

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Study Session

March 18, 2013
6:00 p.m.

Council Conference Room
Bellevue, Washington

PRESENT: Mayor Lee, Deputy Mayor Robertson and Councilmembers Balducci¹, Chelminiak, Davidson, Stokes², and Wallace³

ABSENT: None.

1. Executive Session

Mayor Lee called the meeting to order at 6:06 p.m. There was no Executive Session.

2. Study Session

(a) Economic Development Retreat Follow-up on Mission/Vision Statements

City Manager Steve Sarkozy introduced discussion as a follow-up to the Council's economic development retreat on March 1. He said the City has been successful in developing a high technology workforce, building in part on the community's strong education system. One-third of Bellevue residents were born outside of the United States and many are attracted to the local high tech industry. Retail activity is a strong focus as well.

Chris Salomone, Director of Planning and Community Development, spoke to the importance of developing an economic development strategic plan. He noted the draft vision, mission and strategic objectives stated in Attachment 1 of the agenda memo [Page SS 2-5 of meeting packet]. He said it is important to be focused with sufficient details to be clear, but it is not all things to all people. The intent is to refine the scope and to come back to the Council with four or five action items for directing staff's focus.

Dan Stroh, Planning Director, recalled a focus during the retreat that Bellevue is a place for innovators and creators, which is reflected in the vision statement. The vision articulates the

¹ Councilmember Balducci joined the meeting at 6:17 p.m.

² Councilmember Stokes joined the meeting at 6:14 p.m.

³ Councilmember Wallace joined the meeting at 6:13 p.m.

connection between economic development and higher education institutions, research, and innovation. The vision statement highlights information technology, mobile communications, and green technology. Mr. Stroh said a growing number of firms are locating their headquarters within Bellevue due to this climate of innovation and overall quality of life. He noted that Bellevue is increasingly becoming an international community.

Mr. Stroh said staff is seeking Council input on the draft vision, mission and strategic objectives. Staff is looking for a vision that is aspirational and will support economic goals. He recalled that Councilmember Wallace suggested approaching this effort as an architectural design process in terms of starting at a conceptual level and proceeding through design/development to a fine grade of detail for future discussions. Mr. Stroh referred the Council to page SS 2-2 of the meeting packet for a list of steps in the process.

Mayor Lee said this is an important milestone in outlining an economic development strategy for the City. He said economic development includes education, which is not within the City's control, and infrastructure, which is within the City's control. He said it is important to establish a framework to enable the City to act quickly and not wait until the economy improves. He said it is important to develop a longer term vision and strategies.

Mayor Lee suggested that the vision paragraph could be shorter and more concise. He concurred that it is important to mention creativity, education, research, innovation, entrepreneurship, information technology, worldwide technologies, mobile communications, green technology, safe, entertainment, culture, high quality of living, best and brightest, economic center, and international city. He suggested reflecting those concepts within two or three sentences. He concurred with defining a time horizon for the vision and then developing a strategy.

Councilmember Chelminiak reviewed a one-page list of bullet points that he drafted and distributed to the Council. He said it is important to make it easy and attractive to do business in Bellevue. He said Bellevue offers a full range of commercial building sizes to accommodate a broad range of businesses. He would like to see an emphasis on sufficient and reliable power as well as other infrastructure (i.e., transportation, transit, and technology infrastructure).

Mr. Chelminiak said Bellevue's priorities fit well into the region's plan focusing on information technology, aerospace, business services, lifestyles, and tourism. He noted that Bellevue's retail activity is important in attracting visitors and tourism. He would like to add the concept of technology transfer (e.g., incubator businesses) to the objective of research and development. He noted that money is made by transferring research into a profitable business.

With regard to the draft vision and objectives, Mr. Chelminiak observed that the nomenclature could be updated to more current language and terms.

Deputy Mayor Robertson said she is glad to be moving forward on this process. She appreciates the context of a five-year horizon. She expressed support for the strategic objectives. She suggested adding a reference to public safety in the section on livability and community character. She appreciated Mr. Chelminiak's comments about the range of building types and the

technology infrastructure. Ms. Robertson said the document is missing a reference to local K-12 education, which is a key factor in attracting residents to Bellevue. However, she acknowledged that the City does not have direct control over that aspect. She suggested a reference to the City's extensive park system as a quality of life feature. She indicated that she will provide written comments for consideration as well.

Councilmember Stokes concurred with Councilmember Chelminiak that the language of the document needs to be updated to current times. He would like to see a succinct vision and mission statement with clear statements about the objectives and actions. He noted an example from the City of Denver, which is a mission/objective to ensure that Denver is the top destination for millennials. He thanked staff for the work. Mr. Stokes noted Ms. Robertson's comment about education and agreed that the City cannot control the school district. However, he believes that cities can work collaboratively with the district to enhance the overall quality of life.

