

CITY OF BELLEVUE  
CITY COUNCIL

Summary Minutes of Study Session

June 2, 2014  
6:00 p.m.

Council Conference Room  
Bellevue, Washington

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

ABSENT: None.

1. Executive Session

The meeting was called to order at 6:08 p.m., with Mayor Balducci presiding. There was no Executive Session.

2. Study Session

(a) Draft Bellevue Transit Master Plan

Acting City Manager Brad Miyake opened discussion regarding the draft Bellevue Transit Master Plan. He recalled that the planning process was initiated by the Council in July 2012. At that time, the Council directed the Transportation Commission to oversee development of the plan. The Commission used a set of principles provided by the Council and also incorporated feedback from a number of the City commissions and boards.

Formal Council action on the plan will be scheduled for July. The Draft Transit Master Plan includes three major elements which have been presented and discussed during previous meetings: Policy, Service, and Capital.

Franz Loewenherz, Senior Planner, recalled that the last Council update was on April 14 regarding the Transit Capital Vision Report. On May 8, the Transportation Commission unanimously approved the project list and policy constructs of the report. He referred the Council to information in the desk packet summarizing previous Council questions and staff's responses.

Referring to a previous question from Councilmember Robinson, Mr. Loewenherz said both the Transit Master Plan and the Downtown Transportation Plan identify Main Street as a component of Bellevue's Frequent Transit Network (FTN), and reliability projects are anticipated. Details

will be determined in a future corridor study and potentially proposed for funding in the 2015-2016 budget.

Mr. Loewenherz said Deputy Mayor Wallace had asked the extent to which the plan would affect the development of properties with street frontage along the TMP. Mr. Loewenherz said the property owner would not be required to make any provisions to accommodate potential future projects under the Transit Master Plan.

Responding to Councilmember Robertson's previous inquiry about funding, Mr. Loewenherz said TMP projects will compete for funding with other infrastructure priorities before they are incorporated into Bellevue's Transportation Facilities Plan (TFP) and Capital Investment Program (CIP) Plan.

Councilmember Lee had asked how this all fits together with the Eastgate/I-90 Plan. Mr. Loewenherz said the capital vision directly responds to the land use vision. He described a map showing the elements of that plan including the frequent transit network, park and ride access, and the connective pedestrian and bicycle access network.

Mr. Loewenherz said the Determination of Non-Significance (DNS) was issued on May 8, 2014.

Mr. Loewenherz said the City has received two letters from Bellevue College expressing interest in being an active partner in advancing the proposed transit Connection Project and a willingness to provide some matching funds. He introduced Ata Karim, Vice President of Student Services, Bellevue College and Terry Parker, Bellevue School District's Transportation Manager, who have a strong interest in preserving and expanding transit services.

Mr. Loewenherz said the Transportation Commission will hold a public hearing on the Draft Transit Master Plan on June 26, and Council adoption of the Plan is anticipated for July 7.

Mr. Loewenherz recalled the January letter to King County from the City's Transportation Director at the request of the Council reminding the County that the City has gone through an extensive process and the County was a party to this process. The City and Metro staff have worked out a compromise on two of the affected routes. However, pending reductions to Route 271 are still a concern.

Mr. Loewenherz said the City has been working with King County Metro to secure grant funding, which will address reliability improvements for route 245. The Transit Master Plan update has also provided an opportunity to work with Sound Transit to better align anticipated bus-rail connections. He reiterated that City staff has been working with Bellevue College to consider potential matching funds for design of the Bellevue College Connection Project. That project has been incorporated into Sound Transit's Long Range Plan, positioning it for consideration as a ST3 project.

Mr. Loewenherz said King County released a request for proposals (RFP) several weeks ago to initiate a Long Range Public Transportation Plan, and the scope of work aligns with Bellevue's overall scope because the City was consulted on that project.

Transportation Commission Chair Ernie Simas presented the Commission's recommended Transit Master Plan. The TMP's highest priority is to improve the most used routes. The TMP identifies measures of effectiveness and reflects the abundant access strategy supported by the Council.

Mr. Simas summarized the sections of the plan including plan purpose, planning process, community outreach, transit improvement survey, stakeholder interviews, a coach operator survey, and the results of a number of network design, capital and policy workshops. Mr. Simas said the plan is based on an analysis of existing services and demand, population and employment growth, etc.

