

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

Monday, January 11, 2016  
7:00 p.m.

Council Chambers - Shoreline City Hall  
17500 Midvale Avenue North

PRESENT: Mayor Roberts, Deputy Mayor Winstead, Councilmembers McGlashan, Scully, Hall, McConnell, and Salomon

ABSENT: None

1. CALL TO ORDER

At 7:00 p.m., the meeting was called to order by Mayor Roberts who presided.

2. FLAG SALUTE/ROLL CALL

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

(a) Proclamation of Martin Luther King, Jr. Day

Mayor Roberts read a proclamation declaring January 18, 2016 as Martin Luther King, Jr. Day in the City of Shoreline. Pearl Lam and Justin Doyle, Shoreline Youth Ambassadors from the Shoreline Youth and Team Development Program, accepted the proclamation. Ms. Lam and Mr. Doyle provided remarks about Dr. King's life and inspirational message of peace. They spoke on the significance of advancing social justice, non-discrimination, love, and peace.

Jemimah Okantey, Co-Advisor, Shoreline Youth Ambassadors, shared that the Youth Ambassador Program develops leaders and provides them an opportunity to be active in the Community. She then listed student volunteer activities.

3. REPORT OF CITY MANAGER

Debbie Tarry, City Manager, provided reports and updates on various City meetings, projects and events.

4. COUNCIL REPORTS

There were no Council Reports.

5. PUBLIC COMMENT

Brad Lancaster, Shoreline resident, commented that homelessness is a complex problem and asked if it is too complex for Shoreline to do something about. He presented challenges the homeless face, and said Shoreline needs modest goals with realistic outcomes. He recommended making a place for people to live in tents for periods longer than three months, allowing the building of small houses, and utilizing City surplus property and small portions of City parks for the homeless. He said neighbors with empty bedrooms can be encouraged to welcome people into homes. He asked the City to serve as a partner to work with citizens and organizations that want to help.

Megan Kogut, Shoreline resident, commented that the Transportation Impact Fee (TIP) assessed to her business would have been \$34,000 or \$17,000 based on the building space they selected. She explained that the TIP will affect small businesses ability to locate in Shoreline which will affect the City's vision of what it wants to become. She shared that other cities have made exemptions and asked the Council to consider a small business exemption.

## 6. APPROVAL OF THE AGENDA

**The agenda was approved by unanimous consent.**

## 7. CONSENT CALENDAR

**Upon motion by Deputy Mayor Winstead and seconded by Councilmember Hall and unanimously carried, 7-0, the following Consent Calendar items were approved:**

### (a) Minutes of Business Meeting of November 23, 2015

### (b) Approval of expenses and payroll as of December 24, 2015 in the amount of \$5,085,030.17

#### \*Payroll and Benefits:

Payroll Period	Payment Date	EFT Numbers (EF)	Payroll Checks (PR)	Benefit Checks (AP)	Amount Paid
11/8/15-11/21/15	11/27/2015	63953-64158	14158-14178	61912-61919	\$609,969.92
11/22/15-12/5/15	12/11/2015	64159-64357	14179-14197	62032-62037	\$461,831.48
Prior period check cancelled/replaced			14198/13884		\$0.00
Prior period check cancelled/replaced			14199/14076		\$0.00
Prior period check cancelled/replaced			14200/13776		\$0.00
12/6/15-12/19/15	12/24/2015	64358-64557	14201-14217	62041-62048	\$608,685.42
					<u>\$1,680,486.82</u>

#### \*Wire Transfers:

Expense Register Dated	Wire Transfer Number	Amount Paid
11/30/2015	1102	\$7,497.61

\$7,497.61**\*Accounts Payable Claims:**

<b>Expense Register Dated</b>	<b>Check Number (Begin)</b>	<b>Check Number (End)</b>	<b>Amount Paid</b>
11/30/2015	61830	61830	\$3,983.76
12/1/2015	61631	61631	(\$743.75)
12/1/2015	61831	61831	\$743.75
12/3/2015	61832	61845	\$31,208.65
12/3/2015	61846	61864	\$934,077.94
12/3/2015	61865	61884	\$235,802.86
12/3/2015	61885	61904	\$92,455.88
12/3/2015	61905	61911	\$1,575.10
12/17/2015	61920	61939	\$562,005.24
12/17/2015	61940	61960	\$152,458.31
12/17/2015	61961	61971	\$232.10
12/17/2015	61972	61984	\$20,959.58
12/18/2015	61985	62002	\$109,469.97
12/18/2015	62003	62022	\$34,692.88
12/18/2015	62023	62031	\$1,198.22
12/22/2015	62038	62039	\$46,336.22
12/22/2015	62040	62040	\$5,332.41
12/23/2015	62049	62055	\$1,019.30
12/23/2015	62056	62065	\$57,835.16
12/23/2015	62066	62075	\$976,137.63
12/23/2015	62076	62084	\$1,142.85
12/24/2015	62085	62098	\$129,121.68
			<u><u>\$3,397,045.74</u></u>

