

LEAVENWORTH CITY COUNCIL
Study Session Agenda
City Hall - Council Chambers
August 8, 2017 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 – 10:00 Housing Affordability Task Force Recommendations

This time is provided to review Housing Affordability Task Force Recommendations.

Background

On April 12, 2016, Mayor Cheri Farivar initiated the formation of an ad hoc Housing Affordability Committee. The Committee was tasked with evaluating programs and initiatives to produce affordable units and preserve existing ones; make recommendations to the City Council and Planning Commission to create initiatives and codes to promote mixed-income development in neighborhoods across the city; and ensure a vibrant mix of housing options for people of all income levels.

The areas of investigation and evaluation included, but were not limited to:

- Study and determination of the demographic market sector(s) needing housing in and around Leavenworth. (Is the greater need rental housing or ownership?)
- Study of the many types of needs for workforce housing, including:
 - ✓ long-term rental apartments and homes
 - ✓ short term rental apartment units
 - ✓ single-family homes available for purchase
- Initial data collection and identification of the existing housing stock within Leavenworth and the Leavenworth area.
- Modifications of regulations and development standards that strive to reduce land and building costs.
- Implementation of incentives that address housing affordability – Stimulate the development of new affordable rental and ownership housing units through incentive-based and cash-based cost offsets. Examples include providing additional housing units or reduced parking requirements in exchange for investor/owner commitment that units will remain affordable long-term or expedited permit review, impact fee, or utility connection fee reductions in exchange for affordable housing units.
- Modifications of regulations and development standards that expand the range of housing types – smaller stand-alone homes, multiplex units, Accessory Dwelling Unit (ADU), Small/Tiny homes, low rise apartment complexes, and micro apartments (apartments less than 500 square feet).

- Efforts that can be made to retain older housing stock – These units constitute a large portion of the existing housing supply that is affordable.
- Explore affordable housing investment funding: This fund would provide financing necessary to meet the funding gaps. Funding source could be grant programs or agencies currently working with housing affordability programs.

The Taskforce has met monthly; and the Taskforce and City Council commissioned and completed a Housing Needs Assessment by BERK Consulting. On December 13, 2016, BERK Consulting was hired to complete the Taskforce’s “Housing Needs Assessment.” The study was requested from the Mayor’s Taskforce on Housing Affordability as a tool that would assist the Committee in identifying or confirming, what are the housing needs within the community and which populations within the community are the most affected with the current housing market. The BERK Team developed information on the household characteristics of the local population and developed information on the current housing inventory. The study area included the Cascade School District boundary. From this study, the Taskforce continued their objectives with a better and more defined scope and understanding.

Some key findings of the study identified the following:

1. At least 36% of the housing stock within the study area is for seasonal, recreational, or occasional use.
2. A review of long-term rental listings revealed that only around 10 units are currently available. This indicates that the vacancy rate could be as low as 1% in the long-term rental market. A healthy housing market should have a 5% vacancy rate to ensure that all households can find a suitable new home when they need one.
3. Since 2013, median monthly rents have increased by 13% annually. This is significantly faster than even the hot housing market in Seattle. Low vacancy appears to be putting significant pressure on the long-term rental housing supply and upward pressure on rents.
4. Almost a third of households are cost burdened. Three out of 10 households in the greater Leavenworth area spend more than 30% of their income on housing. One out of four renter households are severely cost burdened, or spending more than 50% of their income on housing.
5. Growing number of workers are commuting long distances.
6. Wages in the Leavenworth area are significantly lower than needed to afford local housing costs.
7. 4 out of 10 residents are over 60 years old. 40% of the Cascade School District’s population is 60 years or older. This has implications for the housing market since senior households have unique housing needs that need to be considered.
8. Student homelessness has increased.
9. Home production has not matched needs, particularly within the City of Leavenworth.
10. Zoning and public land ownership within the school district limits development potential. The potential for new workforce housing in and around Leavenworth hinges on 1) the availability of land for development, redevelopment, and infill and 2) the policies and regulations associated with the land that guide the density and type of development allowed. In the Cascade School District, much of the developable land is in rural areas

with low density zoning that does not support workforce housing. Within the City and UGA, the amount of vacant developable land is limited.

11. Housing production in and around Leavenworth is constrained by environmental factors.
12. Providing services to housing in Leavenworth and the surrounding area is challenging.

