

DRAFT

CITY OF SHORELINE

**SHORELINE CITY COUNCIL
SUMMARY MINUTES OF SPECIAL MEETING**

Monday, June 19, 2006
6:30 p.m.

Shoreline Conference Center
Mt. Rainier Room

PRESENT: Mayor Ransom, Deputy Mayor Fimia, and Councilmembers Gustafson, Hansen, McGlashan, Ryu, and Way

ABSENT: none

1. CALL TO ORDER

The meeting was called to order at 6:32 p.m. by Mayor Ransom, who presided.

2. FLAG SALUTE/ROLL CALL

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

- (a) Proclamation of "Northwest Youth Music Association Month"

Mayor Ransom read the proclamation and declared the month of July as "Northwest Youth Music Association Month." He presented the proclamation to President, Scott Gilbert and the Interim Executive Director of the Seattle Cascade Drum and Bugle Corps, Jimmy Fursman.

Mr. Gilbert noted that bingo halls no longer support non-profit organizations. He said their organization is interested in partnering with the City. He also added that they need office space and a place to park their buses and trucks.

Mayor Ransom announced that agenda items 6(a) and 6(b) will be taken in reverse order.

3. CITY MANAGER'S REPORT

Bob Olander, City Manager, provided updates and reports on the following items:

- Nominations are being accepted for the August 19th Celebrate Shoreline Parade Marshal. The Council will make the final choice and nominations are being accepted by Mary Anne Kelly in the Parks Department

- The Soccer Fields A&B project is on time and the old sand has been removed and drainage piping has been installed.
- The City has secured two new grants for \$22,000 each. The first is for Recycling and Yard Care and the second is for School Zone Safety.
- The Shoreline Arts Festival will be held Saturday and Sunday.
- The Association of Washington Cities (AWC) Conference will be held in Spokane from June 20 – 23.

4. COUNCIL REPORTS

Councilmember Way commented on her attendance at the Shoreline Community College graduation ceremony.

Councilmember Gustafson reported on his attendance at the Water Resource Inventory Area (WRIA-8) Forum, noting that the Council needs to review the interlocal agreement for implementation review. He also attended the Regional Water Quality Conference and encouraged the Council to read the documents in their packets that discuss Brightwater because there is an issue involving reclaimed water use. He added that he attended the Suburban Cities Association (SCA) meeting and King County is in the process of creating a property tax levy for a September 19 Special Election to fund the Automated Fingerprint Identification System (AFIS). He reminded the Council that the Suburban Cities Association networking dinner is June 28.

Councilmember Way inquired about the interlocal agreement from WRIA-8.

Councilmember Gustafson said the draft is in the packet and the City needs to have a response prepared no later than July 20.

Mayor Ransom announced that he attended a Skykomish Indian Potlach at Syre Elementary. It featured two hours of dancing and singing by some wonderful third grade students.

5. PUBLIC COMMENT

(a) Ros Bird, Lake Forest Park, Executive Director of the Shoreline/Lake Forest Park Arts Council, highlighted that this is Arts Festival Week and they have taken in 350 – 400 art pieces for the adult juried art show, and another 300 pieces for the student art show. She said 79 children auditioned for the “Frog Prince” and the festival will also feature ethnic dance, 80 craft booths, and a student film festival.

(b) Bob Phelps, Shoreline, Team Manager for the Shoreline Auxillary Communications Service, noted that his organization provides back-up communications services for the City fire and police departments. He noted that they participate in the annual field day event for training. He invited the public to attend this event, which will be held at the Shoreline Center.

(c) Vicki Westberg, Shoreline, thanked the Shoreline Historical Museum and Shoreline Sign and Awning for sponsoring the Golden Wheels car show at the museum. She also thanked Vicki Stiles who helped coordinate the event. She also thanked Mayor Ransom and Councilmember Ryu for attending the event. She announced that the next event is on July 2nd in Edmonds, and their website is www.goldenwheelsfraternity.com.

(d) Patty Crawford, Shoreline, said the court upheld the standing question on the Aegis issue. She read that the decision says the Crawfords have contractual rights with respect to water flows. She said it has been seven years and the City granted Aegis a CASUP permit to build on the south side, and that the City changed to Code to allow them to build in the buffer. She stated the City gave Aegis Peverly Pond to destroy, right-of-way on Twin Ponds Park, off-site mitigation, and now there is a total overflow from Aegis into the neighborhoods.