- (c) **Authorize the City Manager to Execute a Contract with Consolidated Press for the Printing and Mailing of the Currents Newsletter**
- (d) **Authorize the City Manager to Enter into a Contract with Perteet, Inc. for On-Call Construction Management and Inspection Services in an Amount Not to Exceed \$150,000 for 2016**
- (e) **Authorize the City Manager to Enter into a Contract with Berry Dunn McNeil & Parker, LLC in the Amount of \$69,400 for Financial and Human Resources Software Requirements Development and Vendor Selection Support**

8. **STUDY ITEMS**

- (a) Discussion of Ronald Wastewater District Assumption Transition Plan

Mr. Norris reviewed the Committee of Elected Officials (CEO) process to-date on what is being done to prepare for the Assumption of the District in 2016 - 2017. He recalled the list of issue papers the Council previously reviewed and said they have developed into the Draft Transition

Plan. He shared that next steps are for the Council to adopt the Plan, scheduled for the March 14, 2016 Council Meeting, and to finalize a Transition Workplan.

Councilmember McConnell thanked Ronald Wastewater and City staff for their hard work and said she believes the heaving lifting has been done. She expressed appreciation for the District's Boardmembers attendance at the CEO Meetings.

Mayor Roberts agreed that the CEO is near completion. He said Council will still need to tackle developing a code to manage some of the policies of the District. He announced that the next meeting is schedule for the first week of February.

Deputy Mayor Winstead asked about financial reserves, noting that three months of reserves are to be set aside when assumption takes place, and asked what the District's current financial status is. She said she noticed an increase in her bill and asked why. She asked about the Utility Advisory Board, what it might look like, and when those decisions will be made. She pointed out that other City Commissions and Boards are unpaid, and said she thinks the Utility Advisory Board should be consistent with the others. Mr. Norris responded that he does not know what their cash reserve levels are today but can follow up with the District Manager. He said the District is on target and managing assets to make sure they are at the agreed upon cash reserve level. He shared that at one point they had \$13 Million in reserves, but said they have paid off debt. He shared that they are now debt free and reserves maybe now be in the \$3 Million range. He shared that the CEO had a discussion about what an Advisory Board would look like and decided that the Council should make that decision. He said code review will come before Council this year and that the discussion of an Advisory Board will happen at that time. He said his recommendation would also be for the Advisory Board positions to be unpaid.

Councilmember Hall questioned whether there is a need for an ongoing Utility Advisory Board, and said his preference is to start with a Board that has a sunset date so that after transition occurs, the Board can be evaluated. He also stated preference that the Board be volunteer.

Councilmember McGlashan asked about integrating District employees earlier into the City's culture, and said he feels the employee aspect will be the main challenge of the transition. Mr. Norris replied that he did not have an update about integrating District employees earlier and that a formal program for employee engagement has not been developed. He said the comment has been duly noted. He shared that he works closely with the District General Manager, explained that the Transition Plan was first priority, and employee engagement will happen next. He said there will also be opportunities for District employees to engage in trainings and other City activities. Ms. Tarry added that District employees have been giving their input on other projects like the North Maintenance Facility, Cityworks, and Financial software, and said those opportunities have served for great partnerships.

Councilmember McConnell commented that it is a delicate balance between the organization that is in complete control now and the City. She said the City needs to make the transition successful for employees and for customers. She shared that the conversation regarding employee transition will be more robust as the assumption gets closer. She added the District staff need to feel welcome and not disrupted.

(b) Discussion Transportation Impact Fee Amendment for Certain Businesses

Dan Eernissee, Economic Development Manager, provided background on the adoption of the Transportation Impact Fee Program (TIF) which became effective in January 2015. He explained that to help business in the Community he is proposing an amendment to the Ordinances for certain businesses. He presented the following three policy questions for Council to address:

- 1) Should any business get TIF relief?
- 2) How should eligibility be defined?
- 3) Should TIF be deferred or exempted?

He explained that the City has identified six projects where new trips from development are projected to increase existing congestion that will cost around \$38 million dollars over the next 20 years, and said 43% of the money to pay for the improvements will come from TIF. He then described how TIFs are calculated and provided a scenario of a developer in a strip mall paying the TIF for retail use. He noted that when a new business operator comes in they might be charged a TIF if their business generates more trips than the "retail" use.

Mr. Eernissee reviewed that the concerns of the business community are that TIF is a disincentive to open a new business and that the TIF does not capture business growth. Mr. Eernissee questioned if the City is creating something that only national chains (well financed) can afford, and questioned if existing businesses should have to pay for growth. He said that there is a way for a developer to negotiate a way to cover the cost of TIF but not so much for a business owner. Mr. Eernissee then reviewed the City's current efforts for new businesses that address the concerns.

