

CITY OF BELLEVUE
BELLEVUE TRANSPORTATION COMMISSION
MINUTES

November 9, 2006
6:30 p.m.

Bellevue City Hall
City Council Conference Room 1E-113

COMMISSIONERS PRESENT: Chair Young, Vice Chair Yuen, Commissioners Glass,
Northey, Wendle

COMMISSIONERS ABSENT: Commissioners Bell, Holler

STAFF PRESENT: Franz Loewenherz, Kris Liljeblad, Eric Miller, Kristi
Oosterveen, Chris Dreaney, Jen Benn, Department of
Transportation

GUEST SPEAKERS: None

RECORDING SECRETARY: Gerry Lindsay

1. CALL TO ORDER

The meeting was called to order at 6:35 p.m. by Chair Young who presided.

2. ROLL CALL

Upon the call of the roll, all Commissioners were present with the exception of Commissioners Bell and Holler, both of whom were excused.

PUBLIC HEARING

A. Transportation Impact Fee Update

Capital Programming Manager Eric Miller explained that the impact fee program is associated with the Transportation Facilities Plan (TFP), the mid-range transportation planning document that prioritizes the citywide projects identified in the Comprehensive Plan and long-range facility plans, and which serves as the basis for development of the Capital Investment Program (CIP). The capacity projects in the TFP are used as the impact fee program project list from which the impact fee schedule is developed.

The impact fee program originated in 1990 with adoption of the city's first TFP. There have been updates to the impact fee schedule in 1995, 1999, 2002 and 2004. The program provides a defensible nexus between growth and the fees and offers a transparent mechanism for identifying the applicable fee for any development in any part of the city. As development happens impact fees are paid based on the schedule and those fees are used as a source of revenue for the CIP and serve to fund the projects needed to mitigate the cumulative impacts of growth.

Mr. Miller shared with the Commissioners a chart showing the impact fees since the beginning of the program and pointed out that the current fees, adopted in 2004, are the lowest they have ever been both for dollars per trip and dollars per square foot of development. He suggested an

evaluation of how the fees are calculated is needed because the fees have not kept up with inflation; because there is a growing gap between the available revenues and needed capacity projects; and because the code requires the fees to be updated every two years. He noted that the city is not utilizing the full authority established by code to set impact fees.

When the City Council first adopted the impact fee program, it established the rate of \$3.00 per square foot as the maximum. Adjusted for inflation, the maximum for 2006 is \$5.35, which is far above the current rate of \$1.14 per square foot.

Mr. Miller said the current practice for determining the impact fee rate is to use only current TFP capacity projects, local revenues, and costs programmed through the TFP horizon year. Non-local funds such as grants and funds from other jurisdictions are not used even though allowed by code; Option 2a takes that step. Option 2b adds non-local funds and includes costs beyond the TFP horizon, and Option 3 includes those two and adds recently completed projects that are still providing capacity, all of which is also allowed by code.

Mr. Miller said the City Council is set to consider the Commission's recommended fee update on December 4 and could potentially adopt the new fees on December 11.

Chair Young opened the public hearing.

Ms. Leslie Lloyd, Bellevue Downtown Association, said the proposed changes to the transportation impact fee program have caught the attention of developers in the community, as would any proposal to triple and in some cases quadruple fees. There is no policy basis for such large increases. Many developers accept and support the premise behind impact fees in that they see the correlation between their work and mobility needs in the community. The proposal, however, begs for a more compelling case to be made and an explicit policy rationale; it appears the proposal seeks a quick fix to offset a decreasing capital improvement plan budget. The CIP is burdened by having a large percentage going to the operation and maintenance of built capital projects, which is not a problem impact fees were designed to solve. The magnitude of the proposed increase has the potential of leading to two negative outcomes, that builders will pass the costs on to future residents and tenants, and that builders may pass on Bellevue altogether, defeating the notion of attracting growth in the downtown. There is no recognition that growth of the downtown is a direct strategy for reducing development-related traffic elsewhere in the city. Penalizing the very thing the city is trying to encourage makes no sense. Comparing fees with neighboring cities lacks policy substance; needs vary by community, and it is the needs of each community that should drive fees, not a vague sense of comparison; similar land use patterns and rates of growth would be better benchmarks to measure against. The 28 new projects under way in the downtown will generate over \$160 million for the city over the next 20 years. The BDA is an advocate of capacity projects and full funding through the CIP, but assessing higher fees now on developers without a justifiable rationale does not address the underlying problems of the CIP budget and ignores the fact that significant new tax revenues are being generated every day. The Commission should go back to the drawing board to develop a credible approach and rationale reflecting both adopted land use policy and a fair burden. With regard to adding non-local funds to the basis for assessing fees feels like assessing fees on funds from other jurisdictions. With regard to the fees not tracking with inflation, the fees are based on the TFP which grows and shrinks over time.

