

CITY COUNCIL WORKSHOP

March 20, 2012
5:30 P.M.

MINUTES



"Where Dreams Can Soar"

The City of Bonney Lake's Mission is to protect the community's livable identity and scenic beauty through responsible growth planning and by providing accountable, accessible and efficient local government services.

Website: www.ci.bonney-lake.wa.us

Location: Bonney Lake Justice Center, 9002 Main Street East, Bonney Lake, Washington.

I. CALL TO ORDER – Mayor Neil Johnson, Jr. called the workshop to order at 5:33 p.m.

II. ROLL CALL:

Administrative Services Director/City Clerk Harwood Edvalson called the roll. In addition to Mayor Johnson, elected officials attending were Deputy Mayor Dan Swatman, Councilmember Mark Hamilton, Councilmember Donn Lewis, Councilmember Randy McKibbin, Councilmember Katrina Minton-Davis, Councilmember Jim Rackley, and Councilmember Tom Watson.

Staff members in attendance were City Administrator Don Morrison, Public Works Director Dan Grigsby, Community Development Director John Vodopich, Chief Financial Officer Al Juarez, Interim Police Chief Dana Powers, Administrative Services Director/City Clerk Harwood Edvalson, City Attorney Jim Dionne, and Records & Information Specialist Susan Duis.

III. AGENDA ITEMS:

A. Review of Draft Minutes: March 6, 2012 Workshop and March 13, 2012 Meeting.

The draft minutes were forwarded to the March 27, 2012 Meeting for Council action with no corrections.

B. Discussion: Fee Reduction Ordinances.

The City Administrator provided an overview of each of the proposed ordinances. The Council then discussed each proposed ordinance in the order it was presented.

- **AB12-34 – Ordinance D12-34** – Extension of the Temporary Traffic Impact Fee Rebate Program, BLMC Chapter 19.04.150.

City Administrator Morrison said the Council previously approved a rebate program, but it expired on December 31, 2011. No one took advantage of the rebate program before it expired, and proposed Ordinance D12-34 would continue the rebate program through December 31, 2013. Applicants could receive a rebate for up to 75% of their TIF fees by meeting a minimum sales tax threshold for three years.

The City Administrator said the rebate program was initially devised to encourage 'big box' development. The Council decreased the minimum sales tax threshold to include more businesses. Councilmember Watson and Deputy Mayor Swatman expressed support for Ordinance D12-34. Community Development Director Vodopich said his department received a few inquiries when the original ordinance was in effect but received no applications. He said his staff always tell applicants

about any rebate programs that are available. He noted that two businesses have taken advantage for the TIF waiver for medical offices.

Councilmember Lewis said he supports the ordinance and said it sends the right message. He thanked staff for providing the Council with a variety of options. Mayor Johnson said staff will work on a marketing flyer once ordinances are approved to advertise to potential businesses.

Councilmembers discussed the amount of sales revenue required to qualify for this program, and whether to lower the sales tax threshold. Councilmembers Watson, Rackley and Minton-Davis spoke in support of lowering the sales tax threshold. Deputy Mayor Swatman said developers can contact the City and work on a development agreement if they are interested in moving their business into the area.

Council consensus was to forward the proposed Ordinance D12-34 as written to the March 27, 2012 Meeting for action.

▪ **AB12-35 – Ordinance D12-35 – Reduction of Sumner School District Impact Fee.**

City Administrator Morrison said proposed Ordinance D12-35 would reduce School Impact Fees for single-family homes in the Sumner School District from \$2,780 to \$1,300 per unit. He said the White River and Dieringer School Districts have no impact fee. The Sumner School District requested the fee be reduced since it has no plans for additional capital facilities projects in the near future.

The City Administrator noted that the City could collect impact fees for the schools and hold them in a trust to be used by the district when it is needed. He said this practice would incur administrative costs, but is an option to consider. Mayor Johnson said the City previously processed school impact fee payments, but no longer does so as it was difficult to manage.

The City Administrator confirmed that the Sumner School District updated its capital improvement plan. Councilmember Lewis said from his understanding the district's projects also came in under budget so they decided to lower their fee rather than hold excess funds in an account.

Council consensus was to forward proposed Ordinance D12-35 as written to the March 27, 2012 Meeting for action.

▪ **AB12-43 – Ordinance D12-43 – Temporary Water SDC Reduction.**

The City Administrator said proposed Ordinance D12-43 would bring the City's System Development Charge (SDC) fees in line with other cities in the area with a temporary 50% rate reduction. He said the effective date could be determined by a specific date or when the new building permit valuations in the City reach a threshold of \$33 million or more over a nine month period. He said this threshold is equivalent to a 50% increase in building activity over the average of the previous three years. He added that the current edition of the municipal code does not outline 2012 rates since rates are calculated based on the CCI each year, so this section of the code could also be cleaned up if a rebate ordinance is approved.

