LEAVENWORTH CITY COUNCIL STUDY SESSION MINUTES
December 8, 2015

Mayor Cheryl Kelley Farivar called the December 8, 2015 Study Session to order at 9:00 AM.

Council Present: Mayor Cheryl Kelley Farivar, Tibor Lak, Michael Molohon, Robert Francis, Elmer Larsen, Larry Meyer, Carolyn Wilson and John Bangsund.

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

1. Chamber Report

Chamber Director Nancy Smith updated the Council on some of the challenges with the first weekend of Christmas Lighting with heavy snow and the resulting parking and congestion, issues with the Glüewein tent and the protesting religious groups.. She then noted some other positive advertising and coverage that the City received from various newsgroups and magazines. Council briefly discussed the concerns with the demonstrators against the Christmas Lighting noting that the rights under freedom of speech does limit the actions the City may take but that the event organizers may be able to talk with them in the future to limit their protests; Mayor Farivar noted that the City staff will have a discussion about this past weekend's event with Sergeant Bruce Long. Director Smith then reviewed the concerns with the increase in busses that had not coordinated with the Chamber as many do and how that created issues on where to park them quickly and efficiently.

2. Upper Valley MEND – Meadowlark Development

Mayor Farivar welcomed Upper Valley MEND Executive Director Chuck Reppas and Board Member Brian Koblenz to discuss the current status and financial concerns for the Meadowlark Development Project. Director Reppas began by noting that additional news was just received that MEND has not received a key grant for site development that was anticipated for approximately $500,000. He briefly explained Mr. Koblenz position with the project developers to assist in the financial considerations for the project.

Mr. Koblenz thanked the Council and stated that he is currently the President Elect for the Upper Valley MEND Board. He then proceeded to review a PowerPoint Presentation giving a brief summary of the total Meadowlark Project that currently consists of approximately 120 homes of which Upper Valley MEND's portion will include 30 Community Land Trust (CLT / low income housing) homes, 24 market rate homes and 6 market rate lots; the Agnew/Hebert Property will have 40 homes and the Prey Property will have 20 homes. He then began a review of the funding that has been provided and committed to by the City which includes $41,000 in 2060 Funds (Affordable Housing Funds), a commitment to bond for an estimated $965,000 for a $193,000 Local Improvement District (LID) for offsite utilities to be extended to the property, in addition the Council had agreed to reduce $193,000 of the LID assessment to the MEND CLT affordable housing included within the project, management of a $750,000 Community Development Block Grant (CDBG) for the onsite utilities, $290,000 for the purchase of the Duncan Property for easement rights and access as well as many hours of staff time over the past several years. The next slide presented estimates of revenues that the Meadowlark Development Project could generate for one-time charges and annually recurring charges. For one-time revenues it could include up to approximately $1,506,900 for sales taxes, system development charges and hook-up fees, excise taxes and permits.

He then reviewed estimated annually recurring charges of up to $90,600 in property, sales, excise and utility taxes.

Mayor Farivar asked for clarification on how property taxes are estimated on the CLT homes. Mr. Koblenz noted that these properties are valued based on a significantly reduced rate for the land of the lot while the home itself is valued like other homes by the assessor; due to the lower land value this does lower the amount of taxes to be collected by the City and this has been factored into the estimates provided. He confirmed the estimated sales tax figure to be based on what the City's portion would be; several council members stated concern at the estimates due to the inability to predict when and where people purchase their taxable sales items and it was noted that most purchases are made in Wenatchee so Leavenworth does not receive those dollars.

