LEAVENWORTH CITY COUNCIL

Study Session Agenda
City Hall - Council Chambers
December 8, 2015 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 Upper Valley MEND – Meadowlark Development

On October 15, 2015 Upper Valley MEND, which is the lead developer of the Meadowlark Housing Development, provided a public press release stating that the project had budget shortfalls. The estimated funding gap of $1.4 M was attributed partially to the cost of infrastructure and roadways to support the development, and partially to the increased cost of housing construction. A copy of the press release is included under TAB A of the packet material. To address the increased cost pertaining to the infrastructure and roadway development, MEND Representatives, Mr. Brian Koblenz, MEND Board Member and Mr. Chuck Reppas, MEND Executive Director, have met with the Mayor and City Administrator on several occasions since that time. At the initial meeting on October 26, 2015 the following options were provided for the City to consider and study as possible alternatives which could provide some cost savings to the development:

1. Allowing for a single pipe for use of Icicle Irrigation District drainage and Chelan County stormwater by the City accepting the liability for any damage caused by the flooding/blockage/leakage of the pipe caused by stormwater. The current plan is a two pipe system with each agency accepting the liability of their own pipe system. Neither agency, Icicle Irrigation or Chelan County will accept full/limited liability of a shared pipe. Single pipe system has an estimated developer savings of $200,000.

2. Reduction of the Local Improvement District assessment assignment to the MEND market rate properties within the Meadowlark Development. The City initially provided a reduction of $193,000 in the LID assessment for the affordable properties within the development. Any reductions in the LID Assessments would require a rewrite of the LID documents and the forgiven assessments would be paid for by the City of Leavenworth. Estimated developer savings of $315,000.

3. Commitment of expenditure of 2060 (County collected low income housing funds paid back to City). Approximately $4,000 annually. Previously the City has used the funds for other affordable housing projects or group homes built within the City, in addition since 2011, the City has provided $45,499 in 2060 Funds to the Meadowlark Development.

4. Forgiving or waiving of utility hookup fees for affordable units and market rate units. Current rate for residential connection fees are $2,620.45 for a sewer hook-up and $3,898.80 and a ¾ inch water connection.

5. Provide full amount of Community Development Block Grant (CDBG) for Phase 1 of project. City was awarded $750,000 CDBG funds based on $25,000 per affordable home. Phase 1 currently had 22 affordable units; MEND is suggesting that Phase 1 will now have 15 affordable units. Grant termination is in 2019 with commitment of 30 affordable homes having occupancy at that time.

6. Release of $100,000 Reserve Fund. MEND had provided a $100,000 reserve fund to the City for the completion of the engineering for the Chumstick Water Sewer Transmission and Lift Station. While the City funded the engineering costs, the $100,000 Reserve Fund was provided in the event that the Meadowlark Development did not move forward.

7. Accelerate the building permit approval process for housing construction and plat approval.

At a follow-up meeting on November 13, 2015 additional items were asked of the City including consideration of a possible bond by the City or cost sharing by the City to cover a portion of roadways (Titus Collector). The overall request was for a minimum of $1,000,000 from the City to offset the funding gap in the Meadowlark Development financial packaging. While the City Administration has discussed various options with the City's Public Works Committee and Finance Committee, the time at this study session has been provided for the Meadowlark developers and MEND representatives to discuss their needs with the City Council.

History:

The Meadowlark Development was first introduced to the City Council in June of 2010. It is a mixture of property owned by Upper Valley MEND, a local non-profit community service organization, and private parties, Mr. John Agnew and Mr. Rudy Prey. It also has a mixture of housing types which include affordable homes sold by MEND, market rate homes which will be sold by MEND, and private lots and homes sold by the private developers. The Meadowlark Development is a Planned Development which has gone through several approval processes as the developers have made a number of revisions to the project over time. Initially presented as a 150 unit development with the inclusion of a rental apartment building, the current Phase I of the Planned Development is a less than 30 unit development of single and double unit buildings, all of which will be developed by MEND; the number of affordable vs market rate home ratio varies. The Planned Development process allowed the development several reduced standards and exemptions from current City development codes. Those included shared lot lines and deviations from the current dimensional standards.

For background material, the Council minutes and previous approved City resolutions pertaining to the Meadowlark Development have been provided under TAB A. The resolutions were a tool used to document the commitments made by each partner within the development team and the commitments by the City. The resolutions have been updated over time to show the changes within the project and those commitments.

