

CITY COUNCIL AGENDA MEMORANDUM

SUBJECT:

Resolution No. 7874, endorsing the Mobility and Infrastructure Finance Plan.

FISCAL IMPACT:

The Plan anticipates expenditures of approximately \$299 million over the next 10 years for construction of key infrastructure projects and for several other capital projects. New revenues have been implemented or will be implemented to pay for this plan. The City will issue Limited Term General Obligation debt, and use interim financing mechanisms to meet the cash flow requirements of this program.

STAFF CONTACTS:

Matthew Terry, Director, 452-6191, Department of Planning & Community Development
Jan Hawn, Director, 452, 6846, Finance Department

POLICY CONSIDERATION:

Should the City invest in new infrastructure projects to address growing congestion problems in Bellevue? How should this new capital investment be paid for?

BACKGROUND:

In January 2008, the City Council initiated work on development of a Mobility and Infrastructure Initiative financing strategy. The purpose of this effort was to address high priority capital needs in the community and supplement the City's existing Capital Improvement Plan and special property tax (known as the "Supplemental CIP") adopted by the Council. The Mobility and Infrastructure Initiative financing strategy is intended to fund transportation and other improvements needed that respond to the growth in travel demand caused by development in Downtown, growth in trips from other parts of the City, provide initial capital investments in the Bel-Red area to support planned growth, and address other high priority infrastructure needs.

The Plan contains a core group of transportation investments designed to address growth in travel demand from Downtown development and from growth anticipated in the Bel-Red area. These transportation investments have been selected because they have the greatest positive impact in reducing congestion. These projects include:

- NE 4th Extension, from 116th to 120th Avenue, and improvements to 120th Avenue NE
- NE 6th Extension, from I-405 to 120th Avenue NE
- 120th Avenue street widening from NE 10th to Northup
- NE 15th Street, from 116th Avenue to 124th Avenue NE
- 124th Avenue NE, from NE 15th Street to the SR-520 Interchange.

The Plan contains other capital projects needed to support growth in the Downtown or Bel-Red area. These projects include:

- Downtown projects to implement the Downtown Implementation Plan
- Intelligent Transportation improvements
- Downtown Circulator
- Pedestrian and bike improvements
- Metro Site acquisition (public safety investment)
- Bel-Red land acquisition.

While these projects are geographically located in the Bel-Red and Downtown areas, the City's transportation modeling has shown that the transportation system benefits from these investments are significant city-wide.

The projects in total will cost approximately \$299 million and will be constructed within the next 10 years. These projects will be added to the City's Capital Investment Program by future action of the City Council.

The Plan outlines a financial strategy to generate the funding to pay for these investments. The financial strategy is based on the philosophy that those who benefit from the improvements should help pay for them.

The Plan proposes a combination of existing and new funding strategies to pay for the investments. These include:

- Property tax
- Storm Drainage Utility funds
- Local Improvement District (LID) funding
- Transportation impact fees
- New Bel-Red tax revenue
- Grants
- Right of Way dedication
- Bel-Red incentive zoning.

The combination of these revenue sources is expected to provide sufficient funding to pay for the investments identified in the Plan. Because many of these revenues are sensitive to economic activity and to the pace of private development, the City will have to use financing techniques that involve the issuance of debt, both short-term and long-term. The City anticipates that delivery of the projects contained in this Plan will be staged over the next decade or so, so that the cash flow issues associated with the variability in revenues can be managed.

The Plan provides general policy guidance for capital project and funding decisions. The City Council will have to take future actions to implement the plan, and those actions could modify any part of the plan. The plan relies on a number of financial forecasts of different revenue sources, and the assumptions on which these financial forecasts rely will have to be monitored and adjusted over time. Staff anticipates that the Council will review the key

assumptions in the plan and make any needed adjustments to the project list or revenue strategy at least annually.

Change to the Plan

Councilmember Chelminiak questioned whether a public safety project should be added to the list of projects to be funded through this program. He recalls a 'public safety earmark' of \$5 million established by the Council, to be funded by the Supplemental CIP property tax revenue. Now that the property tax revenue from the Supplemental CIP (2%) and the new 1% property tax increase have been dedicated to this plan, he argues that the public safety project earmark should have been carried over. Staff has reviewed the Council discussion of this issue, and concludes that while discussion of this public safety earmark did occur, the project was not added to the plan by Council. This change is consistent with past Council direction, and direction to add the project to the list could be inferred from the Council discussion.

