

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Extended Study Session

September 9, 2013
6:00 p.m.

Council Chambers
Bellevue, Washington

PRESENT: Mayor Lee, Deputy Mayor Robertson¹ and Councilmembers Balducci, Chelminiak, Davidson, Stokes, and Wallace²

ABSENT: None.

1. Executive Session

At 6:01 p.m., Deputy Mayor Robertson called the meeting to order and declared recess to Executive Session for approximately 20 minutes to discuss one item of pending litigation.

The meeting resumed at 6:24 p.m., with Mayor Lee presiding.

2. Oral Communications

Mayor Lee acknowledged that many in the audience were interested in the solid waste contract [Agenda Item 3(b)]. He explained that the City's choice of a vendor is the result of an open and transparent contract solicitation process. This includes strict rules that the vendors and agents must follow which prevent communications that are not part of the evaluation process. Mayor Lee said the public, however, is allowed to comment on the vendors.

Mayor Lee highlighted Agenda Item 4(a) involving an application by Kelsey Creek Center to expand the allowed uses. He said this is a quasi-judicial land use matter for the Council, and the opportunity to comment occurred as part of a formal hearing before the Hearing Examiner. The Council is prohibited from receiving public comment on this item during tonight's meeting.

- (a) Mike Nesteroff spoke regarding the solid waste contract. He said his understanding is that Republic Services is currently losing money on its \$17.3 million contract with the City. He questioned how another vendor could make a profit with a \$17.9 million contract, especially given the capital investments that would be required. He questioned whether the bid for \$17.9 million is realistic and how rates could be lower given an increase in the overall contract amount. He cautioned against entering into a contract that might not pan

¹ Deputy Mayor Robertson left the meeting at 10:17 p.m.

² Councilmember Wallace left the meeting at 10:17 p.m.

out as proposed. He said the Bellevue contract would be larger than any of CleanScapes' current contracts.

- (b) Vic Bishop, representing the Eastside Transportation Association, spoke to the importance of fully funding I-405 improvements. He noted the benefits of neighborhood protection, enhanced Downtown access, and ensuring that the I-405 corridor remains the economic engine of the state. He said the Bellevue to Renton phase needs full funding of \$1.3 billion. The I-405 plan has been underfunded by the last two gas tax increases. Mr. Bishop submitted his comments in writing.
- (c) Andrew Harman spoke on behalf of Provail, a nonprofit organization that provides employment services for people with disabilities. He said the City of Seattle created 50 positions last year for individuals with disabilities, and he encouraged Bellevue to consider a similar program. Mr. Harman submitted written information on the employers and employees served by Provail.
- (d) Kurt Boehl said he is an attorney representing businesses seeking licenses to operate retail marijuana outlets in Bellevue. He said the State Liquor Board anticipates adopting formal rules by mid-October. He encouraged the Council's thoughtful consideration of the guidelines. He said the retail stores will be professionally operated in the same manner as liquor stores. Mr. Boehl said he understands the importance of making stores appropriate for Bellevue, and he would like to work with the City for a successful implementation. He submitted his comments in writing.
- (e) Paul Lwali commended Republic Services' 30-year partnership with the community. He said they have worked well with the YMCA and taught the community a great deal about recycling and the environment. As a Bellevue resident, he knows that Republic Services is familiar with serving this community.
- (f) Nanette Fricke, speaking on behalf of Spiritwood residents, thanked Councilmembers and staff who have been working to address concerns regarding the multifamily housing model being adopted in their single-family neighborhood. She reported that one house has filled up with six renters and cars. She is pleased that City staff is proposing an emergency ordinance. She said the City Manager, Councilmembers, and Council candidates have toured the area to discuss the issue. She thanked everyone for their interest and concern.
- (g) Steven Fricke thanked the City for the time given to address the multi-room rental issue. He said the definition of family could be more specific, and there are several court cases addressing this issue. He is willing to discuss all of these cases if staff and/or Councilmembers have an interest. He said the Craigslist ads for these rooms are renting bedrooms and are clearly not renting the rooms to operate as a single household. While residents and the City have differences of opinion about the ability to enforce the Code, the residents want to continue to work together. He said the City of Auburn is having a similar problem in the vicinity of the Green River Community College. On September 3,

2013, City of Auburn staff recommended approving their Ordinance No. 6477 in an expedited manner. That legislation addresses the definition of family and uses the term communal dwellings instead of boarding houses. Mr. Fricke said that residents and their attorney want to continue to work with City. He thanked the City for considering the proposed emergency ordinance.

Councilmember Wallace asked the City Manager to provide more information on the City of Auburn's handling of the home rental issue.