BERK Team Recommendations:

Leavenworth has a significant workforce housing shortage. Solutions to many of Leavenworth's housing challenges may need to be focused within city boundaries. The City's control over zoning, building codes, and development incentives provide it with the most effective policy levers for encouraging the production of units to serve the local workforce instead of the demand for vacation homes, second homes, and short-term rentals. Actions such as restricting the usage of homes as short-term rentals and incentives to provide affordable multifamily homes in exchange for increased density or property tax exemption could help channel market demand towards meeting the most pressing housing needs. The City should also consider examining and addressing barriers to infill and redevelopment within city limits, including allowable density and City requirements and processes.

In addition, and central to the Taskforce thoughts, it became evident that market factors could not be controlled by the City. The Taskforce further understood that if the City encouraged new affordable housing, that outside purchasers with the resources beyond local families, would continue to consume homes for "second" homes or would be "absentee" owners. With this in mind, the Taskforce believed that the positive merits to create and encourage affordable housing outweighed this fact.

The Taskforce developed four study groups to look at various components of the housing market and develop potential recommendations that will need further study and development. The four groups were: Zoning & Code Changes, Design, Financing/Funding Sources, and Regional Solutions. On April 20, 2017, each of the study groups presented their findings and/or recommendations to the Taskforce. On May 18, 2017, the Taskforce reviewed and modified the recommendations.

Council Study:

The Housing Affordability Task Force Recommendations are being provided to the City Council as topics of study. Although there may be specific details included, such are used to "focus" or "point to the area of interest." The scope may expand or contract as the recommendations are considered, refined, and/or prioritized by the Council.

The following item is included under **TAB 1 Evening Agenda:**

- Housing Affordability Task Force Recommendations

10:00 – 10:20 Wastewater Facility Improvements Update

The City Council is being provided an update on the status of the United States Department of Agriculture (USDA) Rural Development (RD) Loan/Grant Application for the upcoming Wastewater Facility Improvements, Permit Status update, and necessary Wastewater Facility Engineering and Planning Contract Amendments.

Rural Development Loan/Grant Application: The City, with the assistance of Varela & Associates, submitted a loan and grant application to United States Department of Agriculture Rural Development (USDA RD) on July 15, 2017 for Waste Treatment Plant Upgrades and Collection System Upgrades. The total request for funding was for \$13,940,000. At this time the Regional Office and State Office of Rural Development have completed their review of the application and forwarded the application on to the National Office for review and consideration of approval. Both the Regional and State Offices have been very proactive in working with the City and are recommending approval of the project and funding. The recommendation on funding is a \$10,670,000 loan and a grant of \$3,270,000 for a fully funded project scope of work. The loan financing at this time is 2% for a 40 year period. The loan rate could be locked in if and when the City is offered the financing package and accepts the financing package. We anticipate approval could be given in August or September; if not, the next consideration would be early in 2018.

Waste Treatment Plant Upgrades:

The estimated costs for the Waste Treatment Plant upgrades at this time are \$9,170,000. This does include engineering, contingency, and inflation contingency. The upgrades at this time include the improvements to comply with the Phosphorous daily loading limits, mechanical and software equipment replacement at the existing plant, which are reaching the end of its useful life (20 years), and funds for the construction of relocating the public works facility onsite.

Collection System Improvements:

The estimated cost for the collection system improvements at this time are \$4,770,000. This number includes engineering, contingency, and inflationary contingency. Collection system improvements include the replacement of 8 to 18 inch existing sewer lines; the majority of the concrete pipeline is 70 year old concrete piping. Areas of pipe recommended were identified via a video inspection that was completed 15 years ago. One of the more significant improvements is the South Interceptor Sewer Line replacement which is approximately 4,000 lineal feet of trunk mainline sewer paralleling the Wenatchee River. This plan also includes video inspection prior to engineering so that alternative methods of reconstruction can be considered: open cut replacement, slip lining, pipe bursting, and Concrete Cured in Place Pipe Relining.