(e) Tim Crawford, Shoreline, he said the City should change the neighborhood name to "Aegisland". He said the opinion page of the Shoreline paper is appalling and the managing editor of the paper belongs to Forward Shoreline. He said he tried to attend the Council goals session, but found there is not a representative cross-section of the community at these meetings. He said the agency the City needs to align itself with is Washington State Fish & Wildlife. He concluded that they were going to stay to see the north building get torn out.

(f) LaNita Wacker, Shoreline, stated that the goals document is worthless. She attended one of the goals sessions and there were people there who were not registered voters in Shoreline or Shoreline taxpayers. She said there were people who "stuffed the ballot box" by attending both sessions. Additionally, there were failed Council candidates who were pressing their own agendas during the session. She highlighted that the Council was elected to set their own goals and to set policy and the City Manager is to implement it. She said there were 13 staff members there for two sessions, estimating a total of 102 staff hours to run both sessions. She said at the November election, Councilmembers McGlashan and Ryu had the most votes, and they represent the public opinion. She said the Council has usurped the time of the staff and that of the citizens.

(g) Maria Walsh, Mountlake Terrace, spoke on behalf of her son who resides at Fircrest School. She is a member of Friends of Fircrest and they are having an event called "Spring into Summer." It is a raffle and silent auction event which will take place on June 24th at the St. Matthews Parish in Seattle.

Mr. Olander stated he will have the City Attorney draft a memorandum to the Council concerning the Aegis case.

6. WORKSHOP ITEMS

(a) 2006 – 2007 Council Goals Adoption

Mr. Olander introduced this item and discussed the progress to-date. He noted that the City has limited staff resources and funds and they must set priorities. He added that setting priorities provides direction to the staff and informs the staff how to draft the 2007 budget. He concluded that non-published goals are also important. He suggested an outlined process that divides the 16 goals into four different groups. He said staff recommends the Council adopt the seven goals in groups 1 and 2. He added that the Council can take their final three goals from group 3 to bring the total to 10 goals.

Deputy Mayor Fimia inquired if the staff was doing goal #3 (implementing a long range financial review and public participation plan) from Group 3.

Mr. Olander responded that staff prepares a long range plan. He added that the public needs to be brought into this process and staff will be undertaking this administrative task. He stated the staff is looking for some administrative direction from the Council tonight on how to proceed because the staff needs to start working on the budget process.

PUBLIC COMMENT

(a) Vicki Westberg, Shoreline, said she was the only person who attended both of the Council goals forums and highlighted that she did not participate in both of them, and “did not stuff the ballot box.” She urged the Council to keep Fircrest as a priority Council goal. She added that a master plan for the property should include Fircrest School because it has numerous benefits to the City. She said it is rated in the top 10 for institutions like it in the United States, and it has great facilities with many uses. She said the chapel at Fircrest is a historical landmark that should be retained. She urged the public and the Council to take a guided tour of the facility.

(b) Jane Hinton, Shoreline, Family Support Manager for the Center for Human Services, works with economically disadvantaged people. She has reviewed the goals and supports a comprehensive housing strategy in Shoreline. She commended the Council for having a goal to increase opportunities for inclusion and cultural diversity. If this goal is not included this year she hoped the Council would keep the needs of the diverse population at the top of their “to-do” list. She said oftentimes the way to get people involved is to go to them rather than inviting them to come to meetings. Finally, she said there is a huge need for a Youth Master Plan and for things for children and teenagers to do when they are out of school. It might also be a good idea for the City to formulate a Human Services Master Plan. She urged the Council to look at the King County SOAR Youth Action Agenda and adopt some of the policies for Shoreline. She said that program provides a good roadmap for this community.

(c) Bill Bear, Shoreline, on behalf of Sustainable Shoreline, said they appreciate the hard work that went into the list of goals and priorities as well as the democratic process. He added that Group #1, #2, and #4 must include certain elements. He said Group #2 must include small businesses rather than large corporate development. Group #2, he said, must emphasize owner-occupied affordable housing. This means

maintaining a large number of single-family starter homes in Shoreline as opposed to high density absentee landlord rentals which destabilize neighborhoods. They also support the goal of environmental sustainability and all non-automobile transit modes. He said their group also supports the goal of developing a Fircrest Master Plan. Their group also wants to support the goal of transparency in financial review and public participation in Shoreline. He said they support emergency preparedness training and reformatting the neighborhood associations to ensure they provide a voice for the neighbors in each area.

