

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Extended Study Session

May 9, 2011
6:00 p.m.

Council Conference Room 1E-113
Bellevue, Washington

PRESENT: Mayor Davidson, Deputy Mayor Lee¹, and Councilmembers Balducci, Chelminiak, Degginger², Robertson, and Wallace³

ABSENT: None.

1. Executive Session

The meeting was called to order at 6:06 p.m., with Mayor Davidson presiding. There was no Executive Session. Mayor Davidson noted two revisions to the agenda. Item 3(d) was postponed, and Item 4(a) was moved to occur following Item 3(a).

2. Communications: Written and Oral

- (a) Howard Katz, representing the Bellevue Network on Aging and the Kirkland Senior Council, urged the Council to help preserve the affordable senior housing at Evergreen Court.
- (b) Greg Russell, Chairman of the Board for DASH (Downtown Action to Save Housing) asked the Council to approve the funding request from A Regional Coalition for Housing (ARCH) to preserve Evergreen Court senior housing. He thanked City Manager Steve Sarkozy, PCD Interim Director Dan Stroh, and Arthur Sullivan (ARCH) for the time and effort they have devoted to this request.

3. Study Session

- (a) Council Business and New Initiatives
 - (1) Planning Commission Reappointments

→ Councilmember Wallace moved to reappoint Kevin Turner and Jay Hamlin to the Planning Commission, and Councilmember Chelminiak seconded the motion.

¹ Deputy Mayor Lee arrived at 6:58 p.m. during Agenda Item 3(c), Evergreen Court funding request.

² Councilmember Degginger arrived at 9:02 p.m., during the Mobility and Infrastructure Initiative discussion.

³ Councilmember Wallace arrived at 6:09 p.m.

Councilmember Balducci said she would like to renew the suggestion that the Council consider extending the terms of the other Planning Commission members through the process to update the Shoreline Master Program.

Councilmember Wallace observed that the reappointments result in five of the Commission members continuing to serve, with a decision pending on the remaining two positions.

Councilmember Chelminiak recalled discussion on this topic last week. He noted that it will take some time to complete the SMP Update. If it was something to be completed quickly, extending the terms would make sense. He suggested that the Council will be better able to make a decision after interviewing the new candidates.

→ The motion to reappoint Mr. Turner and Mr. Hamlin carried by a vote of 5-0, with Deputy Mayor Lee and Councilmember Degginger absent.

Councilmember Balducci said she had a briefing on the ARUP study of the B7-Revised light rail alternative, and she understands that other Councilmembers have received similar briefings on the tipping point report that has been distributed to the Council. Responding to Ms. Balducci, Mayor Davidson said the item was removed from the May 16 agenda because Councilmember Degginger will be absent.

Councilmember Chelminiak encouraged discussing it on May 23, but Councilmember Wallace said he will be absent then.

Councilmembers Balducci and Chelminiak suggested checking whether Councilmember Degginger could call into the May 16 meeting.

City Manager Steve Sarkozy said staff will check with Councilmembers on their schedules. The plan is to prepare a summary of questions from the Council briefings, and to provide responses to the questions for distribution to the Council as soon as possible.

[Agenda modified by vote above.]

4. Discussion of Upcoming Items

- (a) *Consideration of the application of Group Mackenzie for a Conditional Use Permit to construct a health club within the Kelsey Creek Center, an existing commercial center. The project site is approximately 15 acres and is located at the corner of 148th Avenue SE and Main Street. The site is zoned Community Business and is located within the jurisdictional area of the East Bellevue Community Council. File No. 11-103765 LB.

City Manager Sarkozy explained that the application of Group Mackenzie for a Conditional Use Permit (CUP) at Kelsey Creek Center is a quasi-judicial matter before the Council.

Councilmember Wallace recused himself from participation in this agenda item.

Carol Helland, Land Use Director, provided the staff report and an overview of the Hearing Examiner's recommendation on the application. She recalled that the City prepared a concomitant zoning agreement on the Kelsey Creek Center property last year. The agreement requires that several types of recreational uses, including health clubs, obtain conditional use approval before locating in the center. The purpose is to analyze compatibility, identify impacts and ensure adequate mitigation.

