

**CITY OF LAKE STEVENS
CITY COUNCIL SPECIAL MEETING/RETREAT MINUTES**

Monday, July 27, 2017
Lake Stevens Fire District Station 82
9811 Chapel Hill Road, Lake Stevens

CALL TO ORDER: 8:10 a.m. by Mayor John Spencer

ELECTED OFFICIALS PRESENT: Councilmembers Kim Daughtry, Gary Petershagen, Todd Welch, Rauchel McDaniel, Kathy Holder, Marcus Tageant and Kurt Hilt (8:19 a.m.)

ELECTED OFFICIALS ABSENT: None.

STAFF MEMBERS PRESENT: City Administrator Gene Brazel, Finance Director/City Clerk Barb Stevens, Community Development Director Russ Wright, Public Works Director Eric Durpos, Police Chief John Dyer, Human Resources Director Teri Smith, Communications Coordinator Beth Braun and Deputy City Clerk Kathy Pugh

OTHERS: Julie Bassuk and Cecelia Roussel, Makers Architecture and Urban Design, LLP

Call to Order: Mayor Spencer called the meeting to order at 8:12 a.m. and said the purpose of today's meeting is to have a discussion regarding the future location of City Hall and associated structures including the Library District, and how City Hall siting might affect the downtown subarea development. The Mayor noted there will be no action taken today, but that Council may come to consensus as to how they want to move forward and act at a later date.

Discussion Item: Consider and Discuss Programming Needs for Chapel Hill Uses and Permanent Location of City Hall. Community Development Director Russ Wright introduced the discussion and commented that as this project has been discussed several times over the past year, and that all the projects are starting to come together, staff is looking for some guidance and interaction on where Council sees the program going, including the redevelopment of downtown and the facility needs of the City over the next 20 years.

Director Wright reviewed the history of the discussion on the siting of a new city hall, beginning with the 2016 Council retreat. At that time Staff brought forward an analysis that reviewed the project cost, placemaking, accessibility of the facility to the community including transit and population, influence on existing and future businesses based on facility siting, and special opportunities that might be realized because of the downtown subarea planning, the redevelopment of North Cove Park, siting of a Civic Center and siting of facilities at the Chapel Hill site, and how these various considerations influence a decision on city hall siting. (Councilmember Hilt arrived at 8:19 a.m.)

Director Wright said the three options under consideration for the siting of city hall are Downtown, Chapel Hill, and a Hybrid option that would match city services to different locations. He reviewed the pros and cons of each of these models.

The Downtown option has the benefit of placemaking in the downtown area and it is the traditional location of city hall. The negatives for this option include increased costs for land purchase, maintenance and support staff, and it is not centrally located.

The Chapel Hill option benefits include a central location to all population, transit access and all city services are combined. Also, there is a development cost savings. The negatives for this option are that the site will be intensively used, and there is a perceived negative impact to the current downtown businesses until redevelopment occurs.

Director Wright next introduced the Hybrid model. Benefits include matching city services to different locations representing both the older and the newer parts of the city. With this model, the negatives are increased costs for land purchase, maintenance and support staff, and decreased collaboration and coordination among staff.

There was discussion regarding collaboration and the need to move staff back and forth under the hybrid and split campus models, and the possibility that some staff will be working remotely, which may diminish concerns about collaboration.

Director Wright next reviewed the needs assessment that Makers has assisted with. Considerations include what the population looks like today and in twenty years, and what the City's employment needs will be in twenty years. Also Makers is assisting with a coordination of a master plan for the Chapel Hill site to include both the library and city hall. To accomplish this Lake Stevens was compared with cities having a current population of 50-60,000. Some of the cities for comparison and discussion are Burien, Sammamish and Shoreline. Considerations for municipal buildings of the future include technology, consultants and alternative work arrangements. Also, an analysis of space needs per employee was undertaken, looking at private industry standards.

Director Wright said that Makers reviewed the space needs for employees and determined that approximately 330 square feet is needed per employee. This includes work space, storage, meeting areas, and special programming requirements such as council chambers, municipal court and training rooms. The average space for municipal works is 400-500 square feet per employee. Currently the City utilizes approximately 18,000 square feet including the City Hall, Police Station, Community Center and rented facilities for all city functions, and this equates to a gross area per employee of approximately 190 square feet. A program that embraces technology and evolving preferences in workplace design, and providing shared conference and meeting spaces is under consideration for the future

Responding to Councilmember Hilt's question, Mayor Spencer said that a decision has not been made about telecommuting, but that by using the lower numbers, assumptions are being made about telecommuting. He added that some larger private businesses are moving away from telecommuting, not because it does not work, but because they want more collaboration in the office. Mayor Spencer said in his experiences with telecommuting collaboration has not been a problem.