- (h) Susan Rakow Anderson said she was recently appointed to the new Light Rail Permitting Citizens Advisory Committee (CAC), and she learned from a reporter that there are concerns about her appointment. She worked at an engineering consultant firm for 30 years and retired earlier this year. She spent the past 10 years managing the design and permitting of large transportation projects for many clients including the City of Seattle, King County, and Sound Transit. She has no conflict of interest with any past clients and stated this on her CAC application. She has lived in Bellevue for more than 28 years, is a regular transit rider along Bellevue Way, and her family hikes and canoes in the Mercer Slough Park. She looks forward to serving the Council and the community on the committee.
- (i) John Su, John Su Development, commented on the solid waste contract. He said the cost of services is very important for Downtown buildings, and he noted that his company's costs increased at a rate higher than inflation over the past year. He would like the new contract to include the collection of kitchen/food waste. He encouraged the Council to consider the evaluation criteria in making its decision.

Mayor Lee invited Mr. Su to submit his comments in writing.

- (j) Pat Callahan, CEO of the Urban Renaissance Group, encouraged moving forward with implementing the Eastgate plan and rezone, including redevelopment of the Lincoln Executive Center and increasing the density of development in the area.
- (k) Ray White, Bellevue College Vice President of Administrative Services, said the College is ready to build housing for its students. He believes the Lincoln Executive Center site provides opportunities for this development, and he encouraged moving forward as soon as possible.
- (l) Jack McCullough, a land use attorney, recalled his group's past work with the Eastgate/I-90 Citizen Advisory Committee (CAC) in 2010-2011. He noted that Deputy Mayor Robertson and Councilmember Stokes participated on that committee, which presented its report to the Council in early 2012. He said Beacon is prepared to expend its resources to move forward with redevelopment. Mr. McCullough referred to page 3-30 of the meeting packet, which identifies the Eastgate/I-90 plan as an emerging issue with regard to the Comprehensive Plan update. He encouraged the Council to expedite work on this item within the Planning Commission and City staff work program.

- (m) Allison Love Mardini, an East Lake Hills resident, said she recently learned about the home rental issue in Spiritwood. She said there is a similar problem in her neighborhood with homes being rented to multiple unrelated people. One house has 11 cars on a regular basis, and activities include auto repair and the dumping of oil into the ground. Residents have complained to City staff and were advised to speak to the Council. Ms. Mardini said residents are concerned because this is damaging property market values while tax assessments are increasing significantly. She agrees with the earlier speaker who said that “family” needs to be better defined in the City Code. She said the renters are literally sleeping in shifts and being exploited by the landlords. She works with undocumented workers and understands how it works. Ms. Mardini said the City of Seattle has started a rental registration with inspections for safety and sanitary conditions to restrict this practice. She noted that her father was Melvin Love, the second mayor of Bellevue.
- (n) Dale King, GLY Construction, spoke to the solid waste contract. He said it is important to look not only at cost, but also at how a service provider conducts business and works with the community. He said Republic Services is a community leader and has provided great service to his company.
- (o) Chris Peters expressed concern regarding rental homes with more than six unrelated individuals. One home is a few doors down from his, and the quality of life in the neighborhood is already suffering. He said there have been calls to the Bellevue Police for loud noise between 11:00 p.m. and 3:00 a.m., and there are numerous vehicles. He is concerned about the impact on property values.

3. Study Session

(a) Council Business and New Initiatives

(1) Arts Commission Appointments

Councilmember Balducci said there are two vacancies on the Arts Commission. She recommended appointing Hugo Ludena, a photographer who has been involved in mentoring programs and regional arts, and Philip Malkin, who works for Puget Sound Energy (PSE) as the manager of creative services and corporate communications.

→ Councilmember Balducci moved to appoint Hugo Ludena and Philip Malkin to the Arts Commission. Deputy Mayor Robertson seconded the motion.

→ The motion carried by a vote of 7-0.

Mayor Lee thanked the Arts Commission and other volunteers for their service to the City. He said he appreciated earlier comments by Susan Rakow Anderson regarding her appointment to the Light Rail CAC. Mayor Lee said he will ensure that the misunderstanding is clarified.

Deputy Mayor Robertson said she is representing the City of Bellevue on the Sister Cities trip to the Czech Republic and Latvia. She requested that the Council formally excuse her absence for the September 16 and September 23 meetings.

- Councilmember Stokes moved to excuse Deputy Mayor Robertson's absence from regular meetings of the City Council for September 16 and Sept 23. Councilmember Wallace seconded the motion.
- The motion carried by a vote of 7-0.

(2) Review of Draft Recruitment Brochure for City Manager Position

Deputy Mayor Robertson suggested reorganizing the agenda to move discussion of the City Manager recruitment brochure toward the end of the meeting.

- Councilmember Wallace moved to amend the agenda to reorder this item to occur following the planning work program discussion. Ms. Robertson seconded the motion.
- The motion carried by a vote of 7-0.

(b) Solid Waste Collection Contract Vendor Selection

Councilmember Chelminiak recused himself from the discussion and decision on the solid waste collection contract vendor. While he works for another vendor that did not submit a proposal, he prefers to not participate to ensure the appearance of fairness.

Councilmember Wallace recused himself as well, noting his explanation offered during the previous week's meeting. Both Councilmembers left the room.

Acting City Manager Brad Miyake recalled that staff presented information on the solid waste collection contract on September 3, at which time the Council provided direction to staff on a number of items. Staff is now seeking direction on additional items as well as the selection of the vendor.