Ms. Shannon Boldizar, government affairs director for the Bellevue Chamber of Commerce, noted that two years ago the city approached the Chamber seeking support for a more

simplified approach to the impact fee area map. The Chamber agreed with and supported the proposal. The current proposal, however, raises far more questions than answers among the Chamber membership. Businesses understand that growth should pay for growth, but no clear case of specific need is made for the proposed impact fee scenarios, especially for how and why current development should pay exponentially more. The business community is growing both in the downtown core and in areas all over the city. The Chamber works hard to make sure Bellevue has a competitive advantage in the region in attracting new businesses to the city. Bellevue's biggest selling points are the low property tax rate and excellent education programs. The city should take a look at the whole picture in addressing the impact fee schedule. The comparison chart with other cities is simply one measure; other measures should be factored in. In the global economy, businesses can move anywhere they want; the Chamber wants them to continue to locate in Bellevue. Any new tax increase, such as the proposed impact fees, only lessens the ability of the city to compete for new companies. Some of the proposed impact fee scenarios increase fees by as much as 277 percent. It is hard to understand how any governmental agency can believe increases of such magnitude are warranted, unless an impending disaster is being faced. Increasing fees as proposed will only serve to limit economic growth and vitality. Absent justification for the increases, the proposal appears to be nothing more than a way of bringing more money into the city on the backs of business. The Council has questioned the intent of the Commission to raise the fees without making the case for why the increase is needed. The Commission's proposal should be thoroughly vetted by the community, particularly by the business community who will shoulder the bulk of the burden. More time, more information and further analysis are needed. The proposal makes the process more cumbersome, more onerous and more confusing. Most of all, it is simply more expensive, and the Commission owes it to the community to be more deliberate and to take more time to carefully evaluate the legitimacy of the proposal and work with the business community before determining an alternative approach.

Mr. Stu Vander Hoek, #9 103rd Avenue NE, supported the comments of the previous two speakers. He expressed concern over the timing of the impact fee update. He noted that the TFP EIS, which was released on October 19, states that there are no projected violations of Comprehensive Plan level of service standards, which is a positive indicator of future concurrency reports. There appears to be no reason for increasing the impact fees, which for downtown Bellevue will only apply to seven capacity projects. Increasing the fees for multifamily housing could harm the residential market in the downtown by increasing rents. Housing markets are fragile and it cannot be assumed that the current positive trend will stay. The proposed increases are simply not fair.

Mr. Bruce Nurse, Vice President of Government Affairs for Kemper Development Company, said he has been focused on transportation issues for the past 17 years. He said impact fees have negative impacts on development generally and housing specifically. There are many projects that have been on the TFP list for years without getting funded, and the CIP budget has diminished in recent years, with transportation becoming a much smaller percentage than it used to have. The downtown area is not mature, and as new development comes online the city enjoys increased revenues. Bellevue is the envy of all Eastside cities; it has the lowest property tax rates because it has a strong business base. New development brings with it transportation needs, and over the years the Transportation Commission has been a leader in proposing necessary improvements. However, the proposed impact fee increase is not warranted.

3. STAFF REPORTS

Kris Liljeblad, Assistant Director, Transportation Planning, urged the Commissioners to watch the video recording of the Council meeting at which the impact fee item was discussed, as well as the November 6 Council discussion on the CIP. The Council will again discuss the CIP on November 13, and there will be an additional public hearing on the budget.

Mr. Liljeblad reported that beginning in January 2007 Kevin McDonald will be staffing the Transportation Commission.

4. COMMUNICATIONS FROM CITY COUNCIL, COMMUNITY COUNCILS, BOARDS AND COMMISSIONS – None
5. REPORTS FROM COMMISSIONERS

Chair Young said he testified before the City Council on November 6 regarding the CIP. He said he outlined the fact that there are still a lot of needed but unfunded transportation projects in the city and urged exploration of other sources of revenue.