Mr. Simas said average weekday ridership in Bellevue increased by 144 percent over the last decade. The Commission began its process with a review of the 40 bus routes operated in Bellevue by King County Metro and Sound Transit. The TMP considered roadway, signal system and other right-of-way improvements that could support the Frequent Transit Network where transit demand is greatest and there is ample opportunity to prioritize transit-supportive capital improvements. The TMP also provides opportunities to enhance connections between the bus network and the future East Link light rail project.

The Policy Element of the TMP describes the abundant access vision statement and goals leading to the market-driven strategies that inform both the Service and Capital Visions. The Service Element of the TMP describes the 2030 Frequent Transit Network.

Mr. Simas recalled that the Capital Element was presented on April 14 by Transportation Commission Vice Chair Scott Lampe and Commissioners Vic Bishop and Janice Zahn. Mr. Simas said the Commission held a number of meetings to develop Bellevue's Transit Capital Vision. To better understand the underlying assumptions and conclusions of specific project recommendations, the Commission met with the Transpo Group, the project consultant overseeing the micro-simulation demand modeling work.

Mr. Simas commended Commissioner Bishop's contribution in terms of his extensive expertise, analysis of the issues, and meetings with City staff. A public hearing on the Draft TMP will be held before the Transportation Commission on June 26. Council action on the TMP is proposed for July 7.

Mr. Simas said that staff, in response to direction by the Transportation Commission, brought forward a series of technical memos proposing a wide range of transit infrastructure improvements. Preliminary projection descriptions and visualizations provided Commissioners and interested stakeholders the opportunity to review and comment on potential improvements under consideration. Commissioners actively evaluated the tradeoffs associated with each decision.

Over the course of nine meetings since November 2013, staff responded to multiple requests for additional information, and a number of suggested projects were eliminated from further consideration due to one or more fatal flaws.

Mr. Simas said the Transit Capital Vision Report approved by the Transportation Commission during its May 8 meeting recognizes that encouraging long-term ridership in Bellevue necessitates both transit service enhancements and the City's commitment to a supportive land use environment, pedestrian-bicycle amenities, and transit speed and reliability infrastructure. Their projects are conceptual and the final design details will be developed as projects proceed further in the implementation process.

Mr. Simas said that Council's input tonight informs the Transportation Commission's work in finalizing the TMP. After the public hearing on June 26, the Commission will return to the Council on July 7 to request formal adoption.

Mayor Balducci thanked the Transportation Commission and staff for the extensive work that went into the update of the Bellevue Transit Master Plan. She appreciates that the plan provides realistic options for consideration.

Councilmember Lee commended the Transportation Commission and staff on their work. He noted the increasing use of transit services over the past 10 years and the importance of planning for the future. He is pleased to see the connection to pedestrian and bicycle facilities and access as well.

Councilmember Robinson commended the Commission and staff for the thorough community outreach process.

Councilmember Robertson questioned whether there were any particularly controversial issues or topics. Mr. Simas said there was spirited discussion on some topics, for example, whether to designate HOV lanes. The most sensitive issue relates to the prioritization of one mode of travel over another.

Ms. Robertson questioned whether any issues garnered more public comment than others. She would like a report back to the Council after the June 26 public hearing on the major themes of the testimony. Mr. Simas said public comments have generally been to advocate for certain items (e.g., bike facilities) versus opposing certain elements.

Mr. Loewenherz said there is general community consensus with where the City is heading with the plan. However, he noted an email today with respect to the leased lots concept. He said the Transportation Commission is not necessarily recommending leased lots but identifies it as an issue to be taken up by the Planning Commission.

Mr. Simas said that discussion came up primarily due to the construction to be occurring in Bellevue over the next 10 years. Parking capacity will become more limited and the Commission wanted to explore options.

Ms. Robertson recalled general Council support for the leased lots during a previous discussion. Responding to Ms. Robertson, Mr. Loewenherz said the Council would need to direct the Planning Commission to explore an appropriate land use amendment to accommodate the leased lots.

Councilmember Chelminiak observed that this conversation would not have occurred 15 years ago. He said Bellevue is recognizing the need for multiple travel modes, which is great. He has always believed that the abundant access concept should be the primary approach throughout the region for guiding transit development.

With regard to leased lots, Mr. Chelminiak observed that Bellevue must be the only city that requires a conditional use permit to use an existing parking lot as a parking lot (i.e., leased lots for park and ride use). He noted the need to maintain route 271 service and he wants to continue to work that issue with King County Metro.