Utilities Director Nav Otal said staff is seeking Council direction to finalize the 2014 solid waste collection contract and select a vendor. On September 3, the Council provided direction in support of available key service enhancements and in favor of new service options (i.e., unlimited recycling for commercial customers, commercial and multifamily organics recycling).

Ms. Otal said staff is seeking direction on the rate structure and on whether organics collection should be embedded in the garbage rate or a separate fee. She compared the benefits and disadvantages of an embedded rate versus a separate fee. An embedded rate shares the cost among all users and encourages greater participation. Ms. Otal said that staff recommends embedding the cost of a base level of organics recycling into the commercial and multifamily garbage rates to promote participation and increase diversion.

Deputy Mayor Robertson expressed support for embedding the cost of a base level of organics service (weekly 96-gallon cart) into the commercial and multifamily garbage rates. She believes this is a fair threshold and noted that customers generating large quantities of organics can contract separately for additional collections. She said this is more cost-effective overall and will encourage greater participation.

Responding to Councilmember Balducci, Ms. Otal said she would not characterize the approach as subsidizing. Rather, it is similar to how insurance works in which the cost is spread over a larger customer base. Ms. Otal said that residential service already has an embedded rate.

Ms. Balducci said that certain service enhancements have separate fees. However, the rationale for the embedded organics fee is consistency with the City's goals to reduce the waste stream and to increase and improve environmental sustainability.

Councilmember Stokes concurred with Ms. Balducci's comments. He believes the embedded rate has worked well at the residential level, and he supports the same approach for commercial and multifamily customers.

Mayor Lee concurred that the embedded rate approach is consistent with the City's well-established policy of encouraging recycling.

Lucy Liu, Assistant Director of Utilities, described three rate structure options: 1) current rate structure, 2) cost-of-service rate structure, and 3) single-family linear rate structure.

The current rate structure maintains the existing revenue allocation between commercial and residential rates and smooths out rate adjustments. Ms. Liu said there is not a significant shift in rates with either vendor using the current rate structure.

The cost-of-service rate structure has a greater impact on single-family residences. Single-family rates increase significantly while commercial and multifamily rates decrease.

The single-family linear rate structure charges customers per gallon of garbage capacity. It encourages waste prevention and recycling, but has greater cost impacts for households with larger containers. Those with larger containers would pay approximately twice what they currently pay.

Ms. Liu said staff recommends retaining the current rate structure to minimize the impacts of rate adjustments.

Councilmember Stokes expressed support for staff's recommendation.

Mayor Lee said he supports the current rate structure which spreads costs more fairly among all customers.

Deputy Mayor Robertson concurred, noting that the current rate structure minimizes rate adjustment impacts to customers. The linear rate structure is appealing in terms of possibly promoting more recycling. However, she does not want to penalize larger families.

Dan Stroh, Planning Director, summarized staff's findings on the two vendors. Two independent staff teams evaluated the qualitative and quantitative factors of the vendors' proposals. Staff concluded that both vendors are capable of serving Bellevue and would profit from the contract. However, there are differences in their costs and service approach.

Mr. Stroh requested Council direction on the vendor selection.

Mayor Lee said this is an important decision on a long-term contract. Solid waste collection is as important as public safety to residents and it personally affects everyone. The overall cost of the contract is significant as well.

Mayor Lee asked whether there will be an opportunity for certain items to be negotiated after the selection of the vendor. Ms. Otal said staff will conduct full due diligence with the selected vendor to ensure that all details are clarified and conditions are met. Staff plans to spend the next few weeks finalizing the contract before formal Council action in October.

Responding to Mayor Lee, Deputy City Attorney Kate Berens confirmed that the process is slightly different than how the City handles public works contracts. In the case of public works, after a vote to award the bid is made, a valid contract is in effect.

Deputy Mayor Robertson thanked staff for their work and agreed with Mayor Lee that solid waste collection is as critical as Police, Fire, water, and sewer services. Although Republic Services submitted a slightly higher bid, both bids represent a rate increase for customers. She observed that the cost increases with both vendors are very modest, and price is not the only consideration in awarding the contract. Value is important as well in terms of the history of the service, value to the community, and the impact of changing vendors.

Ms. Robertson said she weighs the qualitative factors over cost. Bellevue residents are strongly supportive of Republic Services, which has a long and stable history with the City. She noted that, during the term of the new collection contract, the City is facing other potential transitions on the solid waste front including exploring disposal alternatives to the King County Cedar Hills landfill and collaborating with neighboring communities on a broader approach to garbage collection and disposal. She said those potential changes make it even more important for the City to retain stability where it can. Noting overwhelming community support, Ms. Robertson expressed her preference for awarding the contract to Republic Services.

→ Deputy Mayor Robertson moved to direct staff to finalize the 2014 Comprehensive Garbage, Recyclables and Organic Waste Collection contract with Republic Services. Councilmember Stokes seconded the motion.