As of this date the following is a brief summary of the financial commitments made by the City toward the Meadowlark Project:

CDBG Funding $750,000: The City and Upper Valley MEND worked together on the application of the CDBG. The City was awarded the grant and these dollars are to pay for water and sewer transmission lines within the project area for the affordable housing units. The grant deadline

stipulates that the metric of successfully completing the grant requirement is "approximately 30 affordable homes" by June 30 of 2019. Initially these funds were to be used for both the off site (Chumstick W/S Transmission Lines and Lift Station) and on site lines; over time these funds have been dedicated to providing the utilities lines within the project area. As the developers have changed the scope of the project and reducing the number of affordable units, the City has stipulated that based on the grant award of $25,000 per affordable unit, the City would limit the amount of CDBG funds in each phase of the project to $25,000 per affordable unit planned within each phase. In the event that the 30 affordable home metric was not accomplished by the Jun 20, 2019 deadline, the City would have the funds to return to the granting agency to avoid being in default of the grant requirements.

Chumstick Water and Sewer Transmission Line/Lift Station: This project is a commingled project of a grant project which was awarded to the City in 2009 for a multi-use trail and the extension of the water and sewer transmission lines to provide utility services to the full Meadowlark Development. The projects were combined into one project in 2013 by the City in an effort to contain costs for the water/sewer line construction. Because the Meadowlark Development is a mix of ownerships and both market rate and affordable units, the City Council agreed to bond for the water and sewer portion of this project and form a Local Improvement District (LID) which would cover the costs for the utility improvements and create a debt service revenue stream. The City's cost included the cost of right of way (ROW) necessary for the projects and the grant match necessary for the multi-use trail. In addition, the City Council committed to reducing MENDS share of the LID by $193,000 for the construction of 30 affordable housing units (Resolution 10-2012). The City at this time has committed to bond for the completion of the project and to accept the burden of debt. The necessary bond at this time is estimated at approximately $960,060. The debt payment would be collected from individual property owners that benefit from the availability of water and sewer utilities. This benefit is recognized as a higher land value for the developers in which to sell their market rate lots. The City also has committed the financial capital to cover the cost of design for the project, cost of ROW, and cost for the formation of the LID. It is planned that a portion of these costs will be included in the funding of the LID.

Duncan Property Purchase: The City in 2014 purchased the Duncan Property, 2.9 acres located at the west side of the North Road/Chumstick intersection for $275,000. Originally the purchase of the property was to be limited to the necessary ROW needed for the trail and easements for water and sewer line. The Meadowlark developers were unable to come to an agreement with Ms. Duncan after several years of negotiations; without this land being secured, the Meadowlark Development nor the Chumstick Water/Sewer Line Extension would be possible. In 2014 the City Council directed staff to investigate and negotiate for the purchase of the ROW necessary and/or entire property if necessary. This would allow for the ROW that was needed at this time and the future ROW that would be needed for the future intersection and collector road improvements. Any remaining remnant property could be sold at a future date. The purchase was completed under the review of the Federal Property Acquisition guidelines with approved certification.

2060 Funding: 2060 is a funding source created by the Washington State Legislature. At the county level a surcharge is collected on each recorded document, those funds are then distributed to cities within the county. Since 2011, the City has provided $45,499 in 2060 Funds to the Meadowlark Development. Funds must be used to support the housing needs of the very low-income (see handout provided in attachments).

One of the significant issues that has faced the City Council with the Meadowlark Development is providing support for the affordable homes within the project while not over extending the City's

financial commitment to the project which would provide benefit to the private owners and the market rate homes within the project. The Council has a limited authority to provide some assistance for supporting the development of affordable living spaces, however they also must consider the financial impacts to the City and residents and the regulations regarding the gifting of public funds or assistance provided to private developers. Another tool that was used to provide some clarity to the City Council on the financial viability of the project was the "Financial Critical Path and Timetable for Meadowlark Development". This document again, outlined the commitments by each party and identified key steps within the project development which would allow for verification of the project's financial viability prior to the City continuing to make financial commitments to the project. The timeline was suspended early in 2014 as the City trudged through the ROW Certification process for the Chumstick Project and the Meadowlark Developers reviewed their development program and plans.

