

CITY OF BELLEVUE  
CITY COUNCIL

Summary Minutes of Regular Session

November 21, 2011  
8:00 p.m.

Council Chamber  
Bellevue, Washington

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

ABSENT: None.

1. Call to Order

The meeting was called to order at 8:08 p.m., with Mayor Davidson presiding.

2. Roll Call, Flag Salute

Upon roll call, all Councilmembers were present.

Mayor Davidson welcomed youths from Boy Scout Troop 673 in the audience. Councilmember Wallace led the flag salute.

- (a) Proclamation Celebrating Bellevue being named one of the Nation's *100 Best Communities for Young People*

Mayor Davidson introduced the Bellevue Youth Link Co-Chairs: Jenny Kim and Michelle Mattson-Hamilton. He read a proclamation celebrating Bellevue's being named one of the Nation's "100 Best Communities for Young People" by the America's Promise Alliance and ING. This is the fifth year in a row that Bellevue has received the honor.

Ms. Mattson-Hamilton thanked the Mayor and Council for the proclamation and for supporting youth programs.

Ms. Kim commended Bellevue's continued commitment to its most vulnerable young people. She noted that Bellevue is receiving this award due to the efforts of the partnership between the City, the Bellevue School District, and youth-serving organizations. She highlighted the contributions of Youth Eastside Services (YES), the Books-on-Wheels Summer Program, the Wrap Around Services Initiative, and the Bellevue Youth Court program. She thanked the City

for its ongoing support of youth programs, and she noted that Bellevue Youth Link's Gumbo Night is scheduled for February 8, 2012.

Helena Stephens, Program Manager, said that Ms. Mattson-Hamilton is one of two Youth Link graduates that have come back to serve as adult members of the Youth Link Board. The Youth Link Board is working on a report to be presented to the City Council early next year, which addresses governance projects for youth leadership as well as funding mechanisms. Bellevue Youth Link is currently in partnership with the Bellevue School District to conduct a survey on youth leadership.

Ms. Stephens announced that tonight kicked off the annual Kids Coat Drive, and Youth Link members are at Crossroads Mall now handing out coats.

3. Communications: Written and Oral

- (a) Gary Albert expressed support for the proposed Eastgate annexations. He has been canvassing neighbors and turning in petitions with signatures. He encouraged residents to support the annexation.

Mayor Davidson noted that the agenda item on annexation was moved from the earlier Study Session to later in the Regular Session agenda.

- (b) Susan Poffenbarger spoke in favor of the Eastgate annexation, which includes her residence.

4. Reports of Community Council, Boards and Commissions

- (a) East Bellevue Community Council Report

Steve Kasner, EBCC Chair, stated his disappointment with the recent election due to the negative and difficult rhetoric it generated. Mr. Kasner noted that former East Bellevue Community Councilmember Richard Erwin moved out of the area, and Bill Capron has been appointed to fill that seat. Mr. Capron owns the Union 76 station at Main Street and 148<sup>th</sup> Avenue in the Kelsey Creek Center. Mr. Kasner said the old gas station has been demolished.

Mr. Kasner announced that Michael Elwin, a member of the East Bellevue Community Council, passed away on October 11. He remembered Mr. Elwin as an individual who worked hard for his church and for the community. Mr. Kasner invited citizens to apply for the open Community Council seat and to get involved in their neighborhoods.

Mr. Kasner thanked the City for completing the 145<sup>th</sup> Place SE extension project in the vicinity of Bellevue College, and for facilitating the Kelsey Creek Center redevelopment and related environmental projects.

Mr. Kasner noted that Diane Carlson, Director of Intergovernmental Relations, recently left the City to work for King County. He encouraged the City to keep in mind, as it fills that position, that what happens at the state and national level is important at the local level as well. Mr. Kasner recalled that House Bill 1812 proposed by the state legislature last year might return during the next session. He requested that legislative briefings to the City Council be forwarded to the East Bellevue Community Council as well.

Noting the constraints on the City's capital budget, Mr. Kasner encouraged the Council to enhance communication with residents regarding the limitations and tradeoffs related to the Capital Investment Program (CIP) Plan.

Mr. Kasner praised the commitment of outgoing Councilmember Grant Degginger and his contributions to making Bellevue a better community.

Mayor Davidson thanked the East Bellevue Community Council for its work. Mr. Kasner noted that the Community Council will monitor the state legislature regarding potential proposals that are similar to the previous year's HB 1812.