Councilmember Davidson said the same company has served the City well for 30 years and, as a Councilmember, he has not heard complaints. He believes this demonstrates the value of the qualitative aspects of the evaluation and decision. He will support the motion.

Councilmember Balducci spoke in favor of the motion. She recalled that the Council established the criteria and assigned the weight to be given to quantitative and qualitative factors. She observed that staff implemented that direction very well and came to reasonable and logical conclusions. While the objective criteria scored higher for CleanScapes, she agrees with comments about the importance of intangibles that cannot be readily quantified. Ms. Balducci said there are new and emerging solid waste handling techniques and she is aware that Republic Services is moving toward exploring them. She encouraged staff to keep working in that vein with the selected vendor. She said Republic Services has been an active and consistent partner with the community.

With regard to the City's process, Ms. Balducci opined that perhaps the City does not receive stronger responses to its request for proposals because of its bidding practices. She suggested considering, for the future, providing the opportunity for bidders to make their own presentations directly to the Council.

Councilmember Stokes expressed appreciation for staff's work and outreach to the Council and Environmental Services Commission. He said this has been a very positive and professional process. He noted that he serves on the King County Regional Policy Committee, which has been discussing great changes coming with regard to the handling of solid waste. He would like to see Republic Services exploring new methods.

Mayor Lee thanked CleanScapes for their bid and complimented them on their proposal and interactions with City staff. However, as Councilmembers have indicated, it is important to maintain stability and reliability in continuing to work with a long-term vendor that has provided good service. He noted the importance of the strong history and level of certainty with Republic Services. He concurred with other Councilmembers' interest in continuing to explore and consider new technologies and services.

Mr. Lee said the dollar amounts of the bids are very close, and the difference relates primarily to assumptions about recycling. He said that Republic Services' assumptions are based on its history in Bellevue. Mayor Lee expressed support for the motion.

→ The motion carried by a vote of 5-0, with Councilmembers Chelminiak and Wallace recused.

Deputy Mayor Robertson said she would like staff to follow up on any discrepancies that staff might have noted in evaluating the bids and the financial projections of the vendors in order to ensure consistency with the RFP, bring forward a contract that is consistent with the draft contract described in the RFP, finalize the contract, and present it for Council action in early October.

Mayor Lee noted Council consensus with that direction to staff.

At 8:03 p.m., Mayor Lee declared a break.

The meeting resumed at 8:13 p.m., with Councilmembers Chelminiak and Wallace rejoining the meeting.

- (c) Planning Commission and Staff Work Program; 2013-2014 Planning and Code Initiatives

Acting City Manager Brad Miyake opened discussion regarding the Planning Commission and staff work program and 2013-2014 Code initiatives.

Chris Salomone, Director of Planning and Community Development (PCD), said staff would provide an update on the status of initiated Code amendments. Staff is seeking direction on whether to initiate Code and planning work, as requested by the community, regarding: 1) multi-room rentals in single-family homes, 2) flexibility for PO (Professional Office) zone in Factoria transition area, and 3) five-year review and update of the Bel-Red Plan as part of the current Comprehensive Plan update.

Mr. Salomone described a proposed schedule for addressing major planning programs previously identified by the Council. These include the Shoreline Master Program, Comprehensive Plan update, Downtown Livability Study, East Link station area planning, and the East Link Permitting Citizen Advisory Committee. Additional projects include Eastgate plan implementation and a number of Land Use Code amendments.

Mr. Salomone noted the earlier comments by Pat Callahan requesting that the Eastgate redevelopment plan move forward. Mr. Callahan has indicated to staff that the proposed schedule is acceptable. This involves beginning to develop plan amendments this November or December. The Bel-Red review is scheduled to start the third quarter of 2014 and staff recommends maintaining that schedule.

Mike Brennan, Director of the Development Services Department (DSD), provided an update on initiated LUC amendments: Shoreline Master Program, medical cannabis collective gardens and recreational marijuana regulations, camp and conference center regulations, roosters and peafowl regulations, and light rail transit use (East Link) regulations. Staff anticipates addressing conformance amendments related to the Shoreline Master Program with the Planning Commission this fall. Staff is beginning to work with the Light Rail Permitting Citizen Advisory Committee (CAC) regarding light rail regulations.

Councilmember Davidson recalled Portland's approach to planning its light rail stations and questioned how and when that will be addressed for Bellevue. Mr. Brennan said there will be separate CACs to address station area planning.

Dr. Davidson said there are still concerns in the community about the potential for transit-oriented development (TOD) around light rail stations. Mr. Salomone said staff plans to bring that topic back later in the year with the first station area planning CAC, which will work on the East Main Street Station.

Mr. Brennan said staff is seeking Council affirmation regarding the scheduled work plan. Staff is also requesting Council direction about whether to initiate work on the issue of multi-room rentals in single-family dwellings.

(1) Single-family multi-room rentals

Carol Helland, Land Use Director, explained that residents of the Spiritwood area began raising concerns about increasing multi-room rentals in single-family dwellings. The practice occurs in other parts of the community. However, it is increasing in areas near Bellevue College. She said this situation is complicated because potential amendments affect many areas of the Land Use Code. A deliberate review is necessary to determine the implications for housing affordability and other issues as well.

