

CITY OF SHORELINE

**SHORELINE CITY COUNCIL
SUMMARY MINUTES OF STUDY SESSION**

Monday, May 4, 2009 - 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 6:31 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, with the exception of Councilmember Hansen.

(a) Proclamation of Asian Pacific American Heritage Month

Mayor Ryu read the proclamation declaring the month of May as Asian Pacific American Heritage Month in the City of Shoreline. She presented the proclamation to Shoreline resident and business owner Kang Sung Su and his wife.

(b) Proclamation of Building Safety Week

Deputy Mayor Scott read the proclamation declaring the week of May 3-9, 2009 as Building Safety Week in the City of Shoreline. Steve McGlocklin, Building Plans Examiner and Mark Bunje, Fire Marshall, accepted the proclamation and thanked the City for the recognition.

3. CITY MANAGER'S REPORT AND FUTURE AGENDAS

Bob Olander, City Manager, provided reports and updates on various City meetings, projects, and events. He noted that item 6(c) Business Licensing will be pulled from tonight's agenda and addressed at a future Council meeting.

4. COMMUNITY PRESENTATION

(a) "They Shall Walk"

Monte Reed, Executive Director of "They Shall Walk," provided information on his foundation which invented the "life suit," which allows the disabled to walk. He said his organization is made up of volunteers. He noted that his organization has to move into another building, hopefully within the City of Shoreline. He noted that specifically he is considering the Fircrest campus and the building they are looking at is better than his current location on 199th and Aurora Avenue. He said they are currently selecting test pilots to try out the life suit once the trials are approved.

Councilmember Way said his firm is a great asset for the City and asked Mr. Reed to elaborate on the invention of the suit. Mr. Reed described the life suit, its operation, and its benefits for users.

Councilmember Eggen commented that this is based on the book "Starship Troopers" and the technology is fascinating. He inquired if the ultimate plan is to manufacture, patent, and sell the idea. Mr. Reed said his goal is to maintain the intellectual rights of the life suit and to maintain the mission of They Shall Walk. He said he would love to keep manufacturing close to home in Shoreline. Councilmember Eggen responded that he felt this is a great concept.

Councilmember McGlashan commented on the bulkiness of the unit and wondered if it is getting less bulky with each prototype. Mr. Reed replied that all of the prototypes are designed using the scientific method and all of them are built to test theories. He stated that the rehabilitation model will be streamlined.

Responding to Councilmember McGlashan regarding possible relocation at Fircrest, Mr. Reed noted that he has met with the Fircrest manager and toured the facility. He said he is still waiting to hear back from Olympia. Councilmember McGlashan inquired if they were trying to procure a long-term lease, to which Mr. Reed responded affirmatively. Mr. Olander added that even without the master planning process there is a section of DSHS that considers applications. He noted that he read an email concerning additional funding being approved for the Fircrest master plan.

Responding to Deputy Mayor Scott, Mr. Reed said his organization hasn't received any state or federal funding. He added that all his support is grass roots. Deputy Mayor Scott said the entrepreneurial spirit shown here is something the City should treasure. He stated that the City should make the accommodations so his company can grow.

Councilmember Way applauded Mr. Reed and stated that innovation is something she really admires. Mr. Reed also announced that he was on the Today Show and the Discovery Channel is doing a story on it.

Mayor Ryu said she is supportive of the Council taking a position concerning his organization staying in Shoreline. She noted that Shoreline Community College (SCC) started a robotics club and inquired if he is open to volunteers. Mr. Reed replied that he is and eventually he would love to have paid internships at the new facility. He noted that

robotic clubs are popular because they combine electrical, mechanical, and software engineering.

Following a brief discussion, there was Council consensus to direct the City Manager to draft a letter of support to the State. Mr. Reed commented that May 21st is the registration kickoff party for his October 31st Walk-a-Thon on the Interurban Trail. He said the party is at 1110 N. 199th Street, and contributions for this event can be made online or via mail.