Based on recent discussions, the Plan has been amended, dedicating \$2 million of the public safety earmark to the METRO site acquisition and adding a public safety project to the list of projects (at \$3 million), offset by reduced expenditures elsewhere so that the project costs and revenues are balanced.

OPTIONS:

1. Adopt Resolution No. 7874, endorsing the Mobility and Infrastructure Finance Plan.
2. Do not adopt Resolution No. 7874 and provide alternative direction to staff.

RECOMMENDATION:

1. Adopt Resolution No. 7874, endorsing the Mobility and Infrastructure Finance Plan.

MOTION:

Move to adopt Resolution No. 7874, endorsing the Mobility and Infrastructure Finance Plan.

EFFECTIVE DATE:

If approved, this Resolution becomes effective immediately.

ATTACHMENTS:

The Mobility and Infrastructure Finance Plan
Proposed Resolution No. 7874

Mobility and Infrastructure Initiative Finance Plan January 20, 2009

In January 2008, the City Council initiated work on development of a Mobility and Infrastructure Initiative financing strategy. The purpose of this effort was to fund high priority transportation and capital investments to mitigate growing congestion problems in the City. A recent survey of Bellevue Residents identified investment in transportation facilities as the highest priority municipal investments to maintain or enhance quality of life in Bellevue. The Finance Plan would supplement the City's existing Capital Improvement Plan and special property tax (known as the "Supplemental CIP") levied by the Council to fund high priority capital needs in the community, and deliver new transportation and other capital projects within a 10 year timeframe.

This Plan provides general policy guidance for capital project and funding decisions. Future actions by the City Council will need to be taken to fully implement this Plan, and those actions may require periodic adjustments to this Plan.

The transportation investments identified in this Plan respond to travel demand caused by development in the Downtown, and provide initial capital investment in the Bel-Red area to support planned growth.

Growth in downtown. Downtown Bellevue experienced phenomenal growth in office space and in residential construction between 2005 and 2008. During that period, approximately 2.5 million square feet of new office space was developed. Most of that space is now leased, and 6,000-8,000 new employees are expected to be working in Downtown in 2009. During that same period, 3,700 new residential units were permitted. While leasing and sales of these units have not occurred as rapidly as the office space, the combined impact of this growth will add congestion to our downtown streets.

Growth Planned for Bel-Red. The City initiated work on the development of a long-term plan for the redevelopment of the Bel-Red area of the City in 2005 in order to establish a solid and dynamic economic future for the Bel-Red area, and also to be proactive on planning for the potential of high capacity transit through the corridor (connecting Downtown Bellevue with Overlake). In initiating the Bel-Red planning project, the City Council adopted principles that stress the importance of a long range vision, economic vitality, land use/transportation integration, protecting natural resources, and creating new community amenities.

Over a two year planning process, the Bel-Red Steering Committee developed a new vision for Bel-Red of denser, transit oriented new neighborhoods that will require significant public investments in transportation, parks, and

environmental improvements. The Committee concluded that new investment in infrastructure and amenities would be needed to transform the area, and that a significant share of the investment would need to come from the properties undergoing redevelopment. The Committee stressed the importance of use of incentives to provide this investment, capitalizing on the additional intensity and height provided by new zoning.

The Mobility and Infrastructure Initiative financing strategy contains specific capital projects and a financing strategy. Each are described below.

Capital Projects. The strategy contains a core group of transportation investments designed to address growth in travel demand from Downtown development and from growth anticipated in the Bel-Red area. These transportation investments have been selected because they have the greatest positive impact in reducing congestion.

NE 4th extension, from 116th to 120th Avenue NE (\$50M). This project will construct a 5 lane arterial street, connecting the NE 4th Street/I-405 interchange with 120th Avenue NE. The project includes realignment of the 120th/NE8th intersection with lane transition on 120th to NE10th Street. The project will include sidewalks and bike lanes, and provide a new arterial connection to and from the Downtown, allowing traffic to move from Downtown to the east and northeast parts of the City. This new street will reduce congestion on NE 8th Street, and provide congestion relief for north bound traffic on 116th Avenue NE, thereby relieving access constraints to the hospital district north of NE 8th Street, on 116th Avenue.