(d) Maria Walsh, Mountlake Terrace, on behalf of her son who resides at Fircrest, said the Fircrest Master Plan needs to be prioritized. The master plan, she said, would include Fircrest into the City of Shoreline. She said Shoreline must identify what services can remain at Fircrest and analyze which programs will benefit the City and be retained. She said Shoreline should be proud of Fircrest because one of the goals involves environmental sustainability. She added that Fircrest is a beautiful campus and the City should preserve it for the current residents and those who will need professional support in the future. She urged the Council and attendees to take a guided tour and then decide.

(e) Peter Henry, Shoreline, stated he is relieved that the recall lawsuit was withdrawn. He thanked the City for the goals process and outreach effort. He noted that 76 people attended the community goals forums. He supported increasing the priority of a Fircrest Master Plan. He noted that it sends a message to the State that the City is concerned about the situation at Fircrest, which is different than what the City has shown it to be in the past. He also thanked the City and staff for creating a priority for an environmentally sustainable community.

(f) Kristin Ellison-Oslin, Shoreline, said she was unable to attend the community forums. She supported moving forward with the Fircrest Master Plan. She added that the City already has a relationship with state-level officials and the master plan would assist with diversity (possibly as a place to locate embassies), and housing concerns such as homelessness and affordable housing.

Mr. Olander responded that the City cannot execute a Fircrest Master Plan alone. The City will need the full cooperation of the State as a partner. The State would need to be a funding and working partner. However, this has not occurred in the past, he outlined.

Councilmember Way announced the following City Council Goals for 2007 – 2008 for Council consensus: 1) Complete the projects outlined in the 2006 Parks Bond, 2) Implement the Economic Development Strategic Plan, 3) Implement an affordable Civic Center/City Hall project, 4) Complete sidewalk, drainage, and transit improvements on Aurora Avenue from 165th Avenue to 205th Avenue, 5) Create an environmentally sustainable community, 6) Develop a Comprehensive Housing Strategy which provide safe, affordable, and sustainable walking, biking, transit, vehicle transportation options to support current and projected land use plans, 7) Develop a Fircrest Master Plan in partnership with the State, 8) Increase emergency preparedness training and education, 9)

Create opportunities for all, including the youth, to get more involved with neighborhood safety and improvement programs.

Councilmember Ryu agreed with the proposed Council goals.

Councilmember Hansen called for a point of order and noted that since the meeting is a study session, no formal motions can be made by a Councilmember.

Councilmember Way supported the Parks Bond elements and the implementation of the Economic Development goal with emphasis on existing businesses. She supported the Civic Center/City Hall with a focus on affordability and what makes sense to the community. She felt there are many opportunities to make improvements in the Aurora Project as it moves forward into Phase II and III, particularly with respect to drainage.

Mr. Olander pointed out that the goal regarding Aurora Avenue should be general and recommended not limiting what the Council looks at until they have had the opportunity to consider all environmental alternatives.

In the interest of time, Councilmember Hansen asked if the Mayor would like to see if there was Council consensus on the first four goals.

Councilmember Way suggested the Council move forward with the priorities and goals she highlighted previously.

Councilmember McGlashan did not see the need for changing item #4 of Group #1.

Councilmember Way said she is not satisfied with the drainage work done on Phase I of the Aurora Project.

Mr. Olander suggested that the goals be kept short and succinct. At a later date the staff can then bring back detailed work plans.

Councilmember Gustafson appreciated the work and recommendation of the staff. He agreed with Councilmember Hansen and wanted to identify if the Council concurs with the first four goals. He also agreed with Mr. Olander that the goal details can be worked out in the future.

Councilmember Ryu disagreed, stating she would like to have the details established soon as possible because they are critical.

Deputy Mayor Fimia wanted to see what the entire package looks like. She added that the Council is not going to achieve consensus if the goals are considered group by group. She said Councilmember Way's language separates the Aurora Project, noting that the design for Phase II and III will be different than Phase 1. She said that the project doesn't need to be referred to as the "Aurora Project."

Mayor Ransom stated that the Council should look at each goal and either come to consensus or discuss further.

There was Council consensus on Goal #1: To complete the projects approved in the 2006 Parks Bond.

There was Council consensus to include the Goal: Implement the Economic Development Strategic Plan.

