



City of Kenmore - 18120 68th Avenue NE - P.O. Box 82607 - Kenmore, WA 98028
Phone: 425-398-8900 - Fax: 425-481-3236 - E-mail: cityhall@kenmorewa.gov

City of Kenmore
REVISED City Council Special & Regular Meeting Agenda

6:00 p.m., Monday, November 14, 2016

Kenmore City Hall, Council Chambers
18120 68th Ave. NE, Kenmore, WA 98028

If you have any questions or to confirm agenda items prior to the meeting, or if you require special accommodations, please call the City Clerk at 425-398-8900. You may also stop by City Hall at 18120 68th Avenue NE, Kenmore. Council agendas are also available on our website at www.kenmorewa.gov.

I. 6:00 p.m. - CALL SPECIAL MEETING TO ORDER

- A. Public Works Services Analysis - Jennifer Gordon, Public Works Operations Manager
[Agenda Bill & Attachment](#)

II. ADJOURN SPECIAL MEETING

III. 7:00 p.m. - CALL REGULAR MEETING TO ORDER

IV. ROLL CALL

V. FLAG SALUTE

VI. AGENDA APPROVAL

VII. CITIZEN COMMENTS

- A. This is an opportunity to express your views on issues that are important to you and to the community. Please limit your comments to three (3) minutes.

VIII. CONSENT AGENDA

- A. Authorize the City Manager to Sign a Lease Agreement for Town Square Hangar Building, Contract No. 16-C1624, with Diva II, LLC (dba Diva Espresso)
[Agenda Bill](#)

IX. PUBLIC HEARINGS

- A. Public Hearing to Receive Public Testimony on Ordinance No. 16-0428, Low

Impact Development (LID) Integration - Richard Sawyer, Surface Water Program Manager, and Kris Overleese, Public Works Director/City Engineer

- B. Public Hearing to Receive Public Testimony on the Proposed Preliminary 2017-2018 Biennial Budget for the City of Kenmore, Washington - Joanne Gregory, Finance & Administration Director

[Agenda Bill & Attachments](#)

X. BUSINESS AGENDA

- A. Adopt Ordinance No. 16-0433, Single-Family Zoning Code Amendments - Lauri Anderson, Senior Planner, and Debbie Bent, Community Development Director

[Agenda Bill & Attachments](#)

- B. Review of 2017-2018 Proposed Preliminary Biennial Budget - Joanne Gregory, Finance & Administration Director

- Public Works Engineering
- Park & Facility Maintenance
- Street Fund
- Transportation Benefit District Fund
- Transportation Capital Fund
- Transportation Impact Fee Fund
- Sammamish River Bridge Fund
- Surface Water Management Fund
- Surface Water Capital Fund

[Agenda Bill](#)

[PowerPoint Presentation](#)

- C. First Reading of Bond Ordinance No. 16-0434 - Joanne Gregory, Finance & Administration Director

[Agenda Bill & Attachment](#)

- D. Adopt Resolution No. 16-282, Intent to Hold a Public Hearing Regarding Assumption by the City of the Rights, Powers, Functions & Obligations of the City of Kenmore Transportation Benefit District (TBD) - Joanne Gregory, Finance & Administration Director

[Agenda Bill & Attachment](#)

XI. STAFF REPORTS

- A. St. Edward State Park Ball Fields Update - Rob Karlinsey, City Manager
- B. City Manager Comments

XII. COUNCILMEMBER REPORTS, COMMENTS & INITIATIVES

XIII. EXECUTIVE SESSION

Pursuant to RCW 42.30.110(1)(i), Potential Litigation and Litigation

XIV. POSSIBLE ACTION RELATING TO EXECUTIVE SESSION

XV. ADJOURNMENT

Upcoming Meetings:

Tues., November 15, 2016 7:00 p.m. Planning Commission Regular Meeting
Mon., November 21, 2016 7:00 p.m. City Council Regular Meeting
Tues., November 22, 2016 6:00 p.m. City Council Special Executive Session Meeting
Mon., November 28, 2016 7:00 p.m. City Council Regular Meeting



City Council Business Agenda Item
City of Kenmore, WA

Subject/Topic: Public Works Services Analysis Level of Service Workshop Presented by The FCS Group: Juston Manville Scott Bach Proposed Council Action/Motion: None	For Council Meeting Agenda of: November 14, 2016 Department: Public Works Prepared by: Jennifer Gordon, Public Works Operations Manager <i>JG</i> Initial & Date Approved by Department Head: <i>LW 10/27/2016</i> Approved by City Attorney: <i>n/a</i> Approved by Finance Director: <i>10/27/16</i> Approved by City Manager: <i>[Signature]</i> Exhibits/Attachments: Contract 16-1547 Public Works Services Analysis
Expenditure Required \$ n/a Amount Budgeted \$ n/a Appropriation Required \$ n/a	
INFORMATION/BACKGROUND: City Council pre-authorized the City Manager to execute a contract for the Public Works Services Analysis Project at the July 25, 2016 Council Meeting. Through a Request for Proposal (RFP) process the FCS Group was selected and a contract was executed for the Public Works Services Analysis Project. This first touch with Council will be an hour long workshop on Levels of Service (LOS). The goal of the workshop is to provide the City of Kenmore a common understanding of LOS. Level of Service will be used to provide a clear way to communicate public works service delivery expectations for internal and external stakeholders as part of the Public Works Services Analysis Project. It has been identified that LOS Measures will be used to provide clear service delivery expectations and will ensure that City goals align with staff goals and contract delivery in the field. Topics to be discussed: • The Public Works Services Analysis • Communication and Level of Service • The steps in performing a LOS Analysis • Linking LOS to Service Delivery ○ Development of LOS Targets ○ Performance Measures • Strategies and Methods to Develop a LOS Plan	

FISCAL CONSIDERATION: 2016 expenditures will be absorbed in the existing 2015-2016 operational budget split between the Parks & Facilities Maintenance Budget and the Street Fund. 2016 expenditures are expected to be under \$20,000. The remainder of the project costs will be budgeted in the 2017-2018 biennial budget with a percentage split between the Parks & Facilities Maintenance Budget, the Street Fund and the Surface Water Fund.

COUNCIL GOAL/BUDGET OBJECTIVE BEING ADDRESSED:
Effective and efficient services.

City of Kenmore Contract No. 16-C1547

CONSULTANT CONTRACT

This Agreement is entered into by and between the City of Kenmore, Washington, a municipal corporation ("City") and The FCS Group, ("Consultant") whose principal office is located at Redmond Town Center 7525 166th Ave NE Suite D-215, Redmond, WA 98052.

WHEREAS, the City desires to have certain services performed for its citizens; and

WHEREAS, the City has selected the Consultant to perform such services pursuant to certain terms and conditions;

NOW, THEREFORE, in consideration of the mutual benefits and conditions set forth below, the parties agree as follows:

1. Scope of Services to be Performed by Consultant. The Consultant shall perform the services described in Exhibit "A" of this Agreement. In performing the services, the Consultant shall comply with all federal, state and local laws and regulations applicable to the services. The Consultant shall perform the services diligently and completely and in accordance with professional standards of conduct and performance.

2. Compensation and Method of Payment. The Consultant shall request payment for work performed using the billing invoice form at Exhibit "C."

The City shall pay Consultant:

[Check applicable method of payment]

 X According to the rates set forth in Exhibit "B", for a sum not to exceed \$75,000.00

 A sum not to exceed

 Other (describe): _____

The Consultant shall complete and return to the City Exhibit "D," federal tax Form W-9, prior to or along with the first billing invoice. The City shall pay the Consultant for services rendered within ten (10) days after City Council voucher approval.

3. Duration of Agreement. This Agreement shall be in full force and effect for a period commencing upon execution and ending December 31, 2017 unless sooner terminated under the provisions of this Agreement. Time is of the essence of this Agreement in each and all of its provisions in which performance is required.

4. Ownership and Use of Documents. Any records, files, documents, drawings, specifications, data or information, regardless of form or format, and all other materials produced by the Consultant in connection with the services provided to the City, shall be the property of the City whether the project for which they were created is executed or not.

5. Independent Consultant. The Consultant and the City agree that the Consultant is an independent Consultant with respect to the services provided pursuant to this Agreement. The Consultant will be solely responsible for its acts and for the acts of its agents, employees, sub consultants or representatives during the performance of this Agreement. Nothing in this Agreement shall be considered to create the relationship of employer and employee between the parties.

