

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Extended Study Session

October 14, 2013
6:00 p.m.

Council Chambers
Bellevue, Washington

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

ABSENT: None.

1. Executive Session

At 6:00 p.m., Deputy Mayor Robertson called the meeting to order, and declared recess to Executive Session for approximately 45 minutes to discuss one item of pending litigation.

The meeting resumed at 6:53 p.m., with Mayor Lee presiding.

2. Oral Communications

- (a) Doug Hoople, Chair of the Veterans Levy Oversight Board, provided copies of the 2012 annual report for the Veterans and Human Services Levy. He described several of the services funded through the levy including employment and housing assistance, mental health programs, and programs for sexual assault victims. He noted the performance management report of services provided and program outcomes within the annual report.
- (b) Lucia McCredie said she was required to give a speech as part of a class she is taking in self governance. She described the instability of the stock market and commented on the repeal of the Glass-Steagall Act, which regulated banking, during the Clinton presidency.
- (c) Rob Cash, a resident of South Bellevue, brought his son and daughter with him to testify. He asked the City to restrict the use of marijuana to the fullest extent possible. He said a neighbor is growing medical marijuana in his backyard along the fence near his children's play set, and the individual spends time in his backyard smoking marijuana. Mr. Cash said the neighbor has had past legal problems with drugs and is known to law enforcement. Mr. Cash said the Police have told him they cannot do anything about the

neighbor due to the new marijuana laws. He presented his comments in writing, including photos showing the marijuana plants in relationship to his fence and children's play set.

Councilmember Chelminiak suggested passing the comments along to staff who are working on drafting the City's medical and recreational marijuana regulations.

- (d) Betty Nokes, Bellevue Chamber of Commerce, provided an update on a youth business program called the Young Entrepreneurs Academy (YEA) and an online local e-commerce solution called The Eastside Marketplace. Approximately 1,800 youth have participated in the YEA program nationally but this is the first program in Washington. The Eastside Marketplace is a free program for Chamber members in Bellevue, Issaquah and Kirkland, with businesses paying a small fee only when they sell. Non-Chamber members are allowed to participate by paying an annual activation fee.
- (e) Patrick Bannon, Bellevue Downtown Association (BDA), summarized the organization's mission and focus of promoting Downtown Bellevue as attractive place for retail, business and residential activity. He thanked the Council for its discussion of economic development on the evening's agenda.
- (f) Geoff Deane, Vice President and General Manager of Intellectual Ventures Laboratory, said the research facility is involved in developing inventions and technologies. The company is located in the Bel-Red corridor and is being displaced by light rail. He thanked Mayor Lee for coming to their open house. Mr. Deane said they are exploring options for relocating the business and would like to stay in Bellevue. He said City staff have been very helpful in assisting with potential relocation and permitting issues.

Mayor Lee said he enjoyed visiting the facility and learning about an invention that uses laser technology to fight mosquitos.

3. Study Session

- (a) Council Business and New Initiatives

There was no discussion.

- (b) Human Services Commission's Recommendations for 2014 Community Development Block Grant (CDBG) Funds

Acting City Manager Brad Miyake opened discussion regarding the 2014 Community Development Block Grant (CDBG) funds. He welcomed Michael Yantis, Chair of the Human Services Commission.

Terry Smith, Assistant Director of Parks and Community Services, noted additional commissioners in the audience. He reported that grant funding for 2013 increased slightly by 0.5 percent, and jurisdictions are anticipating that 2014 allocations will be reduced. Other CDBG

funding includes loans repaid to the City's major home repair program (approximately \$200,000 in 2014) and additional funds not expended from previous years (approximately \$100,000). Home repair loan repayment levels are difficult to predict. Therefore, the Commission did not offer a competitive application process for capital facility projects and recommends maintaining support for core CDBG-funded programs.

Emily Leslie, Human Services Division Manager, said that CDBG funding has largely been decreasing since 2005, with minor exceptions in 2009 and 2010. It has remained flat since 2012 and the decreased value is more pronounced when adjusted for inflation. She recalled that three categories of projects are funded by the CDBG program: 1) Projects involved with the acquisition or improvement of real property (capital funding), 2) Administration and planning activities related to CDBG funding, and 3) Public service programs and ongoing operational costs of programs serving low- and moderate-income residents.