5. GENERAL PUBLIC COMMENT

a) Bill Meyer, Shoreline, commented that the City-proposed business license impacts many people who provide services in Shoreline. He noted that "casual and isolated sales" is an expansive definition. Additionally, he can't imagine this without a significant staff increase. Additionally, he said the CAC reviewed it but didn't end up recommending a business license program.

b) LaNita Wacker, Shoreline, hoped "They Shall Walk" makes a DVD to inspire children. She noted that the economic downturn isn't going to last and the City should position itself appropriately. She said she attended the visioning meeting where 10, 12, and 15-story buildings were discussed. She stated that if the City wants to support businesses and commerce, higher building heights should be considered. She felt buildings need to be large enough to hold 600 – 700 people. If this doesn't happen, the shortfall will be a burden to the residential people, which make up 95% in this City.

c) Laethan Wene, Shoreline, announced that Thursday is National Day of Prayer and encouraged everyone to pray for our nation, fire, and law enforcement personnel.

d) Steven Booy, Lake Forest Park, stated he lives a mile away from the Aldercrest site. He said that from a public policy standpoint resources should be utilized to prevent crime, rather than incarcerate. Building more jails is fundamentally the wrong thing to do, he said. He commented that building jails on a residential location with schools is inappropriate and that there will be traffic impacts. Additionally, he said he has had significant surface water issues at his residence because a stream runs through his backyard.

Mr. Olander outlined the exemptions to the business license program and that they are fairly standard among cities. Additionally, he said the CAC discussions revolved around a B&O tax and they didn't recommend a license fee as a revenue generator, but it was endorsed by the Chamber of Commerce at their January meeting. He noted that the Police and Fire Departments would like up-to-date emergency contact information for these businesses. He added that the Council has been interested in getting basic information on business activity in Shoreline in order to make informed decisions. He noted that the jail comments are valid and the City staff and Council are also concerned about the various

impacts. However, they have also factored in an aggressive program of alternative incarceration and diversion.

6. STUDY ITEMS

(a) Ordinance No. 536, amending the Permitted Height for High Schools; and amending SMC Table 20.50.020(1) and Table 20.50.230

Steve Cohn, Long Range Planner and Steve Szafran, Planner, provided the staff report. Mr. Cohn explained that this item came from the school district. Taller buildings, he noted, facilitate energy efficiency and security and the Planning Commission voted to approve this by a vote of 5-1, with three Commissioners absent. He noted that 70 feet is a good height for fly space in auditoriums to hide the sceneries for drama presentations. He outlined the Commission discussions on this issue. He displayed aerial photos of Echo Lake to show how the HVAC systems sit on the buildings. He gave examples of building heights in Shoreline, noting that the new City Hall is 52 feet with a 12 foot HVAC system on top. Echo Lake is 65 feet and the Crista radio tower is 387 feet.

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

Responding to an inquiry from Mayor Ryu, Mr. Cohn stated that rooftop structures are located closer to the middle of the roof, and any steeples, crosses or spires are thin and don't block views. Additionally, they can be additive after the building height is obtained. Mayor Ryu expressed concern because most of the areas around Shorecrest and Crista are R-6. Mr. Szafran noted that their current master plan does not contemplate changing the map space. He added that the master planning process, or the conditional use permit process would govern the height. Mr. Cohn added that it could be conditioned in the application. Mayor Ryu inquired how that would be memorialized. Mr. Cohn said it could either be included in the ordinance or in its "whereas" clauses. He stated that he could develop some language, "not to exceed..." but, the project still runs the risk of going a little bit higher.

Councilmember Way stated that the high school may be constructed with a base height and that would encourage doing the least instead of the most.

Councilmember Eggen inquired what the fly space exterior dimensions were. Mr. Cohn responded that it is the same size as the stage and there are no structures. Mayor Ryu expressed concern about the adding structures to the top of the building.

Councilmember McGlashan inquired if stages and fly spaces are standard. Mr. Cohn replied that they are and that they are in proportion to the size of the stage.

Councilmember Way asked about some of the proposals. Marcia Harris, Deputy Superintendent, Shoreline School District, responded she is hearing from stakeholders about what works and what doesn't. Councilmember Way said that would help the

Council and the public picture where things might possibly be in relation to the surroundings. Shorecrest is pretty much the highest point in Shoreline and she asked if they considered cutting into the hillside using a basement concept to limit the overall height. Ms. Harris responded that they didn't and it is fair to say the intent is to retain the Shorecrest theater.

Councilmember Way continued and said it might be considerate for the Briarcrest neighborhood if the school considered building into the hillside. She discussed Ms. Harris' letter concerning educational needs and asked if there has been a study done. Ms. Harris replied that her letter is not based on any study, but it is based on numerous visits to high schools and communications with educators. Councilmember Way asked if Ronald School and the Shoreline Historical Museum were consolidating. Ms. Harris responded that the Ronald School is a valued, designated landmark and the school district is discussing it as a part of the design process. Councilmember Way said she would like to see the School District make a statement about preserving the Ronald School. Ms. Harris noted that the staff report mentions a site plan and most are proposing three-story classroom wings, but they would have significantly smaller footprints.