6. Indemnification.

A. Consultant shall defend, indemnify and hold the City, its officers, officials, employees, agents and volunteers harmless from any and all claims, injuries, damages, losses or suits including attorney fees, arising out of or resulting from the acts, errors or omissions of the Consultant in performance of this Agreement, except for injuries and damages caused by the sole negligence of the City.

B. Should a court of competent jurisdiction determine that this Agreement is subject to RCW 4.24.115, then, in the event of liability for damages arising out of bodily injury to persons or damages to property caused by or resulting from the concurrent negligence of the Consultant and the City, its officers, officials, employees, and volunteers, the Consultant's liability, including the duty and cost to defend, hereunder shall be only to the extent of the Consultant's negligence.

C. It is further specifically and expressly understood that the indemnification provided herein constitutes the Consultant's waiver of immunity under Industrial Insurance, Title 51 RCW, solely for the purposes of this indemnification. This waiver has been mutually negotiated by the parties.

D. The provisions of this section shall survive the expiration or termination of this Agreement.

7. Insurance. The Consultant shall procure and maintain for the duration of the Agreement, insurance against claims for injuries to persons or damage to property which may arise from or in connection with the performance of the work hereunder by the Consultant, its agents, representatives, or employees.

A. Minimum Scope of Insurance. Consultant shall obtain insurance of the types described below:

1. Automobile Liability insurance covering all owned, non-owned, hired and leased vehicles. Coverage shall be written on Insurance Services Office (ISO) form CA 00 01 or a substitute form providing equivalent liability coverage. If necessary, the policy shall be endorsed to provide contractual liability coverage.
2. Commercial General Liability insurance shall be written on ISO occurrence form CG 00 01 and shall cover liability arising from premises, operations, independent Consultants and personal injury and advertising injury. The City shall be named as an insured under the Consultant's Commercial General Liability insurance policy with respect to the work performed for the City.

3. Workers' Compensation coverage as required by the Industrial Insurance laws of the State of Washington.
4. Professional Liability insurance appropriate to the Consultant's profession.

B. Minimum Amounts of Insurance. Consultant shall maintain the following insurance limits:

1. Automobile Liability insurance with a minimum combined single limit for bodily injury and property damage of \$1,000,000 per accident.
2. Commercial General Liability insurance shall be written with limits no less than \$1,000,000 each occurrence, \$2,000,000 general aggregate.
3. Professional Liability insurance shall be written with limits no less than \$1,000,000 per claim and \$1,000,000 policy aggregate limit.

C. Other Insurance Provision. The Consultant's Automobile Liability and Commercial General Liability insurance policies are to contain, or be endorsed to contain that they shall be primary insurance as respect the City. Any Insurance, self-insurance, or insurance pool coverage maintained by the City shall be excess of the Consultant's insurance and shall not contribute with it.

D. Acceptability of Insurers. Insurance is to be placed with insurers with a current A.M. Best rating of not less than A:VII.

E. Verification of Coverage. The Consultant shall furnish the City with original certificates and a copy of the amendatory endorsements, including but not necessarily limited to the additional insured endorsement, evidencing the insurance requirements of the Consultant before commencement of the work..

F. Notice of Cancellation. The Consultant shall provide the City with written notice of any policy cancellation, within two business days of their receipt of such notice.

G. Failure to Maintain Insurance. Failure on the part of the Consultant to maintain the insurance as required shall constitute a material breach of contract, upon which the City may, after giving five business days notice to the Consultant to correct the breach, immediately terminate the contract or, at its discretion, procure or renew such insurance and pay any and all premiums in connection therewith, with any sums so expended to be repaid to the City on demand, or at the sole discretion of the City, offset against funds due the Consultant from the City.

H. No Limitation. Consultant's maintenance of insurance as required by the agreement shall not be construed to limit the liability of the Consultant to the coverage provided by such insurance, or otherwise limit the City's recourse to any remedy available at law or in equity.

8. Record Keeping and Reporting.

A. The Consultant shall maintain accounts and records, including personnel, property, financial, and programmatic records, which sufficiently and properly reflect all direct and indirect costs of any nature expended and services performed pursuant to this Agreement. The Consultant shall also maintain such other records as may be deemed necessary by the City to ensure proper accounting of all funds contributed by the City to the performance of this Agreement.

B. The foregoing records shall be maintained for a period of seven (7) years after termination of this Agreement, unless permission to destroy them is granted by the Office of the Archivist in accordance with Chapter 40.14 RCW and by the City.

9. Audits and Inspections. The records and documents with respect to all matters covered by this Agreement shall be subject at all times to inspection, review or audit by the City during the performance of this Agreement. All work products, data, studies, worksheets, models, reports and other materials in support of the performance of the service, work products, or outcomes fulfilling the contractual obligations are the products of the City.

10. Termination.

A. The City reserves the right to terminate or suspend this Agreement at any time, with or without cause, upon seven (7) days prior written notice. In the event of termination or suspension, all finished or unfinished documents, data, studies, worksheets, models, reports or other materials prepared by the Consultant pursuant to this Agreement shall promptly be submitted to the City.

B. In the event this Agreement is terminated or suspended, the Consultant shall be entitled to payment for all services performed and reimbursable expenses incurred to the date of termination.

C. This Agreement may be canceled immediately if the Consultant's insurance coverage is canceled for any reason, or if the Consultant is unable to perform the services called for by this Agreement.

D. The Consultant reserves the right to terminate this Agreement with not less than fourteen (14) days written notice, or in the event that outstanding invoices are not paid within sixty (60) days.

E. This provision shall not prevent the City from seeking any legal remedies it may otherwise have for the violation or nonperformance of any provisions of this Agreement.

11. Discrimination Prohibited. The Consultant shall not discriminate against any employee, applicant for employment, or any person seeking the services of the Consultant under this Agreement, on the basis of race, color, religion, creed, sex, sexual orientation, age, national origin, marital status, presence of any sensory, mental or physical disability, or other circumstance prohibited by federal, State or local law or ordinance, except for a bona fide occupational qualification.

12. Assignment and Subcontract. The Consultant shall not assign or subcontract any portion of the services contemplated by this Agreement without the prior written consent of the City.

13. Conflict of Interest. The Consultant represents to the City that it has no conflict of interest in performing any of the services set forth in Exhibit "A." In the event that the Consultant is asked to perform services for a project with which it may have a conflict, Consultant will immediately disclose such conflict to the City.

14. Confidentiality. All information regarding the City obtained by the Consultant in performance of this Agreement shall be considered confidential. Breach of confidentiality by the Consultant shall be grounds for immediate termination.

15. Non-appropriation of Funds. If sufficient funds are not appropriated or allocated for payment under this Agreement for any future fiscal period, the City will so notify the Consultant and shall not be obligated to make payments for services or amounts incurred after the end of the current fiscal period. This Agreement will terminate upon the completion of all remaining services for which funds are allocated. No penalty or expense shall accrue to the City in the event that the terms of the provision are effectuated.

16. Entire Agreement. This Agreement contains the entire agreement between the parties, and no other agreements, oral or otherwise, regarding the subject matter of this Agreement shall be deemed to exist or bind either of the parties. If there is a conflict between the terms and conditions of this Agreement and the attached exhibits, then the terms and conditions of this Agreement shall prevail over the exhibits. Either party may request changes to the Agreement. Changes which are mutually agreed upon shall be incorporated by written amendments to this Agreement.

17. Notices. Notices to the City of Kenmore shall be sent to the following address:

City Clerk
City of Kenmore
P.O. Box 82607
Kenmore, Washington 98028-0607

Notices to the Consultant shall be sent to the following address:

FCS Group
Redmond Town Center
7525 166th Ave NE
Suite D-215
Redmond, WA 98052, Tel
425-867-1937, Fax
Phone No.: 425-867-1802

18. Applicable Law; Venue; Attorneys' Fees. This Agreement shall be governed by and construed in accordance with the laws of the State of Washington. In the event any suit, arbitration or other proceeding is instituted to enforce any term of this Agreement, the parties specifically understand and agree that venue shall be exclusively in King County, Washington. The prevailing party in any such action shall be entitled to its attorneys' fees and costs of suit, which shall be fixed by the judge hearing the case and such fee shall be included in the judgment.

19. Severability. Any provision or part of this Agreement held to be void or unenforceable under any law or regulation shall be deemed stricken and all remaining provisions shall continue to be valid and binding upon the City and the Consultant, who agree that the Agreement shall be reformed to replace such stricken provision or part with a valid and enforceable provision that comes as close as reasonably possible to expressing the intent of the stricken provision.