Councilmember Balducci said she understands the value of having vision and mission statements. She suggested brief statements and/or key words that capture the core mission of the organization. In thinking about what distinguishes Bellevue from other cities, the key words that come to her mind are international, diverse, highly educated, and knowledge-based industries. She suggested focusing on the features that make Bellevue stand out from others.

Ms. Balducci said she likes the mission statement because it refers directly to supporting businesses. She suggested that there could be additional language stating why that is an objective (i.e., quality of life, education, etc.).

Councilmember Wallace expressed support for staff's work and noted that Councilmember Chelminiak's comments capture the key priorities. He likes the idea of looking at the branding of the City and reinforcing its identity. He believes this is a great opportunity to assess where Bellevue sits within the suburban cities and Seattle and to leverage the resources that they provide into a cohesive unit, and to look at ways to leverage State resources more effectively. He said it is important to highlight Bellevue as the best place to invest in the region. He noted Bellevue's positive efforts related to sustainability and reducing greenhouse gas emissions. Mr. Wallace suggested a focus on understanding what it is like to be an immigrant to this community.

Councilmember Davidson said he agrees with the comments so far. He noted that regional offices and headquarters are important to the community, even if companies do not choose Bellevue as their national or international headquarters. He observed that the vision statement is a bit wordy. He thanked staff for their work and expressed general support for the vision, mission and objectives.

Mayor Lee stated that Bellevue stands out from other cities in the way that it values its neighborhoods. He is still living in the same neighborhood as when he came to Bellevue 46 years ago, and the neighborhood character has remained consistent. He attributed this to Bellevue's deliberate planning processes.

Deputy Mayor Robertson suggested keeping in mind the purpose of this mission statement, which is specifically focused on economic development and not every purpose of the City. She sees the document as guiding future actions and the development of a strategic economic development plan.

Councilmember Balducci noted that the economic vision/mission statement for New York City is one sentence: "New York City Economic Development Corporation's mission is to encourage economic growth in each of the five boroughs of New York City by strengthening the City's competitive position and facilitating investments that build capacity, generate prosperity and catalyze the economic vibrancy as a whole." The statements identifies who they are, what they do, the fact that they support the entire city, and why.

(b) Retail Auto Sales in the Office/Limited Business District

Mr. Sarkozy introduced discussion of the Planning Commission's transmittal of a recommendation regarding the Land Use Code Amendment (LUCA) on retail auto sales in the Office/Limited Business (OLB) district. He recalled that this issue of expanding opportunities for retail auto sales was raised with the Council in January. Auto uses are currently allowed only in the Wilburton and Factoria areas. He noted the proposal to create a third area (Eastgate).

Councilmember Stokes questioned the status of the Toyota dealership at I-90 and 148th Avenue SE, which is not mentioned in the meeting materials.

Mr. Salomone described the proposal as a situational opportunity for the Council's consideration. He said the Planning Commission Chair was present to describe the Commission's recommendation.

Mike Bergstrom, Senior Planner, recalled that this topic was initially brought to the Council on January 22, and a courtesy hearing was held before the East Bellevue Community Council on February 5. The Planning Commission discussed the proposal on February 13 and held a public hearing on February 27. Final Council action will be requested on April 1. If approved, the LUCA will go to the East Bellevue Community Council on May 7 for action.

Mr. Bergstrom said there is a dealership interest in the Eastgate location under consideration. Dealerships have indicated that there are few readily available sites in Bellevue for new or expanding auto dealerships. Auto Row on 116th Avenue has contracted in recent years, and redevelopment of the Wilburton and Bel-Red areas is expected to displace additional dealers.

Mr. Bergstrom said that retail auto sales account for approximately 14 percent of the City's sales tax revenues. The proposal is largely consistent with the Eastgate/I-90 Land Use and Transportation Project concluded last year.

Mr. Bergstrom noted that auto dealers are allowed in other districts. However, they are allowed in only two areas of Bellevue within the OLB district: 1) Wilburton – west side of 116th Avenue between NE 8th Street and SE 8th Street off-ramp from northbound I-405, and 2) Factoria (along

I-90) – SE 36th Street west of ravine located at approximate alignment of 133rd Avenue SE, east of 132nd Avenue SE. Dealerships on the east side of 116th Avenue fall into a different zoning classification.