6. PETITIONS AND COMMUNICATIONS – None
7. STUDY SESSION

A. Transportation Facilities Plan & Impact Fee Updates

Answering a question asked by Commissioner Northey, Mr. Liljeblad said the Councilmembers all have expressed interest in getting to a CIP outcome that will satisfy more of the demands being raised. It is clear that slicing and dicing the limited revenue pie is not satisfying everyone, and there is interest in looking beyond the currently available revenues. In addition, the growing maintenance and operations costs are increasing the burden on the CIP, and the Council has discussed moving those costs out of the CIP and into the Operating Budget. In discussion of the proposed impact fee update, the Council expressed caution as to whether or not it is the right thing to do and whether or not there is good rationale for doing it. They asked for more information and more community input.

Commissioner Wendle asked how the impact fee update public hearing was advertised and noticed to the public. Mr. Miller said a notice of the public hearing was published in the newspaper two weeks ago in the regular public notices section. In addition, a press release was put out, notice was sent directly to neighborhood leaders, the Bellevue Downtown Association and the Chamber of Commerce, and information was posted on the city's website.

Chair Young asked what process was previously used to update the impact fee schedule. Mr. Liljeblad said the methodology has not changed since the program was instituted in 1990. In 2004, the impact fee areas were made consistent with the Mobility Management Area boundaries; no changes were made to the fee calculation methodology. The policy basis for the program has not been changed since its inception, and no proposals to change the policy basis are being proposed. All of the proposed changes are within the authority already provided by the code.

Commissioner Wendle suggested there is ample reason to take a step back. He noted that the impact fee schedule was before the Commission in 2005 for discussion; the decision made then was to table the issue. New information was brought to the front when the issue was taken up again in 2006, and it could be said the Commission did not think through all of the

implications of the proposal. The Commission should also take seriously the claim that the process has not been clear and that there has not been ample opportunity afforded for the public to comment on the proposal. Mr. Liljeblad said the TFP project list was completed quite some time ago, and the Draft Environmental Impact Statement (EIS), which took several months to prepare, was published in October. The analysis time was shortened by making the impact fee calculation process occur somewhat simultaneous with the EIS review process. He said the established method for calculating the impact fees are based on the capacity projects on the TFP project list. He allowed that the Commission could put off making a decision on the impact fee update, though the hope is that the Council will be able to act on the issue before the end of the year.

Commissioner Northey agreed with the need to clarify the policy basis for proposing an increase in the impact fees. She allowed that while needing more money is a decent policy basis, it is probably not a sufficient policy basis. The Commission may need to take another meeting to focus on the policy basis before reaching a final decision. Mr. Liljeblad commented that from a technical perspective, the work done by staff to model the capacity projects in the TFP is all about isolating and quantifying the amount of trip demand new development places on the system, which generates the need for capacity projects in the first place. Routinely, the demand has averaged between 16 and 18 percent of project costs across the TFP periods. However, the impact fees have traditionally generated less than half that; the city is not collecting as much revenue as it needs to cover the share of demand on the system that development is creating, which means residents and the business community are having to pay more to cover the cost of growth.

Mr. Miller said the calculation method for determining the impact fees remains the same with each of the proposed scenarios under consideration. The only thing that changes is the project costs included in the calculation.

Mr. Liljeblad said the impact fee schedule calculations yield what the developer contribution ought to be given the capacity projects in the TFP. However, the actual collections have historically been substantially less than the projections. The TFP was set up to extend the CIP time window for an additional six years in order to maintain concurrency. The city has been very cautious about staying out of a moratorium situation, and the TFP allows the city to stay ahead of congestion by routinely programming capacity projects. With the 12-year horizon comes the need to anticipate where growth will happen; the first six years is the easiest to project, but the next six years is more of an educated guess. The EIS is intended to provide some blanket coverage for the cumulative impacts all the projected development might contribute, which means individual developers do not have to conduct substantial environmental review for their projects. The fact that there is a difference between the developers share and the actual collected amounts stems in part from the fact that the guesses have not been right on.

Mr. Miller said the impact fees that have come from the updates in 1999, 2002 and 2004 resulted from the same calculation methodology; the fees differed only because the capacity projects on the TFP project list fluctuated. If a single \$4 million project made up the TFP project list, about 16 percent, or \$640,000, would be covered by development and the rest would be funded by the city from numerous revenue sources. The current practice is not to include non-local revenue sources. Accordingly, if a \$2 million grant were received for the \$4 million project, the 16 percent developer share would apply to only half the local project cost, and would be reduced to only \$320,000; effectively, the developer share would then be only eight percent of the total project cost. However, the developer would be receiving the same

level of capacity benefit for half the cost. Scenario 2a moves the line and has the effect of reducing the city share.