The Center is located within the jurisdiction of the East Bellevue Community Council. CUPs are processed as City Council quasi-judicial decisions that are finalized when the Council takes action with an Ordinance. The East Bellevue Community Council then has 60 days to approve or disapprove the application, pursuant to state law.

Ms. Helland recalled that the agreement adopted last year removed the requirement to reopen a stream reach for Kelsey Creek across the site, in return for offsite wetland mitigation. The City has received \$585,000 to complete that mitigation in the vicinity of Larson Lake. The City Council also previously agreed to enter into a development agreement in order to provide predictability and flexibility with regard to permit timelines, mitigation requirements, and fees. Many of the issues anticipated to be addressed in the agreement were resolved through the design review permit, which was issued in March. The building permits are essentially ready to be issued. The last remaining issue is a request from the property owner, Nat Franklin, to adjust the applicable impact fees. This request must be approved by the City Council through the development agreement process, following a future Public Hearing.

Responding to Councilmember Robertson, Ms. Helland said another proposed use at the center is a grocery store. Ms. Helland confirmed that the East Bellevue Community Council has been briefed by the property owners throughout the process. The Community Council has been generally supportive of the redevelopment, project design, and mitigation measures. The Community Council has not commented specifically because it is a quasi-judicial matter for them as well.

Responding to Ms. Robertson, Ms. Helland said the standard of review for a decision on the application is provided in the meeting materials. Deference is provided to the Director of Planning and Community Development and to the Hearing Examiner. The decision criteria is reviewed on pages 6 and 7 of the Hearing Examiner report. Ms. Helland noted there are no appeals on the application, which is handled similar to a rezone.

Responding to Mayor Davidson, Ms. Helland said the option to adjust impact fees in response to developers' requests is handled through a development agreement. The property owner, Nat Franklin, is requesting an adjustment. A Public Hearing will be scheduled to consider that request at a future date. The impact fee issue is not considered quasi-judicial.

Mayor Davidson stated that the issue will come back the following week for Council action.

3. Study Session [Continuation of Agenda]

(b) Revised Draft Council Housing Principles

Mr. Sarkozy opened discussion regarding the revised draft Council Principles on the Housing Work Program.

[Councilmember Wallace returned to the table at 6:29 p.m.]

Dan Stroh, Interim Director of Planning and Community Development, noted the revised draft Council Principles on housing on page 3-5 of the meeting packet.

Councilmember Robertson stated that the revisions accurately capture the Council's previous discussion. She supports moving forward with the principles without prioritizing them. She noted that Deputy Mayor Lee asked her to convey his comments. If the Council chooses to prioritize the principles, Mr. Lee would like the principle encouraging a good fit with neighborhood character to be the top priority. Ms. Robertson said that if the Council wishes to prioritize, she supports Mr. Lee's suggestion.

Councilmember Chelminiak suggested not prioritizing the principles. He observed that the principles are intended to address housing affordability, yet the title implies that these are the principles for the housing work program.

Mr. Stroh said that the principles are intended as a companion to the list of work program items presented with the draft principles the previous week. He noted discussion at that time about accessory dwelling units (ADUs), and clarified that they are proposed not solely related to affordability but as a way to provide an additional housing choice. He recalled discussion about the possibility of using the multifamily tax exemption to promote a housing component at neighborhood shopping centers if that would help to revitalize the centers. This is another option that is not intended solely for affordability.

Responding to Mr. Chelminiak, Mr. Stroh confirmed that the work program items are for the 2011-2012 time period, and the list is not intended to represent the City's overall housing work program.

Mayor Davidson noted a Council consensus to move forward with the Council Principles on the Housing Work Program as presented.

(c) Affordable Housing Funding Request for Evergreen Court Senior Apartments

Mr. Stroh recalled that there was significant discussion last week about a funding request to preserve the Evergreen Court senior housing units. The Council requested additional information, which is provided in the Council's desk packet tonight.

