was received late today. Dr. Davidson said that Sound Transit's deadline for receiving the letter is March 14.

Joyce Nichols, Interim Director of Intergovernmental Relations, said Sound Transit is seeking the support of its TIGER IV grant application from certain Eastside cities. The cities of Redmond

and Issaquah have already signed on. Ms. Nichols said the grant funds will not contribute to Bellevue's Downtown portion of the East Link project, but would be applied to the segment that crosses I-90 on the floating bridge. She confirmed that the East Link MOU states that the City and Sound Transit will work cooperatively in securing grant funds for the light rail system.

Councilmember Davidson expressed concern that East Subarea funds are financing the East Link project from the west side of the I-90 bridge. He believes that Bellevue and the Eastside should receive some credit for the funds they are contributing. He is having trouble with the letter of support, and would like it if grant funding would be able to reduce Bellevue's \$60 million contribution identified in the Downtown Tunnel Memorandum of Understanding (MOU).

Councilmember Balducci said that the East Link project is a major component of the long-term vision for Bellevue. She noted that decreased sales tax revenues and the additional cost of the Bellevue Downtown Tunnel have increased the constraints on project funding. She explained that grant funds toward the North Link and U Link portions of the light rail system, which fare better in the competition for grant funds due to higher projected ridership, will free up other funding for the East Link project. In addition, there was a contribution to East Link from the North Subarea (primarily Seattle) of approximately \$100 million.

Ms. Balducci said she would like to see Sound Transit receive a federal grant that supports the financial viability of the overall project. She observed that Bellevue agreed to certain elements of the funding formula under the MOU. She noted that the grant funds will help to provide the I-90 HOV lanes advocated by Mr. Hirt.

Responding to Councilmember Wallace, Ms. Nichols said that Sound Transit had indicated that the TIGER IV application would leverage a \$20 million grant, which would allow Sound Transit to have access to federal funding, federal underwriting, and federal interest on \$600 million of financing. Sound Transit's application is not competing with the City because Bellevue does not have a current application for TIGER IV funds. However, Bellevue might have a project competing for TIGER grant funds in the future.

Responding to Councilmember Wallace, Ms. Nichols said the City received the letter from Sound Transit last week. Staff has been working internally and with other cities in preparation for submitting the proposal to the Council tonight.

Councilmember Wallace expressed concern about being presented with the request from Sound Transit immediately before tonight's meeting. He believes it is not appropriate to address it tonight.

Councilmember Stokes spoke in favor of providing the requested letter of support, noting that the TIGER grant funds will help bring light rail across the I-90 bridge to the Eastside. He observed that waiting a week is not likely to produce any additional information that would influence the Council's decision.

Councilmember Chelminiak agreed that there are legitimate concerns about having this dropped on the Council with short notice. He suggested that some wordsmithing of the letter would be beneficial. He observed that typically the Mayor signs this type of letter. While the grant funds would not be directly applied to Bellevue's portion of the light rail project, perhaps the funding would provide an opportunity to reduce costs in other portions of the system. Mr. Chelminiak spoke in favor of providing the letter of support for Sound Transit's TIGER IV grant application.

Ms. Nichols clarified that Sound Transit would like the signatures of all Councilmembers because that will count as seven letters of support.

Dr. Davidson said he is not opposed to the Mayor signing and submitting the letter. However, he believes that Bellevue should receive some portion of the federal funding to go toward the Downtown Tunnel. He reiterated that Bellevue citizens are paying taxes toward Sound Transit.

Deputy Mayor Robertson said this issue was raised in the Mayor's meeting earlier in the day, and it was emailed to Councilmembers at that time. It is unfortunate to have the late notice, but she will support sending the letter. She reiterated that the MOU states that the City and Sound Transit will support each other's grant requests.

Councilmember Stokes observed that the overriding objective is to fund the project.

→ Councilmember Stokes moved to sign and submit the letter of support for Sound Transit's TIGER IV grant application. Councilmember Balducci seconded the motion.

Councilmember Chelminiak questioned who will sign the letter. Deputy Mayor Robertson clarified that the Mayor will sign the letter, and other Councilmembers will have the option to sign as well.