Responding to Councilmember Wallace, Mr. Sarkozy said staff will provide the Council with an update on the 145<sup>th</sup> Place and 148<sup>th</sup> Avenue projects. Mr. Kasner thanked the City for expediting work on 148<sup>th</sup> Avenue in front of the Kelsey Creek Center.

5. Report of the City Manager: None.

6. Council Business and New Initiatives

Councilmember Balducci reported that the Sound Transit Board voted unanimously to adopt the East Link Memorandum of Understanding with the City of Bellevue. The Federal Record of Decision has been issued for the project.

Ms. Balducci said she chaired the Puget Sound Regional Council (PSRC) Transportation Policy Board meeting, which addressed the recommendations of the regional project prioritization committee. She noted that Councilmember Robertson served on that committee, which developed a recommendation for the 2040 list of projects in King, Kitsap, Snohomish and Pierce Counties. The recommended plan will be presented for public comment, and it is anticipated that a final recommendation will be presented to the PSRC Executive Board in January or February. An early referral was made to the Executive Board, on which Mayor Davidson serves, requesting early guidance about support for activity centers.

Councilmember Wallace attended the Bellevue Chamber of Commerce Economic Forecast Breakfast, as well as meetings of the Bellevue Chamber Transportation Committee and the Eastside Transportation Partnership. Mr. Wallace noted his participation in negotiations with Sound Transit on the East Link MOU, and said he is pleased that an agreement has been reached.

Councilmember Wallace observed that the Sound Transit Board did not take up a motion directing its staff to identify \$60 million in East Link project cost reductions. He believes it would be important to have mutual direction to both Sound Transit and City staff on this issue.

Councilmember Degginger said he traveled to Washington, D.C., to meet with staff and members of Bellevue's congressional delegation. He attended meetings of the Bellevue Convention Center Authority (BCCA) Board and, with the Mayor, the Cascade Water Alliance.

Councilmember Chelminiak attended meetings of the Probation Advisory Board and the State Building Code Council.

Councilmember Robertson attended meetings of the I-90 Eastgate Corridor Land Use Committee and the Parks Board. She hosted a table at the fundraiser for Eastside Baby Corner, a non-profit organization that provides clothing and goods for mothers and babies through social service agencies. Ms. Robertson was a guest speaker for Bellevue High School's Government classes.

Councilmember Robertson recalled her request the previous week for information on the implementation of SR 520 tolls, which she hopes will not occur until after the holiday shopping season. Mr. Sarkozy said staff contacted the State Department of Transportation Commissioner, who suggested that the City submit a letter regarding its request and concerns.

Deputy Mayor Lee attended a meeting with a business delegation visiting from China. He welcomed attendees at the Washington Highway Users Conference and at a ZINO Society event. He attended the enterpriseSeattle quarterly meeting, a USO fundraising dinner at the Museum of Flight, the Cultural Crossroads Festival, the Green Business Challenge launch, Bellevue Network on Aging's legislative forum, and the Downtown Transportation open house. He attended the National League of Cities conference in Phoenix, where he was elected the Vice Chair of the Western Municipal Association.

Deputy Mayor Lee announced that there is an opening on the Transportation Commission, for which more than 20 citizens have applied. Approximately 10 individuals will be invited to interview in December.

Mayor Davidson noted that Office Depot is a sponsor of the Green Business Challenge, which was mentioned by Mr. Lee. Mayor Davidson reported that he testified regarding the SR 520 corridor before the state legislature's joint transportation committee. He attended meetings of the WRIA 8 (Lake Washington and Lake Sammamish) Salmon Recovery Council and the Cascade Water Alliance.

Dr. Davidson reported that Councilmember Degginger was honored with two awards from the Cascade Water Alliance for his contributions to its founding and development.

## 7. Approval of the Agenda

→ Deputy Mayor Lee moved to approve the agenda, and Councilmember Robertson seconded the motion.

→ The motion to approve the agenda carried by a vote of 7-0.

8. Consent Calendar

→ Deputy Mayor Lee moved to approve the Consent Calendar, with revisions to the October 24 Extended Study Session minutes as presented in the desk packet. Councilmember Robertson seconded the motion.