Mr. Stroh said the Evergreen Court Apartments provide the opportunity for older citizens to age in place. If the requested financial restructuring/refinancing is not approved, the housing could be lost and its tenants would be displaced. He explained that the ARCH (A Regional Coalition for Housing) Executive Board discussed the situation for several months. In March, the ARCH Executive Board took action to recommend approval of the funding recommendations by staff and the Citizen Advisory Board, which included a number of conditions on the financial restructuring.

Arthur Sullivan, ARCH Program Manager, noted that the proposal was reviewed by King County, as well as by the Citizen Advisory Board, which contains a number of experts in planning, development, and architecture. DASH utilized outside reviewers to evaluate the proposal, and ARCH brought in additional consultants to address the construction estimates and overall housing management.

Responding to Councilmember Wallace, Mr. Sullivan clarified that the complex has independent and assisted living, including some Medicaid units. Mr. Sullivan confirmed that the project involves services (i.e., food, medical, housekeeping), and therefore operating expenses, that are not found at most ARCH projects. Mr. Sullivan explained that the operator of the project has experience with both affordable housing and senior services.

Responding to Councilmember Wallace, Mr. Sullivan confirmed that the proposal involves Bellevue providing \$938,000 of the \$1.28 million requested. Mr. Sullivan said that Bellevue provides money from a number of sources, including approximately \$400,000 annually from the Housing Trust Fund. Bellevue has contributed funds earned through interest and loan repayments, totaling approximately \$1.5 million over the years. Bellevue also received approximately \$2 million in one-time contributions toward affordable housing over the past 10 years from developers.

Mr. Sullivan noted that some ARCH projects receive the majority of funding from other cities, and some receive more funding from Bellevue. Responding to Mr. Wallace, Mr. Sullivan said ARCH projects include special needs/disabled housing, senior housing, housing for the homeless, and housing for families.

Councilmember Wallace said that affordable housing is an important, and potentially crisis, issue over the next 20 years for all levels of government. He supports ARCH's coordinated efforts in East King County. He noted that the Evergreen Court project is unique. He is looking at the issue in terms of whether the project makes sense for Bellevue and its use of Housing Trust Fund monies.

Responding to Mr. Wallace, Mr. Sullivan said ARCH does not necessarily expect loan repayments to significantly contribute to cash flow. However, ARCH has received a number of payments. The intent is to keep those loans secured against the property in order to preserve the option for extending the affordability of the housing if the loans are not repaid and if there is not sufficient cash flow to repay the loans.

Mr. Wallace opined that it is likely the loans will not be repaid, which is not necessarily out of line with other loans that have been made. The question is whether it is appropriate to make the loan, recognizing the risk. He observed that the purpose of the loan is to rehabilitate the building and hopefully put the project on a firm footing. In that sense, Evergreen Court meets the objectives of Bellevue's Housing Trust Fund and the affordable housing section of the Comprehensive Plan. The project makes sense if the City does not expect it to be back in foreclosure within a few more years.

Councilmember Wallace expressed concern about potentially throwing good money after bad. Given the expenses provided in the pro forma, he observed that future foreclosure is possible. He cannot support moving forward until he is comfortable that foreclosure is not a possibility.

Mr. Sullivan said there are a number of conditions for funding to occur, one of which is related to property management. He referred to condition 11 on page 3-32 of the meeting packet, and clarified that funding is not provided until all of the conditions are met.

Mr. Wallace reiterated that he does not currently feel comfortable moving forward with the loan.

Councilmember Balducci said she appreciates all of the discussion, and the questions provided to staff. She recalled touring Evergreen Court in the past, and said she would hate to see the project go away. She shares Councilmember Wallace's concerns about the risk. Responding to Ms. Balducci, Mr. Sullivan commented that a number of factors contributed to the current situation. The proposed financial restructuring addresses every element of risk. For example, the issue of vacancies is addressed by providing Section 8 housing units. Lowering the rates for the market rate units will help, as will completing rehabilitation and providing related reserves. Mr. Sullivan summarized that the overall proposed restructuring addresses the range of potential risks.