For the short term, Ms. Helland said one option is adopting an emergency interim ordinance and initiating the development of permanent regulations. Option 2 is to refer the issue to the ongoing major Comprehensive Plan update.

Councilmember Stokes referred to relevant information provided on page 3-26 of the meeting packet. He spoke in favor of moving forward with initiating the item in the Code amendment work program for the long term while also looking at near-term ways to deal with the issue. He suggested that staff return with an emergency ordinance within a reasonable time period.

Councilmember Chelminiak said he has toured the neighborhood and met with residents, and he thinks it is important to actually see what is going on. He noted testimony during oral communications about other neighborhoods with the same issue. He acknowledged the need to refine the definition of family and suggested considering that it be limited to four unrelated adults, as reflected in the draft emergency ordinance. He suggested looking at court cases that have dealt with this issue, which is the use of single-family homes for multifamily purposes. The City needs to send a strong message that this business model will not be sustained or allowed in Bellevue.

Mr. Chelminiak said he would like to move quickly to adopt interim regulations. He acknowledged that Deputy Mayor Robertson would like to be involved in taking Council action. However, he did not want to rule out taking action while she is absent from the next two meetings.

Deputy Mayor Robertson concurred with the Councilmembers' comments. She said Bellevue has many areas with multifamily housing, which was a deliberate planning strategy to differentiate them from single-family neighborhoods. She said the issue has become more noticeable as Bellevue College expands and the cost of housing increases. However, there have been concerns

throughout the community dating back at least 10 years to when she served on the Planning Commission. She supports adopting an emergency ordinance and moving forward with a careful analysis of the issue and the implications of long-term regulations.

Ms. Robertson said she does not want to prohibit an exchange student or elderly individual from living with a family. She suggested studying, for the long term, the impacts of numerous vehicles and increased activity 24 hours a day. She supports the draft emergency ordinance and encouraged the Council to adopt it while she is gone.

Councilmember Balducci said there have always been complaints about perhaps a group of students renting a house. However, this is different. This is essentially multifamily development in a single-family neighborhood. She questioned why the City cannot enforce this now based on the underlying zoning. She is in favor of an emergency ordinance and taking action if needed. However, she is concerned about the potential unintended consequences of an emergency ordinance.

Ms. Balducci questioned the number of complaints regarding single-family occupancies that the City has received over the years and what enforcement actions have been taken. Ms. Helland said from 2010 to 2013, there was a 50 percent increase in the number of complaints regarding this use (approximately 20 complaints).

Ms. Balducci requested information on how many of those resulted in the determination of a violation. She suggested using whatever regulations are necessary, including current ones, to stop this practice. She said this highlights the importance of moving forward to provide more housing in the Eastgate area.

Ms. Helland said that regulations in place have been applied consistently and predictably over many years. The advantage of a targeted code amendment, in part to create objective standards about the definitions of family and household, is that the City would be deliberately changing the Code and, therefore, its administration of the Code. Additionally, it provides the opportunity for public outreach and education about the new rules.

Councilmember Balducci said she feels a great deal of urgency on this issue, especially after visiting the neighborhood. She observed that Building Code changes are generally vested for completed development. However, the regulation of land uses can be modified and enforced. She hopes to send a message that individuals should not be making significant financial investments in uses that the Council is interested in restricting.

Councilmember Davidson said he agrees with Councilmember Balducci. He does not see why these developments cannot be enforced now under the current Code (e.g., boarding houses, home businesses, etc.).

Mr. Brennan said staff has analyzed the issue and is trying to figure out the most efficient way to address the problem as quickly as possible and to allow for a longer-term process to determine

permanent regulations. He said staff recommends the emergency ordinance option to address immediate concerns.

Councilmember Wallace said he would support moving forward with an emergency ordinance that night. He said there are safety issues that have not but should be discussed. For example, City Code currently requires sprinklers in six-plex rentals. The definition of family should not include a profit motive or commercial context. He does not understand why the City cannot address the practice as violating single-family zoning regulations. Property owners are renting rooms through separate leases, which is the same as an apartment building, and they are skirting other regulations applied to multifamily development. Mr. Wallace said he is hearing similar concerns from other neighborhoods and he believes it is important to act quickly.

Mayor Lee said the City is facing tremendous development pressure and the economy is recovering. He said it is important to be prepared for potentially adverse outcomes. He said the City's work program is extremely busy and requires the careful study and setting of priorities and an implementation strategy.

Mayor Lee said the Council realizes that the multi-room rental trend is a difficult and stressful situation for residents. He supports an emergency interim ordinance to allow the City to thoughtfully consider and study permanent regulations.

Mr. Miyake said he is hearing a strong interest in bringing back the emergency ordinance for Council action. At the same time, Councilmembers have questions about why enforcement is not available under the current Code and about how other jurisdictions are addressing the issue.

