

CITY OF SHORELINE

SHORELINE CITY COUNCIL SUMMARY MINUTES OF STUDY SESSION

Monday, September 15, 2008 - 6:30 p.m.
Shoreline Conference Center
Mt. Rainier Room

PRESENT: Mayor Ryu, Deputy Mayor Scott, Councilmember Eggen, Councilmember Hansen, Councilmember McConnell, Councilmember McGlashan, and Councilmember Way.

ABSENT: None

1. CALL TO ORDER

At 6:30 p.m., the meeting was called to order by Mayor Ryu, who presided.

2. FLAG SALUTE/ROLL CALL

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

(a) Proclamation of "Emergency Preparedness Month"

Mayor Ryu read the proclamation declaring the month of September as "Emergency Preparedness Month" in the City of Shoreline. Rob Beem, Community Services Manager, accepted the proclamation and emphasized the importance of emergency preparedness.

3. CITY MANAGER'S REPORT AND FUTURE AGENDAS

Bob Olander, City Manager, provided reports and updates on various City meetings, projects, and events. He announced that Heidi Webb was selected as the "Employee of the Year" and the Intradepartmental Policy Group was selected as "Team of the Year." Mr. Olander also stated that the Shoreline Recycling and Transfer Station achieved Platinum LEED (Leadership in Energy and Environmental Design) status, which is the highest LEED rating.

4. COUNCIL REPORTS

Councilmember Eggen reported on the Suburban Cities Association (SCA) Public Issues Committee and stated that the topics of interest were the Puget Sound Regional Council (PSRC) federal funds criteria for non-motorized transportation, Initiative 985, and the King County budget deficit. He added that he attended a Municipal Solid Waste Advisory Committee meeting, and there was discussion about the King County solid waste service interlocal agreement that

will be developed for the next ten years. Additionally, King County is updating their Comprehensive Plan and several chapters were discussed.

Councilmember Way commented that she observed a project at the Shoreline Children's Center and Meridian Park Elementary called "Embracing Our Schools" which was a part of the "Day of Caring" campaign by the United Way. She added that she toured the Cedar Hills Landfill.

5. GENERAL PUBLIC COMMENT

a) Bob Phelps, Shoreline, stated that the City has done a good job in emergency preparedness. He compared and contrasted the 1996 sinkhole, the 2001 Nisqually earthquake, the 2006 windstorm, and the 2007 flooding event. He stated that together, the City and the residents addressed the problems and appointed an Emergency Management Coordinator. He urged everyone to visit the City website for emergency management information.

b) Dennis Lee, Shoreline, stated that a building requires three stages: planning, a zoning change, and a building permit. He stated that he is concerned that if master planning is put in as tool for permitting and it is a quasi-judicial process, the planning stage will be skipped. He communicated that Fircrest's underlying zoning is R-4 and R-6 and that any zoning changes need to happen in phases. He felt that Fircrest and the State Labs represent the same land owner, the State of Washington, and its master plan should not happen in piecemeal fashion.

c) Gretchen Atkinson, Shoreline, on behalf of the Meridian Park Neighborhood Association, reported on their grant project and stated that they cleaned out 40 yards of blackberries. She noted that the group is continuing to do work parties and the next one is scheduled at local Shoreline Schools. She added that on the first Sunday of each month the neighborhood and the PTA will work on the gardens at Meridian Park. She invited the audience and the Council to see grants at work.

d) Bill Bear, Shoreline, on behalf of the Briarcrest Neighborhood Association, handed out the latest newsletter and gave information concerning their block parties and emergency preparedness. He stated that in Shoreline each month between 110-150 families lose power because they can't pay their bills. He highlighted that Seattle City Light will provide data concerning people who get their electricity shut off in an effort to try and find ways to help people keep their lights on.

6. STUDY ITEMS

(a) 2008 Citizen Satisfaction Survey

Mr. Olander introduced Ron Vine, of the ETC Institute, who provided the highlights of the Citizen Satisfaction Survey. Mr. Olander explained that the survey helps with the budget prioritization process and Council goal setting.