→ The motion carried by a vote of 4-2, with Councilmembers Davidson and Wallace opposed. [See additional comments below.]

(b) Report of the City Manager

City Manager Steve Sarkozy reported that both Moody's and Standard and Poor's rating agencies have reaffirmed the City's Aaa bond rating. The City is currently refinancing City Hall project debt, and the confirmed rating will ensure that the City receives a favorable interest rate. Bellevue and Seattle are the only two cities in the state with a Aaa bond rating. Mr. Sarkozy commended staff on their good work and the City Council on providing sound policy direction.

Councilmember Wallace asked to clarify his vote on the previous issue. He said his objection is strictly procedural in terms of having this dropped on the Council at the last minute. He agrees that any funding to Sound Transit is most likely a good thing, but he would be more comfortable having full information about what the grant entails.

- (c) Capital Funding Strategy—Role of Impact Fees and other capital funding sources and proposal for revisiting the Mobility & Infrastructure Initiative (MII) project list and prioritization

Mr. Sarkozy opened discussion regarding the City's capital funding strategy and the role of impact fees and other revenue sources. He noted that this is the second in a series of discussions on the capital funding strategy.

Chris Salomone, Director of Planning and Community Development, explained that staff is seeking Council direction on three issues: 1) Should the current impact fee schedule be revisited? 2) Should alternate timeframes for the collection of impact fees be considered? and 3) Should impact fees be calculated and/or expended based on a citywide or multiple districts approach?

Mr. Salomone said a broader discussion of capital funding strategies and overall Capital Investment Program (CIP) needs is planned for the April 2 Budget Workshop.

Responding to Councilmember Chelminiak, Deputy Mayor Robertson said the workshop will be held during the regular Council meeting time slot, but at the Mercer Slough Environmental Education Center.

Mr. Salomone recalled that the Mobility and Infrastructure Initiative (MII) represents the last major review of the City's capital funding strategy. The 2009 MII Finance Plan funded a package of high priority transportation projects to improve mobility in the Downtown, Bel-Red corridor, and Wilburton area. It included an aggressive seven-year construction plan funded by a balanced set of funding sources. An overriding principle was that the cost of public infrastructure should be shared based on the relative impacts and benefits of development.

Eric Miller, Transportation Capital Programming Manager, said that impact fees are a one-time charge paid by new development toward the capital cost of public facilities needed to serve the new development. Impact fees are to be used for system capacity improvements, and cannot be used toward existing deficiencies within the transportation system, operating or maintenance expenses, non-capacity costs (e.g., safety, street overlays), or multi-modal projects (e.g., sidewalks, transit, bike facilities).

Mr. Miller briefly reviewed Bellevue's impact fee history, noting that the program began in 1990 with the 1991-2002 Transportation Facilities Plan (TFP). He recalled that the 2009 Impact Fee Program Update, which clarified the fee calculation methodology and updated definitions and references, implemented the move to a citywide impact fee. The program allows for modifications to impact fees through development agreements, however.

Mr. Miller noted that impact fees are one of many revenue sources. He reviewed the formula for calculating the transportation impact fee, which is primarily a ratio of project costs to added transportation trips. He displayed a map of 2009-2020 Transportation Facilities Plan (TFP) projects (71 total), which includes 35 impact fee projects. He explained that, based on the adopted impact fee projects and costs, as well as the 2009-2020 growth forecast, the eligible cost

of a growth trip is \$8,667 per new PM peak hour trip. This is the maximum level to which the Council can set the impact fee. The current impact fee schedule adopted by Ordinance No. 5872 in 2009 phased increases to the impact fee schedule, up to a maximum of \$5,000 per trip. However, the Council may revise the schedule at any time it deems fit and appropriate.

Mr. Miller compared cost and growth scenarios and the resulting maximum impact fee amounts. He compared Bellevue's impact fees to surrounding jurisdictions including Kirkland, Issaquah, Redmond, and Sammamish.

The City of Seattle requires the mitigation of the transportation system impacts of new development on a citywide basis through the use of the State Environmental Policy Act (SEPA). In two districts, South Lake Union and Northgate, there is a voluntary mitigation/impact fee option. Seattle's approach results in fees that are comparable to Bellevue's fees. Mr. Miller compared two types of development projects and what their impact fees would be in Bellevue versus the South Lake Union area of Seattle.