→ Councilmember Stokes moved to adopt the proposed emergency ordinance provided on pages 3-41 through 3-44 of the meeting packet, and to hold the required public hearing within 60 days. Councilmember Chelminiak seconded the motion.

Mr. Stokes said the situation is urgent. While moving forward with the emergency ordinance, he would like further discussion about the ability for enforcement under current regulations, as well as the development of permanent regulations.

Councilmember Balducci expressed strong concern that this emergency ordinance will have the unintended consequence of making other situations, which are not a concern, illegal without any advance notice. She thinks the Council can send a message to the individuals who are causing the immediate problem without potentially outlawing situations that are not a problem. Ms. Balducci wants to do something to help this neighborhood. However, she believes the draft ordinance is too broad without fully studying the implications. She said she is not convinced that more cannot be done under the current City Code.

Responding to Councilmember Davidson, Ms. Helland said the complexity of the issue relates to how an owner chooses to use his or her home. There are no restrictions on how someone constructs a home, and the City only responds to complaints after a use is in place. The home occupation permit regulations do not apply to these situations because the owner must live in the

home. Ms. Helland said there is currently no way to track the issue because the City does not require rental registration or training.

Councilmember Chelminiak said he supports moving ahead. However, he believes there is time to revise the draft ordinance and take action by the end of the month. From his perspective, these homes sound like dormitories, which are not allowed in single-family neighborhoods. He observed that this is a significant policy step, which he believes would benefit from an additional week or two of review. He would rather have a unanimous Council decision later than a split decision now.

Deputy Mayor Robertson said she would support taking action tonight. However, she hears reticence on the part of some Councilmembers and is open to waiting a couple of weeks. Ms. Robertson said she does want to send a strong message that this will not be allowed in single-family neighborhoods. She expressed concern that, if action on the emergency ordinance is deferred, applications might be submitted to beat the change.

Mr. Brennan said the pending emergency ordinance is not expected to initiate a rush of activity, as might occur with a change that affects building permits.

Assuming the Council passes this in the next few weeks and there are complaints after it takes effect, if a complaint is based on a dwelling that has six unrelated people living together on separate leases (not meeting the definition of family) but their leases were signed prior to the effective date of the ordinance, Ms. Robertson questioned whether staff would consider that to be a legal non-conforming use and not subject to enforcement activities.

City Attorney Lori Riordan said she did not have a satisfactory answer at this point about how to enforce going forward for rooms already leased in the past. One approach could be to set a time horizon for gradually reducing the number of occupants.

Councilmember Wallace observed that the situation is urgent. The emergency ordinance primarily broadens certain definitions and does not reflect major changes that cause him concern. He said he understood fellow Councilmembers wanting more information but he was ready to adopt the ordinance if desired by the majority as well.

→ As a substitute motion, Councilmember Stokes directed staff to come back within two weeks with a potentially revised ordinance for Council action. Deputy Mayor Robertson seconded the motion.

Mayor Lee expressed support for the substitute motion and acknowledged the wisdom of further analysis to avoid unintended consequences.

Councilmember Balducci said the discussion was valuable in terms of making the Council's intentions clear and cautioning individuals who are involved in developing multi-room rental houses.

Deputy Mayor Robertson said she heard support around the table for also working on long-term, permanent regulations.

Councilmember Chelminiak said the long-term issue has been characterized in the meeting packet as rental homes. He does not believe the issue is rental homes but rather a broader policy discussion about housing and how single-family neighborhoods are to function and develop.

→ The substitute motion carried by a vote of 7-0.

(2) Comprehensive Plan Update

Deputy Mayor Robertson commented on the top priorities for the planning work program including the Shoreline Master Program update, Comprehensive Plan update, Downtown Livability implementation, and medical and recreational marijuana regulations. She is interested in addressing the Factoria transition area Professional Office (PO) item as well. She supports staff's schedule for addressing the Eastgate/I-90 plan implementation beginning late this year and the Bel-Red review in third quarter 2014.

Ms. Robertson said that cell towers are not initiated in the work program but are noted as something that needs to be addressed in terms of changing technology. She said it is also important to discuss cell tower regulations in terms of ensuring that facilities are context-sensitive within neighborhoods.

Ms. Robertson said that neighborhood shopping centers are an important issue as well. She said the Planning Commission knows there is a heavy work plan and commissioners are willing to add more meetings.

Ms. Robertson said she would like to see Attachment 1, the work program schedule [Page 3-33 of meeting packet], updated with all projects. She would like to see more details on the "other LUCAs underway" and would like to see a chart extending out to 2016. She asked that staff update the schedule following tonight's discussion.

Ms. Robertson would like staff to also update the Code Amendment Docket [Attachment 6, page 3-49]. She noted that some items have been completed, and others need to be added. She said it would be helpful to have draft documents ready for the upcoming Planning Commission retreat.

Responding to Mayor Lee, Mr. Salomone said he is hearing Council support to move forward with the multi-room rental emergency ordinance and the Factoria PO zone review. The Bel-Red Plan review will stay on its current schedule.