Ms. Balducci noted the risk of not acting to support the project, which is that the project will go into foreclosure and its residents will be displaced. She would like to avoid this potential downside. She recalled that the City received an early repayment for a past loan, and the funds were reinvested into the Housing Trust Fund for additional projects.

Councilmember Balducci said that ARCH has been a solid partner in affordable housing. She said she considers Councilmember Wallace's input very seriously, given his role as a developer. However, she is convinced that the proposal has received sufficient scrutiny to mitigate the risks, and that it is worthwhile to preserve the project. She supports moving forward with the requested funding, with the understanding that the Council will be updated on an ongoing basis.

Councilmember Chelminiak acknowledged that there is risk in affordable housing projects. However, DASH has repaid a significant loan and has operated a number of projects very well. He noted that there are risks with parks and transportation projects. However, affordable housing projects address human dignity, which is an important issue for the community. Mr. Chelminiak observed that due diligence has been completed. While questions and risks remain, he supports moving forward. Mr. Chelminiak commented on the importance of providing assisted living options, especially those close to transit and other services.

Deputy Mayor Lee joined the meeting at 6:58 p.m., and provided his comments. He said the Evergreen Court project is important because it addresses a special population with special needs. He noted that the City already funded the project once, and it was able to operate for a number of years. He is unclear about whether the current financial issue is due to the economy or to the project's management. If mistakes occurred, Mr. Lee said it is important to address which factors contributed to the current financial emergency as well as the consequences of those mistakes. He would like a better sense of the chances of success and failure with the proposed restructuring.

If the situation is not adequately addressed, Deputy Mayor Lee is concerned that another party will address it by directing the City to conduct certain measures. He would like the City to start looking more comprehensively at affordable housing, and to potentially create a citizen task force to review the issues. He is willing to commit to helping to meet the need for affordable housing. He feels it is appropriate for the Council to determine what would be a reasonable financial commitment to this project. However, he is not willing to contribute \$1 million at this time.

Councilmember Robertson asked what will happen if the property goes into foreclosure. She noted State and County covenants related to providing affordable housing. She questioned what would happen to tenants who have leases at Evergreen Court.

Mr. Sullivan said the State and County covenants have provisions that survive foreclosure. He explained that part of what made the project affordable housing was not only the housing cost but the services costs as well. ARCH's covenant, which most affordable housing covenants do not have, limits the combined services and housing costs for the affordable units. The County and State do not, and it is unclear as to how that could be interpreted and/or enforced. Also, if the project does not maintain the requirements of the tax credits, there is a recapture of tax credits. Therefore, if the project goes into foreclosure, penalties will be imposed by the federal government. Then, depending on what the lender would get for the property, there is the possibility that the lender might go after other DASH properties/projects.

Mr. Sullivan said that often when there is private debt on a property, that debt is typically not equal to the value of the property, and is often less. This puts the lender in a position of losing money in the event of foreclosure. There is approximately \$6 million in debt on the Evergreen Court project, which currently has a market value of \$3.5 million to \$4 million as affordable housing, or \$6 million to \$7 million as unrestricted housing. This could provide an incentive for the lender to remove the covenants. Mr. Sullivan noted that the maximum lease term is one year.

Responding to Ms. Robertson, Mr. Sullivan said the federal penalties would apply to the partnership that owns the property, which is DASH. In further response, Greg Russell of DASH said the loan documentation requires that DASH guarantee all financial obligations with respect to the property. It would be devastating if the property went into foreclosure and the lender decided to pursue other DASH properties. A for-profit developer who is a project partner also has a guarantee. DASH has pursued that partner through litigation to require them to contribute

an additional \$300,000 to the project. He noted that this relates to the liability for the tax credit. There would also be the potential liability to the lender on the loan shortfall.

Councilmember Robertson said she is not comfortable having approximately \$12 million invested into the project, given the market value. She noted that the market study reflects an over-supply of this type of housing for the next five years, and questioned whether the property value could therefore drop further. Mr. Sullivan said the financial restructuring is designed to address the potential risks.