Mr. Miller presented the policy issue of whether the City should revisit its current impact fee schedule. Staff recommends maintaining the current schedule, including the 2013 fee increase to \$3,000 per trip. Staff further recommends revisiting the fee schedule prior to any future increases or in conjunction with TFP updates.

Councilmember Wallace believes the impact fee schedule should be revisited. He questioned whether the City could charge impact fees for regional projects, for example, improvements related to the I-405 Master Plan. Mr. Miller said the City currently charges impact fees only for Bellevue projects. The collection of fees related to regional projects would require that the City forward those fees to the entity constructing the projects.

As an example, Mr. Wallace referred to the NE 6th Street project, in which the City's role is only to design the project. However, the total cost of the project is included in the current impact fee project list. Mr. Miller concurred, noting that the City anticipates some outside revenues to help pay for the project. The project will benefit general purpose traffic on the City's transportation system.

Mr. Wallace suggested removing projects and impact fee projections for projects that the City will not realistically complete within the TFP timeframe. Mr. Miller said staff is in the process of updating the Transportation Facilities Plan, in conjunction with the Transportation Commission.

As a separate issue, Councilmember Wallace noted that Newport Hills, as an example, does not have any TFP projects. However, if the neighborhood shopping center redevelops, it will be charged the same impact fee per square foot as other areas. Mr. Miller said the rationale is that employees, suppliers, and others generating trips are using the broader transportation system and benefiting from the overall TFP program, regardless of immediate geographic proximity.

Councilmember Wallace suggested amending the policy language to indicate that impact fee dollars from a redevelopment or development project go to the City transportation project closest

to the development project. Mr. Miller said the City tracks incoming fees and how they are spent, and this information can be used to implement Council policy as to where the dollars should be spent.

In further response to Councilmember Wallace, Mr. Miller said projects in the TFP are intended to be initiated and/or completed within the plan's timeframe. He acknowledged that the current plan beginning in 2009 was very aggressive.

Mr. Wallace said that, when the Council gets into discussing estimated revenues later in the year, he would like to understand how much growth would be necessary to achieve the estimated impact fee revenue. He said it would be helpful to be able to review past data on growth and impact fee revenue.

Councilmember Chelminiak said that impact fees and the TFP are updated regularly. Referring to the mix of funding sources in the MII Finance Plan, he observed that if LID revenue is removed from the overall plan, then funding will be needed from another source. Following up on Councilmember Wallace's comments about impact fees imposed on a neighborhood shopping center redevelopment project, Mr. Chelminiak noted that this is the type of situation in which a property owner could consider establishing a development agreement with the City.

Deputy Mayor Robertson said her concern with the development agreement option is that it substantially reduces revenues. She noted the example of the Kelsey Creek Shopping Center development agreement, which reduced impact fees significantly. She was concerned at the time of Council action about this case setting a precedent. She suggested that a multiple district approach for impact fee calculation could be one way to incorporate fairness into the impact fee schedule.

Councilmember Chelminiak noted that the development agreement method is specifically allowed by state law. With regard to the Kelsey Creek Shopping Center project, the City had been working with that developer since 2002. The developer was required to pay \$580,000 to the City to address drainage and wetlands issues. They have not yet fulfilled the occupancy requirement outlined in the development agreement, and could be required to pay more to the City if that requirement is not met. Mr. Chelminiak said the project essentially achieved the City's 2010-2011 budget goal for development fees.

Councilmember Davidson questioned the impact fee level for the Spring District in the Bel-Red corridor, which is also the subject of a development agreement.

Planning Director Dan Stroh clarified that the Spring District development agreement addressed incentive zoning and not impact fees.

Continuing with the presentation, Mr. Miller described options for the timing of impact fee collection. Impact fees have traditionally been due at the time of building permit issuance. However, the timing of payments may be modified through a development agreement by the Council. The Council could define an alternate milestone to trigger fee payment through a Code

amendment. A more flexible policy to defer payments provides a benefit to developers. However, it presents a negative impact to the City's capital cash flow, increased administrative effort and cost, and the need for a fee payment security mechanism.

