

LEAVENWORTH CITY COUNCIL
Study Session Agenda
City Hall - Council Chambers
March 13, 2018 9:00 a.m.

9:00 – 9:15 Chamber Report

This time is provided for a Chamber of Commerce representative to provide an update to the City Council on items of interest to the Chamber and City.

9:15 – 9:45 Review Lodging Tax Group Funding Requests

This year the City has received four applications for the 2018 Lodging Tax Group Funding. A summary spreadsheet is included detailing each of the applicants and total funds requested. Also included is a copy of the current RCW defining the use of Lodging Tax funding.

In 2012, the Council carefully considered the requirements for the Group Funding Requests after receiving 11 requests for funding which included several events, although wonderful events, which did not meet the requirements of this funding program. At that time, the Council stated that the primary purpose of these funds is to build events and enhance tourism, all of which is required per State regulations for use of the funds; funding was intended as seed money for the start-up of festivals and events. The Council developed the following criteria that applicants must meet to be considered for funding approval:

- The focus of the Lodging Tax Group Funding program is to provide a source of partial funding for new events and festivals that draw visitors to town to attend the event and encourage overnight stays. Dollars allocated for the event should be focused on advertising of the event to maximize those overnight stays.
- Funding is intended for short term; start up funding (max of 2 years). Are the event coordinators developing a sustainable funding method for the event?
- Funding may be considered for a third year by the Council Economic Development Committee contingent upon the following criteria in the third year request:
 - Funding is available.
 - The event clearly promotes/benefits the Leavenworth Community.
 - The event generates overnight stays.
 - The event organizers are clearly showing progress toward event sustainability.

The total available funding for groups is budgeted at \$10,000 for 2018 with the application requests totaling \$11,825 at this time; future applicant submissions for 2018 may occur as new events are developed later in the year. Of the four applicants, three are first year funding requestors and one is a fourth year funding request. If the City Council is not able to come to a consensus for the evening meeting allocations, it will be recommended by the Staff to table the evening item until the Economic Development Committee can schedule a meeting to review and provide the full Council with a recommendation for the allocations.

In addition to the above requests, the City received the recent presentation from Mr. Bill Forhan, on behalf of the Autumn Leaf Festival, for Lodging Tax support dollars. In 2015, Mr. Forhan presented a request to the Council to increase the annual allocation of \$15,300 to approximately \$30,000, due to a potential for the festival to no longer continue from a lack of operational funds and diminishing volunteers; the City Council approved assistance by resolution to the festival organizers for a one-time allocation of \$15,000 in special additional grant dollars to allow them to rebuild their volunteer base and work on regaining sustainable revenues through other donations and fund raising events. In early 2016, the City Council approved a second one-time allocation by resolution of \$15,000 in special additional grant dollars after a presentation by Mr. Forhan. In late 2016, the City Council adopted the 2017-2018 Budget that identified a budget for the Festival of \$30,300 for 2017 and \$25,300 for 2018 with the expectation to return to the former original allocation of \$15,300 in 2019. The total 2018 request from the festival organizers is \$30,300 with no reduction from the previous year. This request can be discussed by the Council as part of the funding at this time or it can be discussed further at the upcoming annual retreat.

The following items are included under **TAB 1 Evening Agenda:**

- Summary Spreadsheet of Applicants
- 4 Group Funding Applications
- RCW stating use of Lodging Tax Funds

9:45 – 10:05 RV Park Access Requirements

This time is provided to discuss the criteria for locating a recreational vehicle park and the current city code language LMC 18.51.030 (C). In the review of the current code language: LMC 18.51.030 (C), states “No entrance or exit from a park shall be permitted through a residential district nor require movement of traffic from the park through a residential district”. The City has also been approached by the residents of Riverbend Drive with a request that the City apply the code language to the Pine Village KOA if and when the Pine Village KOA requests annexation into the City of Leavenworth. City staff and the City Attorney have reviewed the current code language, and have identified a problem with applying the current code language to the existing campground:

- One concern is applying the code language to an existing campground. The KOA operates under a Conditional Use Permit issued by Chelan County.
- The second concern is if the code language was applied both Zelt Strasse and River Bend Drive travel through residential districts (see maps). If 18.51.030 (C) is applied, as the River Bend neighborhood has suggested, Pine Village KOA would not have any access.

While the code language may work for locating a new campground within the City of Leavenworth, the language as written will cause issues if applied to an existing campground.

In the case of the existing Pine Village KOA campground, a new road is being constructed to provide a new access to the KOA which will greatly reduce the RV traffic on Riverbend Drive. The new road and new access is one of the conditions of the existing Conditional Use Permit issued through Chelan County for the KOA. The current owners, at their expense, have worked

toward compliance of this condition and anticipate the completion of the new road and entrance early this year. It is their stated intention at this time, that with the completion of the roadwork and utility work, they will petition the City for annexation.

Below is an excerpt from the Leavenworth Municipal Code (LMC) for informational purposes.