Mr. Eernissee asked if the TIF should be amendment for businesses. There was consensus among Councilmembers that the TIF should be amendment for businesses.

Councilmember Skully commented that he has talked with a lot of small business owners and they have communicated to him that they could not operate in Shoreline with the large TIF fees. He expressed concern that the TIF will have an impact on Shoreline's overall business health. He explained that there is a cap on the number of large businesses that can come to Shoreline, leaving vacant store fronts that will end up hurting economic development.

Councilmember McGlashan recommended coming up with a TIF that is equal across the board. He questioned if there is something wrong with the current TIF program if credits and exemptions have to be provided to certain businesses, and said it seems unfair.

Councilmember Salomon commented that this decision will shape the Community. He said the question needs to be asked if we want a community with chains stores and strip malls or a community with local entrepreneurs opening local community businesses. He commented that new residential development brings in growth, and local businesses will capture the demand from local residents, which will not add to the growth. He explained that it is a matter of fairness. He commented that new businesses that go out of business still have to pay the TIF and said that is not fair. He said we have been trying to get businesses in Shoreline for some time and he feels

passionately about making Shoreline attractive for businesses. He said he supports moving forward with the amendment.

Councilmember McConnell commented that the deferral of TIF is not the answer for small businesses. She explained that it will be a deterrent if that fee is hanging over their head and would be a deciding factor on whether they open up a business. She recommended talking about exemptions in certain neighborhoods.

Councilmember Hall commented that the City needs to make sure the transportation projects are funded that are expected by the Community. He said it makes sense to differentiate TIFs between residential and businesses. He expressed concern about criteria that would define what business qualifies for an exemption, and said he does not want to put staff in the position of making judgment calls. He shared that he would rather look at reducing the Impact Fee on all businesses and having a discussion on how to fund the remaining balance for transportation projects. He said the Region should fund projects that are heavily used as cut through trips. He suggested having a discussion about using Transportation Benefit District (TBD) funds to offset the need for the TIF.

Mayor Roberts said the City needs to ensure that the TIF is justifiable to any business. He asked about adjustments for shared trips, and if they are made by the Institute of Transportation Engineers (ITE) or by staff. Tricia Junke, City Engineer, replied it is a little of both and said they are using ITE methodology. Mayor Roberts asked if adjustments are made for walkability. Ms. Junke responded that there is research in Transit Oriented Development areas but said Shoreline does not have that kind of density to use this methodology. Mayor Roberts commented on the 20 different uses on the rate table and asked if consideration has been given to consolidate the table. Ms. Junke replied that the ITE manual has a lot of rates and shared that staff has already done some of that consolidation. Mayor Roberts asked if business rates can be reduced and have residential rates stay the same. Ms. Junke replied that is an option for the Council.

Deputy Mayor Winstead said that having a business friendly environment has been a goal of the Council for some time. She said permitting, licenses, and wages all have an impact on whether a person will choose to open a business in Shoreline and whether a business will succeed and thrive. She agreed with Mayor Roberts to reduce the TIF for businesses and not for residential. She shared that she does not envision growth occurring from small businesses. She recommended reducing the TIF for all businesses, and also looking at the TBD to help fund transportation projects.

Councilmember McGlashan asked clarifying questions on how the fees are charged for new construction and new business spaces. Mr. Eernisse provided an example of the difference of a drive up Starbucks and a small coffee shop, and explained that the ITE rate is capturing the traffic from a Starbucks.

Mr. Eernisse said the second question is how to define eligible businesses. He explained that there are 7 Basis of Eligibility which are size of occupied space; number of employees; revenues; amount spent on improvements; occupy existing space; single location; and vision 2029 Qualities. He asked if eligibility should be defined objectively or subjectively.

Councilmember Hall said he prefers not to distinguish between types of businesses. He recommended reducing the business capture from 93% to 50%, keeping it at 93% for residential development, and having the discussion on how to fund the difference.

Councilmember McConnell said a single location makes sense for an exemption and that a Starbucks would not qualify. She stated that she does not think it would be too difficult for staff to determine if a business would qualify for the 2029 Qualities and said she does not want to give big box stores a discount.

Councilmember Salomon asked for confirmation that the exemptions being discussed are not a large part of TIF revenue. Mr. Eernisse responded that is true, but only for those businesses that are not newly constructed. Councilmember Salomon proposed looking at a hybrid approach with a waiting system for a single location, 2029 Qualities, and revenues. He suggested refining the 2029 qualities. He asked why TIF has to be assessed in the beginning and if it could be assessed one, two, or three years later which will enable the City to provide a fair assessment of those businesses. He stated that multiple criteria can be used to stagger fees to address square footage differences, and that reducing fees to 50% for small businesses is still a disincentive.