Mr. Miller said staff recommends that the Council consider a Code amendment to allow greater flexibility for the development community.

With regard to this issue, Mr. Wallace said he would like detailed answers to his earlier questions before making any decision. He noted that he needs a better foundation of understanding before making a decision.

Councilmember Wallace said that the problem with impact fees is that the higher they are and the earlier they must be paid, the more likely they are to tip a project. He observed that an impact fee rate of \$5,000 per trip is likely to begin to deter development. Mr. Wallace said that the County sewer capacity charge is significant. However, a policy allows the charge to be paid over a 15-year period after connection to the sewer system. There is also an option to pay a lower one-time fee. He suggested that the City consider a similar approach.

Deputy Mayor Robertson stated her understanding that if the impact fee is not used within a certain time period, it must be returned to the developer. She suggested a review by legal staff.

Councilmember Chelminiak questioned whether the fees would need to be paid within the 12-year timeframe of the TFP, perhaps. He supports a legal review of this issue.

Responding to Mr. Chelminiak, Mr. Miller said the City of Seattle requires the payment of the mitigation/impact fee at the time of building permit issuance. The voluntary fee option in South Lake Union and Northgate applies funds to specific projects. SEPA mitigation fees for other areas would also specify how the funds are being expended.

Mr. Miller clarified that the Bellevue City Code states that the fee proceeds must be expended within six years. State law was changed in 2011 to allow up to 10 years, and the City has the option of updating its Code to reflect this provision. Deputy Mayor Robertson suggested adding this issue to the Council's work plan.

Councilmember Balducci noted that the presentation indicates how deferred payments benefit the developer. She observed that projects can have a public benefit as well, for example, providing affordable housing. She questioned the rationale for staff's recommendation to consider greater flexibility in the payment of impact fees.

Mr. Miller concurred that there are public benefits to private projects. He clarified that staff recommends that the Council consider the option of flexible/deferred payments. Ms. Balducci said she is somewhat surprised by the recommendation and concerned about raising expectations within the development community.

Councilmember Balducci questioned what would happen under a deferred payment schedule if a project is terminated or stalled. She said it is important to fully understand the dynamic and the potential fiscal impact. She expressed an interest in learning about how deferred impact fee payments have worked in other jurisdictions. She believes there is a need to better clarify what the City is trying to achieve with its impact fee approach.

Councilmember Davidson said he would like to consider all possible options and funding sources within the broader context of the overall City budget, including costs related to the East Link MOU. He wants a full revenue picture to consider all priorities and alternatives.

Councilmember Chelminiak referred to Councilmember Wallace's comments about sewer impact fees and the ability to pay over time or to pay a lesser amount upfront. He suggested that, if the Council is interested in considering this option, a review should be scheduled in the near future. He would not want any currently contemplated development projects to be delayed by developers in anticipation of a change to a more flexible impact fee payment policy.

Councilmember Stokes concurred with the suggestion to review all capital needs and revenue sources in a comprehensive manner. He seconded Councilmember Balducci's request that staff provide its basis for the recommendation to consider allowing greater flexibility. He is open to considering the option of deferred impact fee payments.

Deputy Mayor Robertson agreed that the Council should consider allowing the deferred payment of transportation impact fees. She observed that there are public benefits beyond providing housing, including overall economic benefits related to job growth, sales tax generation, and property tax generation. She would like the City to do what it can to facilitate development activity. Ms. Robertson said that, even if impact fees are deferred and/or reduced, the corollary benefits are important as well. Her analysis of impact fees is based on a broader economic development perspective, and the tradeoffs of different impact fee approaches.

With regard to the deferred payment of impact fees, Ms. Robertson said it is important to implement a mechanism to ensure payment. She would like to know what other cities are doing and the related fiscal impacts.

Ms. Robertson said that, for the Budget Workshop in March or the Mini Retreat in May, she would like a mock-up of the actual costs to develop a specific project in Bellevue as compared to other jurisdictions. This is an important piece of information she needs in order to weigh the implications of impact fee levels and policies. Ms. Robertson wants Bellevue to be competitive in encouraging economic development.