NE 6th Street Extension, from I-405 to 120th Avenue NE (\$6M). Like the NE 4th Street project, this street improvement will provide a new east/west connection to and from Downtown by connecting the existing NE 6th Street interchange at I-405 with 120th Avenue NE. The function of this street will be to serve transit, carpools, and van pools seeking to enter or leave the Downtown. Like the NE 4th Street project, this improvement will reduce congestion on NE 8th Street, and provide an important travel time benefit to high occupancy vehicles entering and leaving the Downtown. Funding in this Plan supports engineering and some right-of-way acquisition for this project. Construction funding is anticipated from State and other sources.

120th Avenue NE Street Widening (\$13M). This project will widen the existing 120th Avenue street to 5 lanes from NE 10th Street to Northup Road, and provide sidewalk, bike lanes, and street light improvements. The project will provide new street capacity serving travel demand from the Downtown to the east and northeast parts of the City. It reduces congestion on NE 8th Street, and on 116th Street. The northerly part of this project will support planned growth in the Bel-Red area.

NE 15th Street, from 116th Avenue NE to 124th Avenue NE (\$83M). NE 15th Street is the centerpiece of the transportation strategy for Bel-Red. It provides for auto access to new development, accommodates new trips moving through the area from Downtown and elsewhere, provides a light rail corridor, establishes a major east/west pedestrian and bicycle connection between Downtown and Overlake, and is designed as a 'green' street, functioning as a visual and usable amenity for people living and working in the area.

124th Avenue NE, from NE 15th Street to the SR 520 Interchange (\$3M). This project will widen the existing street to 5 lanes, and add sidewalks and street lights. This capacity improvement will support planned growth in Bel-Red, and connect the arterial improvement described above to SR 520; this project will also help support completing the interchange at 124th and SR 520 to allow access to and from the east. Funding in this Plan supports engineering and some right-of-way acquisition. Construction of this project will be accomplished through future City capital investment when funding becomes available.

The strategy contains other capital projects needed to support growth in the Downtown or in Bel-Red or to fund other high priority capital infrastructure needs. These projects include:

Other Downtown Projects (\$16M). This allocation provides supplemental funding for ongoing Downtown projects. Allocation of this earmark to specific projects will occur by a future Council action.

Intelligent Transportation Improvements (\$2M). This project will help to replace the City's Traffic Signal System, including a new fiber optic communication network, and new computer software and hardware. This investment will improve signal timing and operations for vehicles and pedestrians, provide for Transit Signal Priority technology, ensure better signal coordination and operation, and support the development of a multimodal transportation system in Downtown.

Downtown Circulator (\$3M). This project completes funding for a new fare free transit service downtown, linking key destinations via a circular transit route providing efficient service to people moving between locations downtown.

Pedestrian and Bike Improvements (\$15.5M). This project is intended to fund one key north/south or east/west bike corridor and potentially neighborhood sidewalk projects. The Transportation Commission is now prioritizing key pedestrian/bike investments, and their recommendations will assist the City Council in selecting which project(s) to implement.

Metro Site Acquisition (\$18M). Acquisition of this property, located adjacent to City Hall is identified as a key acquisition priority for Downtown, and will provide a home to a new Downtown Fire Station, and other City Facilities.

Bel-Red Land Acquisition (\$32M). The Bel-Red Plan contains new community parks, neighborhood parks clustered in the mixed use residential area, and a system of trails providing connections through the area. The park system is designed to capitalize on adjacent stream locations so that the benefits of the open space, stream restoration and trails work together as an integrated system of green spaces. The park and stream restoration strategy is a necessary component to the overall redevelopment, making the area more livable. These open spaces will also serve the broader community by providing destination recreational opportunities and by linking key recreation destinations through development of the trail system. This project funds property acquisition and stream restoration to support development in the Bel-Red area.

Public Safety Project (\$3M). The Council has 'earmarked' \$3 million to support public safety facility needs. Projects that have been discussed include possible investment in a new Downtown fire station, relocation of District Courts, or a possible investment in a short term detention facility. Direction on how this money is spent will be determined by future Council action.

The projects in total will cost about approximately \$299 million, and will be constructed within the next 10 years. These projects will be added to the City's Capital Investment Program by future action of the City Council.