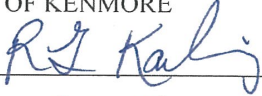
CONSULTANT

By: _____

Title: PRESIDENT

Date: 1 SEP 2016

CITY OF KENMORE

By: _____

Title: CITY MANAGER

Date: 9-7-16

EXHIBIT A

Scope of Services to be Provided by Consultant. The Consultant shall furnish services, including but not limited to the following:

PRIME Consultant:	FCS Group
Contract Title:	Public Works Services Analysis
PROJECT BACKGROUND STATEMENT:	
Kenmore (City) was incorporated in 1998. The delivery of Public Works Services has been executed primarily through Interlocal Agreements with other agencies and contracts with private vendors. Over the years, the City has hired a small number of staff to take on some work previously done by contract, but the City continues to contract out most of the Public Works Services. FCS Group (FCSG) will conduct a review of Kenmore's service delivery mix (contracts and in-house) and level-of-services. From this review, FCSG will assess and make recommendations pertaining to the service delivery mix, level-of-service, budget/resources allocated to Public Works Services, and other recommendations pertaining to the way the City does business and delivers services. The contract with FCSG will be used to evaluate and provide a report to: • Evaluate current services delivery/circumstances (includes inventory of Public Works infrastructure): roads, surface water, parks, facilities, and fleet; • Analyze, assess, and summarize existing Public Works contracts/service provision (in house and external); • Evaluate existing contracts for level of service provided, value, reliability, and control; • Facilitate level of services conversations with City leadership and Council; • Analyze future responsibilities/resources needed (SR 522 signals, etc.); • Recommendations for short term service delivery modifications; • Recommendations for the next 5 years; • Recommendations for 5-20 years; • Including an implementation plan(s) with schedules/timeline; and • Create a tool strategy for staff to utilize when evaluating resources needed when workload is modified (new parks, facilities, infrastructure, surface water facilities, etc.) Goals: • Identify ways to save money and reduce costs; • Evaluate current contracts and determine if the City is getting fair value for dollars paid; • Increase efficiency of service delivery; • Increase local control, predictability, and flexibility of service delivery; • Improve cost control, accountability, reporting and ability to audit contracts and services provided; • Documented desired levels of service; • Identify if work load generated by the level-of-service expectations matches up with	

allocated resources;

- Improved planning for maintaining defined service levels when workload is increased (new infrastructure, facilities, parks, etc.); and
- Evaluate if there is a long term need to plan for and/or acquire future Public Works infrastructure assets, such as property for a future Public Works shop facility.

TASK 1:	Project Management
TASK DESCRIPTION:	
The project management task will be used to administer the contract and provide guidance to FCSG staff. The project manager will also be the primary interface with the client for all tasks in this scope of work.	
Activities:	
1. Project management plan; conduct management review and quality assurance coordination. 2. Coordinate calls with project team and City staff. 3. Monthly invoice and progress (task completion) reports.	
TASK ASSUMPTIONS:	
• Task order will be completed within 8 months (invoice periods) of notice to proceed.	
MATERIALS TO BE PROVIDED BY KENMORE:	
None.	
TASK DELIVERABLES:	
• FCSG will deliver a monthly invoice and progress report.	

TASK 2:	Evaluation of Current Contracts
TASK DESCRIPTION:	
FCSG will evaluate current service delivery mix and associated circumstances. In addition, FCSG will analyze five (5) existing Public Works contracts so that they can inform levels of service ultimately leading to contract negotiation and optimization and/or changes in the way the City does business and delivers services.	
Activities:	
1. Conduct a big picture review of Public Works Services. 2. FCSG will evaluate up to five (5) existing contracts for the following: • Time and quality based service delivery standards • Ties to potential levels of service • Efficiency and value of services provided • Resiliency considerations • Growth considerations	

3. Facilitate meetings with operations and engineering staff for contract discussions.
4. Facilitate optional meetings with service providers if the City and FCSG require more information to inform recommendations.

TASK ASSUMPTIONS:

- The City will provide contracts that will be evaluated by FCSG.
- The City will schedule meetings with the FCSG project manager.
- Optional meetings will be agreed upon by FCSG and the City.
- Business processes will be developed in Visual Paradigm and deliver as .PDF files as well as native files.
- Task to be completed within 4 months.

MATERIALS TO BE PROVIDED BY KENMORE

- The City will provide a current list of all contracts with service providers and current budget information to the FCSG project manager.
- Five (5) existing contracts as .PDF files will be provided by the City to be reviewed by FCSG.
- Optional meetings with service providers will be scheduled by the City.
- Meeting facilities and/or locations will be provided by the City.

TASK DELIVERABLES

- FCSG will deliver written review of contracts.
- FCSG will deliver suggested modifications of current contracts; change(s) in the way we do business, changes in contracting out vs. in-house, consolidation of contracts, and/or other recommendations.
- FCSG will deliver documented business processes for contract review by the City.

TASK 3:	Level of Service Recommendations Development
TASK DESCRIPTION:	
FCSG will work with City Council, the City Manager and Public Works staff members to develop level-of-service recommendations, including the service delivery options (contracting out, contract consolidation, in-house services, and other). These recommendations will align with services delivery requirements, City goals and projected contracted work. Activities: 1. Meetings and presentations to affected staff 2. A presentation to City Council, City Manager and Project Team on level-of-service best practices 3. In-field meetings with current contractors and City staff to talk about current service delivery 4. Development of Key Performance Indicators (KPI's) to track level of service delivery 5. Workshop with City Council, City Manager and Project Team deliver developed levels of service	

TASK ASSUMPTIONS:
• The City will provide contracts and description of in-house services as well as budget information pertaining to Public Works Services and contracts that will be evaluated • The City will schedule meetings and provide meeting rooms • Optional meetings will be agreed upon by FCSG and the City. • Tasks to be completed within 4 months.
MATERIALS TO BE PROVIDED BY KENMORE
• Optional meetings with service providers • Meeting facilities and/or locations
TASK DELIVERABLES:
• FCSG will deliver recommendations on levels-of-service and service delivery (contracting vs. in-house) along with associated Key Performance Indicators (KPI's) for service delivery tracking. • FCSG will provide two (2) presentations to City Council, City executive management and project team members.

TASK 4:	Resources Analysis
TASK DESCRIPTION:	
FCSG will develop a long term Public Works implementation plan that makes high level recommendations based on projected needs for current time, 5 years and 20 years. FCSG will leverage industry best practices, desired levels of service, service delivery mix and the current comprehensive plan to develop recommendations. The recommendations will incorporate known new facilities and responsibilities that will come online including new parks, fleet and facilities, additional streets infrastructure (new roads, new signals, new street signs, etc.) and new surface water facilities, etc. Activities: 1. Develop report that outlines current resources, levels of service expectations, service delivery mix and the required resources to maintain Public Works Systems at the service levels developed in task 3 of this scope of work. The report will cover three time periods; current state; 5 years and 20 years	
TASK ASSUMPTIONS:	
• The City's growth and work load analysis will be based on current comprehensive plan and developed level of service expectations. • The final report will be delivered in draft form with a 10 day review and comment period to be completed by the City. • FCSG will incorporate draft comments into a final report after 10 working days. • Tasks to be completed within 8 months.	
MATERIALS TO BE PROVIDED BY KENMORE	
• The City's current comprehensive plan with growth projections	
TASK DELIVERABLES:	
• FCSG will deliver a written draft and final report	

EXHIBIT B

Rates for Services to be Provided by Consultant. The Consultant shall furnish the services in accordance with the following rates:

**FCS GROUP
MANAGEMENT CONSULTING FEE SCHEDULE**

Effective September 1, 2016

LABOR ¹

<u>POSITION/TITLE</u>		<u>BILLING RATE</u>
Principals	Standard Rate	\$200
Senior Project Manager	Standard Rate	\$195
Business Analyst	Standard Rate	\$155
<u>Administrative and Technical Support</u>		
Public Relations		\$125
Technical Writer/Graphic Artist		\$105
Administrative Support		\$ 80

DIRECT EXPENSES

Major direct expenses, such as travel, mileage, and lodging, will be charged at cost. Other expenses will not be directly charged unless by mutual agreement of the client and FCS GROUP and specific terms will be established in advance prior to expenditure and billing.

¹ *Litigation rates are 150% of standard hourly rates for services in support of litigation, settlement negotiations, arbitration and/or mediation processes.*

EXHIBIT C
City of Kenmore
Billing Invoice

To: City of Kenmore
PO Box 82607
Kenmore, Washington 98028
Phone: (425) 398-8900
Fax: (425) 481-3236

Invoice Number: _____ Date of Invoice: _____

Consultant: _____

Mailing Address: _____

Telephone: () : _____

Contract Period: _____ Reporting Period: _____

Amount requested this invoice: \$ _____

Attach itemized description of services provided.