Councilmember Stokes commended the Commission and staff on their work. He agreed with Mr. Chelminiak about the value of the abundant access concept. He is generally supportive of the leased lots option. He hopes to see a statewide transportation package that will help to fund all types of transportation.

Deputy Mayor Wallace expressed concern about projects that take up ROW/general purpose lanes for bus only traffic. He recalled that, several years ago the City studied the impacts of a surface light rail alignment and determined that the impacts would be too disruptive to surface streets. Similarly, he believes that should not be considered to accommodate bus transit. Mr. Wallace highlighted the need for more park and ride lots.

Mr. Wallace said it helpful to look at the maps that are showing the main connection points. He said transportation demand is highest on I-405 and SR 520. He encouraged a focus on these key corridors, especially when a \$2 billion solution is being implemented for I-90. He suggested that the Transportation Commission and Council prioritize projects in terms of the most important regional connections.

Mr. Wallace said signalization improvements have improved mobility for cars and buses and he supports continuing with that approach. He said it is critical to be sure that I-405 works well in the future or traffic and buses will be backed up in Bellevue due to insufficient capacity on I-405.

Mr. Wallace said Bellevue's Transportation Commission has perhaps the strongest bus expertise in the region. He said it would be great to coordinate that with Metro in its route planning.

Mayor Balducci concurred with the comments on the strengths and expertise of the Transportation Commission.

In terms of the draft TMP, Mayor Balducci said she believes that designating certain lanes for transit should not be seen as prioritizing one travel mode over another. Her perspective is to evaluate the best ways to maximize person throughput on the roads. Her understanding of the proposals involving the use of general purpose lanes for HOV traffic only is that this would occur only during peak commute periods.

Ms. Balducci observed that there is a tension in current transit planning, particularly with the restricted revenues, between serving the most-used routes well versus the idea of transit as a lifeline for many citizens. She is concerned about the potential loss of a route that serve riders with essentially no other travel option. She referred to page 50 of the draft TMP and suggested modifying language to capture the concept that many people need and rely upon transit service.

(b) Multifamily Tax Exemption

Mr. Miyake said that consideration of the multifamily tax exemption was identified as a Council priority during its annual retreat earlier in the year.

Dan Stroh, Planning Director, said staff is pleased with the Council's interest in housing and the multifamily tax exemption. The exemption has proven to be an effective tool in other jurisdictions, as authorized by state law.

Arthur Sullivan, ARCH (A Regional Coalition for Housing) Program Manager, referred Council to pages SS 2-8 of the meeting packet for three basic questions to consider. The first is: Should Bellevue adopt the multifamily tax exemption as a voluntary affordable housing incentive within specified transit-served mixed-use districts and neighborhood commercial areas? Mr. Sullivan described the origin of the tax exemption as adopted by the state legislature in 1995 and amended in 2006.

Mr. Sullivan said state law gives jurisdictions the flexibility to establish incentives and requirements in a number of areas including the length of the exemption (eight or 12 years), affordability level, percentage of affordable units provided, ability to layer the multifamily tax exemption with other incentives, potential variation in requirements by targeted area, eligibility requirements, phased affordability for initial projects, and capping the program at a certain number of tax exempt units.

Mr. Sullivan said the exemption includes all value-added residential property taxation for the exemption period. Taxes would still be paid on the land value and non-residential uses. The units must be located in what the legislation refers to as a residential targeted area (RTA), which essentially is mixed use areas with residential and other types of uses in the area.

The exemptions may be for eight or 12 years. A number of Washington cities are using the MFTE program including Burien, Everett, Kirkland, Mercer Island, Renton, Seattle, Shoreline and Tacoma. Most programs include an affordability incentive. Seattle and Kirkland require affordable housing with both the 8- and 12-year exemptions. Mr. Sullivan noted that cities may

change their program requirements over time. The City of Seattle has changed its affordability definitions four times over the past 10 or so years.

For the 8-year exemption, there is full flexibility in determining requirements based on affordability. Seattle and Kirkland require affordability with the 8-year exemption. With the 12-year exemption, at least 20 percent of the units must meet the definition of affordability, which can be up to 100 percent of the King County median income because it is a high cost county. In Kirkland, they have required 10 percent of units at one level of affordability and 10 percent at another level of affordability.

Mr. Sullivan said if the Council is interested in considering a multifamily tax exemption program, would the program allow 8-year and/or 12-year exemptions? What areas of the City should be considered for the program? Should the program be designed to work with other incentives to achieve greater levels of housing affordability?