Councilmember McGlashan discussed the remodel at Shorecrest and said he assumes the footprint at Shorecrest wouldn't change. Ms. Harris replied that they are looking at a major modernization at Shorecrest which could result in smaller footprints. She said the school district needs to invest in schools that last for another 50-100 years.

Councilmember Eggen stated that he assumes the school district is considering renewable energy features for the high schools. Ms. Harris confirmed that they were.

Mayor Ryu commented that City Hall might be good model for people to view in terms of height limits for high schools. Mr. Olander added that the Shoreline School District needs to start narrowing down alternatives. Deputy Mayor Scott commented that he felt taller is the trend.

RECESS

At 8:02 p.m., Mayor Ryu called for a five-minute break. The Council meeting reconvened at 8:08 p.m.

- (b) Ordinance No. 545, adopting a Temporary Reduction in the City Gambling Tax on Social Card Rooms during the construction of Aurora Corridor Phase II (N. 165th to N. 185th)

Debbie Tarry, Finance Director, provided the staff report and provided background on the gambling tax rate. She discussed impacts to the gaming industry and noted that the statewide smoking ban resulted in increased competition from tribal casinos. She said there is no smoking ban and more gaming opportunities at tribal casinos and the recession hasn't helped either. She also noted that the tax rate is applied to gross receipts and outlined the quarterly activity levels of the various casinos.

Councilmember Hansen arrived at 8:10 p.m.

Continuing, Ms. Tarry explained the revenue differences if a lower tax rate is approved. She noted that in a 12-month period, the City would collect about \$540,000 less in revenue, and in an 18-month period it would collect \$810,000 less. Mr. Olander highlighted that the last time the City reduced the tax rate, there were excess funds to cover the shortfalls; this time there aren't any excess funds. He pointed out that the Council will be able to see that information at the retreat. He stated that there will be some significant shortfalls for 2010. Ms. Tarry stated that one of the CAC recommendations is to not transfer funds from the general fund to the capital budget. She continued and outlined the options for this item.

Mayor Ryu called for public comment.

a) Michael Preston, Shoreline, Owner/General Manager of Goldies, stated he has contributed over \$5 million to Shoreline, most of the time at a 10% rate. He noted that there are other factors that impact business such as the local government tax structure and the state obsession with minimum wage increases. The casinos are the largest employer and taxpayer in Shoreline, he said. He handed out a "history of tax and location" document from the Recreational Gaming Association (RGA). He stated that the Council has a fiduciary obligation to look at this with open mind. He noted that the owner of the Hollywood, Drift, and the Nugget filed for bankruptcy. If three of the casinos go out of business, the City will be faced with a 40% reduction in gaming tables and a significant reduction in revenues.

Mayor Ryu inquired if Goldies only offers minimum wage positions for its employees. Mr. Preston replied that a vast majority the jobs are minimum wage, but it is a misnomer because most earn above \$35,000. He added that they have eliminated benefits for hourly workers, downsized, and had to remove some management positions. Councilmember McGlashan inquired if Parkers was the only member of the RGA. Mr. Preston replied that they were and also responded to an inquiry by Councilmember McGlashan that the Hideway is licensed but not operating as a casino, only as a poker room. Councilmember Eggen asked Mr. Preston about other taxes he is paying. He replied that his establishment pays a state license fee of \$30,000, \$18,000 per month in Department of Revenue taxes, \$47,000 every two weeks for payroll tax, and a large amount to Labor and Industries. He noted that the casinos are the second highest regulated business in the state next to nuclear power plants. Councilmember Eggen asked if Mr. Preston could provide a financial statement to the Council. Mr. Preston responded that he can make their audit available. He stated that Shoreline is the primary beneficiary of casino revenues and it would seem the Council would want to ensure the business continues. It benefits Shoreline to have all the casinos open, he said. Councilmember Way asked Mr. Preston to describe the programs that Goldies has for problem gambling and their surveillance. Mr. Preston replied that they offer the option of self-barring and described the surveillance system.

b) Robert Ransom, Shoreline, commented that he was a Councilmember in 2006 when we reduced the gambling tax. He stated that there are 97 casinos in the State of Washington and now there are 79. He noted that 43% of the remaining casinos are losing money and the Washington Gaming Association, which owns a share in some of the casinos in Shoreline, has filed bankruptcy. A 9% sales tax is not the same as 10% city tax, he stated, because the B&O tax is paid by the customer. The casinos also pay a 2% tax to the state. He stated the gambling addiction is psychological and not a serious problem. He said he will put the remainder of his comments in writing and get it to the Council and City staff. He also informed the audience that Gambling Consultants Inc. owns 16 casinos and he doesn't represent them officially.

