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CITY OF SHORELINE

SHORELINE CITY COUNCIL SUMMARY MINUTES OF SPECIAL MEETING

Monday, February 7, 2005
6:30 p.m.

Shoreline Conference Center
Mt. Rainier Room

PRESENT: Mayor Hansen, Deputy Mayor Jepsen, Councilmembers Chang, Fimia, Grace, Gustafson, and Ransom

ABSENT: none

1. CALL TO ORDER

The meeting was called to order at 6:40 p.m. by Mayor Hansen, who presided.

2. FLAG SALUTE/ROLL CALL

Mayor Hansen led the flag salute. Upon roll call by the City Clerk, all Councilmembers were present.

3. CITY MANAGER'S REPORT

Steve Burkett, City Manager, reported that there will be five vacancies on the Parks, Recreation and Cultural Services Board. He suggested that, if the usual process is followed, the applications to fill these vacancies be reviewed by a subcommittee of the Council the week of February 28.

4. REPORTS OF BOARDS AND COMMISSIONS

(a) Shoreline Library Board Council Update

Dick Deal, Parks, Recreation and Cultural Service Director, reported on the activities and 2005-2006 goals of the Library Board. 2005-2006 goals include:

- Developing strategies to encourage citizens to use library services
- Raising library visibility through neighborhoods and other groups
- Bringing upcoming issues to the community, soliciting input, and acting as a conduit for feedback to the King County Library System (KCLS)
- Attending KCLS meetings to advocate effectively
- Helping KCLS understand the needs of schools and students
- Supporting efforts of local library staff to provide services tailored to the unique needs of the Shoreline

- Helping shape the future of the KCLS

Councilmember Grace reported on Saturday's cottage housing tour, describing it as a "very productive" activity.

5. PUBLIC COMMENT

(a) Barbara Lacy, Shoreline, representing the Echo Lake Neighborhood Association Board, thanked the Council for its financial support of the lake monitor stewardship program. She said the Board appreciates the City's environmental involvement and financial commitment in preserving good water quality.

(b) Bronston Kenney, Shoreline, commented on the cottage housing tour, noting that the group did not visit the housing project on N 185th and Stone Avenue N. He said that since the history of cottage housing only goes back to 1988, it is unclear whether it is simply a fad. He said most people live in Shoreline because it is a low-density residential community, and there is still no answer to the fundamental issue of whether cottage housing is compatible with R-4 and R-6 zones. He said staff and Council have given no clear answer as to how the investments and interest of surrounding homeowners will be protected. He asked questioned whether cottage housing is desired and/or needed in Shoreline, asserting that people are privately advancing their own interests over the needs of the community. He said today's homeowners are not willing to be subjects in this "experiment," since they assume all the risk and share no rewards. He urged the Council to revisit the issue "from square one."

(c) Tom Dunning, Shoreline, expressed concern about the mobile home park residents who would be displaced by the City Hall Project. He commented on the shortage of available low-income housing in the area, noting that even cottage housing starts at \$279,000. He said a minimum wage worker has to work 90 hours just to pay for a decent place to live. He felt low-income earners should not be disenfranchised, noting that the City would end up subsidizing them anyway.

(d) LaNita Wacker, Shoreline, rejected the claim that she is unsympathetic to low income people, noting she has been the only citizen asking for increases in human services funding for the past ten years. She pointed out that the working poor are those earning \$500-\$700 a month, not those making \$50,000 a year. She commented on the high cost of housing in Shoreline, noting that the working poor cannot even afford a one-bedroom rental unit. Although some may qualify for additional assistance, it is usually not enough to qualify for a one or two bedroom unit. She noted that just renting a room in someone's house costs about \$350-\$400 a month, plus utilities. She suggested that the City create a task force on this issue, since it cannot be resolved in the marketplace.

(e) Elaine Phelps, Shoreline, expressed support for cottage housing, noting that it is the City's responsibility to ensure there are adequate housing resources for those faced with the threat of relocation. She said the City cannot say "it's your problem" and put citizens "on the streets." She said the existence of cottage housing does not mean

deterioration of the neighborhood simply because there are bigger and more expensive homes surrounding a development. She noted that cottage housing is one example of the many kinds of resources the City could make available to lower income people.

(f) Janet Way, Shoreline, representing the Sno-King Environmental Council, expressed concern that efforts to increase density through aggressive infill development could have an adverse impact on the environment. She felt that some areas should be preserved as conservation easements for creek corridors. She pointed out that piped sections of Boeing Creek have the same value as an open watercourse, which should be protected in the same way. She urged the City to preserve the easements of these piped watercourses and to protect fish and wildlife conservation areas.

6. WORKSHOP ITEMS

(a) Review of the Gambling Tax Rate

Mr. Burkett introduced Debbie Tarry, Finance Director, and consultant Roy Cupler of Moss Adams, a firm that provides financial audits for cardrooms and tribal casinos.