Councilmember McGlashan said he agrees with Councilmember Hall on finding something that does not disincentivize both small and large businesses from coming into Shoreline. He said he is not comfortable making an evaluation based on being a small or unique business and wants to find something that is equal for all businesses.

Councilmember Scully stated big business will come and he does not want to lose the TIF revenue source. He said if there is a down turn in big businesses, that it can be reevaluated. He shared that the TBD fee and Business & Occupation tax also have their own issues. He said he likes Councilmember Salomon's idea of a weighted system but said they are hard to administer. His preference is for a modified version of a pick list that if a business had less than: a certain number of square footage, number of employees, or revenue in a year, it would then qualify as a small business and be eligible for the exemption.

Deputy Mayor Winstead expressed that it is important that the TIF is applied uniformly and she does not want to discourage new construction. She commented that she likes Councilmember Scully's idea, and that she is looking to provide an exemption to small businesses.

Mayor Roberts said he believes the best and most justifiable way to create an exemption is by general reductions in terms of the rate charged on businesses, and by consolidating categories to provide equity in determining who pays what fee.

Councilmember Hall provided Spiro's as an example of a business that has three locations, and said they would not qualify for single location exemption. He also pointed out that Trader Joe's is coming to the Community and commented that if they were building a new location, their impact fee would have been large. He said it would be hard for him to defend a system that would provide an exemption to a small business and not Trader Joe's. He expressed concern that any definition given to a business could possibly miss something that the Community cares about.

Mr. Eernisse confirmed that the deferral of the TIF is not an option that Councilmembers support. He advised that if a TIF exemption is provided, it needs to have a broad public purpose. It could be discounted at 100% or another amount, but the City would have to replace the exempted amount. He then described ways the City can collect revenue to pay for services. He shared what businesses are charged to run their operation, which is limited to property tax. He then explained how taxes are assessed and said they are only charged for the value of land. Businesses are creating a lot of the traffic impact, but there is no mechanism for generating revenue. He asked the Council to consider a B&O tax and to look at business license fees and possibly base the fee on the number of employees or the number of parking stalls. He then reviewed implementation options.

Mr. Eernisse clarified that Councilmembers support exemptions for the TIF, and said there needs to be a discussion on how the lost TIF revenue will be made up.

Mayor Roberts agreed with Councilmembers that amendments should be made to the TIF and asked what direction is needed from Council. Mr. Eernisse responded that he would like to hear their preference for defining an eligible business. Ms. Tarry responded that she heard three Councilmembers favor some type of partial exemption for all businesses and that four Councilmembers want to see qualification criteria and more of a focus on small businesses. She commented that a partial exemption for all businesses would be easier to administer. She asked if the goal is trying to address unique small businesses or to address businesses overall.

Councilmember Scully said he is troubled by partial exemptions and would prefer a complete exemption for small business. Deputy Mayor Winstead asked staff to come back with a plan on how to make up the lost revenue. She commented that she is leaning towards an exemption for all businesses with a 24 month timeline.

Councilmember Hall said if exemptions are provided, he would be looking for offsetting revenue and that he prefers to keep the TIF in place for big box stores. He provided the Sears building as an example of being occupied by a new larger retailer and pointed out that only a B&O tax would capture any new growth.

Councilmember Salomon stated his preference is to only provide exemptions to small businesses. He said he does not believe an across the board exemption is necessary and explained that he does not want to give up revenue because partials exemption might be hard to administer.

Mayor Roberts asked when this item will come back to Council for further discussion. Ms. Tarry responded that staff will follow up with an explanation of how businesses who have already paid the TIF will be affected, and will bring the item back in late February for another discussion. Mayor Roberts requested that revenue replacement options be included in the discussion.

Mayor Roberts announced that Trader Joe's is opening in Shoreline on February 26, 2016. He announced the following Councilmember Appointments and Reappointments to Regional Committees: Councilmembers McConnell and McGlashan appointed voting members and Councilmember Hall is the Alternate for the SeaShore Transportation Forum; Mayor Roberts appointed voting member and Councilmember Salomon Alternate for Sound Cities Association Public Issues Committee; Councilmember Salomon appointed voting member and



Councilmember Scully is the Alternate for WRIA 8; Councilmember Scully appointed voting member and Councilmember Hall is the Alternate for the Puget Sound Regional Council Transit Oriented Development Advisory Committee; Deputy Mayor Winstead is reappointed to the King County Emergency Medical Service Task Force; and Councilmember McGlashan is reappointed to the Sound Transit North Corridor Leadership Group.

9. ADJOURNMENT

At 9:00 p.m., Mayor Roberts declared the meeting adjourned.

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Jessica Simulcik Smith, City Clerk