Mr. Bergstrom said the Eastgate site proposed for retail auto sales is the former Bally's health club site on the northwest quadrant of Eastgate Way and 148th Avenue SE. Michael's Toyota and Chaplin's Subaru-Volkswagen are immediately east of that site as conditional uses in the Community Business (CB) district. Mr. Bergstrom explained that dealerships located in the proposed site would be subject to design review which will include addressing and controlling spillover lighting. Vehicle inventory storage is to be predominately within a building or buildings. A parking garage on the site is part of the acquisition.

Planning Commission Chair John Carlson said the Planning Commission recommends, by a vote of 6-1, that the City Council approve the Land Use Code Amendment (LUCA) regarding retail auto sales in the Office/Limited Business district. The Commission determined that the LUCA is consistent with the character of the immediate area, and it makes good use of the existing facilities on the parcels.

Mr. Carlson observed that Bellevue actually has four auto rows (116th Avenue, Barrier Motors near Bel-Red Road, Northup Way, and Factoria/Eastgate). He said it makes sense to have car dealerships located in clusters for the convenience of customers. The proposed site is intended to accommodate the relocation and expansion of the Nissan dealership currently on NE 8th Street (near 116th Avenue). An Infinity dealership is slated to take over this NE 8th Street location. Mr. Carlson said the proposal generates revenue for the City with no apparent adverse impacts.

Responding to Councilmember Stokes, Mr. Carlson said the site does not appear to have any impact on nearby Bellevue College.

Mr. Bergstrom said staff invited Bellevue College to comment on the proposal, and school officials indicated they would not be taking a position on the matter. He recalled that Commissioner Ferris said he views the Eastgate Plan as a long-term, 20-year plan. The transit oriented development (TOD) is expected to occur gradually and to start from the core of the Eastgate area and expand outward. He said that Mr. Ferris considers the proposal a land-banking strategy and a low-capitalized interim use that might be displaced by TOD uses as property values increase.

Chair Carlson said the Commission has not heard any opposition to the LUCA proposal.

Mayor Lee said he spoke with a representative of Bellevue College about the proposal and that official did not express any concerns.

Councilmember Wallace questioned whether there was any discussion about how impacts might be mitigated if there is ultimately a change to mixed use TOD on the site. Mr. Carlson said the Commission determined that the parcels affected by the current proposal would not likely be used for TOD. He noted there are office buildings west of the proposed auto retail site.

Councilmember Wallace suggested that staff apply transition area principles used elsewhere in the Land Use Code in this LUCA.

Councilmember Stokes noted that he was on the Eastgate/I-90 Citizen Advisory Committee. He concurs with the Planning Commission's recommendation. He noted that the nearby Lincoln Executive Center has plans to redevelop over the long term, and he questioned whether the property owner commented on this proposal. Mr. Carlson said they are aware of the plans and did not offer testimony.

Responding to Councilmember Balducci, Mr. Bergstrom said the East Bellevue Community Council expressed concern about the erosion of the Eastgate area as a gateway into the community. Mr. Bergstrom said the Community Council would prefer a comprehensive study of auto dealer locations. However, they agreed that the design review requirement would be of benefit and they would like to see something done with the parcels. Mr. Bergstrom said the Community Council indicated it would support the proposed LUCA. However, they would be unlikely to support future auto dealerships in the OLB district.

In further response to Ms. Balducci, Mr. Bergstrom said staff forwarded the proposal to the Eastgate/I-90 Citizen Advisory Committee and invited former members to contact City staff with any questions or concerns. The City did not receive any feedback from that outreach. However, earlier feedback was received from Planning Commissioner Hamlin and Transportation Commissioner Larrivee. Mr. Hamlin was the one dissenting vote on the Planning Commission.

Councilmember Balducci said one reason for the Eastgate/I-90 study was that auto dealership uses were squeezing out uses and services important to the surrounding community. She observed that the proposed LUCA is not inconsistent with the Comprehensive Plan because the Comprehensive Plan has not yet been updated to incorporate the vision of the Eastgate/I-90 plan. She said the City has a long tradition of establishing and maintaining its long-term land use vision for the Downtown and the overall community. She is concerned about the process around the current proposal. She observed that outreach to the former CAC could have been more robust.

Ms. Balducci said that Bellevue College is a unique gem that cannot be replicated. She is committed to the vision of the Eastgate/I-90 CAC recommended plan and does not see how this proposal supports that vision.

Councilmember Davidson noted recent Council conversations about economic development, being nimble, and taking advantage of opportunities. He observed that the parking garage is already there and available to accommodate vehicles. He expressed support for the Planning Commission's analysis and recommendation.