Mr. Vine provided a background on the survey and the methodology used in developing the survey results. He pointed out that the survey has a 95% level of confidence with a margin of

error of 4.4%. He discussed the areas that the survey covered and the overall results obtained from it.

Councilmember Way discussed walking and biking trails and the results that were displayed. Mr. Vine stated that the residents of Shoreline are satisfied overall with the major City services by category. He said they excluded the "Don't Knows" because they don't have an opinion in terms of satisfaction.

Mr. Olander commented that the City has made significant strides to remove abandoned autos; therefore he is puzzled at some of the survey results.

Councilmember Eggen stated that it would be interesting to know if there are certain areas in which people are very dissatisfied with City services. Mr. Olander commented that the City measures satisfaction and dissatisfaction in terms of an importance indicator.

Mr. Vine continued his presentation. He discussed communications and said everything in the area was down slightly. He discussed public safety, the environment, transportation, and customer service in the City, which all increased this year. He also stated that the image of the City, the overall effectiveness of the City Manager and City staff, and the quality of leadership of elected officials went up by at least 5 percentage points or more. He discussed the parks system and noted that all of them were rated better than the last survey. He also highlighted that the results of the biking and walking trails satisfaction went up by more than 20 percentage points as compared to the prior survey. He reviewed the environment, transportation, customer service, and growth planning. He communicated that 61% of the residents surveyed stated that they would pay higher property taxes to maintain City services that are most important to them. He added that there have been significant gains in the public safety services according to the survey. He stated that his firm can do national benchmarking comparisons and these results will be included in the national survey.

Mayor Ryu thanked the 511 households who took part in the survey. She commented that the expectations increased and it is helpful to have these statistics.

Mr. Olander added that the City was divided into three north/south areas and balanced the number of respondents in each area.

Mr. Vine stated that he compared the process in 2006 and this year's survey was divided it into zip codes and north or south of I-5 and east or west of Aurora Avenue North. He added that 52% of Shoreline is made up of women and 48% is male.

Councilmember Way thanked Mr. Vine for a very thorough survey. She also congratulated the City staff for the increases.

Mayor Ryu called for public comment.

a) Bill Bear, Shoreline, commented that the public is concerned with human services and wants reductions in crime. He noted that the human services budget is about \$400,000 and

the police budget is \$8,000,000. Additionally, he pointed out that about one-third of the King County jail bed occupants are from Shoreline. He stated that currently one child who goes to jail will cost the City around \$100,000 and someone with a mental illness will cost another \$100,000. He felt that if the City doubles the human services budget from \$400,000 to \$800,000 it will help reduce the public safety budget.

(b) 2009 Budget and City Long-Term Financial Projection Update

Debbie Tarry, Finance Director, provided an overview of the 2009 Budget and an update of the City's long-term financial projections. She discussed the 2009 budget calendar and the financial policies that guide the budget. She noted that there is a \$194,000 budget gap now, but maintained that the submitted budget would be balanced. She noted that investment rates and gambling tax revenues are declining. She highlighted that the utility tax is meeting projections and Puget Sound Energy is asking for a rate increase beginning October 1 which would offset the customer rate reduction they asked for last year. She stated that jail costs had been increasing over the past few years but they have stabilized recently. She discussed revisions in the definition of a misdemeanor in the King County Court system, which would mean an addition of 700 jail days in 2009, or an expenditure increase of \$72,000. She stated that the police contract agreement is close to finalization and it will represent an 8% increase over the 2008 contract.

Mr. Olander clarified that the amount of the police department contract increase is about \$800,000.

Ms. Tarry noted that the street lights will cost the City \$285,000 per year.

Councilmember Eggen asked whether Seattle City Light was handling Shoreline's street lights previously to the City taking them over. Mr. Olander replied that in most cases individual property owners were paying for their own street lights, but some discrepancies and fairness issues were causing anxiety in the neighborhoods. Therefore, the City Council decided to assume the responsibility, and it has taken years to reconcile Seattle City Light and City of Seattle records.