c) Rich Gustafson, Shoreline, commented that when the City inherited the gambling industry the rate was at 12% and it could be set as high as 20%. The rate was reduced from 12% to 10% and this is the only special interest group that has received a tax reduction from the City Council to this date. Therefore, the question is what about tax breaks for the rest of the businesses in these economic times. He is opposed to this tax rate reduction for special interest groups and referred to a cardroom gambling tax rate sheet which noted that out of 20 cities, 17 were still at 10% or higher. He commented that the City staff is recommending the rate be left at 10% and the Council should evaluate the recommendation further.

Ms. Tarry clarified that she had a conversation with the Gaming Commission as to why they filed Chapter 15. She announced that they had taken out a \$30 million loan to buy a casino in Canada, defaulted, then had to file bankruptcy protection. She added that the Lacey office of the Washington Gambling Commission will be monitoring this and it will go through bankruptcy court. She stated that they did make the first quarter 2009 gambling tax payment to the City and said she will continue to keep the Council informed.

Mayor Ryu clarified with Ms. Tarry that casinos are the only special interest group that has a business tax like this. Responding to an inquiry from Deputy Mayor Scott, Ms. Tarry highlighted that there was an 11% tax rate in 2005 that was reduced to 10%, and other times when it has been reduced temporarily. She added that it was reduced to 7% during the Aurora Avenue construction.

Deputy Mayor Scott said he sees a consolidation or decline of business in the state. He wondered if the City should be preparing for the day when there are no gambling revenues. Ms. Tarry responded that this decline has happened over time and the City has been making adjustments, but isn't sure the entire market will go away. Mr. Olander commented that the casinos are the first to recognize that a large part of the problem lies with the state. He pointed out that Seattle doesn't allow casinos, which may be why Shoreline has so many.

Responding to an inquiry from Councilmember Eggen, Ms. Tarry said there have been times where one or two casinos haven't been able to pay their taxes on time. She noted

that lately all payments have been on time, but there are two who haven't made full payments for the first quarter of 2009.

Councilmember Eggen noted that this is Shoreline's only tax under Council control. He added that the Council really doesn't have the ability to do an economic analysis. Ms. Tarry replied that the casinos are required to have audited financial statements. Additionally, she said a few years ago the City contracted with Moss Adams to review financial statements and make an assessment of the operations at the casinos in Shoreline. She said the difficulty is that there are different business plans for each of them. Mr. Olander communicated that even with the Moss Adams report there was no correct answer.

Councilmember McGlashan commented that a casino is a unique business that gets taxed, but they all knew about it going into it. He noted that Shoreline's cardrooms are the first you reach going north from Seattle. He felt the Aurora project will impact the casinos above other businesses, since they are destinations. He expressed concern for other businesses along Aurora Avenue if the tax rate for the gambling industry is reduced. He urged the Council to be careful of what the staff-proposed Transportation District tax is being considered for.

Councilmember Hansen stated that the Council has control over lots of the taxes, including sales and REET taxes. He noted that the consumers don't have an option to opt out of them. He noted that the gambling rate was set at 11% by the County and the City just continued it. Later, the City chose to reduce it to 10%. He felt that if the City is going to adopt a car tax to make up the losses from gambling, that will be just passing their losses on to residents. He said he is willing to wait and see, but he is not inclined to approve a reduction. He noted that the economic system is changing all the time; some adapt and some don't. He is opposed to this item and isn't inclined to change the ground rules.

Councilmember McConnell said she is uncomfortable adjusting tax rates for one industry. She added that she felt the City staff recommendation is to ensure a level playing field and that the 10% rate is comparable to other areas. Mr. Olander clarified that the City staff doesn't have a recommendation on this. Councilmember McConnell stated that she has concerns about having a level playing field.

Councilmember Way commented that construction causes a certain amount of difficulty for businesses and felt the Council should "go the distance" for the City's businesses.

Mayor Ryu stated that former Economic Development Manager, Tom Boydell, worked with the Chamber of Commerce to make a marketing campaign for people to shop local. She said she is hoping for the same level of marketing and that the lessons learned are considered for this phase of the Aurora project. She wondered if the rate should be 0% to level the playing field since no other businesses are paying B&O tax. Ms. Tarry responded that there aren't any other businesses paying B&O taxes, but there is limited

competition for casinos and that isn't the case for other businesses. Mayor Ryu commented that lots of taxes may be paid by Seattle residents.