Ms. Tarry reviewed information obtained from the State Gambling Commission regarding casino revenue in the State of Washington. She noted that in general, statewide gambling has grown from \$863 million in 2000 to \$1.5 billion in 2004. Tribal casino activity has increased 225% in that time period, while non-tribal casino activities increased by about 44%. She said while profits have increased, overall expenses increased in the same period by 37% for Shoreline cardrooms. She reported that profitability varies from casino to casino. She provided cardroom statistics for the period 2001-2004 and compared Shoreline's gambling tax rate with those of other jurisdictions. She described the allocation of gambling taxes in the City's budget, noting that the City collected over \$3 million in 2003-2004, of which 85% came from cardrooms. Since the tax rate on cardrooms is 11%, each 1% of cardroom gambling tax equates to approximately \$240,000 in annual City revenue. She mentioned a bill in the State Senate that proposes to freeze the tax rate for cities at 10% and allow the State to collect another 10% in taxes.

Ms. Tarry concluded that staff recommends that Council not change the current card room tax rate for the following reasons:

- Net gambling tax income for all casinos combined has been steadily increasing since 2001.
- From a policy perspective, it is not an appropriate role for government to determine whether casinos are running their businesses efficiently and profitably.
- It would be difficult to determine if the lack of profitability is solely due to the gambling tax as opposed to market forces or operator decisions.
- Shoreline's tax rate on cardrooms is comparable with other cities in the region.
- The existing cardrooms have a significant competitive advantage in that no new casinos are allowed in Shoreline.

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- A reduction of 2% would result in approximately \$480,000 in lost revenue annually.

She outlined the following options available to the Council: 1) direct staff to further analyze the profitability of casinos through more in-depth auditing; 2) change the current tax rate; or 3) make no change per the staff recommendation.

Mayor Hansen called for public comment.

(a) Mark Mitchell, Shoreline, said the entire staff presentation “twists the truth” regarding gambling in Shoreline, noting that Shoreline hardly compares with the cities identified in the staff report. He said the average tax among 51 cities is 7.5%, and the original 11% tax established in the 1970’s was on businesses far different than the ones operating now. He described the overwhelming growth of employees and overhead in the current industry, noting that he has 350 employees and the highest minimum wage in the country. He urged the City to implement a gambling tax break, noting that the six gambling businesses in Shoreline are the City’s biggest taxpayers.

(b) Larry Wheaton, Shoreline, noted that Goldie’s Casino opened in 1999 with 25 employees, and today it employs 160 people with good salaries, medical benefits, paid vacation, and retirement plans. He said despite periods of profitability and unprofitability, it always managed to pay its taxes to the City. The amount was \$230,000 last quarter and over \$800,000 in 2004. He said local casinos are unable to compete with tribal casinos. He said the bottom line is that “the City of Shoreline will receive 7-10% of something, or 11% of nothing.” He urged the City to reduce the tax rate and prevent other casinos from going out of business.

(c) Ryan Hattrup, Shoreline, expressed concern that Goldie’s revenue generated from foot traffic would decrease as a result of the Aurora Corridor Project. He said this would hurt employees the most, because the cuts would affect employees and benefits.

(d) William Hubbell, Shoreline, noted that the City’s data does not reflect the fact that benefits have increased almost 110%, the minimum wage has increased over 12%, and living wages have increased 20-25%. He commented on the strategies that local casinos must employ to attract customers due to the high competition from tribal casinos, including free food and discounted drinks. He said all these strategies involve higher costs, since food and beverage expenses are higher. He urged the City to lower the gambling tax in order to benefit both the City and the gambling establishment.

(e) Russ McCurdy, Arlington, president-elect of the Shoreline Chamber of Commerce, noted that the Chamber Board passed a resolution supporting a gambling tax reduction in Shoreline. He said this was due to the analysis Councilmember Ransom provided to the Chamber. He urged the City to approve a gambling tax reduction.

(f) Mark Deutsch, Shoreline, urged the Council to consider three factors in determining whether a gambling tax reduction is necessary: 1) economic development; 2) impact on the City budget; and 3) the gambling industry in general. He said without an Economic Development Manager to help guide the discussion, it is difficult to determine if the tax rate is the sole factor controlling profitability. He said if the argument is that local casinos cannot compete with tribal casinos, which pay no tax, then eventually they will advocate no gambling tax. He noted that a gambling tax reduction would have to be met with budget adjustments on an ongoing basis. He said although economic development is needed in Shoreline, gambling is not something people want Shoreline to be known for. He said casinos and adult entertainment are restricted in Shoreline because there are questions about those industries. He urged the Council to take more time to consider this proposal.

(g) Rick Stephens, Shoreline Merchants Association, said the gambling tax proposal is mostly about jobs, people, family, health care, and productive citizens. He noted that the gaming establishment provides 900 living-wage jobs and benefits in Shoreline, and makes the American dream a reality for most employees. He said the region has been in a recession for several years. There has been high unemployment rates, and many businesses have had to cut back. He commented on the ever-increasing taxes, utility bills, and franchise fees, without a commensurate increase in services. He said the cost of doing business has increased and profit margins have dropped, but businesses cannot raise rates to cover these expenses due to strong competition. He said small businesses cannot operate on the kind of profit margins of large businesses. He pointed out that the State accommodated the Boeing Company in order to keep it in Washington, and Shoreline should do likewise in terms of the gambling tax. He feared increased unemployment and a loss of \$3 million in annual revenue if the City decides against a tax break.