Specific Program: _____

Authorized signature

For Department Use Only

BUDGET SUMMARY

Total contract amount	\$ _____
Previous payments	\$ _____
Current request	\$ _____
Balance remaining	\$ _____

Approved for Payment by: _____ Date: _____

Authorized Signature (Required)



**City Council Business Agenda Item
City of Kenmore, WA**

Subject/Topic: Retail lease agreement in the Town Square Hangar Building Proposed Council Action/Motion: Authorize the city manager to sign and execute a lease agreement (contract No. 16-C1624) with Diva II LLC (doing business as Diva Espresso)	For Council Meeting Agenda of: November 14, 2016 Department: City Manager's Office Prepared by: Rob Karlinsey <table style="width: 100%;"> <tr> <td style="width: 70%;"></td> <td style="width: 30%; text-align: center;"><u>Initial & Date</u></td> </tr> <tr> <td>Approved by Department Head:</td> <td style="text-align: center;">_____</td> </tr> <tr> <td>Approved by City Attorney:</td> <td style="text-align: center;">_____</td> </tr> <tr> <td>Approved by Finance Director:</td> <td style="text-align: center;">_____</td> </tr> <tr> <td>Approved by City Manager:</td> <td style="text-align: center;"> 11-10-16 </td> </tr> </table> Exhibits/Attachments: N/A		<u>Initial & Date</u>	Approved by Department Head:	_____	Approved by City Attorney:	_____	Approved by Finance Director:	_____	Approved by City Manager:	 11-10-16
	<u>Initial & Date</u>										
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Approved by Finance Director:	_____										
Approved by City Manager:	 11-10-16										
<table style="width: 100%; border: none;"> <tr> <td style="width: 33%;">Expenditure Required \$150,000</td> <td style="width: 33%;">Amount Budgeted \$150,000</td> <td style="width: 33%;">Appropriation Required \$0</td> </tr> </table>		Expenditure Required \$150,000	Amount Budgeted \$150,000	Appropriation Required \$0							
Expenditure Required \$150,000	Amount Budgeted \$150,000	Appropriation Required \$0									
<u>INFORMATION/BACKGROUND:</u> The Town Square and Hangar building at the northwest corner of 68th Avenue NE and NE 181st Street are nearing completion. The business plan for the Hangar building includes approximately 1,200 square feet of retail space in the southeast corner of the building. The City listed this space for lease and received several proposals. After reviewing the proposals, the city manager recommends entering into a lease agreement with Diva II LLC (dba Diva Espresso). Diva Espresso is a coffee retailer with about seven locations in the Seattle area. Proposed basic terms of the agreement: Initial term: Five years, six months. Tenant option to extend: additional five years. Rent: The greater of \$2,200 per month or 6% of tenant's gross sales. Triple Nets: In addition to rent, landlord to charge proportionate triple net expenses (insurance, taxes, maintenance) to tenant. Tenant Improvement (TI) Allowance: Landlord to provide a \$150,000 tenant improvement allowance; tenant to make sixty TI payments of \$944 in addition to rent. Lease commencement: Lease to commence on January 1, 2017. Triple net payments to begin in month four of the lease term. Rent and TI payments to begin in month seven. All other terms of the lease: City manager is authorized to negotiate and execute all other terms of the lease agreement, including security deposit, periodic rent increases, signage, uses and services provided by the tenant, etc.											



City Council Business Agenda Item City of Kenmore, WA

Subject/Topic: Public Hearing on the 2017-2018 Proposed Preliminary Biennial Budget	For Council Meeting Agenda of: November 14, 2016 Department: Finance and Administration Prepared by: Joanne Gregory, Director of Finance and Administration										
Proposed Council Action/Motion: Public Hearing on the 2017-2018 Proposed Preliminary Biennial Budget	<table style="width: 100%;"> <tr> <td style="width: 70%;"></td> <td style="width: 30%; text-align: center;"><u>Initial & Date</u></td> </tr> <tr> <td>Approved by Department Head:</td> <td style="text-align: center;">JMG 11-4-16</td> </tr> <tr> <td>Approved by City Attorney:</td> <td style="text-align: center;">[Signature] 11-4-16</td> </tr> <tr> <td>Approved by Finance Director:</td> <td style="text-align: center;">JMG 11-4-16</td> </tr> <tr> <td>Approved by City Manager:</td> <td style="text-align: center;">[Signature] 11-4</td> </tr> </table> Exhibits/Attachments: Exhibit 1: Summary of All Revenues and Expenditures By Fund 2015/2016 to 2017/2018 Exhibit 2: City Manager Preliminary Budget Message		<u>Initial & Date</u>	Approved by Department Head:	JMG 11-4-16	Approved by City Attorney:	[Signature] 11-4-16	Approved by Finance Director:	JMG 11-4-16	Approved by City Manager:	[Signature] 11-4
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Expenditure Required Total City Preliminary Biennial Budget Expenditures \$55,923,251	Amount Budgeted N/A	Appropriation Required Total City Preliminary Biennial Budget Expenditures \$55,923,251 Budget Revenues: \$54,396,768									
<u>INFORMATION/BACKGROUND:</u> Passage of a biennial budget by year-end is required by State law. The first of two public hearings will be held November 14, 2016 regarding the 2017-2018 proposed preliminary budget. The second public hearing is scheduled for November 28, 2016. The preliminary budget document was distributed to the City Council on October 24, 2016 and is also available at City Hall, the Library, and at www.kenmorewa.gov/finance . City Council review of department and fund budgets has been scheduled throughout November with adoption of the 2017-2018 Biennial Budget anticipated on December 12. The public is invited and encouraged to attend these public sessions and offer public comment.											
<u>FISCAL CONSIDERATION:</u> The City wide 2017-2018 Preliminary Budget expenditures are \$55,923,251 and budgeted revenues are \$54,396,768. These balances include \$7,651,806 of interfund transfers. The ending fund balance for all funds is expected to be \$14,903,313 which includes the General Fund balance of \$3,298,240. The Preliminary Budget expenditures are 20% less than the amended 2015-2016 budget and 7.8% less than the 2015-2016 projections, primarily due to reductions in capital project expenditures and use of capital project											

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funding sources such as impact fees. Most significantly this would include the completion of SR522 West A and the Town Green/Hangar construction project.

The Preliminary Budget does assume that Walkways & Waterways Proposition 1 will be approved by the voters; therefore projects associated with the measure have been included in the budget and capital improvement program. Also a Park Project Manager has been proposed and included in the staffing expenditures in anticipation of the success of this measure.

Attached as reference is the Summary of All Revenues and Expenditures By Fund 2015/2016 to 2017/2018 (Exhibit 1) and the City Manager Preliminary Budget Message (Exhibit 2).

COUNCIL GOAL/BUDGET OBJECTIVE BEING ADDRESSED:

RCW 35A.33.055 The legislative body must schedule hearings on the budget or parts of the budget prior to the final approval.