Discussion ensued on the benefits of establishing a telecommuting program now, based on current city hall space, and the benefits of telecommuting.

Mayor Spencer commented this is an opportunity for Lake Stevens to be a demonstration or pilot city and do something quite different.

Director Wright said there will be ongoing costs if Council chooses to endorse a model, such as telecommuting. In that case, every employee working from home will be issued a laptop and a cellphone, and possibly reimbursement for employees using their own resources to work, such as WIFI.

Director Wright said the next consideration is what will the employment numbers actually look like. All of the department heads have been very involved with this analysis and the best guess at this point is that city services will have 56-63 employees in a physical location or combination thereof; police is around 84-86 employees including both officers and civilian staff. This is a best guess with some of the assumptions made such as outsourcing different departments, perhaps IT or Engineering. This is a pretty lean employee package, but Lake Stevens has always tried to be a "lean operation." Other things in city services include assumptions for a new fully effective Parks Department, and several more office-related staff that are included in the numbers. This excludes a parks person who would be located at the civic community center as coordinator for that facility, as well as maintenance staff that the city expects to grow. The numbers focus on office staff.

There was discussion on how to address parking concerns and particularly how to address parking overflow into adjacent neighborhoods. It was noted that both the Police Department and the Library need a high volume of parking spaces.

This was followed by discussion on the number of employees and keeping the numbers lean without overworking staff. Also, discussed was the separation of the Parks Department from Community Development.

Director Wright next reviewed the program alternatives proposed by Makers, which include (1) Chapel Hill with all city services and the library located at Chapel Hill (Scheme A); (2) Split Campus with Police and library located at Chapel Hill and City Hall located downtown, this may include a Council Chambers/court facility (Scheme B); (3) Civic Center Hybrid which locates Police, city services and the library at Chapel Hill, and the Administration & Finance Departments downtown and may include a Council Chambers/court facility (Scheme C); (4) Downtown Hybrid which locates Police, city services and the library at Chapel Hill, and Administration and Finance Center in the Civic Center, and may include a Council chambers/court facility (Scheme D). Both Scheme B and Scheme D would require site lease or acquisition.

City Administrator Brazel offered that the school district has communicated a desire to partner with the city in the downtown area to share meeting space.

Director Wright then reviewed the space needs for each scheme and discussed the height restrictions and how adding floors affects costs. He also responded to a question saying that it is known that anything constructed downtown will require upgrades to the sewer system and a connection; at the Chapel Hill site, there is already adequate water and sewer. Discussion ensued on how infrastructure costs would be addressed and shared with the library. Director

Wright noted that both Makers and the City's consultant for the downtown plan, Crandall Arambula, are estimating approximately the same square footage for a city hall that would be located downtown.

Turning to the proposed alternatives Director Wright said that after reviewing the proposed alternatives staff identified two preferred alternatives. Considerations included size and location, how city departments are sited to provide a high level of connectivity, functionality, parking, and costs. Director Wright reviewed the various alternatives and discussed why they were eliminated or selected as a preferred alternative. He noted the library would like a corner presence and that one of the goals is to create a civic presence between city hall and the library. Access and parking considerations were reviewed, particularly for Police and the library.

Regarding library size, Director Wright said Sno-Isle's model is to have a 20,000-square foot building, which is smaller than the library in Snohomish, but would meet the community's needs. Their parking needs are specific and they believe they need a minimum of 80 stalls. The analysis shows there could be some shared parking between city hall and the library to meet the parking objective.

Discussion ensued as to how the parking needs could be accommodated. In response to a question regarding parking at the Food Bank if it locates across the street, Mayor Spencer said no decision has been made on location of the Food Bank, and the Food Bank has been so advised. Mayor Spencer has checked with the City Attorney's office and learned that the City could buy the property and a building and lease it back for the Food Bank's use. The state allows this as it is considered a public benefit.

Director Wright discussed why staff believes the Frontage and Police/Library concepts are most desirable, including that they meet the identified goals of the downtown subarea plan and the City's identified goals for developing the Chapel Hill property. Any preferred alternative that is considered again will be fine-tuned as to parking and location considerations.

Director Wright reviewed how the preferred alternatives could also accommodate a Council Chambers/court. In response to a question, Director Wright said the Council Chambers/court can be accommodated in any of the scenarios.

Responding to a question, Director Wright said that for construction of a city hall and all its functions it would likely cost at a minimum between \$10-\$13 million, and this would not include site development costs. The police station will likely cost at least \$12-\$15 million under any circumstance. Director Wright noted if any of the hybrid scenarios are used there will be slightly more costs because facilities are sited in different locations. He clarified that in either hybrid option something would have to be built downtown.