USDA RD Funding Application:

The United States Department of Agriculture Rural Development (USDA RD) offers loans, grants and loan guarantees to support economic development and essential services such as housing, health care, first responder services and equipment, and water, electric, and communications infrastructure. The USDA RD has a \$216 billion portfolio of loans. Currently they will administer \$38 billion in loans, loan guarantees, and grants through USDA RD programs in the current fiscal year. The Water and Waste Disposal Loan and Grant Program funds projects for small (less than 10,000 people) financially distressed communities to extend and improve water and waste treatment facilities. The program is primarily a loan program; however, grants are also offered on projects where sewer rates become excessive as compared to sewer rates being paid in other similar communities in the region.

The governing stipulation is that RD funds for reimbursement of early phase costs do not become available for reimbursement until project construction is initiated via a construction contract award. If the City would choose to accept an offer of RD Funding, the City will need to secure gap funding for the completion of the engineering and development of the bid documents.

These expenditures, including the cost of development of the grant application, are reimbursable once access to the RD Funds becomes available.

Rate Implications:

Included in the packet material is Table 10-8 which was provided at an earlier Study Session. The table provides a breakout of expenses and potential rate implications. At this time, with the recommendations of grant and loan amounts from RD, the monthly utility rate will go from \$55.64 per month to a range of \$63 - \$67 per month. The specific monthly rate amount will be affected by the final project scope approved by the Council, the interest rate of the loan amount, the number of user accounts, and the timing of implementing rate adjustments.

New Permit Status: The City of Leavenworth Public Owned Treatment Works (POTW) with the assistance of Varela and Associates, Inc. is in the final stages of applying for renewal of the National Pollutant Discharge Elimination System (NPDES) Permit as required by State and Federal Law. Following evaluation by the Department of Ecology (DOE), a draft Permit has been developed and became available for public comment on August 2, 2017 with all responses and comments due by September 2, 2017. A tentative determination has been made by the Department of Ecology to reauthorize the permit based on the effluent limitations and special permit conditions that will prevent and control pollution. A final determination will be made once all comments are received and evaluated by DOE. The City must submit its application for permit renewal by March 1, 2020, six (6) months prior to the expiration of the existing permit on August 31, 2020. All construction and upgrades of the Waste Water Treatment Plant must be completed prior to the permit stated Total Maximum Daily Load (TMDL) effective date of August 31, 2020, at which time the City will be required to meet all permit TMDL requirements, reports, testing, etc. as outlined. A hardcopy of the Wastewater Discharge Permit is available upon request.

Wastewater Facilities Engineering and Planning Contract Amendment #2 with Varela & Associates: The City Council will be asked to approve a contract amendment at the evening meeting to address additional costs related to the Wastewater Facility Engineering and Planning Contract and include the additional assistance in developing and submitting the Rural Development Loan/Grant Application that was submitted on July 15, 2017.

The initial contract with Varela & Associates began in June of 2014 with the first phase of review occurring to address the new TMDL requirements that the DOE was putting into place and would require compliance by 2020; this contract started reviewing the new requirements, the plant status, and best approaches to meeting the new compliance requirements. In March of 2016, the City approved Amendment #1 of the contract to the current contract price of \$193,988, which is currently nearing completion. Within Amendment #1, the scope of work included continuing the planning phases of the plant upgrades, preparing a General Sewer Plan / Facility Plan, completing environmental reviews, and attending various public meetings. Due to unknown factors for NPDES permitting, funding applications, additional public involvement and studies/investigations at the time of the amendment, these items were identified in the scope of work as “to be determined”. Amendment #2 includes these additional items to complete the Engineering and Planning Phase.

Included within Amendment #2 is the following additional scope of work items and costs; explanations that are more detailed are included for each item within the contract amendment:

- \$6,000 – Environmental Review / Documentation / Clearances
- \$8,500 – Meetings / Project Management / Regulatory Coordination
- \$10,000 – NPDES Permit Assistance
- \$24,500 – Subtotal Increase to Wastewater Facilities Engineering & Planning**

- \$15,000 – Rural Development Funding Application
- \$15,000 – Rural Development Additional Studies – Preliminary Engineering Report
- \$30,000 – Subtotal for Rural Development Application Submission**

- \$54,500 – Grand Total Amendment to Contract**

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

- Table 10-8: Funding Scenarios and Rate Impacts
- Public Announcement: Draft Reauthorization Permit
- July 27, 2017 DOE Memo: Factual Review of the Face Sheet and Permit No. WA0020974.