Continuing, Ms. Tarry discussed the outside factors impacting the City budget. Those factors include the long-term limited revenue growth as opposed to the expenditure growth. Revenue limitations, she explained, are from the property, sales, and gambling tax shortfalls. She noted that the 2009 revenue projections are for an increase of 3.9%. She explained that the levy rate is going to \$0.98 per \$1,000 assessed valuation and explained the property tax levy growth rate.

Councilmember Way asked how our City compared with other cities as far as the percentage of property tax change. Ms. Tarry explained that because everyone is limited to a 1% cap, it is pretty even across the board. Councilmember Way also asked about the change in property tax rates over time and sales tax trends.

Ms. Tarry responded that property and sales taxes provide 50% of the operating revenues for general services. She reviewed the operating budget expenditures per capita, which would be about \$216 per capita. She highlighted some of the 2009 supplemental requests, which may or

may not be funded. Some of the supplemental requests include traffic signal synchronization, public art coordination, increasing the recreation scholarship funding, the second phase of the financial software upgrade, and developing a human and youth services plan.

Mr. Olander commented that the 2009 budget is better than the City staff thought a few months ago. He felt that compared to others Shoreline is in a decent financial position. However, he warned that the City won't be able to provide additional programs or funding unless the Council shifts priorities.

Councilmember Way asked about page 7 of the staff report concerning grants for Cromwell and Hamlin Parks. Ms. Tarry replied that the City applied for grants through the Washington State Recreation and Conservation Office (RCO) but didn't score high enough to obtain the grant. She noted that the City has been very competitive but there is a lot of competition. She added that they are looking for alternative revenue opportunities.

Mayor Ryu called for public comment. There was no one wishing to provide public comment on this item.

RECESS

At 8:40 p.m., Mayor Ryu called for a five minute recess. Mayor Ryu reconvened the meeting at 8:45 p.m.

(c) Interim Report of the Community Priorities/Long Range Financial Planning Citizen Advisory Committee

Debbie Tarry, Finance Director, and Rebecca Partman, a member of the Community Priorities/Long Range Financial Planning Citizen Advisory Committee provided the staff report. Ms. Tarry stated that the committee met nine times and looked at the City budgets, survey results, projections, etc.

Ms. Partman commented that the committee looked at the six-year financial planning horizon. She discussed the projected situation and the long-term projected budget gap of \$3.5 million by 2014. She noted that the preliminary findings were that the citizens don't want significant reductions in services; they would rather have efficiencies. She commented that the residents want sustained efficiencies. Areas for efficiencies, she noted, are in criminal justice, maximizing technology for communications, cost-benefit analysis comparisons, and an ongoing budget review. In order to maintain current service levels, additional revenues are required. Sources for additional revenues include the Transportation Benefit District (a \$20 vehicle licensing fee yields approximately \$600,000 annually), a property tax levy lift (every \$0.10 generates \$722,000), a B&O tax (generates up to \$1 million), a gambling tax increase (each increase generates \$190,000), a revenue generating business license program, and a utility tax rate increase.

Councilmember Way inquired about the work involved to institute a vehicle licensing fee. Ms. Partman replied that the discussion was high level and no details were investigated about how to begin receiving funds from these sources. She discussed the opportunity of expanding service

levels and the next steps, which include providing additional information, conducting community outreach, and preparing a final recommendation to the City Council in March or April 2009.

Mayor Ryu called for public comment.

a) Dennis Lee, Shoreline, stated that the jail issue bothers him. He questioned if the City could lower the number of beds it buys by having our own program which would house non-violent offenders or those that would need other services.

Mr. Olander replied that there are ongoing efforts to look at jail issues, and the City staff will consider every viable option in terms of ongoing efficiencies. Mayor Ryu asked if there were other ways of diverting the jail population. Mr. Olander communicated that as the City looks at future jail facilities the City will maximize alternative means of diversion or incarceration.