City of Kenmore, Washington

Summary of All Revenues and Expenditures By Fund
2015/2016 to 2017/2018

	2015-2016 Adopted Budget	2015-2016 Amended Budget	2015 Actual	2016 Estimated	2015-2016 Biennium Total	2017 Preliminary	2018 Preliminary	2017-2018 Preliminary Budget
Revenues by Fund:								
General Fund	\$ 20,553,270	\$ 21,048,270	\$10,765,643	\$11,750,210	\$22,515,853	\$ 11,803,470	\$ 11,729,704	\$ 23,533,174
Street Fund	2,359,531	2,359,531	1,315,650	1,399,138	2,714,788	1,466,652	1,445,652	2,912,304
Public Art Fund	200	200	351	300	651	150	0	150
Park Impact Fee Fund	234,063	234,063	396,247	455,000	851,247	257,000	155,000	412,000
Transportation Impact Fee Fund	1,397,257	1,397,257	1,413,467	1,000,500	2,413,967	503,500	402,000	905,500
Transportation Benefit District	630,200	630,200	334,634	335,400	670,034	340,400	340,400	680,800
Strategic Reserve Fund	0	0	0	0	0	0	0	0
Strategic Opportunities Fund	37,161	1,217,946	1,211,827	27,986	1,239,813	140,000	140,000	280,000
Sammamish River Bridge Fund	0	0	0	0	0	2,098,962	910,999	3,009,961
Real Estate Excise Tax Fund	1,827,000	1,827,000	1,464,657	1,204,000	2,668,657	802,000	601,000	1,403,000
Kenmore Village Fund	1,326,900	2,246,900	939,763	1,506,700	2,446,463	273,351	151,277	424,628
Park Capital Fund	1,240,400	1,605,174	521,437	750,958	1,272,395	1,900,095	2,431,925	4,332,020
Transportation Capital Fund	17,208,172	21,850,956	8,831,143	9,155,418	17,986,561	4,256,360	4,852,851	9,109,211
Surface Water Management Fund	3,540,000	3,540,000	1,915,280	1,789,611	3,704,891	1,786,400	1,757,000	3,543,400
Surface Water Capital Fund	2,139,500	2,139,500	204,826	855,674	1,060,500	1,562,634	2,063,000	3,625,634
Swamp Creek Basin Fund	20,000	20,000	7,271	7,000	14,271	7,000	7,000	14,000
Equipment Replacement Fund	206,000	206,000	89,227	116,914	206,141	105,493	105,493	210,986
Total Revenues	\$52,719,654	\$60,322,997	\$29,411,423	\$30,354,809	\$59,766,232	\$27,303,467	\$27,093,301	\$54,396,768
Less Interfund Transactions	(10,972,104)	(14,425,322)	(7,323,427)	(6,246,953)	(13,570,380)	(4,472,497)	(3,179,309)	(7,651,806)
Net Revenues	\$ 41,747,550	\$ 45,897,675	\$ 22,087,996	\$ 24,107,856	\$ 46,195,852	\$ 22,830,970	\$ 23,913,992	\$ 46,744,962

	2015-2016 Adopted Budget	2015-2016 Amended Budget	2015 Actual	2016 Estimated	2015-2016 Biennium Total	2017 Preliminary	2018 Preliminary	2017-2018 Preliminary Budget
Expenditures by Fund:								
General Fund	\$ 20,538,937	\$ 22,772,720	\$ 11,553,825	\$ 12,051,816	\$ 23,605,641	\$ 11,612,596	\$ 11,754,025	\$ 23,366,621
Street Fund	2,371,277	2,771,277	1,389,911	1,458,931	2,848,842	1,465,836	1,443,173	2,909,009
Public Art Fund	1,000	1,000	548	544	1,092	60,500	500	61,000
Park Impact Fee Fund	490,000	703,416	0	441,918	441,918	639,500	115,000	754,500
Transportation Impact Fee Fund	2,760,000	2,760,000	2,360,000	200,000	2,560,000	122,310	21,090	143,400
Transportation Benefit District	630,000	630,000	309,500	320,500	630,000	345,000	324,000	669,000
Strategic Reserve Fund	0	0	0	0	0	0	0	0
Strategic Opportunities Fund	911,200	1,571,200	247,741	1,212,227	1,459,968	110,000	195,000	305,000
Sammamish River Bridge Fund	0	0	0	0	0	2,098,962	910,999	3,009,961
Real Estate Excise Tax Fund	3,528,719	3,987,306	2,484,359	960,178	3,444,537	1,075,156	1,109,739	2,184,895
Kenmore Village Fund	3,517,240	4,631,169	1,003,897	3,608,856	4,612,753	145,151	147,077	292,228
Park Capital Fund	1,238,000	1,691,233	437,372	629,376	1,066,748	2,112,031	2,381,925	4,493,956
Transportation Capital Fund	17,308,172	21,842,377	8,637,373	7,250,726	15,888,099	4,714,560	4,712,000	9,426,560
Surface Water Management Fund	4,652,276	3,965,776	1,115,683	2,387,739	3,503,422	2,519,456	2,210,031	4,729,487
Surface Water Capital Fund	2,209,500	2,209,500	176,312	162,128	338,440	1,395,634	2,063,000	3,458,634
Swamp Creek Basin Fund	0	0	0	0	0	0	0	0
Equipment Replacement Fund	224,000	358,375	173,486	73,944	247,430	78,500	40,500	119,000
Total Expenditures	\$60,380,321	\$69,895,349	\$29,890,007	\$30,758,883	\$60,648,890	\$28,495,192	\$27,428,059	\$55,923,251
Less Interfund Transactions	(10,972,104)	(14,425,322)	(7,323,427)	(6,246,953)	(13,570,380)	(4,472,497)	(3,179,309)	(7,651,806)
Net Expenditures	\$ 49,408,217	\$ 55,470,027	\$ 22,566,580	\$ 24,511,930	\$ 47,078,510	\$ 24,022,695	\$ 24,248,750	\$ 48,271,445



City Of Kenmore, Washington

October 24, 2016

Honorable Members of the City Council
City of Kenmore
18120 68th Avenue NE
Kenmore, WA 98028

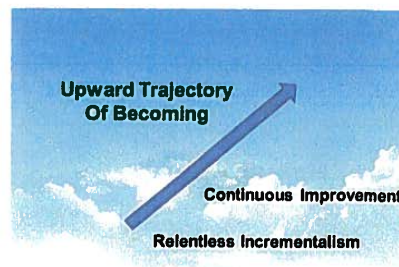
Honorable Mayor and City Council:

We are thrilled to present the City of Kenmore Preliminary 2017-2018 Biennial Budget for your review and consideration. Once again, your leadership and clear direction have given us the guidance we need to draft a two-year budget that will provide the resources to make great progress in advancing toward the City's 20-year vision, achieving your goals, and improving quality of life in Kenmore.

As an organization, we know that providing essential services such as law enforcement, safety for multiple transportation modes, and environmental protection are important and should be our first dollars invested in the budget—and they are. This budget proposes to continue to invest heavily in basic, vital services that set the foundation for a strong and healthy Kenmore.

We also know that our job does not stop there. Cities like Kenmore can go beyond being just functional and providing basic public safety. Cities can play a key role in prosperity and human flourishing. In other words, it's not just about preventing suffering and undue hardship, which is important; our job is also about creating opportunities and clearing the path for our residents, businesses, and visitors to play, find fulfillment, and connect with each other as a community. This preliminary budget allocates resources and priorities to that end as well.

To be on that path toward human flourishing, I believe our city organization and our community as a whole embrace a culture of continuous improvement or what I call "being on the upward trajectory of becoming." Especially for Kenmore, the way to make progress on that upward trajectory is through continuous improvement or "relentless incrementalism." The overwhelming majority of our progress will be through the seemingly small, one-step-at-a-time improvements we make to our city. All of these incremental improvements add up over time to make a big difference. They involve both the software and the hardware of the community and include such things as:



- Constructing a town square and creating a year-round gathering space for the community

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- Building a new neighborhood park and “community-build” playground
- Constructing a new sidewalk and bike lanes
- Holding a downtown block party
- Working with property and business owners to bring new retail, services, jobs, and other private sector amenities to the community
- Painting a mural and other kinds of art
- Connecting two public waterfronts with a pedestrian bridge over a stream
- Installing a new skate court
- Building a new trail that connects neighborhoods together
- Organizing a “play day” event for kids in the park
- Improving wheel chair accessibility on our sidewalks and at other public areas
- Building a strong volunteer program that recruits and trains volunteers to help with events and care for our parks and byways
- Establishing planning policies for good design and diverse, connected neighborhoods
- Providing opportunities for residents to learn how they can help plug into the natural environment and do their part to improve water quality and ecosystems
- Running emergency preparedness classes and events that encourage residents to engage with and strengthen their neighborhoods

We are excited to be involved in all of the above and much more, and this budget lays out the plans and resources to do so. That said, the City’s budget has finite resources, and while we have the wherewithal to accomplish a great deal, we are finding that our financial resources are staying relatively flat compared to the continuously rising cost of doing business. Later in this budget message I will discuss this challenge, including how it impacts the budget and how to confront it. Before we go there, let’s take a look at the highlights of the preliminary budget and how they relate to the City Council’s goals and the priority-based results we want to achieve.

2017-2018 Budget Highlights

This budget is goal and priority driven. The City Council, as the elected representatives of the citizens of Kenmore, has adopted a set of major goals. These goals are as follows:

2016-2017 City Council Goals

1. To focus on and emphasize multimodal transportation safety in the City of Kenmore with a specific focus on pedestrian, bicycle, and other means of travel.
 - Implement the Sidewalk Plan
2. To continue to implement the Economic Development Plan, with an emphasis on the following key points:
 - Promote the image of Kenmore
 - Create a vibrant, walkable downtown
 - Support existing businesses
 - Advance the public’s access and connection to the waterfront
3. To continue to seek funding and mitigation for State impacts on the City’s transportation system.
4. To continue to seek opportunities to complete a successful Lakepointe project.