Councilmember Minton-Davis spoke in favor of reducing SDC fees and suggested a 30-day complete moratorium on impact fees to encourage growth. The City Attorney said he is not aware of any reason the City could not impose a fee moratorium, but said it would impact the City's funds. He added that although some cities have lower SDC rates, they charge their utility customers at higher rates than in Bonney Lake.

Councilmember Rackley said SDC fees are based on the actual costs for the city to maintain and expand its system. He said reducing SDCs will short-change the utility fund, and he does not support reductions. Deputy Mayor Swatman also stressed that SDC fees pay for infrastructure and are based on a methodology.

Mayor Johnson said the Council expressed interest at the retreat in February to encourage development. He said SDC fees are a big part of costs for development, and the City can always end temporary reductions if necessary. Community Development Director Vodopich said the City received thirteen single-family permits during February of 2012. He said if all the proposed reductions were enacted, the fees for a single-family home would be reduced from \$28,000 to \$16,100.

Deputy Mayor Swatman said over 70 homes were built in Bonney Lake in 2011, and people are able to build with the existing fees. Councilmember Rackley said there is no correlation between the price to build a home and the market value of new homes, so reducing fees will not change the price of a new home in Bonney Lake.

Councilmember Minton-Davis said although the Council's position has been that new development should pay for itself, she feels in reality that new development is asked to pay for everything. She said developers are paying for areas that were annexed into the City, since those areas were already developed and did not pay their way.

Mayor Johnson said the Public Works department has worked hard to set up a routine maintenance program for the water and sewer system. Public Works Director Grigsby said they identify future projects and try to do a little bit each year to keep up with the aging infrastructure, rather than waiting until something fails and disrupts service. Councilmember Rackley said operations and maintenance (O&M) costs should be paid by utility ratepayers, but things like the future water rights, storage tanks and other projects related to expansion should be paid for by SDC funds.

Deputy Mayor Swatman said developers would certainly support lower rates, but it will be more difficult to raise them again later. He noted the City was sued by a developer in the past over the rate structure. Director Grigsby said the City must use a methodology to choose the maximum SDC rate, and fee rates must be applied equally to all types of development.

Deputy Mayor Swatman said the proposed reductions are substantial and the lost fees will not be made back easily. He said reduced SDC fees could be offset by dedicating a portion of new retail sales taxes to the water and sewer funds. Councilmember Hamilton said the City could delay projects such as the new Public Works building. He said that he is not certain, however, that reducing these fees will actually encourage development. He said Bonney Lake has stronger sales tax revenues than other cities in the area. He said he would like to hear from staff and the City's consultants about how a rate reduction would impact City projects.

Councilmember Watson said Bonney Lake's fees should be closer to cities like Puyallup and Buckley. Councilmember Hamilton said SDC fees are not based on fees at other cities, but on actual data and methodologies to determine the actual cost of the system. Mayor Johnson said the consultants at FCS Group recommended utility rate increases in the past, which the Council has not approved. Councilmember Rackley commented that the City of Sumner recently raised its utility rates.

Councilmember Lewis said the current rates were decided when the City was growing rapidly, but it may be time to consider adjusting the rates. He said he feels something can be done today to make Bonney Lake more competitive.

Councilmember Hamilton asked whether SDC reductions might impact City projects, such as the sewer system expansion into Eastown, the new public works building, etc.

Mayor Johnson said Bonney Lake does not raise taxes often, has a lower sewer rate than many cities, and the sales tax will decrease once the Pierce Transit boundaries are redrawn. He said there are a lot of positive things going on in Bonney Lake, and suggested the City could work on more agreements with developers to encourage development.

The City Attorney said the system must be equitable and the City cannot favor one utility user over another. He said the City can provide sales tax rebates, but cannot reduce sewer fees for individual developers. He said the utility is a business and cannot discriminate when applying fees.

At 7:17 p.m. Councilmember Rackley moved for 10 minute break. Deputy Mayor Swatman seconded the motion.

Motion approved 7 – 0.

The Workshop resumed at 7:36 p.m.

Deputy Mayor Swatman said it would be helpful to know how lowering fees would impact the utility fund, including possible offsets or project delays. Councilmember Rackley said the fees are based on growth, so it does not make sense to delay projects. Mayor Johnson said if all 700 lots in the City are built out with reduced fees, it would be a big impact.