Councilmember Stokes recalled that there was some concern expressed by the CAC about the Safeway Store closing and being replaced by a car dealership. He observed that the CAC was ambivalent about the site under discussion and that TOD was considered as a potential use due to

the Park and Ride to the west. He acknowledged that Bellevue College has indicated some interest in developing housing within that quadrant of the highway interchange. He feels strongly about the potential for development in that area, and he encouraged the Council to be nimble. He does not see that an auto retail sales use would be inconsistent with the Eastgate/I-90 plan. He would like to see the site in use and enhanced instead of vacant. He noted that an auto dealership will bring in revenue for the City as well.

Deputy Mayor Robertson said she was Council liaison to the Eastgate/I-90 CAC and is Council liaison to the Planning Commission. She observed that the Planning Commission deliberated very carefully on this issue, and she thanked them for their work. She noted that a developer worked closely with the Eastgate/I-90 CAC, and she questioned whether the City is aware of the developer's position on the proposal. She understood that the developer thought the subject site was too far away to impact their development plans.

City Manager Sarkozy said he spoke with the developer's local representative, who indicated that the site is the farthest commercial property from the transit center and that the proposal would not adversely affect their commercial development.

Ms. Robertson questioned whether the language added by the Planning Commission to Note 6 would require a transition area buffer between the site and adjacent properties. Mr. Bergstrom said no, but it would require design review. The site is not adjoining a defined land use district that requires transition treatments. Ms. Robertson expressed concern and said she believes it would be appropriate to have a buffer between the auto retail sales use and other uses, including Bellevue College. However, she acknowledged that she is not sure how that could be worked in because there are no different zones yet.

Mr. Bergstrom said the topography between the site and Bellevue College make that less of a concern. However, the lack of new zoning designations to the west presents uncertainty about how that area might be developed or redeveloped.

Ms. Robertson requested more information on that topic. She said it would be good to understand what could be practical and encouraged as part of the design review process if the LUCA is approved. She would like to ensure that the auto sales use would fit with its current and future neighbors. She noted the importance of enhancing the area as a gateway to East Bellevue and to the Eastgate area south of I-90.

Responding to Ms. Robertson, Mr. Bergstrom said design review would address the buildings, landscaping, lighting, and building materials. The north end of the site is partly within the transition area because it abuts Bellevue College, which is an R-5 district. Ms. Robertson said she is particularly concerned about the east-west boundary in terms of potential future development.

Deputy Mayor Robertson said that, after visiting the site and seeing how hidden it is, and with the Planning Commission's revisions and the lack of opposition to the project, she is willing to accept the Planning Commission's recommendation. She initially did not support sending the

issue to the Commission because she felt like it was jumping the planning queue of the Eastgate/I-90 study and of completing a holistic auto sales study. However, she is now comfortable with moving forward to consider an ordinance.

Councilmember Chelminiak said he does not agree with much of the analysis and he sees the proposal as land use creep. He recalled that there were discussions about the Community Business (CB) district and desirable conditional uses when the two auto dealerships east of 148th Avenue were sited. He said that at least one Councilmember at that time stated that auto dealerships were a regional and not a community business use.

Mr. Chelminiak said that, while he does not follow the planning logic of the proposal, there is also the reality logic of the issue, especially within the context of economic development. He will reluctantly support the proposal. He suggested bringing it back for action separately from the Consent Calendar to allow further comment if desired.

Mr. Carlson said the Planning Commission was sensitive to the issue of zoning creep in its discussions. However, the Commission became less concerned as it saw that Bellevue College and other neighbors in the area were not opposed to the proposed use. The Commission also felt that the proposal will address the blight of the subject parcels.

Councilmember Wallace said the proposal is not inconsistent with the Comprehensive Plan and no adverse impacts have been identified. He thanked Sound Auto Group for being willing to make this investment in the community. He believes this is an appropriate use for the site.

Mayor Lee noted that everything the City does has tradeoffs. He believes the benefits outweigh any negative aspects in this case.

- (c) Follow-up on Implementation of the 2013-2019 Capital Investment Program (CIP) Financing Plan by providing for the issuance of Limited Tax General Obligation Councilmanic bonds.

Mr. Sarkozy introduced continued discussion regarding the financing of the 2013-2019 Capital Investment Program (CIP) Plan. The CIP anticipated approximately \$80 million in short-term borrowing and long-term bonds. Staff previously recommended taking advantage of the City's AAA bond rating and low interest rates by using long-term debt.

Finance Director Jan Hawn said funds will be used primarily to fund East Link light rail commitments as specified in the memorandum of understanding (MOU) with Sound Transit and to pay off the current line of credit. The bonds are strictly to fund capital projects and do not involve the operating budget.