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5. To actively pursue Sound Transit 3 projects for SR 522.
6. To continue to implement a Parks Improvement and Financial Plan.
7. To address watershed and water quality issues affecting the City.
8. To continue to establish a contemporary Information Technology Program

In addition to Council goals, we based our budgeting on a broader set of criteria called priority based budgeting results. Like Council goals, these results were set by the City Council early on in the budgeting process. These results include:

1. Access to quality cultural, recreational, educational and leisure opportunities
2. Attractive, well-planned, enduring and desirable place to live and work
3. Connected, involved and family-oriented community that values diversity
4. Effective mobility and connected, reliable transportation systems
5. Prosperous, vibrant and sustainable economy
6. Safe and secure community
7. Sustainable, healthy environment and the preservation of natural resources
8. Good Governance:
 - Fosters open, responsive and transparent government by ensuring accountability, efficiency, effectiveness, and integrity in all operations
 - Protects, manages, optimizes and invests in its financial, human, physical, and technology resources
 - Supports decision making with timely and accurate short term and long range analysis that enhances vision and planning
 - Provides assurance of regulatory and policy compliance
 - Attracts, motivates, develops, and retains a high quality, engaged, and productive workforce
 - Provides responsive and accessible leadership, focused community priorities, and facilitates timely, well utilized two-way communication and input with all stakeholders

In building the budget, we used Priority Based Budgeting methodology to score and prioritize all of our programs using the results listed above.

Our other guides in building the budget include Council-adopted policies such as the City's 20-Year Vision Statement and Comprehensive Plan as well as more specific policies such as the Target Zero Resolution for pedestrian and bicycle safety.

Using the City Council's goals, priority based results, and other adopted policies to guide the way, the following budget discussion focuses on highlights for the upcoming biennium.

As mentioned earlier, this budget continues to invest heavily in the City's core functions, including public safety (police, criminal justice, and building and code compliance), transportation, and parks. For example, we will continue to invest funds and leverage grants to preserve the pavement of our roads. We will continue to strive to meet or exceed the pavement condition score of 82 or "very good."

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The City's emphasis on public safety is realized through a high quality police department and its officers. The City receives its police services from the King County Sheriff's Office, and through that contract with King County, the City is providing solid police coverage of at least two officers on duty 24 hours per day, seven days per week, with additional police coverage often at peak call volume times. We also have excellent mutual aid relationships with our neighboring jurisdictions. Traffic enforcement continues to be a top priority of our police department, including our recently added motorcycle patrol especially tailored to crosswalk enforcement, an emphasis on DUIs, and speeding in general.

Public safety includes more than police and criminal justice. Building and code requirements, infrastructure investments, and citizen outreach and education also are important to a safe community. This preliminary budget includes funding for all of these programs, including the Target Zero outreach initiative which has been well-received by our schools at the community at large.

Emphasis on Pedestrian and Bicycle Safety

Pedestrian and bicycle safety continues to be a top priority as demonstrated by the City Council's Number 1 priority goal "to focus on and emphasize multimodal transportation safety in the City of Kenmore with a specific focus on pedestrian, bicycle, and other means of travel." This goal includes implementing the Sidewalk Plan.

When it comes to multimodal safety, this City puts its money where its mouth is. The recent completion of the "West A" segment of Bothell Way from 61st Avenue to 65th Avenue is a prime example. In addition, the cumulative, decade-long investment of over \$85 million on all of Bothell Way further drives home the point that the City has made multimodal safety a very high priority for a very long time. Based on before-and-after data, the channelization improvements and new sidewalks have produced noticeable reductions in crashes; as a bonus, the aesthetic improvements—new landscaped medians and sidewalks as well as utility undergrounding—have beautified the highway. In addition to Bothell Way, there are numerous other multimodal safety improvements that the city has recently made, including a long list of neighborhood traffic calming improvements, new sidewalks on streets like 181st, and more.

This two-year budget builds upon this pedestrian and bicycle safety momentum. City Council Resolution No. 14-235 adopting a "Target Zero" goal for no pedestrian and bicycle deaths or fatalities from collisions with motorized vehicles continues to provide a good vision for what we are trying to accomplish. Keeping this Target Zero goal in mind, the main components of the 2017-2018 biennium budget's pedestrian and bicycle safety initiative are as follows:

Pedestrian and Bicycle Safety Infrastructure

1. Some of the proposed sidewalks and trail improvements for 2017 and 2018 include the following:
 - The long anticipated improvements to the Tolt Trail between 68th Avenue and 71st Avenue.
 - New sidewalk and traffic calming circles and 62nd Avenue between 181st Street and 185th

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- 202nd Street from 198th Street to 66th Avenue
- Several sidewalk gaps
- Design for sidewalks and buffered bike lanes on Juanita Drive and 68th Avenue from the City's southern boundary to its northern boundary, assuming passage of the Proposition 1 bond measure on November 8, 2016.

All of the above sidewalk and trail projects are funded in the Capital Improvement Plan, also a part of this budget. These sidewalk sections are funded by a mixture of state and federal grants, real estate excise tax, transportation impact fees, surface water revenue, and in the case of Juanita Drive and 68th Avenue, a voter approved bond measure.

In addition to the above sidewalk projects, this proposed budget includes continuation of the traffic engineer position as well as funding for more neighborhood traffic calming measures and other physical improvements for bicycle and pedestrian safety.

Pedestrian and Bicycle Safety Education and Outreach

The City Manager's Office will continue to lead the City's education and outreach effort, including getting into the schools and having a presence at events. Our Target Zero outreach and communication strategy for pedestrian and bicycle safety will continue to be implemented. Providing educational, fun, and interactive learning experiences continues to be a key component to this program.



Pedestrian and Bicycle Safety Enforcement

Our police department has and will continue to enforce traffic laws. The recent addition of the police motorcycle to the fleet provides another tool in crosswalk enforcement. Priority will continue to be on slowing vehicle speeds and pedestrian and bicycle safety, and we have an overtime budget built into the police department budget for special traffic enforcement emphasis patrols.

Economic Development

As demonstrated in Council Goal Number 2, Economic Development continues to be a top priority for the City. This proposed budget continues to allocate resources to economic

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development efforts that revolve around implementing the City's adopted Economic Development Strategy. The four goals of this Strategy are:

- I. Promote Kenmore's Image
- II. Support Existing Businesses and Expand Employment
- III. Create a Multi-Use, Vibrant, and Walkable Downtown
- IV. Advance the Community's Connection to the Waterfront

Various economic development initiatives and projects are underway and even nearing completion, including what was formerly known as Kenmore Village. The redevelopment of Kenmore Village has resulted in more than \$70 million of private sector investment into the core of our downtown. If you combine the private sector investments with the recent public sector investments of City Hall, the Library, and the Town Square, more than \$100 million is being invested in the bull's eye of our downtown—all within one block of the main intersection at City Hall.

Other economic development initiatives are in place and making progress. A cohesive marketing and media relations strategy has brought positive exposure for Kenmore in business publications at the regional and even international levels. Over 800 Kenmore businesses are registered through the Kenmore Business Registration Program and the accompanying Kenmore Business Directory is experiencing about 3,000 online visits per month.

The Kenmore Business Alliance, in partnership with the Greater Bothell Chamber, continues to meet regularly and we have a solid group of Kenmore business owners who form the backbone of this group. We continue our work with Bastyr University and the Economic Development Council of Seattle-King County on promoting a Natural Health Hub in our area. The proposed economic development budget also includes funding for some new business recruitment efforts, especially given the opportunities for new employers as plans for Lakepointe's commercial component develop.

The Kenmore Business Incubator has been in operation for almost four years, bringing new energy and jobs into the City. I am also pleased to see the Virtual Incubator as well as our business development courses further support and help our existing local businesses be successful. The incubator program sends a message to the business community that the City wants to attract new jobs, that it rolls out the red carpet for startups, and that supporting existing businesses is important as well. This proposed budget continues to fund the incubator programs in the Strategic Opportunities Fund.

Lakepointe is the last undeveloped site of its kind on Lake Washington and has the potential to transform our downtown, provide new housing, office, and retail service options for our community, and produce unprecedented new public open space, waterfront access, and other recreational opportunities. Lakepointe can be a true urban village right in the heart of our city.