Commissioner Yantis said the Commission is recommending a package totaling \$873,803: \$573,803 in federal CDBG allocations to the City and \$300,000 in estimated home repair program loan repayments. With the uncertainty of this funding, the Commission is including a funding contingency plan with their base recommendations which are detailed in Attachment A in the meeting packet [Page 3-5]. The Commission recommends, given the demand for the home repair program, that any extra funding be allocated to that program first. Recommendations include an allocation to the ARCH (A Regional Coalition for Housing) Trust Fund.

Mr. Yantis said the funding recommendations must be submitted to the U.S. Department of Housing and Urban Development (HUD) by November 15, 2013.

Councilmember Wallace, as Council liaison, thanked Mr. Yantis and the Human Services Commission for their work. He noted that this is just one funding source and one component of the Commission's work.

Responding to Councilmember Stokes, Ms. Leslie said the major home repair program helps to properly maintain the housing stock, especially for older adults who have lived in the community for a long time. It helps to keep residents in their homes and aging in place. The Senior Services minor home repair program is a companion program. Mr. Stokes observed that this provides a broader community benefit of maintaining neighborhoods and quality of life.

Responding to Mayor Lee, Ms. Leslie said the average major home repair is \$10,000 to \$15,000 and the funds must be used for health and safety repairs (e.g., roofing, electrical). The CDBG grant is the only source of funding for the home repair program. The City cannot use its General Fund dollars for this program because the repair program is making loans and accepting repayment.

Responding to Councilmember Balducci, Ms. Leslie said the City has not conducted a competitive process for these funds in recent years because funding has consistently decreased and the City wants to sustain the long-term providers. The City has not wanted to encourage

organizations to submit proposals when funding is not likely available. The City did not receive its 2013 award until August.

Councilmember Balducci thanked staff and the Commission for their work.

Responding to Councilmember Davidson, Ms. Leslie said the City's budget includes approximately \$3.5 million for human services. He said he wanted to mention for the public that this is one portion of the City's human services funding.

(c) Progress Report: Economic Development Strategic Planning

Mr. Miyake introduced discussion regarding the City's economic development strategic planning. He recalled that, earlier in the year, the Council endorsed the development of an economic development strategic plan with the goal of identifying priorities for the City's economic development efforts in the coming three to five years. Since that time, the City hired Berk Consulting to assist staff in the development of the plan.

Chris Salomone, Director of Planning and Community Development (PCD), highlighted current development activity in Bellevue and reviewed the strategic plan project schedule. A draft strategic plan will be provided to the Council in November, and staff anticipates adoption of the final plan by Spring 2014. He noted that funding and scheduling infrastructure projects to support development will be part of the analysis.

Tom Boydell, Economic Development Manager, said one component of developing a strategic plan is to integrate findings from stakeholder outreach, data analysis, and anecdotal information about businesses to document the community's overarching strengths and challenges. He highlighted strengths and challenges including geography, transportation, housing, demographics, education, real estate, business climate, and quality of life amenities.

Mr. Boydell described the stakeholder engagement process, which is intended to complement the quantitative analysis with a diversity of on-the-ground perspectives. Approximately 40 initial phone interviews have been completed. Key partners include the Bellevue Chamber of Commerce, Bellevue Downtown Association, Meydenbauer Center, Economic Development Council, Bellevue School District, and Bellevue College. Key business clusters targeted during the initial outreach include information technology, business services, retail, and tourism. Supplementary clusters to be addressed in the future are aerospace, life sciences, education, and foreign investments.

Dan Stroh, Planning Director, noted that this is a work in progress. He recalled that the Council requested periodic updates leading up to the draft economic development strategic plan. He described a graphic representation of Bellevue's key economic clusters.

Mr. Boydell described the information technology sector. He highlighted the changing demographics and the elements that would make the Downtown environment more appealing for certain businesses and workers. He commented on the need for superior telecommunications

infrastructure, which is critical for supporting Amazon and other new companies located in the South Lake Union area of Seattle.