18.51.030 Criteria for locating a recreational vehicle park.

Recreational vehicle parks may only be established on property within the city which meets the following criteria:

- A. Recreational vehicle parks shall only be allowed, subject to LMC 18.51.040, in the tourist commercial (TC) district.
- B. The minimum site area of a park shall be 10 acres.
- C. Recreational vehicle parks shall be located with direct access to an arterial or collector as defined and identified in the Leavenworth area comprehensive plan, or on a state highway or county road and with appropriate frontage thereon to permit appropriate design of entrances and exits. **No entrance or exit from a park shall be permitted through a residential district nor require movement of traffic from the park through a residential district.**
- D. The hearing examiner shall deny a recreational vehicle park conditional use permit application if the proposed project will likely result in unreasonable impacts to a particular neighborhood because of the cumulative size of recreational vehicle parks in the neighborhood, taking into consideration the recreational vehicle park development for which application is made, or if the hearing examiner finds other unreasonable impacts which cannot be reasonably mitigated by applying the standards and provisions of this chapter. [Ord. 1541 § 1 (Att. A), 2017; Ord. 1203 § 22, 2003; Ord. 840 § 3, 1989.]

Previously the Planning Commission and City Council have approved this language as part of the code review in 2015/2016. There was considerable input from the Riverbend Association to maintain the status quo by including this language. However, as noted above, while the code language may work for locating a new campground within the City of Leavenworth, the language as written will cause issues if applied to the existing KOA campground even with the construction of the new roadway. Staff is recommending either removing the highlighted text from above or providing additional language clarifying that LMC18.51.030 Criteria for locating a recreational vehicle park does not apply to existing campgrounds.

The following item is included under **TAB B**:

- Zelt Strasse and River Bend Drive area map with zoning

10:05 – 10:20 Resolution 2-2018 Senior/Disabled Utility Discount Policy

The City Council is being asked to approve a resolution that includes the guidelines and application for the Senior/Disabled Utility Discount Program. The Council Finance Committee has been reviewing the current application and comparing those to other communities to determine if the current income thresholds are adequate for approval of the reduced rates that are within the City's rate and fee schedule. The current reduction in Leavenworth's rates is 50% for

low income and 75% for an additional hardship that is at or below poverty level. The discounted rate found in three communities is 50-60% with exception to Cashmere who is currently at 20%; therefore, no recommended changes are being suggested to the rate reductions within the City's fee schedule.

In reviewing the income thresholds it was clear to the Committee that the current income thresholds should be higher, particularly when considering the cost of living in Leavenworth. The Committee reviewed the Federal Poverty Levels (FPL) in comparison to what each of the other local communities were doing and in most cases found that the other cities were allowing the discounts at a higher level with the income limits ranging from 205% to 280% above the FPL. The Committee's new suggested income limits identify the low income rate at 250% of the FPL and the additional hardship rate at 125% of the FPL for 1 or more persons. The redline changes included within this resolution are the recommended rates from the Finance Committee which increases the current limits for low income from \$24,000 to \$30,000 and for below poverty from \$12,000 to \$15,000.

History – The City first approved a rate and fee schedule in 1990 that only identified at the time water connections and rates. Within that resolution, the City had included the higher level “low income discount” at an income threshold of \$14,000 annually and provided a discount of 30% off the monthly rate. Between 1990 and 2000, modifications were made periodically to increase the income thresholds within the application, it was also during this timeframe that the sewer treatment plant was built and low income rates were incorporated for sewer and garbage in the rate and fee schedule. By 2005 the income threshold was at \$20,000 annually. In May of 2005, the Council passed a new resolution that became effective with the January 1, 2006 rate and fee schedule to increase the income threshold for “low income discount” to \$24,000 and added a new “at or below poverty level” income threshold discount of \$12,000. The actual rate reductions varied slightly from year to year within the rate and fee schedule, but on average was a 50% discount for low income and a 75% discount for below poverty. The current application today remains unchanged from 2006, a total of twelve years, and includes the same approximate discounted rates of 50% for low income and 75% for below poverty.

Current Users – The City currently has eighteen senior approved applicants in the discount programs. One applicant is in the below poverty level rate while the remaining seventeen are in the low income discount rate.

Requirements – There are several requirements included within the application process that are relatively the same across all communities and in most cases is included to ensure no violation of State or Federal laws for authorizing a reduction to a user class. A general list of the requirements includes the following:

- Must be age 62 or older, for disabled qualification you must provide a doctor letter stating permanent disability.
- Have no other assets or holdings besides the principle place of residence (City Administrator approval is necessary when some savings accounts are noted).
- Must live in the city service area as well as live and own the dwelling.
- Must meet or be below the income thresholds within the application for all household income.

- Must verify/reapply every two years to continue in the program.