Councilmember Robertson said she shares Councilmember Wallace's concerns in looking at the operating expenses. She questioned whether ARCH and/or the City would be able to provide relocation assistance should the residents need to be moved. Mr. Sullivan said other acquisition and rehabilitation projects have involved funding for relocations, so it is an allowed use.

Ms. Robertson said she has been struggling with this issue. She strongly supports affordable housing, and worked to achieve a new housing project adjacent to her church. She understands the need for senior housing and options for aging in place. However, she is concerned about setting a precedent, and that the pro forma might be overly optimistic. She noted that a major rehabilitation of the project was completed nine years ago, and it is now in poor condition. She is concerned about the current supply of this type of housing.

Councilmember Robertson is not convinced that financial restructuring will save the project for the long term. She said it would be helpful to have more information about the financial feasibility of the project and how the covenants would be affected by foreclosure. She is worried that the margins are too thin.

Deputy Mayor Lee observed that perhaps DASH did not have sufficient experience in this type of project. Mr. Russell confirmed that DASH did not have any experience with this type of housing at the outset, and relied on the for-profit partner for that experience. However, DASH is now probably the most experienced nonprofit agency with this type of housing and service mix. Mr. Russell explained that DASH hired a consultant with a great deal of expertise and experience with government housing agencies to prepare an appropriate budget for the financial restructuring. He believes that the pro forma represents a conservative budget, and he is open to having additional review by other third parties. Mr. Russell noted that the lender initially gave DASH until February to resolve this matter.

Responding to Mr. Lee, Mr. Russell said that DASH recently completed certain roof repairs and rehabilitated a number of units, and was able to lease six units recently for rates higher than those reflected in the pro forma. He believes that upgrading additional units will enable the property to meet or exceed the pro forma projections.

Responding to Mr. Lee, Mr. Sullivan reviewed Condition 3 regarding cash flow. In further response, Mr. Sullivan said there is only one other similar project in the state that provides the same type of housing and services, and the mix of assisted living and Medicaid units. If the project succeeds and the 15-year loan is eventually repaid, the per unit cost for the project is a

maximum of \$182,000. Mr. Sullivan said it would not be possible to replicate the project for anything less than \$200,000 per unit. He stated that rehabilitating the property is one of the more cost-effective projects that ARCH could complete in 2011.

Referring to page 3-17 of the meeting packet, Councilmember Wallace reviewed the financial restructuring plan. He noted that the plan provides limited cash flow for expenditures and a narrow margin for repaying the loan, and he is not comfortable with approving the transaction.

Mr. Russell noted that the financing plan is conservative in terms of projected expenses and rental rates. He asked the Council to consider approving the restructuring plan, contingent upon additional specific information and analysis over the next 30 to 60 days.

Councilmember Robertson said she would like to preserve the project, but she would prefer to see additional independent pro formas, and to be reassured about the long-term viability of the project. She is open to providing conditional approval.

Councilmember Balducci noted that the pro forma was prepared by a third party, reviewed by another independent party, and then vetted through the ARCH Citizen Advisory Board, which has financial and building professionals. She understands the risk, but is supportive of moving forward.

Mr. Sullivan said ARCH supports additional review, if desired.

Mayor Davidson said that he supports moving forward with the financial restructuring. He has worked with DASH in the past, and is familiar with the Evergreen Court property.

Mayor Davidson suggested that staff prepare additional information as requested tonight, and returning to the Council for continued discussion.

Deputy Mayor Lee said he feels confident about Councilmember Wallace's ability to work on this issue, and he would support having Mr. Wallace work with the consultant.

Councilmember Chelminiak expressed support for any help that can make Councilmembers feel comfortable about a decision. However, he noted that it is time for solutions. He is open to allowing more time for questions to be answered.

Councilmember Wallace suggested scheduling the item for a Regular Session vote. In the interim, he will work with Mr. Sullivan and DASH on his questions and concerns.

