

LEAVENWORTH CITY COUNCIL STUDY SESSION MINUTES

March 8, 2016

Mayor Cheryl Kelley Farivar called the March 8, 2016 Study Session to order at 9:00 AM.

Council Present: Mayor Cheryl Kelley Farivar, Michael Molohon, Robert Francis, Elmer Larsen, Carolyn Wilson, Gretchen Wearne, Mia Bretz, and Margaret Neighbors.

Staff Present: Joel Walinski, Herb Amick, Nathan Pate and Chantell Steiner.

1. Chamber Report

Chamber Director Nancy Smith updated the Council on the advertising underway for Washington's Playground, other digital photos, and sponsor ads for King 5 for Best of the Northwest. The European Car Club, which typically comes in June, will be coming in mid-June this year and they are seeking a location to display up to 50 classic cars this year. She stated that the Chamber is working on gearing up for all of the spring festivals and events and discussed some of the changes with some of the Bavarian band groups that would like to explore putting on evening events to extend the day time events that may not get a lot of pedestrian traffic. She said that she will be attending the next Council Economic Development Committee meeting to work more with the Port of Chelan County to align the goals and objectives of the City, Chamber and Port District. Director Smith stated that she would forward a pdf version of the Bavarian Bulletin that is produced by the Chamber for Chamber members to the City to share with the rest of the Council members. She briefly updated the Council on the upcoming Spring Sensations event in April that the Chamber puts on to celebrate locally grown pears.

2. Meadowlark Phase 1 Water & Sewer Discussion

City Administrator Joel Walinski brought the Council up to date on the ongoing discussions with the Meadowlark work group that includes the Meadowlark Developers, Administrator Walinski, Mayor Farivar and Councilmembers Wilson and Neighbors. He identified the Meadowlark Phase 1 Water & Sewer Project that is specific to the onsite development of utilities for the housing development area. He reminded the Council of the ongoing discussions with the Community Development Block Grant (CDBG) Administrators to amend the contract to allow for the developers to build only 22 affordable homes rather than the original 30 homes which has now been confirmed. He said that in addition to this amendment, the CDBG Administrators are open to further extension of the November 2019 deadline; however, this request will need to be addressed as the project gets closer to the deadline date and may only be an extension for an additional six months to one year. Administrator Walinski then reviewed the total engineers estimated cost to be near \$1M with \$750,000 to be funded from the CDBG funds; this creates a gap in funding of approximately \$250,000. The Council proceeded to review the Engineer's estimate to ensure funding is included for contingencies and rock removal which were identified.

Administrator Walinski proceeded to review the items for action this evening that would require the Council to consider suspending a portion of the City's Financial Policy and the Meadowlark Development Agreement to allow for the project to proceed with bid advertising without identifying all of the funding for the project. He further explained that the City Financial Policy

regarding bid advertising is to ensure all of the dollars are in place prior to bid advertising. Mayor Farivar clarified that the suspension of the Financial Policy and the Development Agreement will only be for this project to proceed to bid advertising and that the Financial Policy will remain in full force for all other actions of the City. Administrator Walinski explained the process for proceeding to bid and how the Meadowlark Developers will need to come back to the City to address any gaps in funding and to amend the Development Agreement for the Critical Financial Path, Hearing Examiner ruling and any references to the CDBG funding within the agreement. Councilmember Francis clarified that any action this evening only allows for the bid advertising to proceed and does not commit the City to making an award to contract without further Council action; Administrator Walinski confirmed that this is the direction being requested at this time.

Administrator Walinski reviewed the CDBG funding requirement to build the homes by the 2019 deadline to be in compliance with the grant. He explained to the Council that the requests for this evening are not typical for a city in regard to taking on the risk for the building and sale of homes; typically a city may provide funding and management of a public improvement project to support an affordable housing project, and not the risk associated with home sales. He also noted the risks involved for the suspension of the Financial Policy and Development Agreement, which are not directly financial at this time, are acceptable if consciously intended. He stated that the Council will need to consider their “comfort level” regarding the developer’s ability to meet the deadlines as stipulated in the CDBG grant and Development Agreement when making motions this evening. He then reviewed the personnel costs to date that the City estimates at about \$45,000 and the additional estimate of another \$45,000 to complete the project and grant administration. He noted the following additional project costs that the City has expended and/or committed to for the Meadowlark Affordable Housing Project:

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| Expended: 2060 Funds (MEND and City on Meadowlark/CDBG Grant Application) | \$45,450.00 |
| Expended: City paid Attorney costs for MEND/Meadowlark Onsite - services through 2/29/16 | \$14,424.00 |
| Committed/Nearly Expended: City’s commitment and share of \$960,606 Bond for Chumstick Trail and W/S Lines. | \$193,000.00 |
| Expended: Duncan Property and other ROW Acquisitions | \$291,000.00 |
| Committed: CDBG Grant (Full Funding Amount) | \$750,000.00 |

Councilmember Bretz stated that the purchase of the Duncan property and the Chumstick Trail Project is a commitment at this time of resources and encouraged the Council to also consider the long term investments of this total project that will benefit the City. Councilmembers concurred that this is true and that the actions of the Council since 2011 have proven that the Council has been committed to supporting the forward movement of this project.

Administrator Walinski reviewed the next steps that will need to be completed by the Developers to provide the necessary documents to address the Financial Pathway as outlined in the Development Agreement. He reiterated that at this time the gap in the utility project funding is estimated at \$250,000 based on the engineer’s estimate of probable costs and that the Developers will need to provide and demonstrate funding for through the development of capital, bond or

bank assignments or proof of financial ability to pay for the project based on the actual costs of the project once the bids are received. Mayor Farivar further explained, in regard to the CDBG requirements to complete the 22 affordable homes by the deadline, that the Council have full faith and trust that the project will be completed if financial commitments proceed. Councilmember Bretz questioned if the actions items for this evening are a recommendation from the work group; Mayor Farivar stated that this is not necessarily recommended but it is recognized that these actions would need to occur in order to proceed with bid advertising. Some council members voiced their support for proceeding with the actions needed for the greater benefit of the Community to support additional housing needs. Councilmember Larsen added that he would like to also start the discussion on an exit strategy should the project need to stop. Councilmember Wilson clarified that the actions are necessary but cautioned the Council on good governance and fiduciary responsibilities to the Citizens of Leavenworth; Mayor Farivar added that suspension of the Financial Policy is an unprecedented action of the Council. Councilmember Molohon spoke to the Council about the history of this project and the long discussions about the need to see the funding from the Developers. He talked about the potential for this project to not meet the funding needs and that this project may not be the right project at this time. He cautioned the Council to really consider the actions being requested for this evening. Councilmember Wilson questioned whether the City is running a risk of setting a precedent by suspending the Financial Policy for this project; will others also ask for these exceptions that could create potential litigation issues for the City?

Council members discussed the added values that are brought to the City by the addition of the new homes and families. It was noted that there are some revenues generated from taxes but there are more costs involved in providing services. Councilmember Bretz stated that the additional homes will bring a greater good in the moral and community based values that will be enhanced from building families and growing the community. Councilmember Francis questioned what the price of an affordable home is. He stated that he has heard an affordable home has been noted to be in the range of \$174,000; however, can the working citizens of Leavenworth even afford that? Councilmembers questioned who would be able to purchase the homes based on the Low to Medium Income (LMI) requirements as local teachers and nurses would likely exceed the limits for these homes. Councilmember Larsen reminded the Council that the Meadowlark Project is just one example of how the City Council is working towards supporting the need for affordable housing and that there are additional ways that the City is working on to support affordable housing through code amendments.

Based on the questions related to affordability, Mayor Farivar invited Upper Valley MEND Executive Director Chuck Reppas and Board President Brian Koblenz to the discussion. Director Reppas explained the LMI requirement of 80% or less of the area median income which is about \$46,000 for an annual income of \$56,000 for a family of 4 in Chelan County. Councilmember Neighbors stated that the market rate homes could essentially meet the need for teachers and nurses in our community if they were not able to qualify for the affordable home LMI requirements. Development Services Manager Nathan Pate stated that the Planning Commission has reviewed some information recently about setting criteria for all applicants regarding affordable housing and stated that individual cities can set their own standards and that they are not necessarily required to follow the Chelan County standards. Director Reppas noted that their agency does follow the State guidelines that are the same as Chelan County. He then talked about excavation costs for roads and utility figures that are fairly good versus home construction figures that are not so good. He added that there are additional concerns with proceeding on the project due to the recent home building costs that are increasing as more time

continues to pass. He said that more discussion will need to be considered to work further to reduce the housing costs and to work with donators of the project for additional funding needs as they arise.