Councilmember McKibbin agreed that it would be helpful to look at the costs of a fee reduction before moving forward. Councilmembers Watson and Lewis said any reduction should have a cap based on a specific time frame or number of homes built.

Councilmember Lewis said Bonney Lake is looking to the future, and has taken steps to invest in new water sources and other improvements. He said this is a big selling point to encourage people to move and build here.

Councilmember Hamilton recommended that councilmembers read the Washington State Retail Survey, which details how every city performs. He said Bonney Lake is one of the best places to locate a business, with retail business growth during the recession, and a ranking in the top 20% for retail business in the State.

Mayor Johnson suggested an alternative would be to reduce all fees by 25%, which would be less of a fiscal impact on the City. Councilmember Minton-Davis said even with this reduction Bonney Lake would have the highest fees, and she felt the reduction should be larger.

▪ **AB12-44 – Ordinance D12-44 – Temporary Sewer SDC Reduction.**

City Administrator Morrison said proposed Ordinance D12-44 is similar to the temporary water SDC reduction, with a temporary 40% rate reduction. It uses the same option for a fixed date or valuation trigger to sunset the reduction ordinance. The proposed ordinance also states that if a space undergoes tenant improvements multiple times, no additional SDC adjustments are required as long as the initial SDC has been paid.

▪ **AB12-45 – Ordinance D12-45 – Temporary TIF Reduction.**

The City Administrator said proposed Ordinance D12-45 provides a reduction in TIF rates and also clarifies language to be more consistent with the Growth Management Act and SEPA requirements. In addition, it proposes to raise the threshold of development activity requiring TIF fees from \$15,000 to \$35,000. If a small business moves into a new space, it may not incur a new TIF calculation. The ordinance would also update the reference to the current (8th) edition of the ITE Manual. In addition, the ordinance does not adopt a new 'Schedule B' attachment, as this document is now updated by the consumer cost index (CCI) by staff each year. He said payments of TIF fees would still be due at the time of building permit issuance, unless alternate terms are designated by a development agreement. The proposal also proposes a temporary TIF rate reduction of either 25% or by a calculation of the peak hour tip rate. He said this reduction would exempt TIF fees for new single-family residential construction.

Deputy Mayor Swatman and Councilmember Watson spoke in favor of exempting single-family homes from TIF fees. City Attorney Dionne said his office has reviewed this item and he feels it is legally acceptable.

Director Vodopich said in the proposed ordinance, an owner-occupant would receive a 50% credit if they move a business to another location in the City. Mayor Johnson asked if the Council could consider a separate ordinance specifically for 'change of use' of an existing structure, when businesses are changing locations. Director Vodopich said a business only incurs charges if they are increasing usage over the previous tenant. Mayor Johnson said this has been a major area of complaint from business owners.

Consensus of the Council was to forward Ordinance D12-45 to the March 27, 2012 Meeting for action.

City Administrator Morrison asked the Council if they were interested on an ordinance eliminating SDC fees after the second or third tenant improvement. Council interest was to review this issue at the next workshop.

C. **Council Open Discussion:**

Eastown Updates: Deputy Mayor Swatman said the Mayor has provided an agreement to Roger Watt for the Eastown property owners group to review.

Electronic Packets: Deputy Mayor Swatman said all three members of the Finance Committee own iPads, and have software to view and make notes on PDF packets for Finance Committee meetings.

Workshops: Deputy Mayor Swatman said he enjoyed the more open discussions the Council has had in smaller rooms. He said he wants Workshops to remain more informal and hopes that councilmembers will jump in on discussions.

Greater Bonney Lake Historical Society: Councilmember Hamilton said the Historical Society is planning a film festival in honor of Alfred and Elma Milotte in October 2012. They plan to show several of the Milotte's films, some of which won academy awards. The Society's goal is to start an annual film festival focusing on wildlife films. Over time they would increase the number of films shown and include judging. He said the event would be unique and could be an economic driver for the community. They plan to hold the event in the Justice Center Chambers in 2012 and are seeking sponsors to help defray event costs.

Community Events: Councilmember Watson said the Lions Club annual 'Death by Chocolate' event is on March 31, 2012 and invited all to attend. He said many major businesses have donated gifts for the auction this year.

Business Owners: Councilmember Watson said he received an email from the owner of the Iron Dragon restaurant, who said he paid \$12,000 for a grease tank and was not allowed to install an alternative system. He said they also had to pay unexpected fees while preparing to open their new business. He asked if businesses are told what fees to expect when they apply. Mayor Johnson said they are provided with a packet when they first come in to discuss the permit process. He said change as the project moves forward can impact project costs. He said he wants staff to be consistent with all businesses and be flexible along the way.