Turning back to the parking concerns, Director Wright commented that structured parking is a possibility, but this adds to the cost. It has previously been discussed to ensure there is adequate parking in the downtown area as part of the redevelopment plan. Because the City's water table is high it is not conducive to underground parking; also with underground parking surface parking is lost because underground parking requires a grade for access. A partial structured parking design is possible. Structured parking can be phased in with the choice of any of the schemes.

Director Wright said the raw numbers for price per square foot are about \$425 for police and up to \$365 for the city hall building. The numbers do include a 10% markup for lead certification. There is also a markup of 35-40% in soft costs for site development. Structured parking will cost approximately \$100 per square foot. The cost to acquire property in the downtown area is approximately \$7.50 per square foot on the low end to \$10-12 per square foot for raw, undeveloped land, based on a recently completed high level analysis. Downtown lease spaces are \$20-\$25 per square foot right now. Building a city hall in the downtown will necessitate acquiring 1-1.5 acres of land, depending on what services will go into a downtown city hall building.

Responding to a question of locating a Council Chambers/court with a community center, Mayor Spencer said that it is possible, but not desirable, particularly if there is a desire to combine a community center with a public-private partnership.

There was concensus to take a break at 9:38 a.m. The Special Meeting/Retreat convened at 10:14 a.m.

Director Wright reviewed that the base cost for a Police Department and city facilities. The Police cost will not vary under any of the scenarios. For city hall, the cost of \$350 per square foot was used. If the city hall building is constructed at Chapel Hill a 40% increase was added. If the City Hall is constructed downtown a 45% increase was added. None of the numbers includes structured parking. Also, for the downtown locations there will be a range of property acquisition costs of \$300,000 to \$500,000 depending on what facility is there. These are the weakest numbers as the City does not currently have appraised values. Director Wright reminded that all numbers are very rough and for discussion purposes only.

In response to Council's request, Director Wright provided a range of potential preliminary costs for developing the different scenarios between \$23 million to nearly \$25 million. The least expensive option would be locating all services at Chapel Hill, while a downtown City Hall and Hybrid options would be more expensive.

There was general discussion regarding costs and Director Wright reminded the costs presented today are very rough. The Makers cost estimator will be able to provide more accurate numbers. Director Wright explained the gross costs and then reviewed the individual cost aspects for each scheme.

The question was posed as to what will happen to the property owned by the City where the Police Department is currently located on Grade Road. Mayor Spencer said there has been a lot of interest in the property but that a decision has not been made; his preference is to sell the property. There was discussion as to how the property could be utilized including as a rental property.

Councilmember Holder asked if there has been any consideration given to using the current Police Department or the property as part of the hybrid option for city services. It could be used with the existing modular or a building could be constructed. Although the property is small, it could house some city functions. She added that this property is located away from the higher value property that the city is hoping to offer to businesses.

Director Wright commented it could be used to house the Council Chambers and court.

Returning to the costs provided. Director Wright again emphasized the costs presented today are very rough numbers.

Director Stevens reviewed the various funding mechanisms for the proposed capital improvements. Possible funding sources for the proposed Police station and City Hall include the General Fund/Reserves, voter approved bonds, councilmanic bonds, loans including bank or internal fund loans, grants, or public private partnerships and/or leases. Leases could be lease to own, or the City could build and then lease out some space to subsidize the costs.

Turning to the General Fund/Contingency Fund, Director Stevens reviewed how this fund could be utilized and noted that currently the City is spending more out of this fund than is being brought in. The Real Estate Excise Tax (REET) 1 is already funding two bonds and a debt payment. REET 2 funds cannot be used as they are more restricted.

Director Stevens said that the city will need to use some outside funding options to build a Police station. She reviewed the options of voted bonds and councilmanic bonds. Voted bonds provide a dedicated funding source, but are more difficult to do. Considerations of voted bonds include timing and upfront expenses, and there is outcome uncertainty. Councilmanic bonds have minimal timing issues. Director Stevens said the city has a lot of legal debt capacity, and city funds must be used to pay the debt service.

Director Stevens next reviewed the lease options including through a public/private partnership, which has limited upfront capital outlay and provides for monthly or annual payments, and long-term lease options, which also include monthly or annual payments, in the situation where the city owns the property and facility and leases to a third party.

Director Stevens commented on the option of obtaining grants. She said grants would provide matching funds to city contributions, but their availability is not known.