Councilmember Way commented that there is a community court option for minor misdemeanor offenses, and this is a program that has been implemented in the City of Seattle.

Mr. Olander commented that the Suburban Cities Association (SCA) has been discussing upcoming King County budget cuts for drug courts and mental health diversion, and all options are being considered.

Deputy Mayor Scott commented that citizens are the greatest resource in the community and that the committee is on track. He noted that the visioning exercise will be very informative and he urged the citizens to attend it.

Councilmember Eggen said he is pleased by the comments concerning lots of disagreement and discussion on this committee. He said the Council worked hard to make sure there was a diverse group on this committee.

(d) Ordinance No. 520, amending the Property Tax Exemption Program

John Norris, Management Analyst, introduced proposed Ordinance Number 520. He pointed out that this item was amended in March 2008. He explained that the City staff felt this item needed a few more changes to make it more efficient, as it was created in 2002 as an incentive program. He reviewed the program and said North City and Ridgcrest were the target areas. He noted that there are two exemption periods in the program and the affordability component is one of the subjects of the proposed amendments. The amendment increases the tax exempt unit count in North City from 250 to 500 and this cap gives the Council control over how the program expands. The other amendment revises the definition of low and moderate income households for the North City target area.

Mayor Ryu confirmed that the affordability ratio for Arabella I is 100% of the King County area median income (AMI).

Mr. Olander noted that affordable means having an AMI of about 70 or 80%.

Councilmember Eggen questioned if owners can select which units are rented below market rate. Mr. Norris commented that the City tries not to control which units are affordable; it just tries to determine the percentage of affordable units.

Mr. Olander highlighted that the concern is that all of the studio units would be considered affordable. He said the intent is to try and set different affordability limits for each type of unit.

Councilmember Eggen questioned if a builder could make all the market rate units into studios. Mr. Norris replied that they could. He highlighted that the City staff is also amending the ordinance to require an 8-year tax exemption alternative to have 10% affordable housing with the same low-income household definitions for North City and Ridgecrest.

Mayor Ryu inquired if 82 affordable units can be added to the City's inventory in these areas. Mr. Norris replied affirmatively. He said when Arabella I applied for the property tax exemption (PTE) there was a 10-year exemption with no affordability requirement. However, there is an affordability requirement with Arabella II. He discussed affordable housing rates in King County and specific rental rates for studios and one, two, three, and four bedroom units.

Councilmember Eggen asked if the assumptions concerning the occupancy rates are reasonable. Mr. Norris commented that the assumptions were modeled from other housing authorities such as A Regional Coalition for Housing (ARCH), the King County Office of Housing, and the King County Housing Authority. He stated that the final amendments pertain to streamlining the application and approval process.

Mayor Ryu called for public comment.

a) JJ McCament, Tacoma, representing Arabella Apartments, LLC, felt there doesn't need to be a cap in the North City area because the PTE program targets residentially deficient areas and the zoning code establishes a cap. She urged the Council to use the PTE program to drive development quicker. She added that she has never seen another City attach an affordability requirement to the PTE. She doesn't agree with the 70% requirement because it affects structured parking and that the debt service on each parking stall will be \$250.00 per month. She questioned whether this is about affordable housing versus affordability for everyone in that development.

b) Chuck Yeager, Kirkland, on behalf of the Inland Group, stated that he is a part of the group that developed the 200-unit senior housing project at Echo Lake. He noted that this is an incentive program aimed at increasing the amount of desirable, convenient, and attractive residential housing in the North City Business District (NCBD). He noted that PTE was established because of the Growth Management Act (GMA). North City now needs dense multifamily housing, he said. He also noted that the retail and commercial businesses in North City need customers. Additionally, it is very difficult for market rate housing project to work. He encouraged the Council to establish 8 years as market rate and 12 years as affordable, then the developer can make their own choice.

c) Gretchen Atkinson, Shoreline, said North City requires density to support the businesses. This City, she communicated, needs more income, property, and sales taxes. Property taxes will be realized later when the deficit starts growing, she explained. She supported this item and bringing construction into the area quickly.