There was Council consensus to include the Goal: Implement an affordable Civic Center/City Hall Project. Councilmember Gustafson did not concur. He objected to the term "affordable" and added that the City Hall needs to be the best product for the City.

Councilmember Way said the message she heard at the Council forums is that residents were in favor of an affordable City Hall and that they don't want the "Taj Mahal."

Councilmember Hansen responded that there is no definition for the term "affordable." He supported a new City Hall and said nothing should be revised within the text of the goal.

Deputy Mayor Fimia said the Civic Center/City Hall needs to be a modest, functional facility with renewable energy sources to make it affordable. She suggested the Council take a straw vote on this language and find the language in the next few weeks so it gets to the public that it be a functional building rather than a palace.

Councilmember Gustafson agreed with Deputy Mayor Fimia.

Councilmember McGlashan noted that "affordable" cannot be defined. He said the Council should start with the staff recommendation instead of changing words.

Mr. Olander noted it has never been the intent of the staff to build anything that would not be reasonably affordable. He said staff is looking at standard office construction.

Councilmember Gustafson said the Council is spending too much time on details. He explained that the Council should be setting policy and not concern itself with the details. However, he said the details will be discussed later when staff comes back to the Council with recommendations on the facility.

Councilmember Ryu said she doesn't mind spending an extra hour or two discussing the budget impacts, since the goals tie into the budget.

There was Council consensus to include the Goal: Complete the Aurora Avenue Improvements from 165th Avenue to 205th Avenue, including, but not limited to, Sidewalks, Drainage, and Transit Improvements. Councilmembers Gustafson and McGlashan did not concur.

Councilmember McGlashan said the Council spent two days during their retreat to come up with the goals, and now they are changing. He said staff needs broad direction, and the Council should not try to control them. Councilmember Gustafson felt the Council should adhere to the staff recommendation.

There was Council consensus to include the Goal: Create an Environmentally Sustainable Community. Councilmembers Gustafson, Hansen, and McGlashan did not concur.

Councilmember Hansen did not support this goal because there is no explanation on what an environmentally sustainable community is.

Mr. Olander said that the implementing tasks for this goal are listed, such as: adopting an energy efficiency plan for City operations; developing a natural resources management plan; renewing and implementing low impact development standards; reviewing/adopting the 2005 King County Drainage Manual; incorporating advanced storm water quality practices into Aurora and other capital projects; and completing the forest management plan. He stated these are action items that fall under this goal.

Councilmember Way added that the public overwhelmingly endorsed this at the workshops.

Councilmember McGlashan asked if this was related to the City joining the Kyoto Accord.

Councilmember Way responded that they overlap; similar to the Parks Bond, it has already been voted on.

Councilmember Gustafson said this is a value that the full Council feels strongly about, but it is too broad. He said it is not in his top eight goals.

Councilmember Ryu said Council goals are set so the staff can prepare for the budget. She felt this item needs to be added so a funding source can be determined.

Councilmember McGlashan encouraged the Council to review the goals in the order they are written in the staff report.

Deputy Mayor Fimia the request is to give staff direction through Council consensus. She pointed out that Councilmember Way incorporated public comments into stated goals and he can use the proper procedure to amend them.

Councilmember McGlashan responded that he disagrees with taking the original Council goal and incorporating what the public said. He felt that it would control the outcomes of the goals.

There was Council consensus to include the Goal: Develop a Comprehensive Housing Strategy.

Mayor Ransom read the proposed Council Goal to “Provide safe, affordable and environmentally sustainable walking, biking, transit and vehicle transportation options to support current and projected land use plans.”

Deputy Mayor Fimia suggested the following change: “Provide safe, affordable walking, biking, transit and vehicle transportation options to support our land use plans.”

Councilmember McGlashan opposed the amended language.

Councilmember Hansen agreed with Councilmember McGlashan and said the goal is too wordy. He supported the staff’s suggested language.

Councilmember Way stated there are many ways the City can design the roads so they can support transit.

Mayor Ransom felt that the language should be “Provide safe, affordable transportation options to support our land use plans” and the language about walking, biking, transit and vehicle belong under that main idea. He felt the goals are getting terribly wordy and it is getting hard to determine the core ideas.

Deputy Mayor Fimia felt the specific examples of transportation needed to be in the Council goal statement. She said people only think of roads when the term transportation is used.

Mayor Ransom revised the language to “Provide safe and affordable transportation options to support our land use plans including walking, biking, transit, and vehicle options.”