Councilmember Watson suggested staff contact businesses that are leaving town to find out why so the Council can address these issues. Councilmember McKibbin said it would be great if the Chamber of Commerce reported this kind of information to the Council when they hear from business owners.

Councilmember Hamilton said it was great that members of the Chamber of Commerce came to talk to the Council at the previous meeting. He said it is important for people to come forward and talk about their challenges. Deputy Mayor Swatman said he was not certain how the cost per foot for commercial rental space is impacted by city fees. He said he feels the permitting process is a bigger issue for business owners.

Councilmember Rackley asked how many people attend the pre-application meeting for new permits. Director Vodopich said people working on smaller projects like single-family homes and small tenant improvements often do not attend the optional pre-application meeting. Councilmember Rackley asked whether the \$100 fee was restrictive. Director Vodopich said many people just come with their permit and do not do a pre-application meeting, so they find out about other costs during the permit review process.

Mayor Johnson said the City recently held a customer survey for the permit process and will review the results next week. He said he would provide a report to the Council with more information and ideas. He said in discussions with mayors from other cities, the same issues exist everywhere, and some developers are happy with the process while others have complaints.

Street Lights: Councilmember Lewis thanked Public Works Director Grigsby for responding to a complaint about a poorly-lit intersection near the high school. He said students told him the intersection near Brookside and 200th Ave E was not fully lit. Director Grigsby said when the new traffic signal is installed on 104th St E, an existing street light will be taken out and can be moved to this other intersection.

Reed Property: Councilmember Minton-Davis said she spoke with East Pierce Fire Chief Jerry Thorsen who expressed interest in using the Reed Property on Barkubein Road for training and eventually a controlled burn. Mayor Johnson said the Council still needs to decide what to do with the house and property.

Relay for Life: Councilmember Minton-Davis thanked Councilmembers Watson and McKibbin for attending the recent Relay for Life meeting. She said 36 teams have registered so far for the July event.

City of Sumner: Mayor Johnson said he attended the Sumner City Council Meeting on March 19th and thanked Sumner staff and councilmembers for providing a good negotiation team. Sumner staff also spoke highly of Bonney Lake's City Attorney and Public Works Director. The Sumner Council approved the wastewater treatment upgrade agreement with a vote of five to two. Mayor Johnson thanked City Attorney Dionne for keeping the Council informed; he said some of the Sumner Councilmembers complained that they were not given much time to review the draft agreement. He said he spoke with some people after the meeting who were upset that Bonney Lake had withdrawn its opposition to the Orton Junction project.

Transit: Mayor Johnson said he spoke with Sumner Mayor Dave Enslow about maintaining the Pierce Transit Route 496 between the Bonney Lake Park & Ride and the Sumner Sounder Station after the transit boundaries are redrawn. Councilmember Lewis asked if the City would be able to use the Park & Ride property for events like Beautify Bonney Lake. Mayor Johnson said the lot is owned by Pierce Transit so any use would need that agency's approval.

Stormwater Rates: Mayor Johnson said he was not happy how stormwater rates were assessed and applied to some customers based on new definitions and recalculations of impervious surfaces. He said changes were calculated and bills sent out without giving owners the option to appeal. He said he is considering putting all stormwater rate changes on hold and giving all those affected the option to appeal the new rate before it goes into effect. He said he is working with the City Attorney's office to determine if this can be done. Mayor Johnson said although staff meant well and wanted to make sure the rates were up-to-date, he wants to give people a chance to appeal before they are impacted by a revised rate. He said he will report back to the Council when more information is available.

IV. EXECUTIVE SESSION:

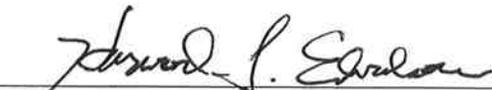
Pursuant to RCW 42.30.110(1)(i), the Council adjourned to an Executive Session with the City Attorney at 7:43 p.m. for 15 minutes to discuss potential litigation. No action was anticipated

after the session. The Council returned to Chambers at 8:01 p.m.

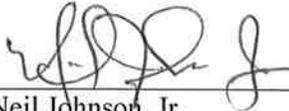
V. **ADJOURNMENT:**

At 8:01 p.m., Councilmember Lewis moved to adjourn the Council Meeting. Councilmember Watson seconded the motion.

Motion to adjourn approved 7 – 0.



Harwood Edvalson, CMC
City Clerk



Neil Johnson, Jr.
Mayor

Items presented to Council at the March 20, 2012 Workshop:

- Don Morrison – *Presentation: Proposed Rebate Ordinances* – City of Bonney Lake.
- Don Morrison – *2012 SF residence Impact Fees* – City of Bonney Lake.