Mayor Spencer said the advantage to the public-private partnership is that once the city decides on a concept, it does not spend a lot of money on the design. The facility is privately built and the city moves into the facility and pays a monthly fee and will, after a number of years own the building. There are a wide range of options within this general scenario. The advantage is that the private sector can build more cost effectively than the public sector.

There was discussion as to how a public-private partnership might work.

Turning to the various fund options, Director Stevens said her preferred method is a voted bond, but there are many reasons to choose any one of the options. She said she recently updated the financial forecasts and said that the city could do a \$12 million bond; a 30-year bond in 2018 for the Police department can be covered now with the REET 1 and general fund monies. If the city takes the same course in 2027 to build a city hall the city's reserves will be depleted in about a year. This is based on current conditions.

Director Stevens next reviewed a retail development forecast spreadsheet based on the city having one or two strong retailers in the city, which provide a revenue stream that would allow the city to pay for the bonds in ten years and responded to questions.

There was discussion as to how funding sources would work and how potential annexations might affect consideration of funding sources for the capital improvements.

Director Stevens reminded that the funds she's referencing are also used for operating costs, and if operating costs rise that will affect the amount of funds available for financing of the proposed capital improvements.

Director Wright reviewed a draft facility phases timetable which depicts the timeline for developing a new city hall, community center and police station, as well as a remodel of the public works facilities. He also reviewed a draft timeline for the phasing of the North Cove Park redevelopment. Director Wright reminded of other parks costs that will be coming up including updating Frontier Heights Park if it is turned over to the city, and costs associated with upkeep of the ball fields on 20th if they are transferred to the city.

Councilmember Holder commented it is important that the city follow through with its promises as far as park improvements and maintenance if either of these parks comes into the city.

Director Wright reviewed the possibility of establishing a parks junior taxing district. This is being reviewed with the county and will come back to Council in 2018.

Mayor Spencer summarized that the proposal is to move forward with the Police station using councilmanic bonds to fund the project, that the city focus its energies to moving forward with the downtown redevelopment and North Cove Park improvements, including road widening, bicycle lanes, sidewalks, bicycle trail extension to Centennial Trail, and then return to building a city hall in seven to ten years. The city would also focus on obtaining grant funding to build a civic center in downtown Lake Stevens. Much of this is dependent on the library bond passing.

Mayor Spencer added there are variations that can be considered including staffing levels and building a municipal court. He asked Council for a consensus direction on how they wish to proceed.

Director Wright introduced Julie Bassuk and Cecelia Roussel, Makers architecture and urban design, and said they are available to answer any questions Council may have.

Mayor Spencer said there are a lot of questions as to whether the Chapel Hill site will provide enough parking if all city functions are sited there, together with the library.

Ms. Bassuk said in light of information recently obtained from the library, it will be very difficult to have adequate parking at Chapel Hill if all three structures – library, police and city hall – are sited on the property. Structured parking would help.

Ms. Roussel agreed and said the parking demand as calculated was conservative, but the new information received from the library showed that the national industry standard assumptions that were used in the calculation deviated from what the library believes its parking needs are.

Responding to Director Wright's question, Ms. Bassuk said that the City would need to take a hard look at installing structured parking at this location, even with the additional information from the library. The peak use request from the library was 80 spaces and the calculated peak was 52 spaces. The concern is the library peak usage overlap with other peak usages.

Ms. Roussel responded to Councilmember McDaniel's question regarding peak parking use if a municipal court is in play, saying that the estimation was not done to that level of detail. She did not believe a court would drive a high peak demand.

City Administrator Brazel commented that in Monroe, where the council chambers are used as a municipal court, on court days the city's parking lot is full and city staff finds alternative parking.

There was general agreement that court-use parking needs to be factored into the equation.

Councilmember Hilt wondered about acquiring more property for parking. Mayor Spencer suggested if the city acquires the property on the adjacent corner for a Family Center and Food Bank, the property could accommodate additional parking.

Chief Dyer said that a municipal court generally operates two times a week.

Councilmember Petershagen asked if additional mitigations could be considered to address the parking concerns. Discussion ensued and Director Wright suggested the city could look at additional innovative design for mitigation that would allow for a buffer reduction.

Councilmember Petershagen asked how the city can "lock in" the site regarding buffers so that down the line there are not problems as the city and library move to develop the property. Director Wright responded that the area has already been impacted, and if the city wishes to go further the city would need to make additional mitigations.

Director Wright added that there may be an opportunity for a buffer mitigation connected with installation of the secondary stormwater system. Mitigations might include a rain garden, bio cells or low impact swales.