Commissioner Glass suggested that if the fees are to be tripled or quadrupled, the rationale basis is going to have to be very strong. Doing it just because the code allows it is not a good enough argument and is not the way the city has traditionally done business. Mr. Liljeblad pointed out that the proposed scenarios represent stepped increments, with the quadrupling of fees at the high end of the range. There are other incremental options that could be considered that would not raise fees by that much.

Chair Young commented that the proposal is based on a legal interpretation of what is allowed by the code. The Commission has not focused on the policy issues involved in developing the recommendation. A review of the policy issues would be in order before making any changes. Mr. Liljeblad said there has been some serious discussion at the staff level, as well as at the Council level, about whether non-capacity projects should be included in the TFP calculations with an eye on collecting impact fees to fund sidewalk and ped/bike projects. The City Attorney's interpretation of the existing code is that only capacity projects can be included.

Commissioner Northey observed that impact fees are just not a means of raising lots of money for jurisdictions, though it is good public policy to have development pay for development. Part of the problem appears to be the city's inability to accurately predict growth which has led to historic under collecting; if that is the problem, the focus should be on that rather than on increasing the fees. Mr. Miller said the projections aspect is one reason why collections have historically been low, but there are other reasons, including the fact that the city gives credits to developers who implement portions of the plan.

Commissioner Northey held that it would be appropriate for the Commission to suggest what the policy basis should be in terms of proportionate shares and to provide direction regarding how fast to implement any increases, then step back and let staff handle the actual formulas and computations.

Commissioner Wendle commented that the notion of keeping projects on the list after they are completed, provided they are continuing to provide capacity for new development, does have a good policy basis.

Commissioner Yuen proposed holding off making a recommendation to the Council until the end of the month, and scheduling another meeting to discuss the policy issues. One of the problems is the fees have been low for some time, and to raise them up to where they should be represents a large jump.

Commissioner Northey suggested the increases to the impact fee program should be phased in over a set period of time, perhaps 18 months, rather than all at once. If the developer contribution to new trips is around 16 percent, their share of the funding should be close to that number.

Commissioner Glass thought it would make sense to support Scenario 1 and then take some time to review the numbers and come up with another approach for implementation in mid-2007 or in 2008. Commissioner Northey held that if that approach is taken, the impact fee study should allow for consideration of elements beyond what are currently permitted by code. Commissioner Wendle concurred.

Development Review Manager Chris Dreany explained that all city fees changes take effect on January 1. To the extent possible, developers rush to pick up their permits in December. The phased approach could raise new issues in that as the fees are ratcheted up, different developers will be affected differently.

Motion to recommend to the Council continuing the current practice for the next fee update cycle, and to ask the Council to direct staff to initiate an impact fee study with broad community involvement to establish a policy foundation for any subsequent impact fee increases, was made by Commissioner Northey. Second was by Commissioner Wendle and the motion carried unanimously.

It was agreed that the study should be inclusive of all options.

****BREAK****

B. 2006 Concurrency Report Update

Mr. Liljeblad explained that the annual concurrency report is intended to make sure the city is on track to remain concurrent with Comprehensive Plan LOS Standards. The report also provides the basis for the subsequent development review that occurs throughout the year. Concurrency is the notion that land development and transportation capacity must keep pace with each other. Concurrency is calculated based on the 2-hour PM peak period and the levels of service for the 104 designated system intersections in the 14 Mobility Management Areas. The annual report shows existing conditions and general system trends relative to traffic volumes. The modeling assumes all capacity projects in the CIP and all permitted land developments; the process compares system LOS levels with and without the CIP projects to determine the effectiveness of the CIP.

Commissioner Wendle asked how projects in the CIP that include only placeholder funding amounts are treated in the modeling. Mr. Liljeblad answered that capacity projects that will not be completed during the CIP window are not included.

Mr. Liljeblad said traffic volumes on the network have stayed relatively flat over time. For the most part, the fluctuations that have occurred on the major arterials reflect a disruption of one kind or another, such as a construction period or change in the economy.

It was noted that the number of intersections exceeding the LOS standard increased by one between the 2004 and 2005 counts. The range of capacity in 2004 was quite good, with the exception of the Newcastle MMA; in the 2005 count, the reserve capacity continues to be good, with the exception of Newcastle. The issue in Newcastle is that the MMA has only two or three signalized intersections. The modeling indicates that without the CIP projects, a total of nine intersections exceed the LOS standard; the number drops to five with the CIP projects. A number of the MMAs show improvement in terms of reserve capacity available with the CIP projects. If the Forest Drive/Coal Creek Parkway Phase II project is reduced, the reserve capacity equation will be affected. Additionally, the Newport Way/SE 150th Street project was expected to be improved with a contribution of funds from King County; because the county withdrew part of its funding, the full intersection improvement did not happen, so the reserve capacity percentage for that MAA will be reduced.