Councilmember Chelminiak said development is queuing up for the Bel-Red area despite the recession. He supports accelerating the Eastgate Plan implementation and does not want to miss any opportunities for the development of housing near Bellevue College.

Councilmember Wallace acknowledged that the work program presents a challenging schedule. He concurs with moving forward to implement the Eastgate Plan. He opined that perhaps the ability for individual property owners to make rezone proposals could be streamlined by the City. With regard to wireless communications facilities, Mr. Wallace said Seattle is allowing a new wireless internet technology with small antennas. He suggested updating Bellevue's code to accommodate this new technology.

Mr. Wallace suggested discussing how to address increasing panhandling activity as a future retreat topic. He said the City of Issaquah adopted an ordinance that has stood up to the ACLU (American Civil Liberties Union).

With regard to Eastgate, Mr. Stroh clarified that staff has scheduled the work to begin this November/December, which will sync up with the major Comprehensive Plan update adoption in 2014. Mr. Stroh said the developers are satisfied with that schedule.

Councilmember Balducci said she supports the proposed schedule and appreciates all of staff's work. She acknowledged that staff is busy and a number of priorities are currently moving forward, including the Downtown Livability work.

Councilmember Stokes expressed support for the proposed schedule. He looks forward to active implementation of the Eastgate Plan. With regard to the overall work program, Mr. Stokes wants to be sure there is adequate staffing available to complete the work.

Mayor Lee said that is one reason he feels this conversation is so important, to be able to plan for needed resources and a realistic schedule. He said he has been asking for a community visioning process to identify any additional priorities that might arise for the future.

Responding to Councilmember Davidson, Mr. Stroh said the Eastgate Plan discussions anticipated infrastructure needs to support redevelopment.

Agenda Item 3(a)(2) [Amended Agenda]

With regard to the City Manager recruitment brochure, Councilmember Balducci suggested one revision.

(d) Continued Capital Investment Program (CIP) Budget Update

Finance Director Jan Hawn said the 2013-2019 Capital Investment Program (CIP) Plan is in balance. However, there is a need for cash flow borrowing of \$44 million in 2014 due to a number of items including Sound Transit contributions, recommended project accelerations, loss of revenues, increased costs, and debt service payments that were not originally included in the adopted CIP Plan.

Ms. Hawn recalled that the CIP Plan adopted last December contemplated long- and short-term debt issuances. On April 1, 2013, the Council authorized up to \$85 million in debt. She said

additional discussion with the Council will be scheduled for September 16 or 23, and staff anticipates Council action on October 7.

Toni Rezab, Assistant Director of Finance, said the total CIP Plan is still in balance. She referred the Council to page 3-58 of the meeting packet and recalled the March 18 discussion with the Council. The current ending fund balance decreased since March to \$6 million as of 9/3/2013. She noted the loss of revenues related to the Public Works Trust Fund, grants, special benefit offset, and local revitalization funding. Net cost increases span approximately 10 projects. Ms. Rezab said she can provide more details on those fluctuations if desired.

Ms. Rezab described the 2014 cash borrowing need. On March 18, staff identified a \$3 million need for cash borrowing in 2014. Since that time, certain projects have been identified to occur earlier in the CIP Plan, which contributes to the cash flow need. Revenues to support those projects will be collected in the later years of the CIP Plan.

Transportation Director Dave Berg recalled that the East Link alignment decision identified the NE 6th Street Station, which involves additional right-of-way at the Metro site and additional impacts to the City Hall public safety parking garage. Those additional impacts were explicitly excluded from the cost savings of \$14 million, recognizing that the City would need to supply official ROW on the Metro site to accommodate the NE 6th Street Station and would incur costs to rebuild the parking garage. Mr. Berg said those items have been factored into the revenue stream beginning in 2015, but the City will incur the costs (\$14 million) in 2014. This timing issue is the cause of the need for cash flow borrowing.

Mr. Berg described a number of projects recommended for acceleration, beginning with 120th Avenue NE (Stage 3, NE 12th Street to Northup) and 124th Avenue NE (from proposed NE 15th/16th Street to Northup).

- At 9:58 p.m., Deputy Mayor Robertson moved to extend the meeting to 10:15 p.m., and Councilmember Chelminiak seconded the motion.
- The motion carried by a vote of 6-0, with Councilmember Balducci temporarily away from the table.

Mr. Berg described the cost savings to be achieved by coordinating work on the two City projects with Sound Transit's East Link project construction.

Mr. Berg described staff's recommendation to accelerate three design-only projects: 124th Avenue NE (NE 12th to NE 14th); 130th Avenue NE (Bel-Red Road to NE 20th Street); and NE 15th Street (Zones 1 and 2).

Three additional projects identified for acceleration are the SCATS adaptive traffic signal system implementation, Lakemont Boulevard/Cougar Mountain Way project, and minor capital investments (streets and lighting) in the Eastgate annexation area.

Ms. Hawn described options for addressing the cash flow need. Staff is working with Sound Transit to determine whether adjustments can be made with regard to the timing of payments and cost sharing. She said Council direction is requested on whether to accelerate the projects as recommended.