Councilmember Hansen agreed with Mayor Ransom to add bullets outlining the types of transportation after the main goal.

Mr. Olander clarified that the language in the staff report came from the Council, not the City staff.

There was Council consensus to include the Goal: Provide safe and affordable transportation options to support our land use plans including walking, biking, transit, and vehicle options. Councilmembers Gustafson, Hansen, and McGlashan did not concur.

Mayor Ransom reads the next goal: “Develop a Fircrest Master Plan in Partnership with the State.”

There was Council consensus to include the Goal: Develop a Fircrest Master Plan in Partnership with the State. Councilmembers Gustafson, Hansen, and McGlashan did not concur.

Councilmember Ryu supported this goal. She said Fircrest is within Shoreline and we owe it to the neighborhoods not to ignore the facility. She urged the Council to bring the stakeholders to the table to discuss this facility.

Councilmember Hansen highlighted that this is a state facility. He said the Council is wasting time until the state comes to the table to discuss and support any plans the City has.

Councilmember McGlashan concurred, adding that although we have zoning discretion, the City cannot tell the state what to do with its property. He said the City should talk to the state. He felt it wrong for the Council to adopt a goal to develop a master plan for state-owned property.

Councilmember Ryu disagreed and said because the City doesn't own Fircrest, it doesn't mean the Council can't speak to it. She said the City doesn't own the houses in the neighborhoods and yet the Council passes ordinances concerning them. She said the Council would be giving up responsibility if they ignore Fircrest. She said she has no problem spending taxpayers money to create a master plan for Fircrest.

Councilmember Gustafson agreed with Councilmember McGlashan. He stated that the Council needs goals that are achievable. He disagreed that this should be in the top 7-8 goals. He said the Council should lay groundwork with the state first and possibly put this item on the list of goals for next year.

Mayor Ransom said he received about 40 telephone calls today about the Fircrest Master Plan and talked to Representative Maralyn Chase about this. She agreed that a master plan in partnership with the state is a good idea because there are some things in the legislative session the City can influence if a master plan is in place.

Deputy Mayor Fimia added that Aurora Avenue is owned by the state and 60% of what the City does is in partnership with the state. She stated the City needs to start working with the state to develop a master plan. She said we need to "set the table" for the state to come and speak to the Council.

Mayor Ransom added that it opens opportunities for the City if it is in cooperation with the state. He said he supported the goal as stated.

Councilmember Way said the Council will never be able to get anything done without approaching partners. She said it is silly not to put this item on the table just because the City doesn't own the property. This property, she added, is important to the eastside neighborhoods, and Fircrest needs our support.

Councilmember Hansen disagreed with Deputy Mayor Fimia's remarks that the City is just beginning with Fircrest. He pointed out that he has been involved with Fircrest since the 1970's and has had a significant amount of direct involvement. He highlighted that in

the 1990's a plan was developed for Fircrest with architectural drawings. He said the direction has to come from the state on this. He felt the Council is setting itself up for failure with this goal, noting his preference for limiting the goals to seven or eight. He opposed putting this goal on the Council goals list.

Mayor Ransom felt the added language concerning the partnership with the state makes the difference with this goal.

Deputy Mayor Fimia said that if the City waited for the State to come to the Council they would have a plan developed and then the Council would be on the defense. She said the City needs to go to the State as major stakeholders and send a signal to the State that they can't go with another party and make plans without the City. She said she didn't know why the master plan was stopped, but having it on as our goals will give us the advantage in the future.

Mr. Olander noted that the advantage of putting it on as a goal informs the state that there is strong community and Council interest in Fircrest. However, if the state doesn't want to partner with the City, the Council would have to take it off of the goals list at some point in time. Another possibility is to pass a unanimous Council resolution of support for partnering with the state for a master plan. Then, if the State responds to the City positively it can be added as a Council goal. He asked if the Council wants to send this item to the state with the message of a 4-3 vote or a unanimous vote.

Councilmember Ryu responded that some message is better than no message at all. She said resolutions "really don't have legs," but goals do.

Deputy Mayor Fimia said the goal should continue if the State says no and this will always be something the Council needs to do.

There was Council consensus to include the Goal: Develop a Fircrest Master Plan in partnership with the State. Councilmembers Gustafson, Hansen, and McGlashan did not concur.

Councilmember McGlashan stated the Councilmembers were asked to come to the meeting with ten goals. He asked if there was any reason to discuss the last two if the majority of the Council has already decided what the ten goals are going to be.