Councilmember Robinson thanked staff for the presentation. She said this is an important issue in attracting talent to the city. She questioned whether there is any benefit to either the 8-year or 12-year exemption options. If not, is there any way to encourage long-term affordability any other way?

Mr. Sullivan said that is an area in which the Council has total discretion. Other jurisdictions have set rules requiring affordability either for the life of the building or for 30 years minimum. He said the programs are geared for long-term affordability.

In further response to Ms. Robinson, Mr. Sullivan said ARCH has spent the past 20 years trying to preserve properties with 20-year requirements. When those expired, cities had to find ways to reinvest new funds. In some areas where a city is trying to make things happen where nothing is happening, there might be value in offering a mix of requirements. However, if the motivation is primarily affordability, Mr. Sullivan said ARCH has learned that 10-20 year affordability leads to concerns 20 years later.

Councilmember Lee noted that the law was adopted in 1995 and amended in 2006. He questioned why it had not been previously discussed or considered. Mr. Stroh said staff had been looking for an opportunity to bring this forward to the Council when the time was right and the Council expressed interest. He said this recently emerged as a Council priority and as a component of the economic development plan. He said there are financial impacts to using the tool.

Councilmember Lee said he would like more information on the experiences of other cities who have implemented MFTE programs. He noted tables in the meeting materials about the number of units created in specific cities. He questioned the number of units that could be generated in Bellevue. He wants to be sure the program would encourage housing that is compatible and consistent with other goals of the City. He questioned how this complements ARCH's work.

Deputy Mayor Wallace said he appreciates Councilmember Robinson advocating for consideration of the multifamily tax exemption. In his work with Wallace Properties, he has been involved in the process for three projects in Seattle. He said it is nice because 20 percent of an apartment complex might be allocated to lower income, but the majority of units are market rate. It does not create large projects or areas of all low-income housing.

Mr. Wallace said that, if the property tax exemption is only on the incremental value from new construction, and you were to conclude that the incentive is enabling the project, there is really no financial impact at all. If the project did not go forward, the City would not get any property tax. The way the property tax is collected is the City sets the amount of tax to be collected and it is spread pro rata amongst all property values. He said jurisdictions do not actually lose any revenue. Instead, there is an infinitesimal increase in everyone's millage rate. He said it is a very small impact over time.

Mr. Wallace noted that the rents stated in the meeting materials include utilities. However, in units where tenants are playing their own utilities, the rent is further reduced by a set amount.

Mr. Wallace observed that Seattle's program has been used the most and he feels it would be the most appropriate model for Bellevue. Seattle's program has had the most thought and the most trial and error. He spoke in favor of the 12-year exemption. He opined that cities using the 8-year exemption are doing so because it is difficult to attract the construction of new projects. He said it does not make sense to do the 8-year plan with the affordable housing incentive because the time horizon is not long enough for underwriting purposes of the project.

Deputy Mayor Wallace suggested this topic should be tied in with discussion of the Downtown Livability study.

Mr. Sullivan confirmed that ARCH has data on many of the issues raised by the Council, and staff will provide that to the Council.

Councilmember Robertson questioned the expected results of manipulating a market in this way, beyond providing affordable housing. She questioned whether properties zoned as mixed use could ultimately be developed solely as housing, without providing the commercial, office and/or neighborhood businesses that residents want as well. She would like more information on how this would work if adopted.

Ms. Robertson referred to the earlier example of a development providing 20 percent affordable housing. She observed that leaves 80 percent that is not affordable, and she questioned the extent to which Bellevue wants or needs to provide incentives for more multifamily development in Bellevue. She would like more information to ensure that Bellevue does not end up with more multifamily development than it might want. She requested information on how many more units the tax exemption would generate.

Councilmember Robertson questioned the impact of more housing units on the demand for fire and public safety services and overall infrastructure. She said she is not prepared to answer the basic question about whether the City should implement the tax exemption.

Ms. Robertson noted that the affordability numbers provided to the Council are for King County. She requested a breakdown of the numbers for Bellevue and the Eastside. Mr. Sullivan said he can provide that information. However, in designing programs under state legislation, the county median income is used.

Ms. Robertson expressed concern about the impact of more multifamily housing on the Bellevue School District. She questioned whether other agencies have been consulted on the impacts.

Ms. Robertson said Councilmember Robinson makes a good point about economic development and wanting to be sure Bellevue has housing for those employed in Bellevue. If this is the case, the City needs to know the average incomes of entrepreneurs and entry level workers who would be likely to live in the housing units.