(h) Stan Terry, Shoreline, said that from a pragmatic standpoint, it makes sense to reduce the gambling tax rate. He said although he is neither for or against gambling, it is legal, and both the State and City benefit financially from gambling operations. He said if a 1% reduction will make the casinos healthy and maintain the revenue stream that comes into the City for capital projects such as City Hall, then a 1% reduction would be judicious.

(i) LaNita Wacker, Shoreline, noted that the gambling establishment has contributed tremendously to the City's economic base since incorporation. Gambling has provided economic development and an employment base, and the community has benefited greatly by the presence of these casinos. She expressed support for a tax reduction, although there could be other factors affecting their profitability.

(j) Janet Way, Shoreline, urged the Council to consider the negative impact on individuals, families, and neighboring businesses if gambling businesses fail. She said many people rely on the income that gambling generates. She agreed with previous speakers, noting that casinos are "part of the fabric of Shoreline." She said the City does

not want to be responsible for putting casinos out of business by requiring a tax that is untenable. She encouraged the Council to support their modest request.

(k) Tom Dunnihoo, Shoreline, commented that gambling provides revenues for the City, but it also results in increased costs. He said although local casinos probably need a tax reduction, they should also consider changing the way they do business. He felt local businesses should not be run simply in response to the competition from tribal casinos. He felt one local casino should have considered all factors before expanding.

Councilmember Ransom moved to establish a 10% gambling rate for established cardrooms at 10%. Councilmember Chang seconded the motion. Mr. Burkett pointed out that to change the tax rate will require an ordinance, so the motion was restated to **direct staff to prepare an ordinance implementing the reduction of the gambling tax rate for established cardrooms to 10%.**

Councilmember Ransom read into the record his memorandum regarding gambling taxes, which supported a reduction in the rate to 10%. His memo included the following points:

- The City of Shoreline has received approximately \$23 million in tax revenue from gambling, mostly allocated to capital projects.
- Of the \$3.35 million in tax revenues for 2004, cardrooms generated \$3 million, with the balance generated by pull tabs and bingo taxes. By comparison, the cardroom income is equal to four Costco operations, or 15 to 20 Sears stores. It equates to 50% of the City property tax, and over 60% of all the sales tax collected by the City.
- Indian Nation casinos in Washington have grown by 225% over the past four years, whereas mini-casinos (house banked cardrooms) have grown only 40% by comparison.
- The City has lost its ability to generate adequate revenues due to elimination of sales tax equalization money and the 1% limitation on property tax growth.
- The mini-casinos have had increased costs for advertising, merchandizing, accounting expenses, growing wage costs and mortgage expenses. These figures are not used by the State Gambling Commission, which make mini-casinos appear as if they are more profitable than they really are.
- Of the 123 casinos statewide, 30 have closed. Of the 93 existing casinos, 63 pay 10% or less in gambling tax. Many jurisdictions pay less than 10%, including Bremerton (2%), Silverdale (2%), and Silver Lake (0%). The median and mode tax rate for casinos statewide is 10%.
- The state legislature passed a 10% maximum tax rate on casinos four times, but Governor Locke would not sign the legislation.
- Local casinos have paid the City millions of dollars, and all they are asking for is a modest tax reduction in order to stay financially solvent.

At 8:00 p.m. Councilmember Fimia moved to extend this discussion to 8:20 p.m. rather than move on to the continued public hearing scheduled for 8:00 p.m. Councilmember Ransom seconded the motion, which carried 7-0.

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Councilmember Grace asked Mr. Cupler if the data required by the State Gambling Commission provides enough information about a casino's operation to make accurate determinations about profitability. He also asked about the cost estimates for performing an adequate audit.

Mr. Cupler said that in order to get a clear picture about profitability, the City would need a complete set of financial statements from the casinos. This would include footnote disclosures that discuss related party transactions, leasing arrangements, continuing obligations (food/beverage/entertainment), as well as other expenses. He said the state only requires information on gross and net gambling income. He said the cost of an adequate audit ranges from \$1,000 to \$20,000, depending on the condition of the business records.

Responding to Councilmember Gustafson, Ms. Tarry stated that the Washington State Gambling Commission denied the City's public disclosure request for audited financial statements on the grounds that they are not subject to public disclosure. Responding to Councilmember Fimia, she said the City has not requested the records directly from the businesses, but one business did indicate it would be willing to share that information. Mr. Burkett noted that Mr. Mitchell offered to provide financial statements.

Councilmember Fimia said staff should have gone directly to the businesses for this information, noting this was part of the direction Council gave weeks ago. She said there has been no analysis of what the expenditure impact might be of leaving the rate at 11% or reducing it. She said the fundamental question is what happens if the City does not reduce the gambling tax and businesses fail. She felt the 10-12% tax rate is an arbitrary amount. She supported the motion to reduce the tax rate, noting that the request appears to be modest and well-founded. She emphasized that there is no thought to expanding gambling but only maintaining the status quo. She questioned the amount of tax needed to support City programs while keeping gambling businesses viable. She did not favor spending a considerable amount of money to further analyze the question. She requested Mr. Cupler's opinion on whether this request reflects the fact that casinos are losing net income.