The following items are included under **TAB 2 Evening Agenda:**

- Resolution 2-2018 (redline changes to threshold included)
- Spreadsheet of Federal Poverty Levels and Comparable City Data

10:20 – 10:40 Special Use Permit Revisions

This time is provided for a review and discussion on the City’s process for issuing and approving Special Use Permits for festivals and events within the City of Leavenworth. The City currently uses a Special Use Permit template which covers a variety of activities that the City permits. Examples would include the rental of City sidewalks, the Art in the Park Agreement, a variety of festivals, or the rental of a City parking lot. While this system is a good starting point for the City, many of the festivals and events have grown to a point where a more comprehensive approach is needed. The City’s insurance provider, Washington Cities Insurance Authority (WCIA) has provided additional information for cities within the association to review and consider as they update their permitting process for festivals and events.

Last month, as the Public Safety Committee began having discussions on some of the issues associated with the large festivals, one of the recommendations they brought forward was to have a review of the current process, code language, and review suggestions that could assist in addressing issues associated with the festivals and events. This time is provided to review the process currently in place and review a few options and suggested changes.

The following items are included under **TAB D:**

- Current Special Use Permit Agreement Template
- Current Code Language: LMC 5.38 Festivals
- Sample Special Event Ordinance
- Sample Special Event Permit Information Sheet
- Sample Special Event Permit
- Sample Parade Permit

10:40 – 10:50 Annual Council Retreat Meeting Topics

At the February Finance Committee, the members reviewed and drafted an agenda for the March 23, 2018 Council Retreat. This time is for the Council to review and finalize the draft agenda.

The following item is included under **TAB E:**

- Draft Council Retreat Agenda

10:50 – 11:00 Ordinance XXXX – Interim Controls Bitcoin High Density Loads

The City Council is being asked to consider an Interim Zoning Control regarding “bitcoin” high density power load uses.

In cooperation with the Chelan County Public Utility District, it is apparent that without regulatory intervention, cryptocurrency mining, particularly in residential districts, poses a life safety threat to the community due to the risk of fire; long-term, this may restrict the ability of the City to implement the comprehensive plan and accommodate the projected population and employment growth.

The proposed interim zoning control provides a framework that prohibits cryptocurrency mining from the areas that wouldn't normally be expected to serve High Density Load electricity uses, specifically the residential areas. In the zoning districts where these kinds of electrical loads are expected, such as the Commercial and Light Industrial Districts (zones), it provides a process for the Chelan County PUD to verify that the infrastructure is adequate to serve the proposed use and therefore will not present a safety risk as well as ensuring that the electrical capacity of the PUD system is not diminished in such a way as to preclude future commercial and industrial development. In the situations where the infrastructure is not adequate for the proposed use, it provides a framework for the applicant to work with the Chelan County PUD to ensure the necessary improvements are in place before beginning any cryptocurrency mining.

The Development Services Department has modified an example Interim Control to address cryptocurrency mining that draws large amounts of electricity and excludes the related technologies that are not as energy intensive.

If acceptable, a public hearing will be held, and at this hearing a work plan and findings of fact will be presented to further study the issue and develop permanent standards.

OVERVIEW

Chelan County's extremely low electricity rates have long been known to attract certain land uses that rely on large amounts of electricity. The information age brought unique challenges and rewards for our community and some of our neighbors as our economies diversified to include server farms and other power hungry high tech industries. More recently, cryptocurrency mining has made its way into our region utilizing the low electricity rates. The unique thing about this new high tech endeavor is that it is sometimes pursued at a very small scale, including in people's homes. This creates unique challenges which will be addressed below.

Cryptocurrency is a type of digital currency which is created when a particular algorithm is solved by a computer which then adds to a blockchain. Blockchains are a type of peer to peer distributed ledger that utilize the aforementioned algorithms to regulate their development. As certain cryptocurrencies have gained popularity, and in turn gained value, the incentive to "mine" for these "coins" (such as Bitcoin) has increased. The act of solving the algorithms has become increasingly complex and in turn requires ever more powerful and specialized computer hardware.

Cryptocurrency mining operations almost exclusively utilize a type of computer, typically an ASIC server, which is not used for any other task. These devices are not very big but draw an incredible amount of electricity. The emergence of cryptocurrency mining at an increased level poses two distinct challenges to the Chelan County PUD and Leavenworth.

First, cryptocurrency mining is often operated in a location where the electrical infrastructure serving it is not rated for the high energy use and constant demand. This is particularly true in

residential areas where, unfortunately, these cryptocurrency operations have been found in some cases only after the electrical infrastructure has been damaged or destroyed and fires started.

Second, if the current trends continue where cryptocurrency mining becomes increasingly prevalent, the Chelan County PUD may not be able to meet the community's electricity consumption needs in a timely manner and therefore the community would not be able to accommodate its projected growth without the siting and construction of additional significant electrical infrastructure, including power substations and lines.

The following item is included under **TAB F**:

- Draft Ordinance

11:00 – 11:30 Committee Reports and Council Open Discussion

- a. Committee & Meeting Reports**
- b. Open Discussion**
- c. 2018 Board of Directors Recruitment (See Letter in Front Binder)**

The remainder of this time slot allows for Council discussion of items not on the agenda.