Ms. Tarry responded to a question from Deputy Mayor Scott, explaining that all of the tax revenues from all of the casinos together represent the largest amount received by the City. She added that if the casinos went away tomorrow, the City would have to make expenditure reductions, but there are some revenue generating options available to the Council such as the Transportation Benefit District and other voter approved options. Deputy Mayor Scott stated either the Council can reduce it or not, but time will tell if the casinos survive. He favored bringing the gambling tax rate reduction back to the Council on May 11.

Councilmember Hansen noted that he probably won't support a reduction until he sees what will happen. He stated that the retail industry pays more than five times more than gambling. He noted that the gambling industry is relatively unique, but there are other collections of a 10% rate and the effect is the same.

Councilmember Eggen stated that if the City drives these businesses out of Shoreline or give them an unnecessary break in their tax rate, then we'd look pretty silly. He noted that the Council will do the right thing for Shoreline and look at the data again in order to make the right decision on May 11.

(d) Annual Police Services Report

Dan Pingrey, Police Chief, introduced Sergeant Larson and Captain Stenslin. He stated that the crime rate and calls for service in Shoreline decreased. Overall, he noted that the arrests and felonies have increased significantly, which represents good work being done by detectives and officers. Sgt. Larson noted that there has been an increase in burglaries in 2008 and an increase in burglary arrests. Additionally, she said response times continue to decrease. Chief Pingrey discussed cost comparisons to similar cities. He noted that costs are down and the cost off officers per 1,000 went up because there have been more arrests and felonies filed so the King County Crimes Unit has been utilized. Mr. Olander added that the City has a low cost per capita and the City provides excellent value to its citizens for police services. Sgt. Larson discussed crime prevention and noted that there have been 12 additional block watches added since 2008. She added that a citywide business registration system could help in knowing who and where people are residing in the City, especially people and owners of group homes. She noted that there are 29 volunteers in the Police Department who have volunteered over 5,000 hours to the City. She noted that the volunteers also execute house checks for residents who go on vacation.

Chief Pingrey then reviewed some statistics on traffic enforcement. He said he has been working with Public Works for the past year to make a significant impact. He noted that there were 162 DUI arrests. He continued and reviewed the Patrol Unit highlights and the Special Emphasis Team information.

Councilmember Way inquired if there was any trend or connections made to the homeless and graffiti or car prowls crimes in Shoreline. Chief Pingrey replied that, in general, graffiti and car prowls are not done by the homeless and that many of these crimes are simply crimes of opportunity. Mr. Olander communicated that preventing crime is a large part of our education program. Chief Pingrey continued the presentation and reviewed seized assets. Captain Stenslin discussed the Criminal Investigation Unit and announced Detective Diana Magan's award she received from Washington's Most Wanted. She noted that they received a Certificate of Distinction award from the Association of Washington Cities for their Anti-Auto Theft Program which also led to a 53% reduction in 2007 and 12% less in 2008. Chief Pingrey discussed community education and communication efforts. He noted that they utilize email, newsletters, publish articles in "*Currents*," and a public service announcement concerning the Anti-Graffiti Program on Channel 21. Captain Stenslin also added that the Anti-Graffiti Program was communicated in the school district and the paint bank program is up and running at the Eastside storefront. Chief Pingrey announced various individual awards received by the officers of the Shoreline Police Department. He concluded his presentation with an outline of the 2009 Police Department Goals.

MEETING EXTENSION

At 10:00 p.m., upon motion by Deputy Mayor Scott, seconded by Mayor Ryu and carried 7-0, the meeting was extended until 10:10 p.m.

Mayor Ryu called for public comment.

a) Laethan Wene, Shoreline, thanked the police for keeping the residents safe and for their support of the Special Olympics.

b) LaNita Wacker, Shoreline, said the report was outstanding. She discussed the 162 DUIs, but it seems the City could have some control of the taverns that are producing the drunk drivers. She said she would like to see if we could reduce that number by policy decisions.

Mayor Ryu inquired how many of DUIs were attributed to underage drinking. Chief Pingrey stated he didn't have that information with him, but noted that the State Liquor Control Board records where the offenders are drinking and they enforce fines on establishments. Mr. Olander commented that he felt the Police Department was running efficiently and are producing excellent results.

7. ADJOURNMENT

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

Scott Passey, City Clerk