However, Lakepointe is not without its challenges. How to mitigate traffic impacts and how to deal with the extraordinary costs associated with developing this unique site are chief among the project's challenges. We are in regular communications with a potential developer who has been

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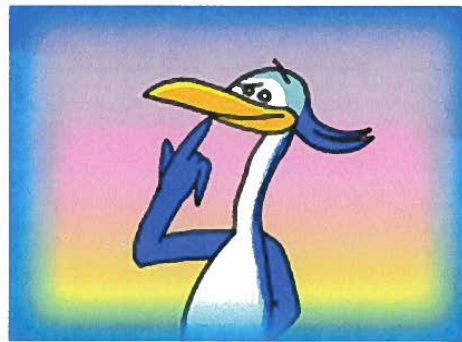
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investigating the site and could be coming in for permits and/or a development agreement in the next two years. Lakepointe redevelopment will not happen overnight—getting to ground breaking could take five years or more. Once under construction, the project could phase in over ten years or more. That said, our “man on the moon” goal set in 2013 is still achievable: to see the project under construction by the year 2023.

Where's the Fun?

At the beginning of this budget message, I stated that to fully prosper and help citizens thrive, cities need to be more than just functional and safe. A functional and safe city provides the basic necessities—a police force, clean water, and an adequate transportation network.



Safe and functional continues to be at our forefront as evidenced by the strong public safety multimodal safety investments in this budget—but in order to help our citizens and businesses thrive and be invested in our city and our quality of life, we need to go beyond functional; we need to build what *Happy City* author Charles Montgomery calls “emotional infrastructure,” where tools such as urban design and great public spaces create opportunities for citizens to become emotionally tied to and have a sense of ownership in their community. In his 2011 book, *For the Love of Cities*, Peter Kageyama takes it one step further and asserts that cities and their citizens actually need to have an emotional connection, or what he calls a love affair.

Over the years, the City has been making strides in both focusing on and going beyond functional and safe, including major civic investments in the downtown; growing volunteerism and community participation; improving mobility for pedestrians and cyclists; sponsoring events such as concerts in the park and the hydroplane cup; providing more waterfront recreation opportunities; and adding new parks and park amenities. I believe we are headed in the right direction! I also believe that there is a lot more to do.

On this journey to a happy, thriving, and not just functional city, we need to be smart about how we spend the City's limited dollars, but also how we tap into the vast human resources that reside right here in Kenmore. An example of uncovering this potential happened at the April 2015 For the Love of Kenmore event where we asked ourselves, “Where's the Fun?” The resulting “love

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notes” from the community that spawned from the event were incredible and exceeded my expectations. Several of the resulting love notes are as follows:

- The new mural on the St. Vincent DePaul façade on 73rd Avenue. This mural was truly a community-based love note that required countless hours and many donations to make it happen. The mural is reportedly the longest mural in the County.
- Art on fire hydrants. Local artists worked with the utility district, the fire department, and the city to obtain permission to paint fun art on fire hydrants in the downtown.
- Parking Lot Parklet. After attending the For the Love of Kenmore event, local developer MainStreet property group decided to install a temporary “parklet” in the parking lot of its soon-to-be-redeveloped strip mall. The parklet included synthetic turf, flower tubs, outdoor furniture, and games.
- #WhyILoveKenmore Downtown Block Party. Less than three months after the event, two citizens moved forward with their idea to hold a downtown block party. The Kenmore Village developer, the city, and these two energetic citizens partnered to pull off a well-attended event that included live music, a beer garden, food trucks, and activities for kids.
- Let’s Beautify This. One love note idea that came out of the For the Love of Kenmore event was to beautify the concrete plant’s cement silos on Bothell Way. Residents who attended the event worked with the concrete company and the community to move this idea forward. They are currently in the fundraising stage and plan to beautify the silos with art in the next year.
- Seaplane Fly-In. The president of Kenmore Air attended the event and was inspired to create his own love note to the community. In May of 2016, Kenmore Air held a Sea-Plane Fly-In event. This well attended event commemorated Kenmore Air’s 75-year history and provided seaplane flights, tours, music, free t-shirts, and more.
- Hank Heron. The City’s very own senior project engineer, Kent Vaughan, is a talented cartoonist and has developed a cartoon mascot for the City. Pictured on the previous page, Hank has been featured in the city’s newsletter, on construction signage, and even on the cover page of this biennial budget!



For the Love of Kenmore’s purpose was to send a strong message to the community that they can be “co-creators” and that they have our permission (not that they need it) and support to produce “love notes” by going after things like beauty, good design, art, connecting with each other, and yes, fun. As part of his teachings at the For the Love of Kenmore event, Peter Kageyama helped give us the vocabulary (“co-creators” and “love notes” for example) to help the city and our citizens connect emotionally and ask ourselves, “Where’s the fun?”

This proposed budget includes funding to bring Peter Kageyama back for another “For the Love of Kenmore” event in the spring of 2017. At this event, Peter will give us a refresher course on

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loving our city, help us celebrate our successes and progress, and take us to that next level of empowering our citizens and taking Kenmore further upward on the trajectory of thriving and flourishing.

To continue the For the Love of Kenmore momentum, we also plan to bring back the Why I Love Kenmore downtown block party in the first half of both 2017 and 2018, with the new Town Square as party headquarters. We also plan on bringing the new Town Square and Hangar building (i.e., the new community building on the Town Square) fully on line in early 2017. We are excited to have this key public amenity in the bull's eye of our downtown and as a year-round gathering space for the community. This budget includes plans for programming both the indoor and outdoor spaces, including summer movies on the Town Square.

Downtown Sense of Place

Speaking of our downtown, the City's Downtown Strategy adopted back in 2003 is still relevant and will continue to play a key role in propelling us forward on this path to happy and thriving. Creating that true sense of downtown—that elusive sense of place where citizens can walk, gather, and interact as well as meet their daily needs and have a strong sense of community—has been a central strategy ever since incorporation.

The Town Square and Hangar building are important pieces in the puzzle of creating a real downtown and a sense of “downtown place” for Kenmore. The Town Square and Hangar building will be beautiful, and they will be an attraction in and of themselves. Discovery is an important design component. The Town Square will contain interesting amenities to surprise and delight the senses. These features include an interactive, kinetic water feature, heated rocks, art, and other fun surprises. The Hangar building will feature abundant glass to give it a lantern effect in the evening and an inviting, two-sided fireplace for warmth, coffee, and conversation in the chillier months of the year. A large bay door that will open up the building's western end to the Town Square is also included and will blur the line between the indoor and outdoor elements of the site.

We have a business plan for the Town Square and Hangar building. This plan includes maintaining and operating the site, providing programming and gathering opportunities for the community, and a retail tenant to help us activate the site and provide income for operating the site.

Improving walkability (and “bikability” for bicycles) is also a central strategy for our downtown and getting us further along toward a true sense of place and thriving. New downtown sidewalk and trail enhancements are funded in this budget (described earlier), including finishing up new sidewalks connecting 68th Avenue NE to 73rd Avenue NE on NE 181st Street and Tolt Trail improvements to make the trail more user-friendly and inviting. The Kenmore Village developer is being required to complete the new sidewalk connection on the west side of 68th Avenue NE, connecting NE 181st Street to NE 182nd Street. Bicycle amenities are being included in both the Town Square and the adjacent mixed use development.

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Long-term, we should not give up on connecting our downtown with our waterfront and providing a less intimidating way for our pedestrians and bicyclists to get across Bothell Way. The ad hoc Pedestrian and Bicycle Safety Committee's recommendation in 2014 to provide a pedestrian crossing over (or under) Bothell Way is still spot on, and we need to allocate resources to finding the best method, location, and funding for a grade separated crossing. This biennium budget assumes grant funding for a crossing study and conceptual design. The ultimate location, design, timing, and additional funding needed to construct a Bothell Way crossing will hopefully materialize as the Lakepointe project progresses.

The widened pedestrian and bike path planned for the new southbound 68th Avenue bridge across the Sammamish River will be another important facility that will improve walkability and bikability, especially as it relates to getting non-motorized users across the river and connecting the north and south halves of our City. This project is currently under design, and \$20 million in grant funding has been secured.

Lastly, the biennium budget assumes passage of the Proposition 1 Walkways & Waterways ballot measure this November. If approved by the voters, Proposition 1 improve north-south pedestrian and bicycle connectivity on the City's main north-south arterial.

The Waterfront

As affirmed in Council Goal #2, a key component of a prosperous Kenmore is how we turn toward the Lake and leverage this powerful asset. Our waterfront on beautiful Lake Washington is a precious resource that few cities have.

