

## CITY COUNCIL STUDY SESSION ITEM

### SUBJECT

Resolution endorsing the Mobility and Infrastructure Finance Plan.

### STAFF CONTACT

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### POLICY ISSUES

The Plan identified a number of transportation and other projects that respond to the growth in travel demand caused by development in Downtown, growth in trips from other parts of the City, and to provide initial capital investment in the Bel-Red area to support planned growth. The Plan also identifies a financial strategy to pay for these improvements. Are the projects identified in the Plan ones that best provide congestion relief and respond to continued growth downtown and planned growth in Bel-Red? Does the financial strategy allocate the cost of these improvements based on relative benefit and impacts of development?

### DIRECTION NEEDED FROM COUNCIL

Action  
 Discussion  
 Information

### BACKGROUND/ANALYSIS

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 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. The Mobility and Infrastructure Initiative financing strategy is intended to fund transportation and other improvements that respond to the growth in travel demand caused by development in Downtown, growth in trips from other parts of the City, and to provide initial capital investments in the Bel-Red area to support planned growth.

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

The Plan contains other capital projects needed to support growth in the Downtown or Bel-Red. 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 citywide.

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- 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.

Public Comment:

The City has received both written and verbal comment. The themes that have emerged from this comment can be summarized as follows:

- General support for the projects. Letters from the Bellevue Downtown Association and the Chamber of Commerce as well as verbal comments from individuals offer support for the project list.
- Concerns over use of LIDs as a funding method. Several individuals have expressed concern about the impact of LID assessments on existing businesses.
- Concerns over amount and schedule for implementation of impact fees. Both written and verbal comment have focused on the magnitude of the proposed fee increase, and the impact that the fee increase might have on development feasibility.

Staff response to public comment:

The Finance Plan is intended to broadly distribute the costs of the projects to those who will benefit from the improvements. The financial strategy allocates about 1/3 of the overall cost of the program to general taxpayers of the City. The balance of the costs are generally allocated to new economic activity in Bel-Red, to new development through impact fees, and to new development and existing property owners through LIDs.

Staff acknowledge that use of LIDs may impact existing businesses. However, these businesses will likely benefit from the improved transportation system. The extent of the benefit flowing to existing business and to new development has not been determined. The City intends to do a 'benefit analysis' to determine the extent of this benefit, and the City Council and property owners will have the opportunity to evaluate this information prior to any LID being formed. Impact fees are one of the few ways to link the growth in trips from new development to the improvements needed to accommodate new travel demand. The policy rationale for including an increase in impact fees as part of the Finance Plan can be summarized as follows:

- 1) The Plan identifies new transportation investments that respond to the growth in travel demand resulting from 8,000 new employees and 5,000 new residents in Downtown, from growth in trips from other parts of the city, and to anticipated future growth in Downtown and in Bel-Red. These improvements, together with the other capital projects included in the transportation facilities plan project list, form the basis for calculating the impact fee. There appears to be broad consensus that the projects are ones that should be built now.
- 2) The City's financing strategy seeks to establish a broad-based financing plan, based on the principle that those who benefit from the improvements should bear some of the responsibility to pay for them. The Plan uses a combination of financial strategies

including general property tax, LIDs, an increase in impact fees, and other Bel-Red specific financing mechanisms. The Finance Plan balances project delivery costs with the revenue needed to pay for the projects. A change in any one revenue source means that replacement revenue needs to be found elsewhere, or the number and/or costs of the projects reduced.

- 3) The City has historically relied on revenue from existing business, residential tax payers, and from impact fees to pay for needed capital investment. Bellevue's impact fees have not been adjusted for some time, and therefore have resulted in an unbalanced CIP, where existing business and residential tax payers have carried a higher burden of the cost of new capital investment.
- 4) Impact fees are the most direct way for new development to pay for the impacts associated with new development. While new development does contribute sales tax, business and occupation taxes, and property tax revenue, those revenue sources are fully committed in the current CIP. The proposed Finance Plan relies on new transportation impact fee revenue to pay for the impact of new development on the transportation system.
- 5) The City's Transportation Facilities Plan (TFP) identifies the projects that, over time, will address long term mobility issues throughout the city. The TFP project costs are the legal basis for impact fees. Based on the proposed TFP, the City could legally impose \$10,172 per trip.
- 6) The City's impact fees have historically varied between \$469 per trip and \$1,446 per trip, based on the number of capacity projects in the TFP. The proposed \$5,000 per trip is significantly higher than past levels, reflecting the need for greater investment in transportation projects to respond to current and planned growth throughout the community. The proposed fee is less than could be legally imposed because the City has chosen to allocate the costs of the transportation investment broadly, utilizing new general property tax resources, Local Improvement Districts, and other general revenues of the City. At the \$5,000 level, the impact fee rate would not be significantly out of character with neighboring jurisdictions.
- 7) The Finance Plan contains a proposal for phased implementation of impact fees over a 5-year period. This strategy allows current development to proceed to completion with modest changes in impact fees, and signals to future development the increasing costs of needed transportation investment.

Questions raised by City Councilmembers:

Councilmember Chelminiak asked about the Council's earmark of \$5 million to public safety investments. This earmark was established through guidelines set by the Council for the Supplemental CIP. With the Supplemental CIP funding now merged into the funding strategy for this plan, a question arises about how that public safety earmark has been accommodated in the new plan. One of the projects in the plan is the Metro Site acquisition. About 45% of the site area of that property is needed to accommodate a fire station.