Mr. Boydell described the business services cluster and its competitiveness within the region. Bellevue's challenges include the need for reasonably priced office space and affordable workforce housing.

Mr. Boydell summarized Bellevue's strong retail cluster and tourism/visitors cluster. He noted a perception by some that Bellevue is unaffordable and suggested this may warrant further study in terms of how it might relate to the long-term economic development strategy.

Mr. Stroh commented on county and local employment, and noted that a higher share of service jobs are located on the Eastside compared to Seattle. He described job growth in Bellevue from 1995 (106,190) to 2012 (138,904).

Councilmember Chelminiak asked staff to check on whether that includes construction employment.

Mr. Stroh described employment concentrations by industry sectors. Information Technology employment has increased the most from 2000 to 2010, and the business services sector has grown significantly as well.

Mr. Stroh described a bar graph of Bellevue business openings, by type of business, since the 1980s.

Responding to Deputy Mayor Robertson, Mr. Stroh said staff can provide statistics on business closings as well.

Mr. Stroh compared retail, food and accommodations taxable retail sales (per capita) among jurisdictions in 2012, noting that Bellevue's are among the highest in the region.

Councilmember Stokes said it was somewhat surprising to see that Woodinville's and Issaquah's taxable retail sales are nearly as high as Bellevue's.

Ms. Robertson questioned whether this is related to both cities having large Costco stores. She believes it would be helpful to understand why Woodinville and Issaquah have such high retail sales, and how this might determine what type of sales Bellevue wants to foster.

Mr. Stroh said one factor is the amount of commercially zoned property relative to a small population base.

Staff said that Bellevue, as a larger city, stands out strong in terms of per capita taxable retail sales. Woodinville has a relatively small population and a high percentage of big box retailers. Similarly, taxable retail sales per capita in Lynnwood and Tukwila are nearly twice as high as Bellevue.

Mr. Stroh described a bar graph depicting person-expenditures in Bellevue by industry in 2012.

Responding to Councilmember Balducci, Mr. Stroh said the data essentially reflects Bellevue's relative share of expenditures in different categories when compared to other cities statewide.

Mr. Boydell said the graph reflects that sales of apparel, autos, electronics and appliances are disproportionately high in Bellevue. This indicates that these businesses are attracting customers from outside of the area.

Councilmember Davidson observed that more higher-end auto sales occur in Bellevue compared to other areas.

Deputy Mayor Robertson said this is an interesting but confusing graph. She suggested that reporting and comparing per capita sales by category would be more meaningful.

Responding to Councilmember Wallace, Mr. Boydell said the graph of person-expenditures represents the categories with the highest levels of sales in Bellevue, but it does not report all sales.

Brian Murphy, Project Manager with Berk Consulting, summarized the needs and opportunities identified through the stakeholder outreach process. He said he conducted approximately one-third of the stakeholder interviews and the effort was well received. Businesses and participants were pleased to hear that the City is conducting economic development strategic planning.

Mr. Murphy said those interviewed identified many strengths within Bellevue including the local economy, school district, and the City's parks and community services. People spoke favorably of both the Downtown and neighborhoods. He heard a great deal of interest in a variety of living environments and a diverse range of built environments. Younger workers want a more urban feeling in the Downtown as well as more character in terms of arts, culture, restaurants, and the built environment.

Mr. Murphy said that transportation is critical for supporting the community. He spoke about the role of education and continuing to provide the talent to support technology-related businesses. He talked about attracting people worldwide to Bellevue based on its reputation for education and technology.

Responding to Councilmember Davidson, Mr. Murphy concurred that there is a great deal of potential in Bellevue for entrepreneurs who are well educated and have the necessary resources.

Mr. Murphy said he heard a number of comments suggesting that Bellevue needs to promote itself regionally and internationally. He believes some of that can be done by the City, and some can be accomplished regionally. He heard favorable comments about the business climate in general, including its relatively low tax rates.

Mr. Murphy said the work ahead is to develop a focused and prioritized strategy and to define the City's role in recruiting and retaining businesses.