Councilmember Hansen noted he would only support eight goals.

Councilmember McGlashan stated that he would like to include the Interurban Trail Connectors as one of the goals.

Mr. Olander stated that this is included as a work element under the "transportation options" goal. He also suggested the Council postpone discussion on the Capital Improvement Plan (CIP) to the next special meeting.

Councilmember Hansen supported the Interurban Trail Connectors and wanted to see if there is Council consensus on the issue.

Councilmember McGlashan withdrew his suggestion and stated he also would support no more than eight Council goals.

Councilmember Gustafson agreed with the City Manager and suggested the CIP be done at a later date.

There was Council consensus to postpone discussion on the Capital Improvement Project (CIP) to a future special meeting.

Councilmember Gustafson stated that the Interurban Connectors goal was in his top eight goals and is important to the residents of Shoreline. It needs to be a high priority so it can get completed.

Councilmember Ryu responded that the Parks Bond passed and said it can be addressed under the transportation options goal.

Councilmember Way added that the Interurban Trail Connectors are close to being done and it will be completed soon, so the Council should place more priority on other projects.

Mayor Ransom suggested the Council postpone the rest of the discussion on this item until next week.

Councilmember Hansen said the City doesn't own the Interurban Trail. He pointed out that Seattle City Lights owns it and they have granted the City certain rights to maintain the trail.

Deputy Mayor Fimia stated that having eight goals is arbitrary. Safety and protecting the residents are a primary goal, she said. She added that families and individuals are not ready for an emergency. She highlighted that the Interurban Trail Connectors will get done under the transportation options.

Councilmember Hansen noted that the Interurban Trail is not done and until it is done he wants it to stay as a Council goal. He said Councilmember McGlashan has asked twice for a consensus vote to keep the number of Council goals to eight and he would like to see if there is consensus.

Mayor Ransom polled the Council on whether to limit the number of Council goals to eight. Councilmembers Gustafson, Hansen, and McGlashan favored no more than eight goals. Mayor Ransom, Deputy Mayor Fimia, and Councilmembers Ryu and Way favored more than eight.

There was Council consensus to postpone further consideration of the Council goals until next week. Deputy Mayor Fimia and Councilmembers Ryu and Way did not concur.

Mayor Ransom clarified that the discussion on this item at the Council meeting next week will cover the tentatively approved eight Council goals and three additional goals that have not been discussed.

RECESS

At 9:32 p.m., Mayor Ransom announced that the Council would recess for ten minutes. At 9:42 p.m., the Council meeting reconvened.

(b) Civic Center Site Acquisition

Mr. Olander introduced this topic and stated the Council directed the staff to pursue a purchase agreement and options for a Civic Center. He added that the City has firm offers on two properties.

HIGHLAND PLAZA SITE

The first site, he said, is the Highland Plaza Site at the corner of Midvale and 175th Street NE. It has three buildings on it and is 1.74 acres and the cost is \$5,750,000. The advantages to this site include:

- Centrally located in Shoreline
- Close to 185th for access to the west of town
- Close to bus routes and adjacent to the Interurban Trail for bike and walking access
- Strong potential as a civic catalyst for Aurora and Midvale reconstruction
- Strong potential for a "town center"
- Site is where our current City Hall is and is familiar for residents and customers
- Site has no added neighborhood impacts (same amount of traffic)
- Site is very developable and has favorable characteristics
- Site has very good access from the road
- There is no need for zoning or land use changes
- There is adequate water, power, sewer, and telecommunication utilities
- Site is available and within the City's range of appraised value

Jesus Sanchez, Public Works Operations Manager, reviewed the appraisal and negotiation process. The City retained the services of a qualified appraiser, CJM Munson, who are members of the Master Appraisers Institute. He noted that the City staff looked at the property as developers, but Mr. Kevin Clarke looked at the site with an investor perspective which looks at the revenue base. This means, he said, considering the existing revenue flows that are being derived from the building as well as the age of the building, and determining the appreciation cap. In this case, he said, the capitalization rate of this building was between 7 – 8 %, which brings the total potential

value of the building to \$6 million. At that point, the model was run again and the next figure was closer to \$5.4 million. Therefore, the City offered the owner a compromise of \$5.7 million. Staff believes this is an acceptable price for this property, and the owner has accepted the offer and signed a purchase agreement.