Councilmember Robertson concurred with the suggested approach. She clarified that her questions about foreclosure should not be interpreted to mean that she is interested in foreclosure. Rather, she wants to understand the risks and specific implications.

Mr. Sarkozy clarified that it will not be possible to obtain a thorough review of the pro forma before the next week's meeting. He said the Council could take action for conditional approval the following week, however.

Councilmember Robertson said she would be comfortable with that, as long as the issue comes back to the Council again before any money is spent.

Mayor Davidson recognized a guest in the audience, who invited the Council to participate in a walk sponsored by the National Alliance on Mental Illness on Saturday, May 14.

At 8:00 p.m., Mayor Davidson declared a short break. The meeting resumed at 8:08 p.m.

- (d) Transit Task Force Update on Development of King County Metro Transit Strategic Plan for Public Transportation (2011-2021)

[Postponed]

- (e) Mobility and Infrastructure Initiative and Overall Capital Investment Strategy

Mr. Sarkozy opened discussion regarding the Mobility and Infrastructure Initiative, and how it fits into the City's overall capital investment strategy. He recalled that the Council adopted the Mobility and Infrastructure Initiative financing plan in January 2009, before the downturn in the economy. Since that time, revenues have declined and additional priorities have emerged to compete for limited City resources.

Dan Stroh, Interim Director for the Department of Planning and Community Development, explained that the purpose of the presentation was to review the M&II Plan as a portion of the overall capital strategy. He briefly reviewed projected capital needs versus revenues through 2030.

Councilmember Chelminiak stated that the need for capital projects and the available revenue sources are typical for other cities in the region.

Responding to Councilmember Wallace, Mr. Stroh said impact fees and Local Improvement District (LID) revenues are identified within the M&II Plan. Mr. Stroh recalled that the M&II Plan was a balanced \$299 million plan when it was adopted in January 2009.

Finance Director Jan Hawn reviewed the M&II Plan principles for a long-term plan to provide basic infrastructure, livability investments, and amenities in the Bel-Red corridor as redevelopment occurs. The Plan is intended to maintain the City's long-term financial stability and to preserve its Aaa bond rating. The Plan is based on the concept of sharing the cost of providing public infrastructure based on the relative impacts and benefits of development.

Ms. Hawn reviewed the funding sources listed in the \$299 million M&II Plan as originally adopted in 2009, and compared the plan to the adopted 2011-2017 Capital Investment Program

(CIP) Plan. M&II revenue sources anticipated in 2009 included new Bel-Red taxes, right-of-way dedication, storm drainage fees, incentive zoning, grants, sales tax, revitalization funding, impact fees, LIDs, and bonds. She noted that revenues projected in the 2009 M&II Plan have decreased due to the economy or are otherwise not available.

Responding to Councilmember Wallace, Mr. Stroh explained that three growth scenarios were originally developed to analyze the M&II Plan.

Transportation Director Goran Sparrman provided an update on the M&II projects in the Bel-Red corridor. The NE 4th Street extension project is at roughly 60-percent design, and there is a funding gap of approximately \$11.6 million. The design for Stage 1 of the 120th Avenue NE project is essentially complete, and the City is in the process of securing the needed right-of-way. Stage 2 of 120th Avenue NE is at 60-percent design, and the project is fully funded assuming anticipated impact fees. The design phase for Stage 3 of 120th Avenue NE is funded, but ROW acquisition and construction are not funded in the CIP Plan. Mr. Sparrman reviewed additional M&II projects including the NE 6th Street extension, NE 15th Street multi-modal corridor, and 124th Avenue NE at SR 520.

Mr. Sparrman explained that Segment 2 of the NE 15th Street project is not included in the current M&II Plan, but is anticipated in the years beyond that plan. However, early conceptual design work was funded to establish design parameters for the entire corridor, and to take future light rail into consideration. There is currently no funding beyond the five-percent design level.

M&II projects currently not funded include the Downtown Circulator, pedestrian and bike improvements, Metro site acquisition, public safety project, and other downtown projects. Bel-Red land acquisition is partially funded, which enabled the purchase of the Safeway parcel.