Councilmember Holder suggested utilizing the current Police station property for some of the facility needs, particularly since the City already owns that property. Director Wright clarified that in the hybrid model 14,000 square feet includes Community Development, Public Works and IT; by adding 5,000 square feet to get to 19,000, that includes everything.

Director Wright said that if the City keeps the Police station property, it might be a good match for the Council Chambers/court, and he reviewed how this would change the numbers on the hybrid model.

Mayor Spencer requested Council's input on how they wish to proceed.

Councilmember Hilt is interested in the lease to own options.

Councilmember Holder supports the idea of councilmanic bonds for the Police department and lease to own for the City buildings.

Councilmember Tageant thinks that once 20th Street SE commercial development is in place the City will receive funding from these businesses that can help with funding for new City buildings.

Councilmember Holder commented she also supports the idea of public-private partnerships with a hotel for part of the downtown redevelopment.

Mayor Spencer summarized that for the Chapel Hill property the city will look at councilmanic bond approach and lease to own financing option. He asked if there is any interest in any of the hybrids, with Council Chambers and a court, as a minimum, to be located downtown.

Councilmember McDaniel said that it makes sense to have some sort of city hall configuration in the downtown area.

Responding to Councilmember Daughtry's question, Councilmember McDaniel said that siting a Council Chambers/court on the current Police station property does not meet the idea of siting a City facility downtown. She reminded that when Crandall Arambula worked with the city their recommendation was to include some sort of structured parking attached to a city facility that would also help support tourism. She believes parking structures should not be visible on the main traffic corridor.

Councilmember Holder suggested that parking might be included as part of private development such as a hotel, and that perhaps the city could partner with a private development to achieve the parking goals.

Mayor Spencer suggested looking at some alternatives including a Council Chambers/municipal court and some auxiliary staff, in a downtown location, perhaps behind the Jay's Market property. Discussion ensued on what would be needed to make this happen.

Councilmember Petershagen commented the downtown area is very small and that putting a city facility in the area would not help the city to achieve its goal of enhancing the downtown.

Mayor Spencer summarized that if a small lodging developer came into the area, the city would still be paying for the parking and where it is located would be determined at that time. Lodging developers who have come to the city are looking at small boutique facilities with twenty-thirty rooms and possibly some light retail on the first level, lodging on the second, and possibly condominiums on a third story.

Mayor Spencer said that it is helpful to have Council input to narrow and fine tune the options.

Council agreed with Mayor Spencer that the city is not ready to talk yet about location of the Family Center and Food Bank.

Councilmember McDaniel requested additional information on both the Monroe and Marysville Municipal Courts and parking.

Director Wright presented some additional numbers on a new Scheme E that would have a 17,000 square foot city hall located at Chapel Hill and an approximately 6,000 square foot Council Chambers/municipal court sited at the current Police station property with a cost of about, \$21,885,000, which would be the least expensive option discussed today.

Mayor Spencer clarified that under all the scenarios the Police department would move forward as quickly as possible. Any option will require ongoing negotiation with the library. Responding to a timing question, Mayor Spencer believes Council will need to begin making hard decisions in early 2018, including how to proceed with funding.

Councilmember Tageant suggested the library could be two story or partially two-story and so could the Police department to help with creating more parking spaces. Ms. Bassuk responded that for the library one issue is the construction piece, but the major issue is manning and running a multi-story facility.

Mayor Spencer responded that the City has offered that the library could use the property they purchased. He has discussed with the library director various options including partnering on the building and a two-story building. Discussion ensued on working with the library. Mayor Spencer suggested there is a lot of room for negotiation.

There was discussion regarding the need to rework the stormwater system under the various scenarios.

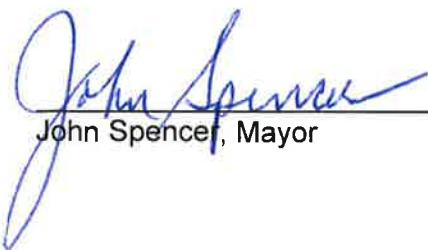
Director Wright confirmed with Council that they are comfortable with the employment projections. There was agreement that a lean profile is attractive, but it is also important that there be enough staffing.

Mayor Spencer summarized that staff will bring back numbers for two schemes, one for all buildings at Chapel Hill, and two alternatives for downtown, one being to use the current Police department property and the second being something closer to the downtown development area for Council Chambers and court. Also, staff will bring back information on public-private development.

Councilmember McDaniel requested another retreat not based on a single subject agenda. Mayor Spencer suggested that could occur early in the budget process, and he will work with staff to schedule one.

Adjourn:

There being no further business the meeting adjourned at 11:45 a.m.



John Spencer, Mayor



Kathy Pugh, Deputy City Clerk