Debbie Tarry, Finance Director, said two primary financial analyses were performed on this property purchase. They include: 1) an annual cash flow comparison; and 2) a net present value comparison. She outlined the purchase assumptions concerning the property:

- Purchase of property
- Construction of Civic Center
- City puts approximately \$12 million cash towards the project
- City issues a debt service to cover the remaining \$12.75 million for the project.
- Building size is a little over 57,000 square feet

MEETING EXTENSION

At 10:00 p.m. Councilmember Hansen moved to extend the meeting until 10:25 p.m. Deputy Mayor Fimia seconded the motion, which carried 7-0.

Ms. Tarry continued that the amount the City will pay back will be over a 25-year period and the payments will remain constant each month. However, maintenance operations are effected by inflation, so they would vary. She said she documented three different leasing scenarios against the purchase scenario in the packet. She pointed out that there is limited office space in Shoreline and lease costs in the area should increase in the future.

Mr. Sanchez said he read a local business journal this morning that said in the last few years the costs for office space in the greater Seattle area has increased and the amount of space available has decreased.

Deputy Mayor Fimia inquired if the numbers reflected the City leasing office space to the private sector.

Ms. Tarry responded that the numbers only reflect the City's purchase or leasing of office space and not leasing to other private businesses.

Mr. Olander responded that it only includes the office space the City may need based on estimated growth in the next few years.

Deputy Mayor Fimia noted that organizations do not have many office space lease options in Shoreline.

Mr. Sanchez said it is important to remember when calculating the value of this property that the lifecycle of the buildings are nearing the end.

Mr. Olander noted that if the City spent the \$12 million elsewhere and executed a bond for the purchase of the property, it would put the annual costs at a higher rate than the City can afford. The net present value captures the initial downpayment and the residual value.

Ms. Tarry explained that the net present value accounts for all cash outflows that occur in the 25-year period under each of the scenarios. It takes the total and it is discounted under each scenario so it can be compared to today's dollars. She added that the purchase cost includes the downpayment plus all the cost per debt service in maintenance and operations. With the purchase option the equity as calculated by CMJ is between \$17 and \$22 million dollars. The City calculated the equity conservatively at \$14 million.

Deputy Mayor Fimia clarified that the square footage under the purchase option is a little over 57,000 and 29,000 in the lease option.

Ms. Tarry responded that under the current lease, common space including halls, bathrooms, conference rooms, and council chambers are not included in the current space. Additionally, in our current space it would be unlikely the City could obtain more space.

Mayor Ransom inquired if the City, between the two buildings, was leasing over 35,000 square feet currently.

Mr. Sanchez responded that the City was leasing about 25,600 square feet for both buildings.

Mr. Olander explained that the City would spend more money now, but in the future more funding would be free for roads, streets, parks, and other capital investments.

Ms. Tarry explained that \$10.3 million has been saved in the Capital Improvement Plan (CIP) for this project. She added that it is not a part of the general fund or general reserves. She added that there are REET funds that were collected in 2005, and there will be some savings in lease payments and the City would receive payments from tenants currently occupying the building. The 2006 Budget already included the allocation of monies into the General Capital Fund from the General Fund and the recommendation is for \$500,000 to be allocated on the City Center Project. In addition, another \$150,000 would come from the General Fund. She stated there would be councilmatic bonds of \$12,750,000 which would constitute issuing current debt but not increasing taxes.

Deputy Mayor Fimia asked if interest is considered potential revenue.

Ms. Tarry responded that there are arbitrage regulations which govern how much a municipality can get in interest revenue.

Councilmember Hansen stated that the City purchased the police station for \$600,000 and the City was close to purchasing another property for \$600,000 and it is unfortunate that the City did not purchase it. He commented that the City should move forward and purchase this property.

Councilmember Ryu inquired about environmental contamination at 1140 N. 175th Street.

Mr. Sanchez responded that there is some evidence of contamination. The Department of Ecology has outlined that soil removal will be a prerequisite to developing the site.

MEETING EXTENSION

At 10:25 p.m. Councilmember Hansen moved to extend the meeting until 10:45 p.m., Councilmember Ryu seconded the motion, which carried 7-0.

Councilmember Ryu asked if there are any current tenants that will need to be displaced.

Mr. Sanchez replied that the purchase agreement stipulates that the current owners will coordinate with the tenants, and they have accepted this responsibility.

Mr. Olander said it will take the City eighteen to twenty-four months to begin construction, and that will give them ample time to relocate.