Mr. Koblenz then reviewed some calculations that were not considered such as reductions for system development charges and hook-up fees for the CLT homes, release of the $100,000 of MEND's funds that are being held by the bank at this time, increases in home values, job growth, revenue compounding effects, monthly utility fees and future appreciation of the Duncan Property. He then stated the current shortfall of approximately $1,000,000 for the project and an additional $500,000 funding gap created with the Housing Trust Fund did not fund their grant request, this additional $500,000 today would equate to a total of about $1,500,000; however, the developers do plan to go back to the State Legislature to continue to apply for the recent $500,000 grant; therefore the bottom line shortfall to address today is about $1,000,000. Mr. Koblenz then reviewed potential solutions where the City could assist to reduce this shortfall that could include the following and is estimated to potentially generate up to $1,830,000 in cost savings for the project:

- Releasing use of the CDBG funds at a higher rate than that which would be built in the first phase. The request would be to release the full $750,000, would increase cash flow for phase one by $200,000. Previously the City had committed to releasing $25,000 for each CLT house constructed in Phase I, the previous approved plan called out for 22, Brian stated that the current plan identified 15 CLT homes.
- Release $100,000 LID Bank hold.
- Revert back to single storm/irrigation pipe @ 24" would save about $150,000 or @ 18" would save about $200,000.
- Provide the developers with an additional $25,000 of available 2060 Funds over a three year period.
- Eliminate performance bond for early plat recording saves about $60,000.
- Forego hook-up / system development charges on all of MEND's properties estimated at $480,000.
- Adjustment to LID from 20 CLT homes to 30 CLT homes estimated at $61,000 or relieve MEND from LID entirely estimated at $254,000.
- City fund street development of Meadowlark Strasse estimated at $200,000.
- Float new bond of $550,000 for the developers and development with an estimated debt service of $43,500 per year.

Discussion ensued on the various options and risks involved for the developers and the City. Staff and Council discussed concerns related to foregoing hook-up / system development charges that would require City plans and policies to be amended including but not limited to the Comprehensive Plan, Transportation Plan, Six Year Transportation Improvement Plan, Water and Sewer System Plans, and the Financial Policy. Staff noted that to properly amend these plans accordingly to provide

the City Council the authority it would be a considerable commitment of time and effort by the City and would incur significant costs for consultant and attorney reviews. Council reinforced that the City would be taking on considerable risk for several options being presented with the majority of the risk falling on the use of the CDBG funds prior to completion of the project; if funds are used and the homes are not built prior to the deadline of the grant on November 30, 2019 then the citizens of Leavenworth would ultimately be responsible for the payback of any grant dollars. John Agnew commented that he would suggest reviewing historical issues for cities that have defaulted on CDBG loans as he feels this is the lowest level of risk, he suggested looking at cities like Detroit as they have had several defaults; Council and staff disagreed that this would be a low risk level as it would affect the City's credibility and future grant applications for funding of other projects. Finance Director Chantell Steiner pointed out that the CDBG funds are a reimbursement basis only and that the City cannot request use of the dollars prior to costs being incurred; this means that someone has to provide the cash flow of these dollars months before being reimbursed by the grantors. Council continued to reinforce that the risk for the City is truly a risk for the citizens of Leavenworth and not a risk to the developers regarding the CDBG funds. Mr. Koblenz clarified certain points that would assist the developers from a cash flow perspective such as the reduction recommendations for the LID and release of the $100,000 bank hold. Discussion ensued on what the bottom line amount would be for the developers to continue with the project; Mr. Koblenz confirmed that they will firmly need about $1,000,000 in reductions to even consider continuing forward on the project otherwise the developers will start to work on an exit strategy. He explained that the exit strategy will take approximately one year to complete and will include liquidation of the property owned by MEND. A brief discussion continued on the potential applications for filling the homes as they are built. The Council agreed that further review in the Public Works Committee would be necessary prior to the Council making a commitment for additional funding.

3. Planning Commission 2016 Docket Review

Development Services Manager Nathan Pate reviewed the draft 2016 docket that has previously been discussed. He then proceeded to review some of the changes that have occurred and are highlighted in yellow on the document. He reminded the Council that the joint meeting with the Planning Commission to finalize this document has been adjusted and will be held on January 26, 2016 at the regular City Council evening meeting. He noted that some of the items included on the document may be amended based on future decisions by the Council regarding the Meadowlark Development Project such as foregoing utility fees. Manager Pate answered some general questions regarding some of the items on the docket that will be finalized at the meeting with the Planning Commission.