Mr. Liljeblad said the city has been effective at staying on top of concurrency issues in the past, and in order to continue being effective will require having resources to work with.

Commissioner Wendle commented that the annual concurrency report is a very useful tool. It makes it easier when programming projects to think about what the relative priorities are based on existing conditions.

C. Work Program Planning

Mr. Liljeblad referred to the memo provided the Commissioners. He said there is a lot of local initiative work under way, and a lot of work being done that relates to development in the pipeline, making it a busy time for staff. In addition, there are some city projects under way, and work ongoing on regional projects that are requiring technical staff engagement as well as Council time and attention. There are real opportunities at hand to leverage regional projects to the city's advantage. With RTID coming up, staff's perspective is that there has been much less fighting about whether there should be investments in roads or transit because it is clear they will have to pass together in order to get either one.

The amount of new capacity that the regional projects will add is significant, but it will be some time before much of it is online. Accordingly, the city needs to continue being forward thinking with regard to investing its funds strategically in order to keep traffic moving. Keeping the community informed and onboard with change is always a challenge but necessary so the changes can occur in a way the community can feel good about.

The subarea and corridor planning studies that are under way and which have been completed are identifying capital needs that have very high price tags, and the city is not keeping up with the need. There has been a lot of anxiety about what to do about that; the Council will begin talking about that on November 13.

Chair Young said the fact is Bellevue is a great place and a desirable place to live, but the upkeep and need to expand infrastructure costs money. The Council is going to have to recognize that more will have to be done.

Commissioner Wendle commented that the King County Metro system is confusing and difficult for users to figure out and use. He suggested the city should take a marketing-based look at how transit works in the city, particularly the local routes, with an eye on how to improve the system. Mr. Loewenherz said there are some simple fixes that could be implemented, many of which were tried as part of the Crossroads In Motion project. For that project a subway-type map that was user friendly and easy to read was produced; the same approach is commonly used throughout the world.

Mr. Liljeblad suggested that the current and ongoing efforts that will require the most Commission input in the near future are the Great Streets Plan; the Bel-Red corridor study and early implementation; implementation of the BROTS agreement in that the Bel-Red study may affect it; the downtown one-way couplet, which is one of the few capacity improvements that can be made in the network for very little cost; the ADA transition plan update; the pedestrian-bicycle plan update; the ST-2 East Link light rail extension planning; and the BNSF rails to trails corridor planning. Washington State Department of Transportation has indicated it intends to conduct a corridor study for I-90 in the coming year or so, and that may have some implications for the Commission workload; there would be some advantage to having an Eastgate subarea study under way at the same time.

Chair Young asked where the ped/bike CAG issue stands. Mr. Liljeblad suggested the lack of

action by the Manager and Council suggests that the Commission retain the responsibility of dealing with all of the non-motorized issues. (The Commission's previous recommendation was to support appointment of a Ped-Bike panel that would be advisory to the Commission for the duration of the plan update.

8. OLD BUSINESS

Commissioner Wendle reiterated his desire for the Commission to receive an update regarding the street overlay program and the level of investment required.

Mr. Liljebld noted that the overlay program meshes with the ADA transition plan. He explained that the overlays will have to address curb ramps as a matter of routine. That approach will reduce the number of lane miles that can be overlaid. A change may be needed to the CIP project description for the overlay program to include ADA accessibility as a component.

9. NEW BUSINESS – None

10. PETITIONS AND COMMUNICATIONS – None

11. APPROVAL OF MINUTES

A. September 28, 2006

Motion to approve the minutes as submitted was made by Commissioner Northey. Second was by Commissioner Glass and the motion carried unanimously.

12. REVIEW CALENDAR

A. Commission Calendar and Agenda

The Commission reviewed the items scheduled for discussion in upcoming meetings. There was agreement to hold open November 30 as a possible meeting date, and to not conduct a meeting in December.

B. Public Involvement Calendar

13. ADJOURNMENT

Chair Young adjourned the meeting at 9:41 p.m.

Secretary to the Transportation Commission

Date

Chairperson of the Transportation Commission

Date