The following items are included under **TAB 4 Evening Agenda:**

- Wastewater Facilities Engineering and Planning Amendment #1
- Wastewater Facilities Engineering and Planning Amendment #2

10:20 – 10:40 Sheriff Contract Status

This time is provided for a review of the current status of the discussions with the Chelan County Sheriff’s Office regarding the Public Safety Contract with the City of Leavenworth. The City entered into negotiations with the Sheriff’s Office earlier this year as the current contract is set to expire on December 31, 2017. Over the last several months, the Council has been provided information and has had the opportunity to discuss the contract with Sheriff Burnett.

The current proposal put forth by the Sheriff’s Office is for a four year term with an average cost increase of 3.475% annually over the term of the contract. The Sheriff’s Office has offered a 2.8% increase for 2018, and 3.7% increase in 2019, 2020, and 2021. The following table provides the dollar amounts for the base contract:

Year 2018	Basic Services	\$ 531,552
Year 2019	Basic Services	\$ 551,220
Year 2020	Basic Services	\$ 571,614
Year 2021	Basic Services	\$ 592,764

In addition to the base service, the City is also responsible for payment of approximately \$65,000 annually for RiverCom Services, an additional \$10,000 annually for the initial 200 hours of overtime hours for police services for City sponsored events, and additional overtime hours for hours above the initial 200 hours. The Sheriff is also requesting that the City consider providing an additional \$20,000 for a School Resource Officer and an additional \$5,000 in court required overtime for Sheriff Deputy Officers in court appearances for those offenses which occurred within the corporate City limits. These last two items are additions to the previous contract. The School Resource was added last year at the request of Sheriff Burnett; the City provided partial funding for the officer.

As the Council heard, in regard to cost and calculating costs, the Sheriff's Department and Chelan County remain steadfast in refusing to negotiate or review how these costs are calculated or the basis for those calculations. Areas where they are open to discussion are in the term of the contract and the SRO being an add-on, not a requirement for the contract with the City. They have outlined the following options:

- 1) A 4-Year contract with pricing under draft contract language:
 - a. 2018 – 3 FTE's at \$177,184 = \$531,552 (2.8% Increase)
 - b. 2019 – 3 FTE's at \$183,739 = \$551,220 (3.7% Increase)
 - c. 2020 – 3 FTE's at \$190,538 = \$571,614 (3.7% Increase)
 - d. 2021 – 3 FTE's at \$197,588 = \$592,764 (3.7% Increase)

- 2) A 2-Year contract with pricing as follows: This would allow the city to mirror their bi-annual budget process and update real expenditure costs every other year.
 - a. 2018 – 3 FTE's at \$177,184 = \$531,552 (2.8% Increase)
 - b. 2019 – 3 FTE's at \$183,739 = \$551,220 (3.7% Increase)
 - c. 2020 – FTE price to be determined by actual 2018 Sheriff's Office Expenditure Costs by using the attached Cost Analysis Spread Sheet and Chelan County Sheriff's Office and Chelan County Auditor expenditure information.

- 3) A 1-Year: Current Contract Extension w/ a 4% Increase. This would allow the City to explore all options for their Law Enforcement Services as they deem best for the City of Leavenworth.
 - a. 2018 – 3 FTE's at \$179,268 = \$537,804 (4% Increase)
 - b. 2019 – TBD Prior to 12/31/2018

The City has provided a proposal proposing 2.5% increase annually for a four year period without funding for the School Resource officer. This is based on the recent historical Cost of Living Adjustments for the NW United States. This proposal was rejected.

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

- Sample: Interlocal Agreement for Law Enforcement Services

10:40 – 10:50 Resolution 14-2017 Riter Alley Vacation

This time is provided to review an Alley Vacation. The steps for alley vacation include: receipt of the Application and fees, Evaluation by the Public Works Department, Council Study, Council Resolution to set hearing, notice of hearing, and Council Ordinance enacting the decision of the Council. Tonight, the Council will be asked to approve a Resolution to set a public hearing to consider the "Riter" Alley Vacation.

Ronald Riter has completed the Right-of-Way Vacation Application / Petition which started the process. As discussed with previous Right-of-Way Vacation, this ROW is within the provisions "operation of law" (1889); whereby, if an alley is not opened within 5-years, such may be vacated. This was amended in 1909 to remove the "auto" vacation. The Ralston Addition to Leavenworth was platted and recorded in 1898. Staff concludes that the process should continue to document the desires of Mr. Riter, continue a consistent process, and such vacation should be processed without compensation to the City.