President Koblenz provided the Council with a letter that is being provided from the Upper Valley MEND Board, John Agnew and Patty Hebert regarding the City Council packet materials for today's meetings. He proceeded to read the letter in its entirety stressing the concerns of the Board regarding how materials are being presented to the Council by the City Administration. The letter reflected on the facts that staff has provided; however, the Board believes that there are some misleading and incomplete information that is not being provided. It notes that the MEND Board cannot know if the project is viable until the bid processing goes forward. The Board is disappointed that the packet materials do not include information on the housing changes in Leavenworth, the long-term benefits to the City to add the new infrastructure, risks that will disappear if the project does not go forward, that MEND's other recent infrastructure bids have come in lower than their engineer's estimates that could eliminate the CDBG surety concerns, the success of MEND's other affordable housing projects, such as Cornerstone, and that MEND's donors and volunteers have invested \$3.4 Million for work completed on the development. The Board feels that the risks presented shows only one side of the story and that they believe the risks presented do not represent the most likely downside risks to the community. Furthermore, the Board requests that the Council approve release of the CDBG bid release, that the Council recognize and accept that this project requires that all home construction proceed in a timely manner (approximately four years) and thus, a second and possibly temporary access may be required after construction of the first 30 homes, that the Council recognize and accept that MEND is still committed to provide a surety for phase one infrastructure (including CDBG overages) but will not be able to provide a financial surety for house construction, and that the Council instruct the City Administration to work collaboratively and efficiently with MEND as partners and use all appropriate means to knock down, rather than create, roadblocks and facilitate a timely completion of this project. In closing the Board states that if the Council chooses not to act on the above requests, then a significant portion of MEND's financial support will fall away forcing MEND to immediately shut down the project.

City Administrator Walinski responded that the City Administration has always provided an unbiased review of the project and strives to ensure that the City is fiscally responsible with the funding and actions taken by the Staff to protect the Community's investments. He went on to state that it is not the Staff's responsibility to support or not support any project presented to the City from a personal perspective; this is the Council and Communities responsibility to have the discussion on merits of the project. Mayor Farivar voiced her discernment at the negativity of these comments within the letter that do not show the significant amount of support that the Staff and Council have done since inception of the project. Councilmember Molohon voiced his concerns with the lack of respect and the need to show funding that has not been produced in seven years of discussions with MEND. Director Reppas responded that MEND has invested over \$3M in funding and asked the question, "Isn't that not enough?" Mayor Farivar reiterated that the City needs to see actual funding figures to complete the project not funding that has already been expended. Director Reppas said that MEND will provide the funding for financial sureties once the Developers are comfortable with the housing construction costs; they are and do have the funding for the infrastructure. He said that MEND is not able to build construction home sureties due to how the financing is provided from one year to another by the bank and is not a lump sum commitment by the bank. He said that the MEND developers are not going to be

able to commit to the full completion of the project because they cannot commit to all of the housing funds being provided; this is a risk that the City Council will need to consider.

Councilmember Bretz voiced her disappointment in the lack of continuity and agreement from the work group to feel confident in the requests being presented today; both parties appear to be uncomfortable with the actions being requested and it seems that the work group is not working. Mayor Farivar and Councilmembers Wilson and Neighbors who were on the work group disagreed stating that the work group is working and that the motions being presented today are a compromise of the work group to take one more additional step to supporting the project without financial sureties in place.