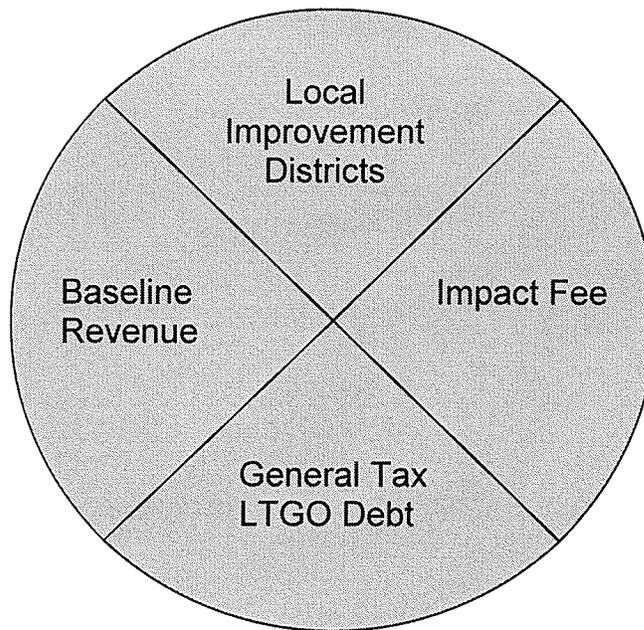
Mobility and Infrastructure Initiative Finance Plan	
Projects	Project Costs
NE 4th	\$50M
NE 6th ext	\$6M
120th	\$13M
NE 15th	\$83M
124th	\$3M
Other Downtown Projects	\$16M
ITS capital improvements	\$2M
Downtown Circulator	\$3M
Ped/Bike/Neighborhood sidewalks	\$15M
Metro Site	\$18M
Bel-Red Land Acquisition	\$32M
Public Safety Project	\$3M
Finance Costs*	\$55m
Total	\$299M

*estimated costs for 2009-2015 CIP planning period.

Financial Strategy. The Plan outlines general policy guidance for a financial strategy to generate the funding to pay for these investments. The financial strategy is general expected to generate sufficient revenue necessary to pay for these improvements, and is based on the philosophy that those who benefit from the improvements should help pay for them. The financial strategy was informed by the following principles.

- The Finance Plan should take the long view, with the understanding that the basic infrastructure, livability investments, and amenities will occur as redevelopment takes place;
- The Finance Plan should maintain the City's long-term financial stability (thus preserving the City's Aaa bond rating);
- The cost for the public infrastructure should be shared based on the relative impacts and benefits of development;
- The Finance Plan should enable the Bel-Red vision to be realized;
- The Finance Plan should be complementary to the long-term economic development goals for Bellevue; and
- Public investments should be made strategically in order to leverage them for the greatest public good.

These principles are illustrated by the following graphic.



The Plan proposes a combination of traditional and new funding strategies to pay for the investments outlined above. These funding sources are described below:

Property Tax Annually. The City Council has chosen to raise property taxes by 1% over 10 years to help fund this package of improvements. This tax increase recognizes the general public benefit provided by these transportation and other investments, and will generate approximately \$35 million in bonds over the next 10 years. The City Council has also elected to extend the 2% annual increase

in property taxes by two years (to coincide with the 1% increases) and committed approximately \$70 million in bonds from the Supplemental CIP to support these improvement, for a total property tax supported investment of \$105 million.

Storm Drainage Utility Funds. The City has a long history of funding storm drainage and stream corridor improvements through the City Storm and Surface Water Utility. The Plan contains a storm water rate increase of about 1.5% per year, levied City-wide over 10 years, to pay for storm water improvements in the Bel-Red area. This rate increase will raise \$10 million for these improvements over the 10 year period.

Local Improvement District Funding. Local Improvement Districts (LIDs) are a capital funding method authorized by State statute, and recognize that transportation improvements provide improved access to private property, thereby increasing the value of that property. LIDs assign the cost of improvements to private property based on the benefit these properties receive. This Plan contemplates the creation of two LIDs - one for the NE 4th Street project, and a second for the NE 15th/120th project. The Plan assumes that the LID will be funded from private property owner assessments, and from the City through general revenue sources. The LIDs are expected to generate about \$56 million from private property participants in the LID.

Transportation Impact Fees. Transportation impact fees are currently levied by the City against new development to help pay for the cost of new transportation improvements serving that new development. This Plan anticipates new transportation impact fee revenue of about \$65 million over the next 10 years.

New Bel-Red Tax Revenue. New development in the Bel-Red area will generate net new general revenues to the City. This Plan dedicates 40% of the net new revenues from Bel-Red growth to pay for capital investment needed to support Bel-Red development. This share of new Bel-Red tax revenue is expected to generate about \$10 million over the next 10 years to support capital investment.

Grants. The City has historically relied on grants from State, Federal, and other sources to fund capital investment. This Plan anticipates that \$13 million will be obtained over the next 10 years to support these investments. Grants, unlike the other revenues sources identified in this Plan, are highly variable, and may be significantly influenced by changes in federal policy.