→ The motion to approve the Consent Calendar, as amended, carried by a vote of 7-0, and the following items were approved:

- (a) Minutes of October 24, 2011 Extended Study Session [*As amended in desk packet*]  
Minutes of November 7, 2011 Study Session  
Minutes of November 7, 2011 Regular Session  
Minutes of November 11-13, 2011 Executive Session

- (b) Resolution No. 8323 authorizing execution of a four-year general services contract with Anna Racioppo, in the amount of \$176,000, for Taekwondo instruction at the South Bellevue Community Center.

- (c) Landscaping Services

Resolution No. 8324 authorizing execution of a two-year General Services Contract with Malone's Landscape, with the option to renew for an additional two years, for landscaping services at various Park sites;

Resolution No. 8325 authorizing execution of a two-year General Services Contract with Canber Corps, with the option to renew for an additional two years, for landscaping services at various Park sites;

Resolution No. 8326 authorizing execution of a two-year General Services Contract with Total Landscape Corp, with the option to renew for an additional two years, for landscaping services at various Park sites;

Resolution No. 8327 authorizing execution of a two-year General Services Contract with Badgley's Landscape, with the option to renew for an additional two years, for landscaping services at various Park sites; and

Resolution No. 8328 authorizing execution of a two-year General Services Contract with Signature Landscape Services, with the option to renew for an additional two years, for landscaping services at various Park sites.

- (d) Resolution No. 8329 authorizing execution of a professional services agreement with Murray, Smith & Associates, Inc., in an amount not to exceed \$320,000, for final engineering design for the Sewer Lake Line Replacement at Meydenbauer Bay project (CIP Plan No. S-58).
- (e) Resolution No. 8330 authorizing execution of a professional services agreement with Roth Hill LLC, in an amount not to exceed \$330,000, for engineering services for AC Water Main Replacement Design Services (2012) - Phases 1 and 2 (CIP Plan No. W-16).
- (f) Resolution No. 8331 authorizing execution of Amendment #1 to the professional services agreement with HDR Engineering, in the amount of \$35,000, for the Emerald Ridge Wastewater Pump Station Replacement (CIP Plan No. S-16).
- (g) Motion to approve an increase to the construction contract with Summit Tree & Land (Bid No. 11121) by \$4,949.71 for a total contract amount of \$168,188.94, for Storm Water Dig and Repair 2011 Project (CIP Plan No. D-64).
- (h) Resolution No. 8332 authorizing execution of a two-year professional services agreement, with the option to renew for an additional two years, with NBBJ for on-call urban design services.

9. Public Hearings: None.

10. Land Use: None.

11. Other Ordinances, Resolutions and Motions

- (a) Ordinance No. 6025 updating the school impact fee schedule for Issaquah School District No. 411; amending Section 22.18.100 of the Bellevue City Code; providing for severability; and establishing an effective date.

City Manager Sarkozy recalled that the updated Issaquah School District impact fee schedule was discussed with the Council on November 14. The City functions as an impact fee pass-through authority for the District. Impact fee revenues are a major funding source for the District's capital improvement program. Mr. Sarkozy noted that the impact fee for multifamily units remains at zero, and the single-family unit impact fee is decreasing.

→ Councilmember Degginger moved to adopt Ordinance No. 6025, and Councilmember Robertson seconded the motion.

Councilmember Degginger explained that the Issaquah School District overlaps multiple cities and uses the impact fee for capital projects. Approximately 12 percent of students in that District

are Bellevue residents. The complete reconstruction of Issaquah High School was recently completed as a result of these revenues. Mr. Degginger expressed support for the motion.

Deputy Mayor Lee said he has philosophical concerns related to the use of school impact fees as a funding source. However, he recognizes the District's accomplishments and will support the motion.

Councilmember Wallace noted that he lives within the Issaquah School District boundaries. He said that, while impact fees are an additional cost on new housing development, the District has a clear and fair methodology for assessing impact fees.

Mayor Davidson recalled the history of impact fees, which were initiated in the past due to the failure of proposed school levies in Issaquah. The District has successfully passed levies since that time. Dr. Davidson is concerned that citizens are paying both the impact fee on new housing units and the property tax levy for schools. He will continue to vote against the District's impact fees. He is concerned that other school districts might chose to adopt impact fees as well, and he believes that the appropriate way to support schools is through voted bond levies.

→ The motion carried by a vote of 6-1, with Mayor Davidson opposed.

## 12. Unfinished Business

- (a) Continued Discussion of 2011-2012 Mid-Biennium Budget and Forecast Update  
*[From Study Session Agenda]*

Mr. Sarkozy announced that staff would continue its presentation of the two Study Session Agenda Items, beginning with discussion of the Development Services fees proposal presented earlier in the evening.