Director Reppas reiterated the concern at the lack of communication in the preparation of the materials in the Council packet and that there are differences in opinions of what is being presented; the MEND Board feels that there are many positive benefits that are not being included. . President Koblenz stated that he feels the most important item missing in all of this is that the City is not recognizing the partnership with MEND. Councilmember Molohon stated that this is the problem and has been for seven years; MEND is the developer not the City and the Board continues to tug at the Council's heart strings. Councilmember Francis added that the other issue is that the City is always blamed through the press for developments that have issues when it is the developer's responsibility to build out their projects; the City is always stated as the bad guys even though City Staff is doing everything in its power to assist in the successful completion of projects. Councilmember Francis stated that he is also concerned at the inability to complete the housing requirements; defaulting on the grant is not an appropriate action for the City; how will the City pay back any funds in the future should the default on the grant occur?

Discussion continued on ideas of how an agreement could be developed to share the risk and whether the Council is comfortable with proceeding with the bid advertising. Council discussed the risks recognizing that proceeding with the bid advertising is not a financial risk at this time and that the risk does come into play if the City chooses to award a contract without funding being identified first. Councilmember Larsen reiterated that the City has to be cautious so that there are no financial burdens in the future on the Citizens of Leavenworth whether it is through property tax increases or utility rate increases to support the project. Councilmember Bretz stated that the City should not be perceived as a partner of the development but rather in the mission of the two entities to support and create affordable housing options for the Community. In closing, Mayor Farivar stated that the City does not like surprises any more than MEND and that this letter being presented today by the Board is blind siding because the actions this evening is exactly what was discussed with the work group to be presented for Council consideration. Councilmember Neighbors added that she too is unhappy about the tone of the letter from MEND; she wants to partner with MEND for affordable housing but that may not necessarily be in a financial capacity.

3. Autumn Leaf Update – Bill Forhan

Bill Forhan and Dan Moody, representing the Autumn Leaf Festival Board, thanked the Council for the past commitments to the revitalization of the Autumn Leaf Board and the additional funding provided last year. Mr. Forhan provided the Council with estimates of attendees to the 2015 parade that are estimated at 3,047 attendees just from parade participants and does not reflect visitors who came to the Autumn Leaf Festival. He said the Board is requesting \$30,300 (Annual \$15,300 and additional \$15,000 as provided last year) this year in funding support.

There was a brief discussion about some of the great coverage that the Leavenworth Float received at other festivals last year. Councilmember Larsen voiced his support at providing a reimbursement program, as was done last year, for supporting the parade participants that travel to the other parades throughout the State. Mayor Farivar clarified that \$5,000 of last year's additional funding had a 100% grant match requirement; Mr. Forhan stated that the Board would welcome this request for any additional funding in 2016 as well. Mr. Moody discussed the current condition of the float that has undergone some improvements noting that the float is currently in excellent working condition. Councilmember Francis spoke to the amount of public advertising that occurs at the other parades around the State and how amazing the participation is from citizens that follow the parade routes from community to community year after year. Mr. Moody invited council members to consider attending another community parade with the Autumn Leaf Float; he made some suggestions to attend the Hyack or Penticton Festivals. Administrator Walinski requested that Mr. Forhan submit a letter of request and that staff will prepare a motion for Council at the next Council meeting.

4. Review Lodging Tax Group Funding Requests

Administrator Walinski reviewed the group funding program to provide start-up funding for new festivals or events. This year there are five applicants requesting funding for a total request by all groups combined of \$11,500 from the \$10,000 that are available. Finance Director Chantell Steiner reviewed the five applicants noting that two are in the third year request, one is a second year request and the remaining two are new requestors. Council had a brief discussion about the process of reviewing the third year requestors through the Economic Development Committee and the need to have additional information for a financial sustainability plan for the ongoing festivals or events. Councilmember Francis stated that the financial information for sustainability is not available with the provided materials and that additional information may be necessary to make a decision. Council members began discussing each of the events, the timing of when the events occur and the amount being requested. Suggestions of funding amounts were discussed noting that the two three-year requests would be dropped slightly to allow for funding to all of the events from the grant dollars. Councilmembers concurred on amounts to provide and stated that they could proceed with a motion this evening without further review by the Economic Development Committee.