Responding to Councilmember Wallace, Mr. Sparrman said City staff has been working with Sound Transit to coordinate specific infrastructure projects related to light rail.

Mr. Sparrman said staff plans to complete designs for the NE 4th Street project and 120th Avenue NE Stage 1 project, and to significantly advance design (90 percent) for the 120th Avenue NE Stage 2 and Stage 3 projects, by the third quarter of 2011. On May 16, the Council will be asked to take action to amend the contract for property appraisal services related to NE 4th Street and 120th Avenue NE. On June 6, the Council will be asked to approve amending the contract for completing the design of the 120th Avenue NE Stage 2 and Stage 3 projects.

Mayor Davidson commented on the need for the Council to determine which M&II projects will be funded, and how they will be funded.

Councilmember Balducci said she continues to support the list of projects. She observed that the current focus is on projects receiving grant funding, and she acknowledged that the current economy makes construction costs favorable. However, she would like an update on traffic congestion, including in the Wilburton area. Ms. Balducci commented that the rejection of the proposed Wilburton Local Improvement District (LID) was also a rejection, by at least some of

the parties, of the proposed NE 4th Street and 120th Avenue NE projects. There were concerns that the projects will increase traffic congestion in that area. Ms. Balducci said she would like to review current congestion patterns and the benefits of specific projects before deciding where to allocate the next round of transportation project funding.

Continuing, Councilmember Balducci recalled that the M&II Plan was originally developed separate from the typical CIP Plan process because it involved large projects related primarily to the redevelopment of the Bel-Red corridor. She would like to get back to a more rigorous analytical process that utilizes the Transportation Commission to evaluate needs and study project alternatives.

Mr. Sparrman said the City will begin updating its Downtown Transportation Plan this summer. Staff has also had some conversations about not letting external funding sources drive the City's transportation priorities. However, there is concern that federal funding could be lost entirely. Ms. Balducci clarified that she wants to be able to review both the benefits and costs/drawbacks of projects.

[Councilmember Degginger arrived at 9:02 p.m.]

Deputy Mayor Lee concurred with Ms. Balducci's suggestion to step back and take a detailed look at overall transportation needs. He noted that the needs will determine the timing. He supports the long-term vision for the Bel-Red corridor, but feels there is a need to better evaluate the appropriate timing for infrastructure investments. Mr. Lee proposed looking at broader needs as well, including public safety and human services.

Mr. Sparrman recalled that traffic volumes dropped approximately 10 years ago when there was a downturn in the economy. However, volumes increased as the economy improved, and at a rate that was faster than the lead time needed for major transportation projects.

Responding to Councilmember Wallace, Mr. Stroh said growth projections for office space will be updated as part of the Downtown Transportation Plan review. In further response, Mr. Sparrman confirmed that future growth projections indicate that 20 percent of the Downtown trip demand cannot be adequately serviced by the current transportation system and funded infrastructure investments.

Councilmember Wallace commented on light rail, which is currently projected to begin operation in 2021. He noted that a number of City projects related to light rail will need to be funded, including the Downtown tunnel. With regard to revenues, Mr. Wallace said it would be helpful to look at different property tax scenarios for funding investments. He observed that projected impact fee revenues are not realistic. He expressed support for moving forward with the NE 4th Street extension project.

Mayor Davidson recalled that the Council originally developed the M&II Plan to facilitate the redevelopment of the Bel-Red corridor. The projected implementation of light rail in 2021 made it important for the City to address transportation planning through the corridor. Mayor Davidson

agreed with Councilmember Wallace regarding the need to have an in-depth discussion about revenue sources.

Councilmember Chelminiak observed that discussions about the M&II Plan have not been about can we afford it, but about how to fund it. He suggested it is not necessary to fund the Bel-Red corridor improvements in a linear fashion, but it might make sense to implement improvements from the middle out. Mr. Chelminiak referred to the principles of the M&II Plan, and suggested that the principles should be reviewed before discussing specific priorities and investments. He acknowledged the need to coordinate with light rail implementation, and agreed that it is important to talk specifically about how investments will be funded.