Councilmember Wallace questioned how the fee structure is developed.

Mike Brennan, Development Services Director, explained that the department's revenue forecast is updated annually. It includes projections regarding anticipated development activity, and uses the City's historical data to estimate the revenues generated by different types of development activity. This information, as well as the City's experience over the years, is used to establish the fee rate structure.

Councilmember Wallace said he will be interested in hearing feedback from the development community regarding the proposed fee increases. He noted, within a broader context, the loss of sales tax and B&O tax revenues due to the slowdown in construction as well.

Mr. Wallace commented on the importance of adequately staffing Development Services in order to be prepared for future development and economic recovery. In terms of announcing the proposed fee increase, Mr. Wallace suggested highlighting the City's efforts during the past several years to improve permit review predictability and reliability.

Councilmember Wallace proposed considering offsets to the fee increase through adjustments to impact fees, potentially both the fee amounts and the timing of payment collection.

Mayor Davidson said the public hearing on the 2011-2012 Mid-Biennium Budget will be held on November 28, which would be an appropriate time for the business community to comment on the fee proposal.

Councilmember Degginger concurred that predictability is important to developers. Responding to Mr. Degginger, Mr. Brennan said that fee adjustments typically become effective January 1, and there is a fair amount of staff work to be completed to prepare for the change. Mr. Brennan said staff would like the Council to provide direction to staff on November 28 if possible, to ensure there is sufficient time to meet the January 1 implementation.

Councilmember Chelminiak noted that the City's policy is full General Fund support for public information and policy development issues. Mr. Brennan confirmed this understanding, and noted that developers are generally not charged for pre-submittal support as well, unless it becomes overly time-consuming on large files. In further response, Mr. Brennan said land use discretionary permit fees include design review, conditional use permits, and other reviews involving a significant public involvement element.

Councilmember Chelminiak highlighted the Council's efforts to assist the development community in recent years by extending the term of existing building applications and permits. He recalled discussion during the earlier Study Session about the proposed fee for BLS hospital transport, which would generate revenue for the General Fund. Councilmember Chelminiak observed that it is important to follow the City's established policies on building permit fees.

Mayor Davidson expressed concern that permit fees make it more costly for development within the community. He said he still hears about problems with some inspections, which he hopes can be fully eliminated. He expressed concern about the possible perception that the City is increasing its fees due to decreases in other revenues. Mayor Davidson looks forward to hearing from the business community on their assessment about the fees.

Mr. Brennan said staff is very sensitive to the impact of fees on developers, and to the need for controlling costs, which is being addressed through staffing reductions and other measures. He explained that reserves pay for the work that happens during periods of slow development to improve and streamline processes, including the implementation of the online permitting system. The fee collections go into a dedicated special purpose fund to support the services that the Development Services Department provides to the development community. Mr. Brennan said staff is sensitive to both the impact of rate levels and ensuring a predictable level of service.

Councilmember Degginger recalled the past work of the Construction Code Advisory Committee, which involved the development community in reviewing and improving processes. A concern expressed by developers was that time is money, and developers indicated a willingness to pay the fees needed to ensure a timely permitting process.

Responding to Mr. Degginger, Mr. Brennan said approximately 70 percent of the permits issued are subject to flat rate fees. These include over-the-counter permits for minor modifications (e.g., water heater and furnace installations, minor electrical circuit additions). The remaining 30 percent of permits are larger projects that are subject to hourly rates. None of the permit fees have been increased for the past two years.

(b) Discussion of Status of South Bellevue Annexation and State Sales Tax Credit  
*[From Study Session Agenda]*

Dan Stroh, Planning Director, noted that the Governor's most recent budget proposal affects the State Sales Tax Credit, which is related to the City's annexation efforts.

Nicholas Matz, Senior Planner, provided a brief overview of the South Bellevue annexation efforts to date based on Council direction to staff to work with residents on annexation by direct petition. The goal is to accomplish annexation by April 2012.

Mr. Matz said King County strongly encourages annexation, and South Bellevue residents support annexation as well. A benefit of the proposed larger, multiple area annexation is it allows the City to take full advantage of the State Sales Tax Credit for annexation. The City has supported annexation efforts through extensive community outreach, and is now at a critical milestone related to proposed reductions to the State Sales Tax Credit.