Mr. Cupler said he does not doubt there is a decline in the cardroom share of the gambling money in the state, but this is not directly related to profitability.

Councilmember Chang supported the motion and Councilmember Fimia's statements, noting that this is not a proposal to expand gaming. He commented favorably on the many contributions that the gambling establishment has made to the City. He reminded Council that the gaming industry has experienced 27% increase in revenues, but their expenses have increased by 37%. He said the Chamber of Commerce, the Shoreline Merchants Association, and the citizens who spoke tonight all support lowering the rate of necessary for the continued viability of the gaming industry in Shoreline.

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At 8:20 p.m. Councilmember Grace suggested the discussion be continued another ten minutes. There was Council consensus to do so.

Mr. Burkett pointed out that the City hired experts in this field in order to determine the point of "diminishing returns." He felt the Council should have reliable evidence that a tax reduction is needed before approving such action. He said there is no assurance that a change in the tax rate would allow these businesses to be successful. He explained how the cities were chosen for the comparison survey, noting that several surrounding cities do not allow gambling. Mountlake Terrace has a 10% rate and Kenmore has a 15% rate.

Responding to Councilmember Gustafson, Councilmember Ransom provided background on the Hideaway cardroom and information relating to its closure. He clarified that the Hideaway could reopen as a nonconforming use as long as it is within one year. Ms. Tarry said the Hideaway related it intent to reopen as a Silver Dollar Casino.

Councilmember Gustafson said he is willing to consider a tax reduction, but he was not ready to vote on it tonight. He felt there should be more analysis of the casinos' financial statements.

Councilmember Grace supported a reduction for a year or two but he felt it is important to establish a City policy regarding business assistance. He felt it also important for Council to identify which areas of the budget to reduce as a result of the 1% gambling tax reduction.

Deputy Mayor Jepsen concurred with Councilmembers Grace and Gustafson, who spoke in support of an audit of the information provided by the casinos. He felt that the issue to be addressed first should be the Council's position on Senate Bill 5287. He warned that if the Council reduces the rate to 10% now, it may not be able to go back to 11% if Senate Bill 5287 passes. He made several requests for further information on the impacts of the moratorium on new casinos, the wages and benefits issue, and other aspects of the situation. He questioned the statistics provided by representatives of Goldie's casino, noting that he would like to base any decision on an analysis of the financial statements. He expressed the opinion that the Gambling Commission has contributed to the problem by imposing increasingly burdensome regulations. He wondered if the Council could exert any influence on the State Gambling Commission.

Mayor Hansen concurred with Deputy Mayor Jepsen's concerns regarding Senate Bill 5287. He shared excerpts of a letter dated July 2, 2002, in which Goldie's indicated that the anything higher than the current tax rate would force cardrooms out of business. He noted that the City was considering raising the gambling tax rate in 2002.

At 8:40 p.m. Councilmember Gustafson suggested that Council continue the discussion after the public hearing, but only three Councilmembers supported this, Mayor Hansen and Councilmembers Grace and Gustafson.

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Councilmember Fimia moved to amend the motion to make the change a six month reduction, during which period an analysis would be done in the most cost-effective manner before making the change permanent; additionally, a schedule for review of the gambling tax rate will be established. Councilmember Chang seconded the motion.

Councilmembers further discussed the merits of a temporary tax reduction, and the possibility of making the tax retroactive to January 1, 2005. Mr., Sievers clarified that state law does not provide for retroactive tax refunds.

A vote was taken on the amendment, which passed 4 – 3, with Mayor Hansen, Deputy Mayor Jepsen and Councilmember Gustafson dissenting.

A vote was taken on the motion as amended, which carried 5 – 2, with Mayor Hansen and Deputy Mayor Jepsen dissenting.

7. ACTION ITEM: PUBLIC HEARING

- (a) Public hearing to consider citizens comments on the Purchase of the Echo Lake Property for a City Hall (continued from January 24, 2005)

Mr. Burkett commented that the City is in the due diligence phase of its purchase of the Echo Lake site for a City Hall. He noted that a rezone and Comprehensive Plan amendment process are proceeding simultaneously through the Planning Commission. These will come to the Council for a quasi-judicial decision, regardless of whether the City purchases the property.

Ian Sievers, City Attorney, explained the difference between Council decisions on quasi-judicial, legislative and administrative matters. He explained that two principles, the appearance of fairness doctrine and the doctrine of necessity apply to quasi-judicial matters. He explained the difference between these principles, expressing the opinion that tonight's hearing would not taint the quasi-judicial process of the rezone/Comprehensive Plan amendment. He advised the speakers to focus on the merits of the purchase and sale agreement and how this site meets the City's administrative needs for a city hall.

Because of the gravity of this issue, **Councilmember Fimia moved to suspend the Council's rules to allow speakers to provide additional testimony in the continued public hearing even if they spoke previously. Councilmember Chang seconded the motion, which carried 7 – 0.**

Mayor Hansen opened the continued public hearing.