Ms. Hawn recalled that three issues were raised during the March 4 discussion. The first was a cash flow analysis of the original adopted CIP Plan versus the recommendation for the \$80 million in long-term borrowing. The adopted budget was a fully balanced plan from a cash flow perspective. With debt repayment smoothed over 20 years, the bonds create some capacity for Council to consider options including funding additional projects and/or setting money aside for

repayment of the debt. Ms. Hawn said staff suggests addressing that policy issue during the upcoming budget and CIP planning period.

Ms. Hawn said the second issue is the cost of issuance analysis and whether the analysis is really comparing apples to apples. The table provided on March 4 was strictly for illustrative purposes. She recalled that short-term borrowing is not currently available in the market.

The last issue related to delegation of authority, which staff recommended for specific reasons and for a limited time period. The delegation of authority provides the flexibility for staff regarding the timing of the sale date of the bonds and the sizing of the bond issuance. She recalled last year's refunding of the City Hall debt, which was split into two separate sales to maximize savings for the City. The delegation of authority also provides the ability to act when the timing is right without having to call a special meeting of the City Council.

Ms. Hawn said that State law allows for this delegation of authority. The total amount of bond issue would be established as not to exceed \$85 million to cover issuance costs and to allow for the possibility that the bonds may be sold at a discount. An Ordinance will be presented to the Council on April 1.

Responding to Deputy Mayor Robertson, Assistant Finance Director Toni Rezab clarified the corrected tables provided in the desk packet.

Ms. Robertson observed that the long-term debt low interest rate provides a strong cash flow and the ability to potentially complete more projects. She supports the delegation of authority and suggested that the Ordinance come back for Council action on the Consent Calendar.

Responding to Councilmember Chelminiak, Ms. Hawn said staff will continue to update the Council on cash flow amounts. Mr. Chelminiak said the City has long-term debt that it is repaying for City Hall, which is approximately \$6 million annually through 2042. She confirmed that the repayment is not backed by any specific tax increase or other designated revenue source. Mr. Chelminiak said the proposed bonds would commit the City to another \$5.3 million annually through 2033, which also is not backed by a specific revenue source.

Mr. Chelminiak said that debt is not a bad way to fund projects. However, he observed that it is not a great way to fund projects when there is not a specific revenue source for repayment. He expressed concern about the approach, which is why he voted against the City budget adopted by the Council. He would prefer that the Ordinance come back as an item separate from the Consent Calendar. He intends to vote against the bond issuance until there is a revenue plan in place to repay the debt.

Councilmember Wallace questioned the consequences of not approving the bond issuance. Ms. Hawn said that, if Council does not approve any debt, funds most likely would not be available to meet the City's commitments in the East Link MOU. He noted that staff made a reasonable assumption during the last budget process about short-term debt. However, that no longer applies

because short-term debt is not available. Ms. Hawn said the CIP Plan could not be supported solely through a new revenue source and that some debt is necessary.

Mr. Wallace observed that the long-term debt interest rate is nearly zero percent when inflation is taken in account. He supports the bond issuance.

Councilmember Chelminiak reiterated that his concern is not about issuing debt, but about issuing debt without an identified revenue source for repayment. He recalled that the City formerly had a financing plan with a mix of revenue sources and debt. That program is funding a good portion of the West Lake Sammamish Parkway project and the NE 4th Street extension. He observed that that was a balanced approach.

Mr. Chelminiak said the current proposed approach is not a balanced strategy and issues debt balanced on the backs of people in the year 2033. He said that has not always been a successful strategy, as evidenced by other governments. He observed that the proposed strategy might provide the ability to say that the City funded East Link commitments without new taxes. However, it would be accurate to also state that the commitments were funded through significant new debt.

Councilmember Stokes said the Council essentially already made the policy decision regarding debt to support capital projects. The issue of whether the City needs additional revenues is a good question. If the Council is serious about considering options, he would like to see some proposals put forward. However, he believes that should be addressed separately. He said he appreciates Councilmember Chelminiak's raising of the issue, but he is ready to vote on the bonds.

Responding to Councilmember Davidson, Ms. Hawn said there is no early repayment penalty after 10 years. Dr. Davidson said that is what convinced him to be willing to take on the debt.

Mayor Lee said it is important to talk about economic development and innovative strategies including private-public partnerships. He thinks there is opportunity for the City. He concurred with Mr. Stokes that the policy decision was already made with the budget.

At 7:59 p.m., Mayor Lee declared recess to the Regular Session.

Myrna L. Basich, MMC
City Clerk

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