Mr. Matz said Tamara Hills has reached the 57 percent petition threshold and has been certified by King County. Eastgate has reached 44 percent in petition signatures, representing nearly 700 property owners, toward a threshold of 50 percent. Horizon View is at 6 percent, and the City is still negotiating the pre-annexation agreement with the Hilltop area.

Mr. Matz reviewed the annexation timeline, which has a goal of completing the petition drive by mid-December. Activities to occur January through March 2012 include signature certification, consideration by the Boundary Review Board, and a City Council Public Hearing. The target effective date for annexation is 2012.

Mr. Matz said the state legislature convenes a 30-day Special Session on November 28, and a decision on the State budget by the Governor is likely in January.

Mr. Stroh recalled that the City originally anticipated being eligible for the annual State Sales Tax Credit for 10 years after annexation. Given the current potential for the loss of this credit, should the City continue with the annexation effort?

Mr. Stroh said that, as of today, the governor's proposal is looking at a 10 percent cut to the credit. The governor had previously indicated the possibility for fully eliminating the tax credit. Staff requested Council direction on how to proceed, noting that a considerable petitioning effort will be needed by mid-December to accomplish the annexations in a timely manner.

Mayor Davidson observed that, fortunately, the City is not in the same position as the City of Kirkland, which recently completed a large annexation in anticipation of the State Sales Tax Credit for many years. Dr. Davidson stated his preference for delaying future direction pending the outcome of the state legislative session, if possible.

Councilmember Degginger said he would like to see the annexations completed, but he is concerned about the potential financial impacts. Responding to Mr. Degginger, Mr. Stroh said the gap between the operating budget costs and estimated annexation revenues is approximately \$1.1 million. Mr. Stroh said it does cost more to serve a predominately single-family area annexation. He explained that the State originally adopted the Sales Tax Credit to encourage annexations. If the credit is renewed and the City can document the \$1.1 million difference between revenues and expenditures, the City would receive that full amount from the State Sales Tax Credit.

Councilmember Balducci said she agrees with the longstanding policy to move forward with annexations. She noted that the South Bellevue potential annexation areas have Bellevue addresses and are part of the community. She spoke in favor of continuing to move forward with the petition effort and with working with the State to preserve the credit.

Councilmember Wallace concurred. He recalled that the City initiated this effort in good faith, and he believes that the State needs to follow through in its commitment to cities. He expressed concern about the continued deterioration of infrastructure (e.g., sidewalks, road surfaces), which would contribute to Bellevue's costs if annexation is delayed. Mr. Wallace said it is important to move forward to accomplish the annexations.

Mayor Davidson questioned the cost of delaying annexation. Mr. Stroh said staff has not prepared that data at this point. However, he concurred with Councilmember Wallace's point about the deterioration of infrastructure and the higher future costs for repair and replacement.

Responding to Councilmember Robertson, Mr. Matz said the City has developed some estimates of the capital needs within the potential annexation areas. It has not been updated to 2011, but staff could provide that to the Council in the near future, if desired.

Noting the Mayor's question about the cost of delaying, Ms. Robertson said that staff and residents have spent considerable time on the annexation effort. She questioned whether there is an expiration date for the current petitions.

Mr. Matz noted the need for a high level of staffing in the petition process. The petitions begin to expire on December 30, and the holiday season presents an additional challenge in terms of focusing people's attention to this issue.

Responding to Ms. Robertson, Mr. Sarkozy said the state legislature's decision on the State Sales Tax Credit will be known before the end of the year. However, the final State budget is not likely to be established until January. In further response, Mr. Sarkozy noted the letter in Council's

desk packet from the King County Executive to residents in the potential annexation areas. He strongly encourages residents to support the annexation.

Councilmember Robertson agreed with her fellow Councilmembers about the importance of moving forward with the annexations, while also realistically addressing the capital needs. She does not want to see further degradation of infrastructure in those neighborhoods. She supports continuing to move forward.

Deputy Mayor Lee observed that it is gratifying to have neighbors working so hard to annex to Bellevue. He believes annexation will be beneficial for those residents, the City, and the overall community. He shares concerns about the fiscal impacts, but encourages moving forward as planned.

Councilmember Chelminiak expressed support for the comments of his colleagues.

Mayor Davidson noted a Council consensus to continue to move forward with annexation efforts.

13. Continued Oral Communications: None.

14. New Business: None.

15. Executive Session: None.

16. Adjournment

At 9:47 p.m., Mayor Davidson declared the meeting adjourned.

Myrna L. Basich, MMC  
City Clerk

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