The following documents are included under **TAB A:**

- MEND Press Release October 15, 2015
- MEND Presentation Slides
- Council Minutes June 22, 2010 through August 11, 2015
- Resolution #21-2011 CDBG Grant and Bonding Commitment
- Resolution #10-2012 Bonding Commitment of Chumstick Water/Sewer Line Utilities and LID Commitment
- Resolution #1-2013 Bonding Commitment of Chumstick Water/Sewer Line Utilities and LID Commitment – Change to signify CDBG Funds to be used for utility lines within the project area only
- Resolution #1-2014 Notification to Bond: Chumstick Water and Sewer Lines/Lift Station.
- Resolution #8-2014 LID District 24 Formation (Chumstick Water and Sewer Lines/Lift Station)
- Resolution #20-2014 Reimbursement Obligation for short term LOCAL Program, Duncan Property Purchase for $275,000
- Resolution #22-2014 LID District 24 Formation (Chumstick Water and Sewer Lines/Lift Station) – Meadowlark change in parcel configuration
- September 12, 2013: Financial Critical Pathway
- 2060 Funds Handout

10:00 – 10:20 Planning Commission 2016 Docket Review

This time is provided to review the draft 2016 Planning Commission Docket with the City Council. During the November 10, 2015 Study Session meeting, a preliminary docket was introduced to the Council.

Every year, the Planning Commission works on the City's "Docket." This list of amendments (the Docket) is developed throughout the year from citizen, Council, Planning Commission, and staff comments or requests. The compiled list identifies potential Comprehensive Plan, Zoning Map, Leavenworth Municipal Zoning Code, Leavenworth Municipal Development Code, and miscellaneous Code revisions and/or amendments.

At the beginning of each new year, the Council conducts a "Special and Joint" Planning Commission Meeting (tentatively – January 12, 2016), whereby the proposed "Planning

Commission Docket" for the "2016 Cycle of Amendments" will be presented. The Council and Commission have this opportunity to review, comment, and deliberate on the Docket.

The Development Services Department has prepared an annotated version of the draft Docket (green comments after the listed topic). The annotations / comments are provided for discussion, to help clarify the topic / amendment, and are an effort to explain the need, history or what may become an amendment. These are not (but may be) recommended solutions for consideration or text for an amendment. The amendments require the Planning Commission deliberation and public vetting process. The amendment may change through the public study and discovery process.

The "Docket" is formatted in separate levels of proposed amendments: 1) High Priority – the intent is to complete within the year of the amendment cycle; 2) Medium Priority – if the items within the "high priority" list is going extremely well, as time allows, these may be completed in the amendment cycle year; and 3) Low Priority – these are kept on the list for consideration, but may not be completed. The progression of an amendment depends upon complexity. For example: the "Regional Wetland / Stormwater Strategy / Management Plan" has many aspects, and is anticipated to take considerable time (18 – 36 months), and may remain on the "Docket" until completion. The Planning Commission and Council may notice that many of the amendments are from the previous cycles. As time goes on, the number of amendments "rolling over" should diminish. Finally, not all amendments need to be a part of this annual amendment cycle. Amendments that are a part of the Comprehensive Plan, development regulations, and any other GMA linked / related changes are processed within this amendment cycle. The Development Services Department has included amendments that can be completed under a differing process; for example: "Essential Public Facilities policy." The inclusion of this type of topic is for tracking purposes and some may "overlap" into the development realm.

All requests for city-initiated amendment proposals from the public must be received by December 31st to be considered for the upcoming year's amendment process. By January 31st of each year, all required application materials for proposed map amendments (excluding the unincorporated portions of the urban growth area) which are not city-initiated (i.e., those which are requested by private persons, organizations, agencies, etc.) must be submitted to the City. Map amendments within the unincorporated portions of the urban growth area that are not required to be initiated by the City shall be submitted to Chelan County per the requirements outlined in the Chelan County Code. The Docket includes a "place holder" for such applications.

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

- Draft "Planning Commission Docket" for the "2016 Cycle of Amendments"

10:20 – 10:40 Code Update on Review of Fence Permitting

This time is provided to review a potential amendment to LMC 18.24.020 Fences, walls and hedges – Restrictions.

During the regular Council meeting of October 13, 2015, Jose M. Blazquez, 120 Ski Hill Drive, Leavenworth provided testimony regarding an incorrectly placed fence. Although approved by the City of Leavenworth, it was not placed correctly. Mr. Blazquez stated that he initially placed the fence where he felt the property line was located, but did not get an actual survey. He asked that

the City help him and not penalize him; the City Council heard his plea. The Council agreed that the code may need to be reviewed and possibly amended. City Administrator Walinski and Development Manager Pate reviewed the matter and committed to come back with a recommendation for the Council.