Prorating the cost of the land to the fire station would more than consume funds the Council has allocated through the Supplemental CIP to public safety.

Adoption of the plan and subsequent actions to implement it.

Adoption of the Plan by the City Council will formalize direction to staff on the projects to be constructed, and the financial strategy to pay for them. Subsequent actions by the Council will have to occur to implement the Plan. These actions include:

- Action to amend the Capital Investment Plan
- Action each year over the next 9 years to raise the property tax by 3%
- Action to form the Wilburton and Bel-Red LID
- Action to adopt a revised transportation impact fee ordinance, including an increase in the rate
- Approval of interim financing
- Approval of long-term debt issuances.

Staff will return to the City Council in Spring 2009 with a more detailed implementation strategy describing the rollout of projects, 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.

Staff requests Council approval to schedule action on the attached draft Resolution endorsing the Mobility and Infrastructure Initiative Finance Plan at the January 20 Regular Session.

**ALTERNATIVES**

1. Adopt the Plan
2. Provide direction to staff to modify the Plan

**RECOMMENDATION**

Adopt Resolution No. \_\_\_\_\_, endorsing the Mobility and Infrastructure Initiative Finance Plan.

**ATTACHMENT**

The Mobility and Infrastructure Initiative Finance Plan.

## Mobility and Infrastructure Initiative Finance Plan December 1, 2008

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 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. The Mobility and Infrastructure Initiative financing strategy is intended to fund transportation and other improvements that respond to the growth in travel demand caused by development in Downtown and to provide initial capital investments 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 116<sup>th</sup> to 120<sup>th</sup> Avenue NE (\$51M). This project will construct a 5 lane arterial street, connecting the NE 4th Street/I-405 interchange with 120<sup>th</sup> Avenue NE. The project includes realignment of the 120<sup>th</sup>/NE8th intersection with lane transition on 120<sup>th</sup> 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 116<sup>th</sup> Avenue NE, thereby relieving access constraints to the hospital district north of NE 8<sup>th</sup> Street, on 116<sup>th</sup> Avenue.

NE 6th Street Extension, from I-405 to 120<sup>th</sup> Avenue NE (\$6M). Like the NE 4<sup>th</sup> 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 120<sup>th</sup> 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 4<sup>th</sup> 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.

120<sup>th</sup> Avenue NE Street Widening (\$14M). This project will widen the existing 120<sup>th</sup> Avenue street to 5 lanes from NE 10<sup>th</sup> 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 8<sup>th</sup> Street, and on 116<sup>th</sup> Street. The northerly part of this project will support planned growth in the Bel-Red area.

NE 15<sup>th</sup> Street, from 116<sup>th</sup> Avenue NE to 124<sup>th</sup> Avenue NE (\$84M). 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.

124<sup>th</sup> Avenue NE, from NE 15<sup>th</sup> 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 124<sup>th</sup> 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. 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.

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	\$51M
NE 6th ext	\$6M
120th	\$14M
NE 15th	\$84M
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
Finance Costs*	\$55m
<b>Total</b>	<b>\$299M</b>

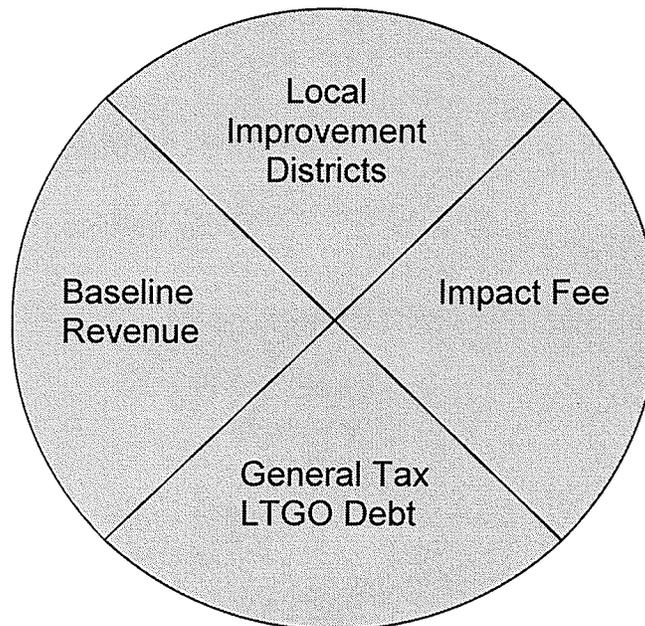
\*estimated costs for 2009-2015 CIP planning period.

**Financial Strategy.** The plan outlines a financial strategy to generate the funding to pay for these investments. The financial strategy is intended to generate the 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 \$10m 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 4<sup>th</sup> Street project, and a second for the NE 15<sup>th</sup>/120<sup>th</sup> 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 an increase in transportation impact fees to \$5,000/pm peak hour trip by 2011, indexed to inflation from that point forward. The rate increase will be phased in over 3 years, and will generate about \$65 million.

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.

<b>Revenue sources</b>	<b>10-Year Revenue Estimate</b>
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 will 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 the rollout of projects, 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 adoption of the Mobility and Infrastructure Initiative Finance Plan, anticipated on January 5, 2009.

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

Step 4. Action by the City Council to amend the City Capital Improvement Plan to include the projects contained in this plan, anticipated in January or February 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 4<sup>th</sup> 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.