Right of Way Dedication. Property owners may dedicate property for rights-of-way (ROW) provided that it benefits their development and that they receive development credits for the land dedicated. The amount dedicated would vary depending on the timing of the transportation projects and private development.

The Plan assumes that 15% of the total ROW costs would be acquired through dedication. This would generate about \$19 million in cost savings for the investments identified in this Plan.

Incentive Zoning. The Bel-Red Plan contains an incentive zoning provision that links the density of private development to participation in the incentive zoning scheme, where additional density above a base level is allowable only if that development provides park land, stream corridor improvements, or affordable housing. This Plan anticipates about \$22 million will be generated through incentive zoning.

Revenue sources	10-Year Revenue Estimate
Baseline revenues	
• New Bel Red taxes	\$10M
• Grants	\$12M
• ROW dedication	\$19M
• Storm drainage funds	\$10M
• Incentive zoning	\$22M
LID funding	\$56M
Impact fees	\$65M
Property Tax	\$105M
Out-Year CIP Funding	\$0M
Total revenue	\$299M
Gap	\$0

The combination of these revenue sources is expected to provide sufficient funding to pay for the investments identified in the Plan. Because many of these revenues are sensitive to economic activity and to the pace of private development, the City will have to use financing techniques that involve the issuance of debt. The City anticipates that delivery of the projects contained in this Plan will be staged over the next decade or so, so that the cash flow issues associated with the variability in revenues can be managed.

Staff will return to the City Council in Spring 2009 with a more detailed implementation strategy describing how the transportation projects can be delivered over the next 7 years, a detailed financing plan for each project, and related actions that the Council will have to take to move the plan forward. This work will also identify other actions the City should take to coordinate capital construction, like linking planned water and sewer improvements to the road construction projects.

Adoption of the Plan and subsequent actions by the City to implement the Plan. The Plan outlines the projects and revenue sources that will be used to fund the Plan. This Plan will be implemented in steps, as outlined below:

Step 1. Action by the City Council to adopt the property tax increase and storm drainage rate increase outlined in this Plan.

Step 2. Review and endorsement of the Mobility and Infrastructure Initiative Finance Plan, anticipated on January 20, 2009.

Step 3. Action by the City Council to adopt the Bel-Red Subarea Plan, Zoning, and Land Use Code amendment, anticipated in February or March 2009.

Step 4. Action by the City Council to amend the City Capital Improvement Plan to include the projects contained in this Plan, March 2009, following adoption of the Bel-Red Plan.

Step 5. Action by the City Council to amend the City Transportation Facility Plan and Transportation Impact fee Ordinance, anticipated in March 2009.

Step 6. Action by the City Council to form the NE 4th LID and the Bel-Red LID.

City staff will initiate work to complete engineering, acquire necessary property and implement the projects following these City Council actions. Further refinement of this Plan will occur in the upcoming months based on the direction provided by Council.

Adoption of this Plan meets the requirements of the proposed Bel-Red Land Use Code for City Council approval of a financial plan, and allows the phasing limitation of a .5 FAR throughout the Bel-Red area to be eliminated.

CITY OF BELLEVUE, WASHINGTON

RESOLUTION NO. 7874

A RESOLUTION endorsing the Mobility and Infrastructure Finance Plan.

WHEREAS, the City has identified certain high priority capital projects that will support anticipated growth and redevelopment; and

WHEREAS, financing these high priority projects will require a mix of funding sources; and

WHEREAS, the City Council believes that the mix of funding sources should balance the impact of funding these capital projects between existing and new development and residents; and

WHEREAS, the City Council recognizes that additional actions will be necessary to implement the funding identified in the Mobility and Infrastructure Finance Plan, and that periodic adjustments to the Plan may be necessary; and

WHEREAS, the City Council intends the Mobility and Infrastructure Finance Plan to provide general policy guidance for capital project and funding decisions identified in this plan; now, therefore,

THE CITY COUNCIL OF THE CITY OF BELLEVUE, WASHINGTON, DOES RESOLVE AS FOLLOWS:

Section 1. The City Council endorses the Mobility and Infrastructure Finance Plan, a copy of which Plan has been given Clerk's Receiving No. _____.

Passed by the City Council this _____ day of _____, 2009, and signed in authentication of its passage this _____ day of _____, 2009.

(SEAL)

Grant S. Degginger, Mayor

Attest:

Myrna L. Basich, City Clerk