City Administrator Walinski met with the Residential Advisory Committee to receive feedback, input, and discuss a potential change to the fence standards and specifications. As a result of those meetings, the draft fence code amendment was crafted for the Council's consideration. Upon direction, an amendment will be formalized and be presented for adoption by the Council.

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

- Draft Fence Code amendment

10:40 – 11:00 Review Accessory Dwelling Unit (ADU) Changes

This time is provided to review amendment to LMC 18.20.020 (B) (3) - update and modify the accessory dwelling unit standards and specifications.

As included within the Planning Commission 2015 Amendment Docket, the Planning Commission has been asked to review and study "Residential uses: A) Review and study the allowed listed uses for this district, and B) Study substandard lot (less than 60ft) and building size ratio)."

The Planning Commission (with help from the Mayor, Council and Staff) found that an accessory dwelling unit (ADU) update is necessary to address trends and encourage life / safety review and permitting. The update and modification of the accessory dwelling unit standards and specifications was separated from the body of work as "part one" to allow for additional workshops and public outreach to address more complex portions of the residential code update.

The Planning Commission considered the differing and varied housing which plays an important role in achieving Council's priorities to increase the supply of housing options across the City. The update of the ADU regulations to encourage this type of housing helps meet one of many goals within the Comprehensive Plan for infill and meeting other housing needs. One of the clear tasks for the Planning Commission to achieve these objectives is to reduce or remove limitations, restrictions, and/or standards within the ADU sections of the LMC which may encumber ADU development. In addition, the Planning Commission's changes to the LMC creates new relaxed regulations for conversion of existing structures to an ADU which may have the added benefit of removing or reducing illegal "black market / underground" conversions. These incentives included:

1) Allowing parking from an alley; and
2) Providing more area for living and storage space (increase to 1,200 sq ft); and
3) Removal of the requirement for the owner to occupy one of the units.

The desired benefits of these changes as discussed by the Planning Commission included:

1) providing an additional rental opportunity in single family neighborhoods while maintaining the streetscape and neighborhood character; and

2) expanding housing options beyond owning a house; and
3) increasing the rental housing supply / stock.

The Planning Commission considered the changing and growing demographics of the Leavenworth community which desires smaller living spaces and higher densities for better use of existing lands. Finally, the change in ADU standards can provide an opportunity for resident's to gain revenue by renting these ADUs. From time to time, updates and edits to the LMC may be necessary to reflect appropriate changes and where necessary. The text amendment has been reviewed and deliberated upon by the Planning Commission on July 1, 2015, September 2, 2015, October 21, 2015, November 18, 2015, and December 2, 2015.

During the December 2, 2015 public hearing, the Planning Commission received additional public testimony. Due to this testimony, the Planning Commission motioned to continue this hearing to the regular PC meeting in February 2016. The Planning Commission was sensitive to the public testimony and desired more time to address the comments provided:

1) The public testimony was regarding the non-satisfaction that removal of "Conversions of existing accessory storage structures, including without limitation garages and carports, to accessory dwelling units shall only occur when that existing structure meets the required yard setbacks for a residence, including without limitation the rear yard requirement, and does not create a nonconformity" was not clear enough; and

2) Public testimony regarding separate utility connections to the ADU as a requirement was questioned; the Planning Commission desires direction from the Council as to addressing this (including what would be charged for System Development Costs - fee schedules) during the January joint meeting prior to moving forward with any recommended changes to this provision of the LMC.

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

- Amendment to LMC 18.20.020 (B) (3) - update and modify the accessory dwelling unit standards and specifications.

11:00 – 11:15 End of Year Update Project Tracking / 2015 Future Council Agenda Items

The Council is being provided the quarterly Project Tracking spreadsheets. The Project Tracking is not a comprehensive list of all the work being completed or the tasks underway by the City; however, this does reflect the City projects and tasks that have been directed by the Council as priorities. Each project includes some annotations of status or description, anticipated completion, and stage (progress level). This is intended to relay progress and ensure that the City is on target with the needs of the community and Council priorities. This document is updated and provided to the Council on a quarterly basis. In addition, staff has provided the City Council 2015 Future Agenda Items which includes some items for the January 2016 meetings; the 2016 Future Agenda Items document will be presented by the February study session.

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

- Project Tracking Document
- City Council 2015 Future Agenda Items

11:15 – 11:30 Council Open Discussion

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