Continuing, Mr. Miller explained that the City abandoned the transportation impact fee district structure in 2009 for a number of reasons including the complexity of administering the program and the wide disparity in impact fee rates. Regardless of fee collection by district, the revenue can legally be spent throughout the city, and the measure of benefits to development is broader than geographic proximity.

Ms. Miller said staff recommends continuing to calculate impact fees citywide, but to track collections geographically and to allow for policy input toward the allocation and expenditure of impact fee revenue.

Councilmember Wallace observed that impact fees are potentially not fair if applied at the same rate citywide. He believes that the fee is to be assessed based on the development project's impact to the transportation system. While a citywide fee is predictable and easier to calculate, he questioned how impact fees for a project in Newport Hills could be justified when there are no nearby major road projects. However, instead of a district approach, Mr. Wallace suggested a policy of applying impact fees to the nearest transportation project.

Mr. Miller said the City has traditionally tried to spend impact fee revenues on the closest project geographically. He reiterated that the Council may allocate revenues to whatever projects they choose.

Councilmember Wallace referred to Deputy Mayor Robertson's earlier comments on the overall economic benefits of development projects. He said that for every \$10 million in construction, the City receives \$100,000, Sound Transit receives \$100,000, Metro receives \$100,000, and the State receives \$650,000 in Sales tax and B&O tax revenues.

Councilmember Chelminiak observed that this line of thinking is consistent with the approach taken with the development agreement related to the redevelopment of Kelsey Creek Shopping Center. Development agreements provide an opportunity to work with a potential developer to address whatever issues are important to him or her. Mr. Chelminiak said the City is suffering from the lack of construction sales tax revenue, and therefore, facilitating projects benefits the City.

Mr. Chelminiak contrasted the use of development agreements to address immediate and short-term situations with making generalized policy changes that might not be beneficial in the long term. He fully supports efforts to stimulate development. He said it is equally important to remain competitive in terms of investments in roads and the transportation system. Impact fees are an important tool for providing projects as well as an effective transportation system. Mr. Chelminiak recalled that the City Council had extensive discussions before adopting the policies reflected in the MII projects and finance plan.

Responding to Councilmember Balducci, Mr. Miller said Downtown development has a lower trip generation rate. Ms. Balducci commented on the perception of residents that they pay taxes which are then used to benefit Downtown projects. She believes it is important for the community to also understand that taxes generated by the Downtown and commercial development enable the City to provide projects and amenities citywide. She suggested that an impact fee district approach might address these concerns.

As another issue, Ms. Balducci questioned whether pursuing multi-modal concurrency through the increase in transportation options will reduce the amount of money needed for expenditures on Downtown projects.

Deputy Mayor Robertson questioned the rationale for changing from impact fee districts to a citywide approach in 2009. Mr. Miller said that when staff completed the last review out to 2030, which reflected higher growth and a longer list of projects, staff looked at a number of scenarios. One example involved comparing a citywide rate with an overlay district in the Bel-Red corridor, which raised the impact fee significantly within the Bel-Red corridor and lowered the fee in other areas.

Ms. Robertson said she would like to consider a district approach, but with a smaller number of districts than the previous 14 mobility management areas (MMAs). She believes that impact fees should not be charged for development projects in areas that do not have planned transportation projects.

Councilmember Stokes concurred with Ms. Robertson's suggestion, noting that it is important to balance the tradeoffs and differences in different areas of the community. He said the Council needs as much information as possible on all of the variables in order to make a determination.

Responding to Councilmember Chelminiak, Mr. Miller said the Bellevue Way HOV lane project is a TFP candidate. The project is divided into the segment between I-90 and the South Bellevue Park and Ride (Part of Sound Transit's East Link project), and the segment from the Park and Ride to the Y at 112th Avenue SE.

Mr. Chelminiak noted that a number of Newport Hills residents use the South Bellevue Park and Ride, and projects in the Factoria area during recent years have a broader public benefit as well.

Councilmember Wallace observed that trip projections for development and redevelopment should incorporate existing trips into the calculation. Mr. Miller confirmed that this is taken into consideration.