The following items are included under **TAB 2 for the Evening Meeting:**

- Resolution 14-2017
- "Right of Way Vacation Application / Petition" with Support Materials

10:50 – 11:05 Apple Maggot Quarantine Update

This time has been set aside to review and discuss the Apple Maggot Quarantine and the requirements imposed on the City by the Washington State Department of Agriculture (DOA) in regard to green waste and brush disposal from the quarantined area.

In June of this year, the City was informed by Chelan County Solid Waste that the Washington State Department of Agriculture had contacted them regarding the removal of brush and solid waste from the Apple Maggot Quarantine Area, which includes the greater portion of Leavenworth City limits, being dumped or deposited outside of the quarantine area at the Dryden Transfer Station in violation of the ban. Subsequently, the Department of Agriculture contacted the Public Works office regarding this issue and on June 14, 2017 met with the City Administrator and the Public Works Director to discuss the problem and the steps necessary to issue a permit exception to Chelan County to enable the City of Leavenworth to continue dumping solid waste at the Dryden site. It was concluded that it would be necessary for the City to maintain several options to prevent green waste and brush from being introduced into the garbage stream. These included:

- Continuation of the spring and fall Yard Cleanup Program.
- Continuation of access to City residents' use of the Recycling Center brush and yard waste dumpster.
- Chipping/Burning disposal of the collected material within the Quarantine Area.
- Continued City resident education (newsletter, website) to prevent waste stream contamination.

These conditions being met, the Department of Agriculture would issue a permit to Chelan County allowing the City of Leavenworth to continue hauling solid waste (garbage) to the Dryden Transfer Station. In addition, the cutoff date of July 31, 2017 was given to the City to cease hauling brush and green waste to the Stemilt site.

As of August 1, 2017, the Public Works crew has begun preparing a site in the open space located at the Cemetery for the dumping and stock piling of the recycling center collected yard waste for future grinding and/or burning. There are several options listed below for Council discussion/review and ultimately, staff direction in preparation of handling the stockpiled waste:

- Purchase of a used grinder (\$50,000 - \$100,000) to reduce the waste to chips for "give away" within the quarantine area. City staff would pursue grant funding assistance from DOA/DOE/etc.
- Petition for a special (limited) burning permit to DOE.
- Haul the brush to the County yard located at Icicle and East Leavenworth Road at a charge of \$10/cu. yd. (Biodegradable bags may be restricted).
- Rent the County Grinder/Operator/Loader quoted at \$600/hr. including mobilization.

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

- Draft of the Chelan County Permit
- Typical Grinder Specification and Pricing

11:05 – 11:15 Highway 2 Crosswalks Update

This time has been set aside to update and review with Council, the Highway 2 Crosswalk Improvement Project and the recent final draft design. This project includes the enhancements of two crosswalk locations on Highway 2; the crosswalk located at Gustav's and the crosswalk located at the Link Park N Ride. The original scope of the project included the addition of rapid flash pedestrian flashing units, new striping, new pedestrian lighting, curb cuts, ADA updates, and consideration of pedestrian islands. Mr. Steve Marsh, PE, TD&H Engineering is the City's engineering consultant on this project. Funding is provided through the Pedestrian/Bicycle Safety Program which is considered State Funding. The WA State Department of Transportation (WSDOT) has obligated funding for the design work on this project. Due to concerns regarding possible traffic congestion by the Council and public, the decision was made to investigate linking the crosswalks with the signal lights on Highway 2. After meeting with representatives from WSDOT, the system for this interlink system required the Rapid Flash Beacons to be upgraded to a system referred to as the HAWK System. Working with WSDOT, TD&H Engineering investigated and made the necessary changes in design to incorporate the Hawk system within the original scope and cost estimates.

The new draft design is provided in the packet. This new design proposes moving the existing Rapid Flasher System located at City Hall to the Park and Ride location and replacing it with the Hawk System. The Gustav crossing will also be of the Hawk System design. Finalization of the draft design will allow the City to go out for bid this fall/early winter with award and installation to follow in the spring of 2018.

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

- Preliminary Contract Plans
- HAWK Literature

11:15-11:30 Council Open Discussion

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