4. Code Update on Review of Fence Permitting

Manager Pate updated the Council on this item that was previously discussed in October and has been reviewed by the Residential Advisory Committee and city staff. He noted that the recommendations do not necessarily assist the previous issue regarding the incorrect placement of the fence completed by Mr. Jose M. Blazquez but will assist in future concerns regarding fence placements. Staff is providing the recommendation to remove the current code language requiring a permit for a fence and including specific language regarding height and design expectations. If the Council chooses to amend the code then the property owners would need to build based on the code language and any violations would be enforced either through civil actions between neighbors or based on complaints submitted to the City. Discussion ensued on options for Mr. Blazquez to proceed through a variance process. Councilmembers continued to discuss concerns with height considerations in front yards and on corner lots. Administrator Walinski confirmed that staff will

work on removal of the permit requirements, looking at a maximum height, some language for the ability to see through a fence on street frontage, addressing new clear view triangle language, and ensuring that the new code language includes the responsibility of property owners to locate property lines. He added that once the code is amended it will be important to get the information out to the public for future considerations.

5. Review Accessory Dwelling Unit (ADU) Changes

Manager Pate updated the Council on the Planning Commission's work regarding the Accessory Dwelling Unit (ADU) changes. He said the Commission would like direction on flexibility regarding parking from alleyways; since the City does not maintain alleys there needs to be consideration of indemnity or hold harmless language. Council briefly discussed current practices regarding maintenance of alleyways many of which are not maintained by the City. Manager Pate stated the other item to consider is the dwelling unit size and will be recommending 1,200 square feet which is what is currently enforced through the County. The third item is to consider the removal of the requirement for the owner to occupy one of the units; this will positively assist the City in some instances. Other benefits in consideration of these changes could include the expansion of housing options and increasing the housing supply for the community.

Councilmembers discussed some scenarios of current properties and how they could be affected by some of the changes. The Council reviewed the costs of additional utility connection requirements whenever an ADU is created. It was noted that this could be difficult to track; Mayor Farivar stated that current ADU's would be grandfathered in if they did not do a separate connection but any new construction requests would be reviewed and permitted as they occur. Councilmember Larsen disagreed that this is going to be difficult for the City to enforce similar to the fence issue. Mayor Farivar stated that it is the property owner's decision to expand and consider the costs of expansion by any requirements to have additional utility connections; this new code language would only affect new construction projects and not existing facilities. She further clarified that the Council sets the rates and that an ADU rate could be significantly lower than the original property connection. Administrator Walinski added that one of the concerns is how the City currently charges water and sewer with residential water only being read part of the year and a flat fee on sewer because of this; alternatively the City can work on replacing the water meters with new meters that can be read year round and in turn will assist in adjusting sewer rates based on water usage that may also allow a better process for the justification of sewer fees as well. Discussion continued on the intent of what the ADU changes will do which is to allow a property owner to not only live in their unit but to also rent out all or a portion of their units; this is a significant benefit to the property owner. These changes benefit both the property owner and the City with increased units paying into the water and sewer systems which in turn may help to stabilize rates in the future. Administrator Walinski stated that the Planning Commission will also be considering language for a property owner that wants to convert their entire property into a rental, similar to a duplex which then more closely reflects a commercial type business within the residential neighborhoods.

6. End of Year Update Project Tracking / 2015 Future Council Agenda Items

Administrator Walinski reviewed with the Council the project tracker and stated that staff will be working on removing completed tasks for the 2016 tracker. He noted the various requirements of some of the projects that are driven by state and local laws such as auditing, planning and budgeting and gave a brief update on the status of the water rights and work being completed through the Icicle Work Group. He identified the status of some of the other major projects that will carry into future

years and asked Council members to reach out to him with any questions that they may have. Council discussed the importance of the project tracker for historical purposes and for keeping constituents in the loop on what the City does throughout the year.

7. Council Open Discussion

Councilmembers briefly reviewed the discussion earlier with Upper Valley MEND and suggested having subcommittee meetings later this afternoon to review the potential requests submitted by the developers.

Study Session adjourned at 11:48 AM.

APPROVED

Cheryl K. Farivar
Mayor

ATTEST

Chantell Steiner
Finance Director/City Clerk