Responding to Councilmember Davidson, Mr. Murphy agreed that there is both strength and danger in focusing too much on individual industry clusters. He said he spoke to someone earlier in the day who said that Bellevue's strength is in ICEE (information, capital, energy and education). He said this is different from how analysts formerly thought about finance, investments, and real estate. Mr. Murphy suggested it might be helpful to think about what micro-clusters have the greatest potential for Bellevue, and to also think more generally about what climate is conducive to the desired economic activity.

Mayor Lee talked about the importance of maintaining a global perspective. He agreed with the need for a broader marketing and messaging effort to promote Bellevue's strong assets.

Councilmember Stokes observed that the work does not address the arts and other activity centers beyond the Downtown that contribute to economic development. The stakeholder outreach process seems to be raising important issues. However, Mr. Stokes suggested a broader community-wide focus. He thanked staff and the consultants for their work.

Deputy Mayor Robertson said she appreciates the work of the consultants and staff. One thing missing in the list of strengths and quality of life is the natural beauty. She observed that business incubator space will be increasingly hard to come by, especially with the loss of light industrial space in the Bel-Red corridor as it redevelops. She is concerned that the marijuana industry will dominate available LI sites and preclude incubator companies.

Ms. Robertson said she wants to ensure the community provides adequate fiber and power grid infrastructure to support a strong business community and the information technology industry. She would like to identify opportunities for growth, for example, does the City want to attract a Costco or other large retailers?

Ms. Robertson sees an opportunity for growth with regard to STEM (science, technology, engineering and math) higher education. She would like to see more on that topic, including potential regional partnerships to increase the availability of university-level STEM programs. She noted that the University of Washington accommodates only roughly 20 percent of students interested in computer science and engineering degrees. She questioned how Bellevue might approach this opportunity.

Ms. Robertson said it is important to continue to streamline the City's permitting process to encourage and facilitate development. Referring to the written materials, she is intrigued with the suggestion for a concierge-type service for businesses. She said the City's Service First approach for general services has been effective and attracted recognition for its success.

Deputy Mayor Robertson said she envisions the strategic plan as providing data on what Bellevue has and how it has grown. The next step is identifying what Bellevue wants and the

opportunities for growth. She would like to see a road map of realistic mechanisms that can be implemented to achieve the desired objectives.

Councilmember Davidson suggested that the Seattle metropolitan area, including the Eastside, should be able to work together for strong overall economic development and to compete with out-of-state regions.

Councilmember Chelminiak thanked the consultants for their work and for focusing on what is important to businesses and to their employees. He believes the City can then determine its role in addressing those needs.

Mr. Chelminiak observed that there is a great deal of focus on the Downtown, which makes sense due to the concentration of business activity. However, it is also important to focus on opportunities in other business districts. He suggested exploring whether there are ways to facilitate the creative reuse of existing buildings.

Mr. Chelminiak said Bellevue has done well with transportation planning and in lobbying for highway funding and transit services. He said he spoke with the new Chancellor for the University of Washington-Bothell, who is very interested in talking about expanding to Bellevue. Mr. Chelminiak noted the significance of the medical district and the potential for increased activity in the areas of health sciences and healthcare informatics. He thanked the consultants for their work and the data provided to the Council.

Councilmember Wallace concurred that the hospital and medical industry is not mentioned and needs to be added. It is a significant employer in Bellevue and provides opportunities for the future. He suggested looking for ways to leverage Bellevue's economic development goals with those of Seattle, the Puget Sound Regional Council (PSRC), the State, and others.

Councilmember Wallace recalled that, a few years ago, there was a Council economic development working group for a period of time. He suggested that staff and the consultants review the notes from those meetings to see if that sparks any ideas.

Councilmember Stokes observed that Bellevue has moved toward recognizing its role as a regional and statewide leader, which enhances its economic opportunities.

Mayor Lee summarized that Bellevue needs to do more in marketing its many assets and in leveraging its activities with regional partners.

Dr. Davidson highlighted the role of the natural environment in attracting residents and businesses and the importance of maintaining a healthy environment.

4. Executive Session

(a) Property Acquisition

At 8:57 p.m., Mayor Lee declared recess to Executive Session for approximately 30 minutes to discuss one item of property acquisition .

The Executive Session concluded at 9:35 p.m., and the meeting was adjourned.

Myrna L. Basich, MMC
City Clerk

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