Mr. Wallace said it would be helpful to have some understanding of what can realistically be achieved during the 12-year TFP time period.

Responding to Ms. Robertson, Mr. Miller said the Transportation Commission is currently reviewing the TFP. The Commission's recommendations and project rankings will likely be ready for presentation to the Council by this summer.

Ms. Robertson said it would be helpful to have a draft of the Transportation Commission's recommendations by the May Mini Retreat. She noted some, but not necessarily a majority, interest on the Council to revisit the current impact fee.

For the April Budget Retreat, Deputy Mayor Robertson would like a report on the total cost of development within Bellevue, including impact fees, compared to other cities.

Ms. Robertson summarized that the Council is interested in more information on extending the timeframe for the payment of impact fees. As a whole, the Council is not interested in returning

to multiple impact fee districts, but is open to considering a policy that would specify that impact fee proceeds would be spent on projects closest to the development or redevelopment.

At 8:09 p.m., Deputy Mayor Robertson declared a short break.

The meeting resumed at 8:20 p.m.

Mr. Sarkozy asked staff to continue with the presentation on additional capital funding source alternatives.

Finance Director Jan Hawn said that Bellevue's property tax levy continues to remain among the lowest of neighboring jurisdictions. Additional funding sources are voter-approved bonds, voter-approved levies, and Transportation Benefit Districts. Voter-approved bonds can be used only for capital purposes and not for ongoing operations and maintenance. The City currently has no outstanding voter-approved bonds. A voter-approved levy can be used for capital projects on a pay-as-you-go basis or for maintenance and operations.

Responding to Deputy Mayor Robertson, Ms. Hawn said if the Council chooses to place a measure on the November ballot, July 23 would be the latest date that the Council could pass an ordinance to do so. Ms. Hawn commented that the outcome of a ballot measure is uncertain given the economy. A number of regional ballot measures will be coming forward this fall and in 2013. Only half of the ballot measures presented during the last election for transportation funding were approved.

Ms. Hawn explained that another capital funding source is to establish a Transportation Benefit District (TBD). The Council could impose a vehicle license fee of \$20 per vehicle, which would generate roughly \$28 million in bonds at current interest rates. Another TBD option is to ask voters to approve a vehicle license fee of up to \$100 per vehicle, a 0.2 percent sales and use tax, or tolls.

Mr. Salomone summarized that the original MII Finance Plan contemplated \$299 million in revenues over 10 years from a variety of sources including property tax increases, sales tax, Local Improvement Districts (LIDs), and impact fees. Staff plans to return for additional discussion on MII funding during the April 2 Budget Workshop.

Mr. Chelminiak noted the need to incorporate obligations related to the East Link MOU into the capital funding strategy.

Ms. Hawn said staff will present the broader Capital Investment Program (CIP) picture at the April 2 Council workshop.

Ms. Robertson noted the need to review the timing of capital investments.

Councilmember Wallace said the City has numerous obligations, including those associated with the East Link MOU. He said it would be helpful to look at the 7 to 12 year horizon to determine

available funding and realistic achievements. He said it would be helpful for staff to provide possible capital project lists and funding scenarios for the Council's consideration.

Mr. Sarkozy said staff anticipates returning with a score card that arrays all of the projects in the MII plan and CIP Plan, including the Sound Transit East Link elements, and the broader revenue picture. An important body of work with Sound Transit is to reduce overall East Link project costs. However, that process will be going on for several more months. Mr. Sarkozy suggested that this might require some compartmentalizing of decisions to move forward.

Mr. Chelminiak said the MII projects are necessary to achieve Bellevue's transportation and development goals. He reflected on the development of the MII plan, which he believes is based on sound principles. However, he concurred with Councilmember Wallace's observation that there are clear needs beyond available funding, and the Council needs to decide how to handle these.

Ms. Balducci commented on the timing of a bond or levy measure. She noted that an extensive public process would be required to place a bond or levy measure on the November ballot, and she observed that there is not sufficient time to do that this year. She does not want to leave the public with the perception that this is a realistic option this year.

At 8:44 p.m., Deputy Mayor Robertson declared the meeting adjourned.

Myrna L. Basich, MMC
City Clerk

kaw