Councilmember Way wondered what the costs were for comparable sites on Aurora Avenue and whether the City is getting the best value for this property. She questioned where the total cost of \$24.7 million came from. She expressed concern about the potential for escalating change orders.

Mr. Sanchez answered that the rate to purchase this property is \$72 per square foot, and the rates on Aurora Avenue range from \$80 - \$129 per square foot.

Mr. Olander noted that the comparables in the report found that property values have increased significantly. He said another reason the value is relatively high is because the buildings are adjacent to Aurora Avenue and the site is not bare.

Councilmember Way asked for justification of the estimated costs.

Mr. Olander responded that the City hired Olympic Associates, which is a cost-estimating and construction firm. He said the estimate was fairly conservative and may be six or seven months old. He added that they have used the best cost estimating firm the City could find.

Councilmember Way asked if variables were added in such as the cost of gas, oil, and labor.

Mr. Olander responded that the firm takes those things into account when they give their estimate, however, there is always a caveat because it is a volatile construction market and the City won't know until it goes out to bid. He added that if the Council approves this purchase then the next step is to update the cost estimates.

HIGHLAND PARK CENTER

Mr. Olander said the Council authorized negotiation with the owner, Mr. Kimm, for the 1.21 acre parcel with 53,000 square feet of office space at a cost of \$3.3 million. The City obtained a series of appraisals which were all within 10% of the appraisal value. The City offered \$3 million and Mr. Kimm would not accept anything less than \$3.3 million. He said he felt comfortable recommending the \$3.3 million purchase price to the Council because the site is needed for long range growth. He said the City plans on assuming at least one of the utilities. He also said at some point the City may look at having its own police station or possible expansion. He commented that parking is very tight at City Hall and this would ease the problem. He also added that once the City purchases the Highland Plaza property, the value of this property will go up exponentially, so this is a great time to lock in this price. He said there is no immediate need for it and it would generate revenue for the next four or five years. It would serve as a major anchor for a future civic center complex and provide a sense of identity and adequate growth space. He also noted that if the property does not meet the City's needs, it can be sold in the future for a profit.

Mr. Sanchez submitted that the City would have greater control over the eastern boundary and have some influence over what would happen to the parcel. Also, if the City sold the property, the future development would have to be compatible with the civic center. He concluded that the City can generate revenue with the property.

Mr. Olander noted that there is a different financial plan for this property. He outlined that the City staff did not want to add this purchase to the bond issue because that adds to the annual cost and the debt service amount.

Ms. Tarry recommended that \$1 million be taken from General Fund Reserves because the City ended up with a \$1.6 million surplus last year. The remaining \$2.3 million would come out of the General Capital Fund which would be replenished over the next two years. It would be replenished from the anticipated \$500,000 through real estate excise taxes and through the \$200,000 in lease payments from tenants over five years. The remaining \$800,000 would come from General Fund savings or additional real estate excise taxes collected over the five year period.

Councilmember Gustafson inquired if there were any considerations about the Grease Monkey property.

Mr. Olander responded that the City considered it, but adding the cost of that property did not seem worthwhile. In addition, the property owner wasn't interested in selling it.

Deputy Mayor Fimia urged that the City staff include as much information on energy efficiency as possible to the proposal. She asked to have “gray water” added also. She said the City needs to address lifecycle costs and factor them in as much as possible.

Mr. Sanchez added the City will also solicit and look for grants for these energy efficiencies.

Deputy Mayor Fimia felt the City Council must pay attention to this as it pertains to the Capital Budget. She agreed that the City does need to look at this purchase now and probably would be supporting it because the location is ideal. However, she said the sidewalk funding will be short this year and this cannot sabotage the aggressive sidewalk program.

Mr. Olander explained that there is a tighter timeframe on the Highland Plaza Site, but the Council has three to four weeks to make a decision on the Highland Park Site. If the Council agrees to purchase the properties, there is a 60-day due diligence period of time in which the City staff would conduct the pollution investigation, title review, and all the routine items that occur to ensure a property is clear and free. If discrepancies are discovered during the due diligence period, the City has the ability to opt out of the purchase.

Councilmember Way inquired about the public process and hearings.

Mr. Olander responded that a decision needs to be made by Council on the Highland Plaza Site (Miller Property) and when the design process begins the public would become involved. He emphasized that the primary focus right now needs to be on the purchase of the property.

8. ADJOURNMENT

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

Scott Passey, City Clerk