5. Accessory Dwelling Unit Phase 1 Changes

Development Services Manager Nathan Pate updated the Council on the progress of the Planning Commission (PC) to some of the requirements for accessory dwelling units (ADU). He stated that there are three key components that the PC has deliberated on and are currently recommending. The first change is to remove the requirement for the owner to occupy one of the units; this has been problematic in several scenarios. The second change is to allow parking from an alley rather than just street access as the current code identifies. The third request is to provide more area for living and storage space from 900 square feet to a maximum of 1,200 square feet. Manager Pate stated that these requests are just a few of the upcoming changes to accessory dwelling units. He briefly talked about some of the additional changes that the PC is deliberating on regarding other structures that may be encroaching upon the units and removal of archaic language, such as defining the use of the term "Family" within the code, which are being removed. He went on to review additional items related to trash removal, future subdivision requirements of the property and language regarding long term rental unit requirements. Administrator Walinski reminded the Council of the administrative flexibility and gave an

example of how the 10% flexibility is administered by staff. Councilmember Bretz stated that she has some concern with increasing the ADU size to 1,200 square feet as this will eliminate open land space on lots. Manager Pate responded that there is a maximum allowance restriction of 35% lot coverage currently within the code which ensures that a lot cannot be fully covered by building structures. This restriction will come into effect when an ADU is requested on a property that is pushing up on the 35% rule. The maximum square footage will be 1,200; however, based on the lot coverage percentage, the ADU may be required to be smaller to not exceed the 35% rule. Mayor Farivar reminded the Council of a recent prior conflict with a resident in the Urban Growth Area (UGA) that was conflicted because the County currently allows up to 1,200 while the City requirement is 900. Councilmember Bretz questioned the location of ADU's on larger lots and how this would be affected in the future as more density increases around those properties in the UGA. Manager Pate stated that this was also reviewed by the PC and stated that it could have future ramifications for the current property owner that may want to build other structures on their property later; this is information that can be discussed with applicants as they come forward. Councilmember Larsen suggested that including additional clarification in the code about the 35% lot coverage rule might be helpful.

6. Annual Council Retreat Follow-up

Administrator Walinski updated the Council on the plan to continue discussions regarding the top priorities for parking, recycling and the transportation secondary circulation route that were discussed at the annual retreat. He identified the parking and recycling to proceed through Council Committees while the transportation element is already underway within the Planning Commission docket and review. He provided the Council the updated goal development worksheet from the retreat that will need additional discussions and suggested that the two items remaining will be included on upcoming study sessions. Administrator Walinski then provided a copy of the Annual Consumer Confidence Water Report that he is providing due to a citizen request for the information to Councilmember Bretz. He explained how the City administers testing of the water from the treatment plant on daily, weekly and monthly schedules that helps to create this annual report that comes out each year in June. The Report is currently available on the City's website and is mailed to each resident every year after completion. He stated that testing of individual homes is optional for residents to do but is not something that the City can directly test for them.

7. Council Open Discussion

Councilmember Wilson noted a citizen letter received regarding dogs off leashes and a lack of fecal removal occurring. She is wondering if the City can direct Pacific Patrol to assist in educating the citizens when they come across them in the park; Administrator Walinski said he will discuss this with Pacific Patrol. It was noted that park staff does comment to citizens when they come across them as well. Council discussed ideas to improve the education and compliance by considering adding additional dog waste stations in the residential areas and adding reminders in the Council Newsletter.

Councilmember Wearne stated that she was approached by a Leavenworth Farmer's Market Boardmember who is looking for ways to improve the relationship with the City as well as increase and revitalize the program. She said the main concern is the free parking at the P4 Lot and whether the City could extend that to begin at 4:00 PM when the market opens. The other

request is to look into signage options to increase visibility and visitor attendance. Administrator Walinski encouraged her to have this Boardmember contact him directly.

Councilmember Bretz stated that the Economic Development Committee had a presentation at their last meeting from Adventure Wenatchee about administering surveys for festivals and events. The Economic Development Committee recommends the Leavenworth Area Promotions Committee take over discussions with Adventure Wenatchee as they may be useful in working with groups like Autumn Leaf.

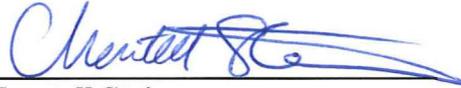
Study Session adjourned at 12:00 PM.

APPROVED



Cheryl K. Farivar
Mayor

ATTEST



Chantell Steiner
Finance Director/City Clerk