- (a) Barbara Lacy, Shoreline, expressed support for purchasing the Echo Lake site for City Hall, noting that it would be an aesthetic and environmental improvement

and beneficial to the south end of the lake. She underscored the need to ensure minimal impact to the environment, noting the plan would eliminate 57 trees and add over 1,000 parking spaces, thereby reducing pervious surface. She suggested that the City Hall be a separate, multi-story building in order to preserve as much green space as possible. She urged the City to incorporate elements that encourage alternative modes of transportation in order to reduce the number of vehicles on site. She was confident the City would “rise to the challenge” of balancing its building plans with environmental stewardship. She noted that the property would be redeveloped, regardless of whether the City buys it.

(b) Steve Dunn, Shoreline, Chair of the YMCA Board, expressed strong support for the City Hall project, noting it makes good sense to buy rather than rent and to borrow at historically low interest rates. He said the City’s purchase of the Echo Lake site would allow the YMCA to move forward with plans to build a \$13 million, state-of-the-art facility. He said this would benefit many lower-to-middle-income families in the City and surrounding area.

(c) Pearl Noreen, Shoreline, noted that she has a total 350 signatures of people who support the purchase of the Echo Lake property for City Hall. She pointed out that 150 years ago, Seattle was a mix of “water, mountains, trees, mud, and 22 people getting off a boat cursing the weather.” She said settlers did not come for what Seattle was, but for what it could become. She said the City Council has a similar vision for the City, which includes a cost-effective City Hall at Echo Lake. She described this as a unique opportunity to create a new public park and a \$13 million YMCA. She said the next generation will appreciate the Council’s vision.

(d) Dennis Lee, Shoreline, agreed that the City needs a city hall, but felt it has not followed the appropriate process. He felt the appraised value of the property was too high, pointing out that it included the square footage for unbuildable land. He said it is very important that the appraisal only include the cost of buildable land, not buffer area. He also commented on potential conflicts that might result from Council’s dual role as purchasers and judges on the rezone decision. He suggested that the Council make a new offer to the developer that reflects only buildable land area, and that the offer be speculative so the City can withdraw if there are problems.

(e) Art Furbush, Shoreline, spoke in favor of the property purchase, noting that this is a good spot for a City Hall. He commented favorably on the frequent use of the park to the north, as well as the Interurban Trail. He said he looks forward to the possibility of walking to City Hall.

(f) Elaine Phelps, Shoreline, noted that the site allocated for a City park includes .39 acres of unbuildable buffer land, which should be subtracted from the purchase price. She wondered how much the land would cost without including the buffer, noting that the City should not be paying for it. She pointed out that Ms. Noreen is on the YMCA board. She felt all those with this type of special interest in this project should identify themselves. She said although she has never favored renting versus buying, the City should conserve its resources and adhere to its established priorities. On

another topic, she commented on the ethical dilemma of collecting gambling revenues from an industry that does not enjoy strong support in the community.

(g) Jim Abbott, Shoreline, clarified incorrect statements attributed to him by the *Shoreline Enterprise*. He noted that he has no financial interest in this property, but that he purchased land on the north end of Echo Lake about five years ago for \$22 per square foot. He acquired interest in the property at N 185th Street and Aurora Avenue in March 2004, and paid \$31 per square foot. He said based on the previous purchases he has been involved in, \$23 per square foot is an excellent price to pay for the Echo Lake site.

(h) Janet Way, Shoreline, representing Sno-King Environmental Council and Thornton Creek Legal Defense Fund, provided a number of documents and photos to the Council regarding her concerns about potential environmental impacts to the Echo Lake site. She expressed concern about the amount of impervious surface proposed for the site, surface water runoff, detention, and contamination. She said the City's stream inventory identifies a piped watercourse on the property, which has the same value as a normal watercourse. She also expressed concern about wetland and habitat protection. She requested more information on the proposal to use GreenBuilt and LEED standards, and suggested the City consider SEAStreets as a strategy for achieving natural drainage. She asked if the site is a Fish and Wildlife Conservation Area, and whether the City has done any wildlife surveys. She reported that many citizens have reported seeing a wide variety of wildlife in the area. She concluded by commenting on the deficiency of the geotechnical analysis.

(i) Peter Henry, Shoreline, noted that a new city hall is far from the priorities that Shoreline residents have identified. He felt the decision to purchase the site could risk undermining the public confidence in City government and City Council. He concurred with previous speakers in that it is likely the City is paying too much for the property, questioning whether the purchase agreement would withstand legal scrutiny. He said the plan is inextricably linked with the rezone proposal and creates a conflict of interest, which might fuel the perception that the public is "not getting a fair deal." He commented on the flaws of the geotechnical analysis, noting that it does not consider the history of the site, including geological review of preexisting records. He identified problems related to the underground stream, water quality, habitat for salmonids downstream in McAleer Creek, and the wetland buffer. He urged the City to postpone its decision until due diligence is fully completed, and to direct staff to create a single consolidated document rather than having two simultaneous processes.