Deputy Mayor Lee suggested adding a principle about public involvement because the M&II Plan contains long-term investments focused on fulfilling a certain community vision.

Councilmember Degginger recalled that when the M&II Plan was developed there was fairly robust economic growth, and the Council did not want to discourage economic development by failing to provide adequate infrastructure. He observed that there appears to be continued general support for the projects identified at that time. However, the timing for providing the projects over seven to 10 years is no longer realistic. Mr. Degginger said it would be helpful for staff to propose different funding and timing scenarios for the M&II Plan.

Councilmember Robertson said she is pleased to hear ongoing support for the M&II projects. She expressed support for Ms. Balducci's suggestion to ask the Transportation Commission to review the M&II Plan and prioritization of projects. Ms. Robertson supports moving forward with NE 4th Street and 120th Avenue NE. She noted regional projects including light rail, I-405 express toll lanes, and SR 520 improvements, and suggested looking at the City's transportation priorities within the broader regional framework. She is open to having the Transportation Commission review and study the issues.

Ms. Robertson concurred with Councilmember Wallace's suggestion to discuss revenue sources. She agreed with Councilmember Degginger that the M&II Plan cannot realistically be completed within the originally projected 10 years. She supports Mr. Lee's suggestion regarding public involvement in the process of prioritizing projects and identifying revenue sources. Ms. Robertson would like to review the Bel-Red Plan in 2011 or 2012 to consider whether revisions would be helpful in stimulating redevelopment. She reiterated that it is important to review the City's investments within the context of State highway and Sound Transit projects.

Mayor Davidson commented that while development is anticipated in the Bel-Red corridor, there is still significant room for growth in the Downtown as well. He said it would be helpful to update the growth projections for the two areas. Mr. Stroh commented that the next major developments will be in the Downtown (e.g., Lincoln Square II project). The NE 4th Street and NE 6th Street extension projects contribute to the functionality of the Downtown, Wilburton, and Bel-Red areas. Mr. Stroh said the master plan for the Spring District development in the Bel-Red corridor is expected to be submitted in the near future.

Mayor Davidson wondered whether the Downtown Implementation Plan is receiving adequate attention.

Councilmember Chelminiak concurred, noting that there are many needs within the community. However, there is finite development potential in the Downtown, and growth and traffic cannot be completely focused within one area. Given the economy, Mr. Chelminiak would like to review the restrictions placed on the turnover of land use types within the updated Bel-Red Plan, given the new reality that the plan will likely be implemented over a longer timeframe than originally anticipated.

Ms. Robertson agreed with Mr. Chelminiak's suggestion, noting that she has been interested in more loose non-conforming use rules because she saw this as a potential issue. She wants the existing businesses to be able to continue bringing in revenue, employing people, and providing services until redevelopment occurs.

Ms. Robertson said it would be helpful to look at the Downtown Implementation Plan within the context of Sound Transit and State/regional transportation projects as well.

Deputy Mayor Lee would like to see continued development of the Downtown.

Mr. Chelminiak said he also would like to see continued development, especially in the center of the Downtown, which has the highest capacity.

Councilmember Wallace recalled that during the last budget process, the Council moved maintenance and operations (M&O) items from the CIP Plan to the Operating Budget. The Council also agreed that certain new revenues above the rate of inflation would be allocated to the CIP budget. He would like staff to ensure that these revenues have been factored into the future CIP.

Mr. Wallace said he would like to see a list of the projects that need to be funded over the next 10 years before the implementation of light rail, including the Downtown tunnel and the NE 15th Street multi-modal corridor.

Councilmember Balducci asked staff to lay out a process for reviewing the M&I Plan pursuant to this evening's discussion.

Deputy Mayor Lee encouraged the consideration of innovative technologies to address future transportation needs.

At 9:45 p.m., Mayor Davidson declared the meeting adjourned.

Myrna L. Basich, MMC
City Clerk
kaw