Mr. Sullivan said ARCH likes to start from the point of view of what will make a city excited about making this benefit available, and then it tailors the amount of affordable units based on desired housing. He said this is why Kirkland went with two affordability levels in its units. Mr. Sullivan said staff will come back with information on salaries and existing rents.

Councilmember Robinson said she had never seen this as an incentive for creating more multifamily housing than would otherwise be developed. Councilmember Robertson indicated she believes it is, and both agreed more information is needed.

Councilmember Stokes believes this is an important tool and the time is right to consider its benefits and impacts. He agreed there are many questions to be answered. He thanked staff for the presentation.

Councilmember Chelminiak believes this is a valuable tool that should be considered. He said it would make sense in areas targeted for mixed use including the Downtown and transit-oriented developments (e.g., Bel-Red and Crossroads). He noted the relationship to the previous discussion about transit services. He noted the possibility that this could provide incentives for mixed-use development to revitalize the Newport Hills Shopping Center.

Councilmember Robertson noted that the cost of creating a unit and the value of the improvements is much higher in the Downtown than other areas. This means that the tax break a developer would have over time would also be higher. She would like a comparison of the costs and tax impacts of units based on the type of construction used and the location of the units in the community. She would not expect the Downtown to be a very cost-effective location.

Councilmember Chelminiak observed that transit-oriented development is placed primarily in concrete and steel buildings. He said one goal is to have a mix of housing affordability within abundant access to transit.

Mayor Balducci said this is just the introduction to this topic. For the next discussion, she would like staff to bring examples of what a program might look like, with examples in the different places that Councilmember Chelminiak mentioned for TOD. She tends to agree that this attempt to provide an incentive for more affordable housing makes good sense around transit locations or at least areas well served by transit.

Ms. Balducci said the Council needs information on the revenue impacts and on whether the program would encourage more multifamily housing than desired or needed.

Responding to Mayor Balducci, the City Clerk confirmed the topic can be accommodated on the Council calendar in September.

Councilmember Wallace said the Seattle Office of Housing and the City of Seattle would be able to answer a number of the questions. He said they have also had a broader discussion about affordable housing, and they have brought in panels of experts from across the country for further analysis.

Responding to Councilmember Lee, Mayor Balducci agreed that public outreach would be needed to determine the feasibility of stimulating redevelopment and new development.

(c) A Regional Coalition for Housing (ARCH) Trust Fund Recommendation

Mr. Stroh introduced discussion of an ARCH funding recommendation that has been reviewed by the ARCH Citizen Advisory Board and the ARCH Executive Board. It meets the long-term objective of preserving existing affordable housing opportunities.

Mr. Stroh referenced page SS 2-23 for a memo from the ARCH Executive Board. He said the requested funding has already been set aside in the Housing Trust Fund so this request does not affect the General Fund.

Councilmember Robinson recused herself from the discussion and left the room.

Mr. Sullivan said this is an out-of-cycle recommendation to preserve existing housing units in Bellevue and Redmond. He said one of ARCH's top priorities has been to preserve federally assisted housing. After certain periods of time, privately-owned apartment complexes have typically been able to convert units to market-level rental rates.

Mr. Sullivan said this is a milestone moment preserving more than 100 units, which brings the total number of privately-owned units to 600 of the original 640 to be preserved long term with federal assistance.

Mr. Sullivan said the King County Housing Authority is using the asset value of other properties it owns to help cover the debt service to be able to buy these properties. The total project costs of \$18 million are summarized on page SS 2-31. Most of that is property acquisition costs. Two-

thirds of the costs are being covered by cash flow from other properties the Housing Authority has owned for a period of time. Mr. Sullivan said that has enabled the request from ARCH of \$1.3 million which, for 105 units, is a relatively low per-unit request.

Deputy Mayor Wallace spoke in support of the request and noted that this is a much less expensive way of providing and maintaining affordable units.

Responding to Mr. Wallace, Mr. Stroh said the City was asked for a small ARCH share in the fall of 2013 in anticipation of asking for funding for this project.

Mayor Balducci said she is hearing general Council support for the project and funding request. She commended ARCH's success in preserving federally assisted units. Mr. Sullivan said ARCH has lost only 15 federally assisted housing units in recent years, which is a much better track record than much of the country.

At 7:55 p.m., Mayor Balducci declared recess to Regular Session.

Myrna L. Basich, MMC  
City Clerk

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