(j) Stan Terry, Shoreline, said purchasing this site for City Hall would be a positive step for City. He pointed out that the current residents of the mobile home park would be displaced regardless of whether the City purchases the site. He said while he has sympathy for the park residents, the proposed project will be much better than what is there now. He said although the City does not address low-income housing and affordable housing as much as it could, the current owners will develop the property

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despite what the City decides to do. He urged that the project be exemplary in positively addressing environmental issues and incorporating renewable energy sources.

(k) Jim Hamilton, Shoreline, supported the policy to buy rather than rent. He felt the community could benefit from the suggestions made tonight.

(l) Donn Charnley, Shoreline, expressed concern about stream flows, noting that the entire site needs careful evaluation as to what is draining into it, and how the proposal will affect it. He said in his experience in the field, he has never seen a glaciated area that has not had recessional outwash. He pointed out that this area has been developed many times, so the City must carefully consider the geotechnical characteristics of the site. He felt the City should conduct further investigation and not base its decision on a cursory study.

(m) LaNita Wacker, Shoreline, noted that mobile homes built between 1965 and 1976 were wired with aluminum, which are 50 times more likely to cause an electrical fire than those with wired with copper. She said many of the homes in the Holiday Resort were built in this time period, so they do pose a considerable fire hazard and raise questions about code enforcement. She said she does not support preserving hazardous housing for low-income people, noting that they deserve better,

(n) David Fagerstrom, Shoreline, read into record a study by Bassetti and Associates, dated August 1, 2000, referencing a discussion of staff occupancy requirements. He noted there was discussion of including utility district personnel at the City Hall site.

(o) Virginia Paulsen, Shoreline, expressed concern about Shoreline's financial condition, noting that as a sociologist she views things from a holistic perspective and uses an analytic framework that shows various social relationships. She noted that the federal government has predicted that Washington's economy will not experience the recovery rates enjoyed in the 1990's. For this reason, the City cannot expect to receive federal funds for transportation, community development, housing, education, and other programs. She said it is unrealistic to expect 57% of Shoreline's capital projects to be funded by grants. She said the City Hall Project at Echo Lake would result in a huge, long-term bill that the citizens do not want and cannot afford. She considered it fiscally questionable to spend \$11 million on an expansionary plan when other programs and services will not be adequately funded.

(p) George Mauer, Shoreline, pointed out that although the Council is the purchasing agent for the City, the residents are the actual buyers of the property. He noted that several costs are not considered in the financial analysis, including interest payments on bonds, maintenance of common areas, and proportional capital costs for underground parking. He commented that the wetland is "ill-defined," noting that the geotechnical study did not explore groundwater inflows specific to the City Hall site. He brought up the issue of a potential violation of the appearance of fairness doctrine, noting that the Council could be conflicted by approving both the purchase and the rezone, since

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City departments report to a common supervisor. He suggested that the City be objective and undertake an exhaustive effort to identify and avoid all potential risk in the due diligence phase. If the due diligence is not thorough and effective, it could influence the purchase and potentially the credibility of the City.

(q) Richard Johnsen, Shoreline, noted that Councilmembers have made vague references to other potential sites for City Hall, but these have never been identified. He asked why the Council has not disclosed these sites, noting that Shoreline citizens are entitled to this information. He felt that since the Council has selected a site for purchase, it should disclose all the other sites it has been considering. He wished to know why Cromwell Park, which he felt was an ideal site, was rejected.

(r) Tom Dunnihoo, Shoreline, said the current property owners are the real winners because they're getting the City to make a zoning change so they can do what they want with the property. He asserted that the Echo Lake site is not large enough to accommodate all the planned facilities. He said the site is not centrally located, and if there are cost overruns, the taxpayers will end up paying for them. He noted that other jurisdictions do not consider a city-owned city hall a priority. He noted that there are many higher priorities in the City, such as sidewalks, streets, and lighting.

Upon motion by Councilmember Gustafson, seconded by Councilmember Ransom and unanimously carried, the public hearing was closed.

MEETING EXTENSION

At 10:00 p.m. Deputy Mayor Jepsen moved to extend the meeting to midnight. Councilmember Gustafson seconded the motion, which carried 4-3, with Councilmembers Chang, Fimia and Ransom dissenting.

6. WORKSHOP ITEMS

(a) Gambling Tax Rate (continued)

Returning to the gambling tax issue, **Councilmember Ransom moved that the City take a strong stand against SB 5287, which would cap the City's gambling tax rate at 10%. Councilmember Chang seconded the motion, which carried unanimously.**

Councilmember Ransom moved to reduce the gambling tax rate for new establishments to 9% for a period of 1-2 years. Councilmember Fimia seconded the motion.

Mr. Sievers described the terms of the moratorium on new casinos, noting that any casino in Shoreline must trace its beginning date of operation prior to the 1999 moratorium.

Councilmember Grace commented that giving such a benefit to new businesses without a business record or access to financial information establishes an unfair advantage over

existing businesses. Councilmember Ransom responded that Snohomish County already does this.

A vote was taken on the motion, which failed 1-6, with Councilmember Ransom voting in the affirmative.

Councilmember Fimia said this idea could be revisited in six months and information on new casinos could be included in the study.