Mayor Ryu asked Mr. Yeager if the City required higher parking spaces for the Ridgecrest project. Mr. Yeager responded that the developer has already put in a much higher ratio than the City required, as well as step-backs from the single family units. The development will include transition zones and public areas, including a walkway that will provide pedestrian access, and some retail space on a small portion of 175th.

Councilmember Way asked about page 31, section 5a. She noted that the SMC chapter defines the NCBD, but not all of 15th Avenue.

Ian Sievers, City Attorney, explained that the tax exemption only applies to the NCBD target area. He clarified that the City is only targeting two areas.

Mr. Olander added that this started off as a trial program and the City wanted to target areas where people wanted more density and a growth/development incentive. Therefore, it started in North City and expanded to Ridgecrest. He highlighted that there could be more PTE development like this in other areas in the future depending on neighborhood plans.

Councilmember Way pointed out that this development is actually on 12th Avenue contiguous to 175th Avenue N. but it still fits into the definition. Mr. Yeager concurred and stated that the former YMCA property is still in the NCBD.

Councilmember Hansen stated that the reason why the Council selected the NCBD was that they offered to take density in order to get new development there. He said this was requested by the neighborhood.

Councilmember McGlashan wanted to discuss the 8-year versus 12-year options. He asked why the City is adding the affordability element to this. Mr. Norris replied that the stipulation says that local government can put in an affordability component and the City staff recommends it because it is a major benefit of the program to provide affordable housing to the City. He added that the market is starting to provide housing potentially without incentive and this may be something the City isn't getting tax funds from in return.

MEETING EXTENSION

**At 10:00 p.m., Deputy Mayor Scott moved to extend the meeting until 10:15 p.m.
Councilmember Eggen seconded the motion, which carried 7-0.**

Councilmember Eggen said he hasn't decided how to vote on this item. He said there is a tendency for landlords to steer people into smaller units and get more rent rather than toward affordable housing. Another issue is whether to have a low income component for 8-years.

Obviously, he said, he would like to get property on the tax rolls sooner. He stated that there is no clear path here and he isn't sure how to vote.

Mayor Ryu stated that there was a comment about for rent versus for sale. She asked if there was a capability to convert apartments into condos, thus making tenants homeowners. Mr. Norris said he would have to go back and look at that issue. Mr. Sievers said he would look into it for compliance.

Ms. McCament pointed out that this has happened in Tacoma, where a condominium agreement at market rate was done on an apartment which was successfully converted into condominiums. She said it can be done as long as it meets the affordable housing requirement.

Mayor Ryu hoped the market will change so more North City neighbors can be homeowners.

Councilmember Hansen said he sees a public benefit without an affordability component. He noted that the City will receive the property tax anyway and only the improvements will be deferred. This benefits the whole district, he stated. He stated that there is no need to put a 10% requirement on this to get a public benefit.

Mr. Olander questioned whether those units would be built at market rate without a tax exemption. Mr. Norris added that another question is whether market rate housing would be built without the incentive.

Councilmember Hansen added that a development is going to be less affordable with a 10% requirement than if there is no requirement at all.

Councilmember Way said if development does not include all possible amenities that provide a public benefit and offsets impacts, then maybe public benefit is not as perceptible by the neighbors. She asked if Arabella I is completely occupied.

Mr. Norris commented that he would have to get back to the Council. Mr. Olander added that the City still hasn't gotten the first full-year report from Arabella I yet.

Mayor Ryu discussed the costs to the taxing districts and that they don't get to collect the full rate. She asked if the school district collects the full rate.

Mr. Norris commented that this doesn't affect the school district as much. He noted that the City, the library district, and the fire department are three primarily affected by the exemption.

Councilmember Eggen confirmed that the tax is deferred by the taxing districts.

Deputy Mayor Scott commented that he supports this ordinance.

7. ADJOURNMENT

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

Scott Passey, City Clerk