Ms. Hawn said staff requests that the Council authorize up to \$44 million in short-term financing, which will be used only if needed. The current model assumes 100 percent of project spending.

Ms. Hawn described the two financing options: 1) short-term, bank-issued loan, or 2) interfund loan. Both would be paid off within the existing CIP Plan timeframe. The interfund loan option temporarily uses up to 25 percent of total reserves.

Ms. Hawn said staff will return for additional discussion later this month, with potential action scheduled for October 7.

Deputy Mayor Robertson questioned the status of the Metro site contract.

Kate Berens, Deputy City Attorney, said the City and King County Councils have not yet approved a contract. However, staff-level negotiations have been concluded and King County is reviewing the draft agreement. Staff anticipates bringing this topic back to both Councils toward the end of the year.

Ms. Robertson suggested working with Sound Transit and King County to sync up the payments related to the Metro site. Ms. Berens said staff is working to negotiate a favorable arrangement.

Ms. Robertson acknowledged the importance of completing capital projects and investments in the community. However, she is not in favor of taking on more debt, even short-term, at this point. She would like to see some scenarios reflecting different priorities as well as an analysis of the pros and cons of interfund loan borrowing. The benefit of interfund borrowing is that any interest paid stays within the City. However, the drawback is the relatively short repayment period.

Deputy Mayor Robertson said this raises another issue as a possible retreat topic, which is whether to consider a voted package for capital funding. She questioned whether certain projects could be deferred. She would like to continue working toward an arrangement with Sound Transit to help the City better manage the cash flow impacts related to the East Link project.

Mayor Lee said that Ms. Robertson's comments speak well to the importance of a long-term strategic vision for major CIP projects.

Councilmember Wallace asked Ms. Rezab to follow up with details on the CIP project increases and decreases.

- Councilmember Wallace moved to extend the meeting to 10:30 p.m., and Deputy Mayor Robertson seconded the motion.
- The motion carried by a vote of 7-0.

Responding to Councilmember Wallace, Mr. Miyake said the issue of the cash flow need was brought to his attention two to three weeks earlier. It was initially raised related to the NE 4th Street project, and further discussion identified opportunities for cost savings by accelerating certain additional projects. Mr. Miyake said staff briefed the Council on August 5 regarding a potential revenue loss of \$15 million, which was related to the NE 4th Street project.

In further response, Mr. Berg said a significant portion of lost revenues were connected to the NE 4th Street project (Public Works Trust Fund loan, partial loss of grant funding, and not realizing the special benefit offset).

Councilmember Wallace said he has additional questions and he would like to have more advance notice of this type of situation.

Councilmember Chelminiak said he would like an individual staff briefing regarding the request for cash flow borrowing. Councilmember Stokes concurred.

Mayor Lee said it is important that the Council have full information on the issues and the financing options.

4. Discussion of Upcoming Items

- (a) *Consideration of the application of Kelsey Creek Center seeking to expand the list of allowed Service uses approved at the site and to modify the procedure for allowing certain Recreation uses. The amendment would permit uses of less than 10,000 square feet for personal services, finance, insurance and real estate. No changes to development standards applicable to the Community Business (CB) District, Community Retail Design District, or Transition Area Design District are a component of the rezone. No new physical development is sought. The Kelsey Creek Center site is 15.23 acres located at the southeast corner of 148th Avenue NE and Main Street, which is located within the jurisdictional area of the East Bellevue Community Council.

Councilmember Wallace recused himself from participation in this item, noting that he has a contract with an affiliate of Nat Franklin. He does not have a conflict of interest, but is recusing himself to ensure the appearance of fairness.

Deputy Mayor Robertson excused herself from the meeting, noting that she will not be present to vote on this action.

[Ms. Robertson and Mr. Wallace left the meeting at 10:17 p.m.]

Mr. Miyake explained that the application of Nat Franklin of Franklin West, LLC, seeks to expand the allowed services uses at Kelsey Creek Center. It is a rezone request which is a quasi-judicial decision for the Council.

Land Use Director Carol Helland briefly reviewed the process to date. Staff requests formal action on September 16, and the ordinance will become effective five days after its publication. The rezone expands allowed uses to include financial, insurance, real estate, and other personal services. Ms. Helland said no public comments were received regarding the rezone application.

Responding to Councilmember Stokes, Ms. Helland acknowledged that credit unions and some of the other uses were previously allowed some years ago. However, they were not explicitly included in the agreement negotiated with the current owner/developer.

Responding to Councilmember Balducci, Ms. Helland clarified that feedback noted in reference to the East Bellevue Community Council was in the form of public comments during their meeting. This is a quasi-judicial matter for the Community Council and Councilmembers did not state positions.

Councilmember Balducci noted that the site is still missing a defined trail connection behind Kelsey Creek Center to connect to the Larsen Lake trail. She suggested that as a future City project.

At 10:25 p.m., Mayor Lee declared the meeting adjourned.

Myrna L. Basich, MMC
City Clerk

/kaw