(b) Briefing on the North Central segment of the Interurban Trail

Kirk McKinley, Project Manager, introduced staff member Dave Buchan, Capital Projects Manager, and consultant Connie Reckord. They announced an open house on alignment of this section of the trail on Thursday evening. They reviewed the 30% design drawings that describe the proposed alignment of the trail between N 175th Street and N 192nd Street. Mr. Buchan said this project is a substantial public/private partnership, noting that 2,300 linear feet of the 4,500-foot trail is being built by private developers.

Ms. Reckord explained that the trail mostly stays within the Seattle City Light right-of-way, but the drawings show an alternative alignment of the trail between N 182nd Street and N 192nd Street. From the southeast corner of the N 185th Street and Aurora Avenue intersection, the route now goes eastward on the south side of N 185th Street to the N 185th and Midvale intersection. Then it crosses N 185th Street and proceeds northbound on the west side of Midvale Avenue N, connecting up with the existing trail at N 192nd Street. This route is recommended because it provides a safer crossing of N 185th Street and avoids the potentially serious vehicle/pedestrian conflicts at the Aurora Avenue N entry to Sky Nursery.

Ms. Reckord noted that Sky Nursery plans to dedicate an additional 10 feet of right-of-way back to the City, upon which they will generate substantial landscaping and improvements. The design also includes "speed tables," elevated sections of the pedestrian crosswalks that assume the characteristic of speed bumps and give pedestrians a sense of right-of-way. The project includes a signalized intersection at N 185th Street to ensure safe crossing of cyclists and pedestrians.

Mr. Buchan noted that the City is currently negotiating with Dunn Lumber to acquire a section of the right-of-way behind their storage building for the trail.

Councilmember Grace asked about the proposed features of the narrow strip between the trail and N 185th Street. Ms. Reckord said that some type of barricade or railing would be erected to protect trail users from adjacent vehicle traffic.

Mr. McKinley noted that staff used the pre-design study for the Aurora Corridor as a basis for designing the Interurban Trail. Ms. Reckord pointed out that the trail design

preserves a large section of Ronald Place near N 175th Street, which has the potential for a City park or urban center. Mr. Buchan said an important component of the plan is the opportunity to retain the red brick road as a historical landmark for the City.

Mayor Hansen called for public comment.

(a) Richard Johnsen, Shoreline, said Mr. McKinley and the City Manager have not been honest with the citizens regarding the design of the north central segment of the trail. He said people were under the impression that Sky Nursery planned to move its parking lot to Midvale Avenue following the vacation of N 188th Street. This would have opened up the frontage area on Aurora Avenue for the Interurban Trail, which was the historical route of the original trail. He said the proposal to align the trail along Midvale Avenue is “destroying our history,” noting that he wants to see the original route preserved. He said this plan follows other departures from the original trail, including the bridge across Aurora Avenue. He said the 30% design says “we don’t care about the original route.” He felt that the traffic safety argument is flawed.

Councilmember Fimia asked if there were any alternatives to preserve Monarch Appliquence in Shoreline. Mr. Burkett explained the City’s efforts to help relocate the business, but said the owner has decided to close rather than move.

Councilmember Fimia wished to ensure that subsequent designs of the trail include adequate access from neighborhoods and businesses. She noted the absence of adequate access at the south end of the trail. She also emphasized the need to acknowledge the City’s partners, Seattle City Light and King County, on Interurban signage. She felt this would properly acknowledge their contributions and encourage others to partner with Shoreline in the future.

Mayor Hansen described his proposal to maintain a portion of the red brick road and locate an Interurban railcar as part of a park on Ronald Place.

Mr. Buchan said staff will be looking at various alternatives for using the bricks as the design moves forward. Mr. McKinley said staff would solicit feedback on all trail features at the upcoming open house and report back to the Council.

Councilmember Ransom had concerns about the meandering nature of the trail in this section. He felt that if it could not stay adjacent to Aurora Avenue in a consistent way, perhaps it should have been aligned along Midvale Avenue. He also supported a consistent trail appearance throughout the City.

Councilmember Fimia supported the proposed configuration, noting that it is always hard to satisfy all the project’s goals when there are so many stakeholders involved. She said safety becomes an issue when the trail is close to Aurora Avenue. She wished to ensure that the project is completed on-time and on-budget.

Deputy Mayor Jepsen asked staff to briefly review the project costs as described in the staff report.

Mr. McKinley said if all the private development proposals come through, the project should be completed significantly under budget. He said in the event that Sky Nursery proceeds on a slower timetable, staff would recommend the City complete the 175th to 185th segment, including the signalized intersection, with the available budget. Sky Nursery would then complete the major section from 185th to 192nd later.

Councilmember Chang asked about the financial impacts of Monarch Appliance leaving the City. Mr. Burkett said the City tried to assist in finding a location in Shoreline because the financial impact is not insignificant. Olympic Boats is also leaving and Les Schwab Tire is relocating in Edmonds.

Councilmember Gustafson preferred the meandering nature of the trail for aesthetic and safety reasons. He also asked about Seattle's progress in completing its portion of the trail. Mr. McKinley described the Seattle portion of the trail and speculated that it was very close to finishing it.

Mayor Hansen suggested that Seattle be encouraged to restore the crosswalk at the southern end of the trail at 145th Street and Linden.

Ms. Reckord explained the rationale for the meandering design of the trail. She said the trail must stay within the parameters created by Aurora Avenue, the SGA development, and SCL transmission lines.

Councilmember Gustafson suggested a meeting with members of the Lake Forest Park City Council about completing the trail across the I-5 bridge, with the ultimate connection to the Burke-Gilman Trail. He felt this long-term vision is feasible if the two cities cooperate.

There was Council consensus to consider item 9(a) next.

9. ACTION ITEM: OTHER ORDINANCES, RESOLUTIONS AND MOTIONS

- (a) Resolution No. 228, repealing Resolution No. 111 and consolidating various business expense policies with regard to reimbursement of business expenses, payment of seminar or conference registration fees, purchase of food and beverages of City-sponsored meetings and events, and allowable sister city expenditures (motion to adopt postponed from January 24, 2005)

Mayor Hansen noted that a motion to adopt Resolution No. 228 had been postponed from the January 24 meeting and was on the table.

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Mr. Burkett noted that the City's current business expense policy is silent on the issue of reimbursement for service club participation. He said staff is currently researching the practice of other jurisdictions and could bring that issue back for discussion. He said staff recommends that the resolution be adopted tonight.

Councilmember Ransom raised the issue of per diem, which has not increased since the policies were adopted in 1996. He felt that the amount allocated for breakfast should be raised to that of lunch to acknowledge that costs have increased over the years.

Councilmember Ransom moved to amend the policies to allocate the same amount for breakfast as for lunch. Councilmember Fimia seconded the motion.

Councilmember Grace pointed out that claims up to 150% more than the per diem rate can be submitted with appropriate receipts.

Deputy Mayor Jepsen recalled that he had originally proposed that the City use the federal per diem rates, which recognize that costs vary from city to city.

A vote was taken on the amendment, which carried 4-3, with Mayor Hansen, Deputy Mayor Jepsen and Councilmember Gustafson dissenting.

Councilmember Fimia raised the issue of the City paying for memberships and food for staff attendance at service organizations. She quoted the State Auditor, who has raised concerns about this practice and has established some criteria if this is done. She felt this practice is risky without clear policy direction from Council.

Councilmember Grace moved to add "and civic" between "professional" and "organizations" in Section 5 of the policies. Councilmember Gustafson seconded the motion.

Councilmember Grace read excerpts of an e-mail from a Shoreline rotarian, who supported the practice of reimbursing City staff for participation in Rotary: "As a long-time Rotarian, I don't know of any activity on the part of staff that could benefit the community more." Councilmember Grace spoke in favor of his motion, noting that Council should leave it up to the City Manager to determine if this practice benefits the City.

Councilmember Fimia read from the State Auditor's manual: "The Attorney General's Office and State Auditor's Office has concluded that the intent of membership payments by a municipal corporation should be considered. However, payments of memberships to fraternal organizations or community social organizations continued to be questioned. While municipal corporations have no obligation to pay for employee and officer memberships, should they choose to do so, a formal policy should be adopted..." She then read the applicable criteria for such a policy. She said based on this opinion,

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legislative bodies have a responsibility to create clear policies in this regard, and the City would not be in compliance by adopting this amendment.

Responding to Councilmember Ransom, Ms. Tarry explained that the practice varies from jurisdiction to jurisdiction.

A vote was taken on the motion, which carried 5-2, with Councilmembers Fimia and Chang dissenting.

A vote was taken on Resolution No. 228 as amended, which carried 6-1, with Councilmember Fimia dissenting.

8. CONTINUED WORKSHOP ITEM

- (a) Deliberations on Update of 2004 Comprehensive Plan and master plans for Transportation, Surface Water and Parks, Recreation and Open Space

There was discussion of the proposed meeting voted upon last week of the City Council with the Sno-King Environmental Council. Councilmember Fimia said the goal is to get as many Planning Commissioners and Councilmembers to the meeting as possible to hear the concerns of the Sno-King Environmental Council. There was discussion of Councilmembers' availability. Councilmember Gustafson said he could attend, along with Councilmembers Chang, Fimia and Ransom.

Responding to Councilmember Grace's question about the format of the meeting, Councilmember Fimia said six to eight of the Sno-King representatives will present various aspects of their concerns to the Council and Commission. The meeting will be limited to two hours. The goal is to be able to have a face-to-face dialogue in which questions can be asked and answered in a more informal way. She felt the Council should not take any formal action on outstanding items until it heard from the Sno-King group.

Councilmember Grace suggested waiting until the Council has gone through the matrix and identified those issues upon which there is still not agreement. He thought the meeting should be rescheduled when the Council has completed its review.

Responding to Mayor Hansen, Tim Stewart, Director of Planning and Development Services, said that all the comments are in the comment book.

There was further discussion of who would be invited to the meeting. Councilmember Fimia moved to include the Thornton Creek Alliance in the meeting, but there was no second.

Mayor Hansen noted receipt of a letter from Planning Commission David Harris regarding the review process.

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10. ADJOURNMENT

At 11:45 p.m., Mayor Hansen declared the meeting adjourned.

Sharon Mattioli, City Clerk

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