During our Parks, Recreation and Open Space (PROS) Plan update in 2013 and also throughout our Imagine Kenmore community outreach initiative in 2015 and 2016, we heard clearly from the public that public access to the water is one of their highest priorities. We have heard "get me to the water" repeatedly in our surveys, community meetings, and other forms of input.

Kenmore can bring the vision of its citizens to fruition and become a waterfront destination in its own right; not just a place to launch or store your boat—a place where boaters and visitors intentionally go to tour and have fun. In other words, Kenmore can become known for its beautiful waterfront and the public access it provides.



Over the last several years, we have seen progress toward that end, including the acquisition of a new waterfront property next to (and now an extension of) Squire's Landing Park and at the confluence of the Sammamish River

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and Swamp Creek. This property is available to the public and has been activated through a private-public partnership. Under this partnership, the Kenmore Waterfront Activities Center (KWAC) provides hand powered watercraft programming (instruction, coaching, classes) in return for using the property's detached garage for storage. KWAC provides canoeing, kayaking, rowing, Standup paddleboarding, and Dragon Boating activities and events at Squire's Landing Park.

The Imagine Kenmore initiative resulted in three waterfront projects proposed on the Proposition 1 Walkways & Waterways bond measure. If approved by the voters, this measure will fund just over \$9 million of waterfront access and natural open space improvements at Log Boom Park, Rhododendron Park, and Squire's Landing Park.



By creatively and aggressively pursuing a course similar to what I have outlined above, we can 1) respond to our citizens' repeated requests to get them to the water and 2) put Kenmore on the map as a water access and recreation destination.

State Transportation Impacts and Sound Transit 3

Another City Council goal pertains to traffic congestion and how it affects local multimodal mobility. Our state and federal legislative agendas confront the cumulative impacts of state transportation decisions (e.g. 520 bridge tolling) and inability of state highways to handle regional traffic and the resulting congestion on local roads in Kenmore. For example, we are asking for assistance for funding a grade separated crossing going north-south over Bothell Way. An improvement like this will be an incremental (though not insignificant) improvement in alleviating local congestion caused by the heavily traveled Bothell Way.

With significant regional growth projected for the foreseeable future, automobile congestion on state highways, including Bothell Way through Kenmore, will continue and probably worsen. As a result, alternate modes of transportation is the name of the game from this point out, including dedicated through lanes for bus rapid transit. Over the last year, Kenmore, in partnership with its neighboring cities, successfully advocated for bus rapid transit (BRT) on the

Bothell Way & 145th Street corridor to be included in this November's Sound Transit 3 ballot measure package. If approved, bus rapid transit through Kenmore will connect the major I-405 BRT artery with the future light rail station at I-5 and 145th Street on the light rail spine in Shoreline. This project will provide another choice to automobiles and should improve both speed and reliability on an ever increasingly corridor congested with automobiles.

The Budget Picture

All of the above highlights for the next biennium are significant, will propel us on that upward trajectory, and improve the City's safety, economy, and quality of life. Yet these highlights are only a portion of what our City will accomplish in the next biennium. Daily operations—responding to 9-1-1 calls, investigating crimes, fixing potholes, issuing land use and building permits, inspecting new construction and work in the right-of-way, long range planning, responding to code complaints, cleaning catch basins, mowing lawns, inspecting and maintaining surface water facilities (ponds, tanks, conveyance systems, etc.), and managing contracts (court, jail, animal control, etc.), and more—make up our basic operational services and are the bulk of what our budget funds.

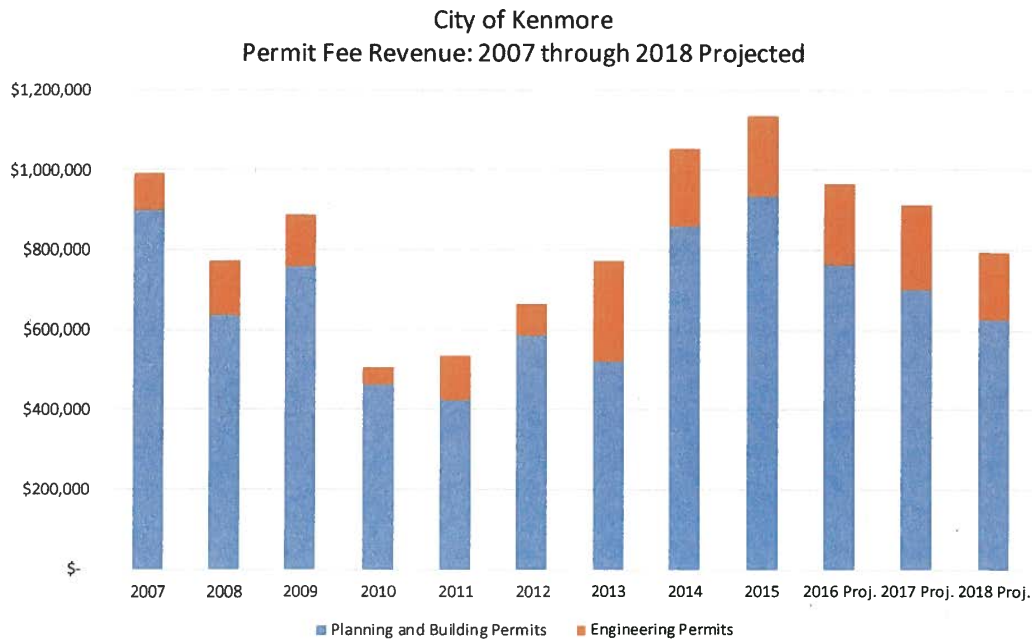
Funding these operational functions combined with knowing what new investments to make in capital and economic development programs have been at the core of building this budget. With key revenue and expenditure assumptions in place, we believe we have built a budget that achieves a strong balance of making new investments and keeping operational services fully funded.

For historical context, the City's General Fund revenues saw declines for several years during the great recession. The years 2007 and 2008 saw General Fund revenues peak at \$10.4 million for each of those two years. Then General Fund's total revenues declined thereafter, hitting the low point of \$9.3 million in 2011. We have since been seeing modest increases in each year thereafter, with sales tax and permit fees leading the way and the new water and sewer utility franchise fee being implemented in the second half of 2013.

Property tax, on the other hand, has seen relatively slow growth compared to the rising costs of doing business. Because of the state imposed cap on property tax revenue growth, we are forecasting a 2.26% increase in 2017 and a 1.5% increase for this revenue in 2018 (note that these increases included revenue from new construction). We are anticipating reductions in permit fee revenue and sales tax—we are not expecting the same level of new commercial construction activity to sustain this year's level of permit revenues; similarly, sales tax from new construction is expected to drop off because larger projects such as Spencer68 and the LINQ building at Spencer Square are not expected to continue much beyond early 2017.

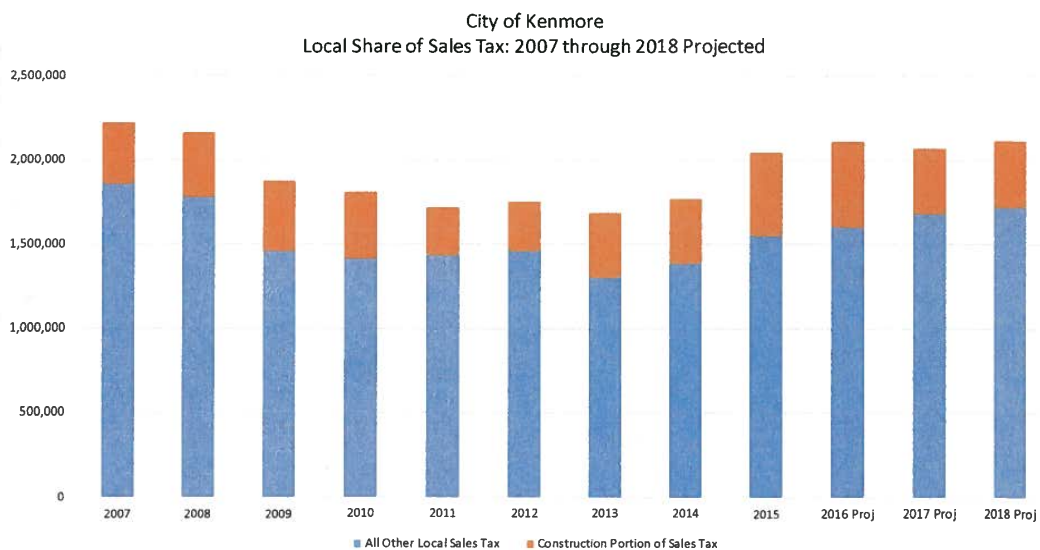
Historical development permit revenue is shown in the following graph:

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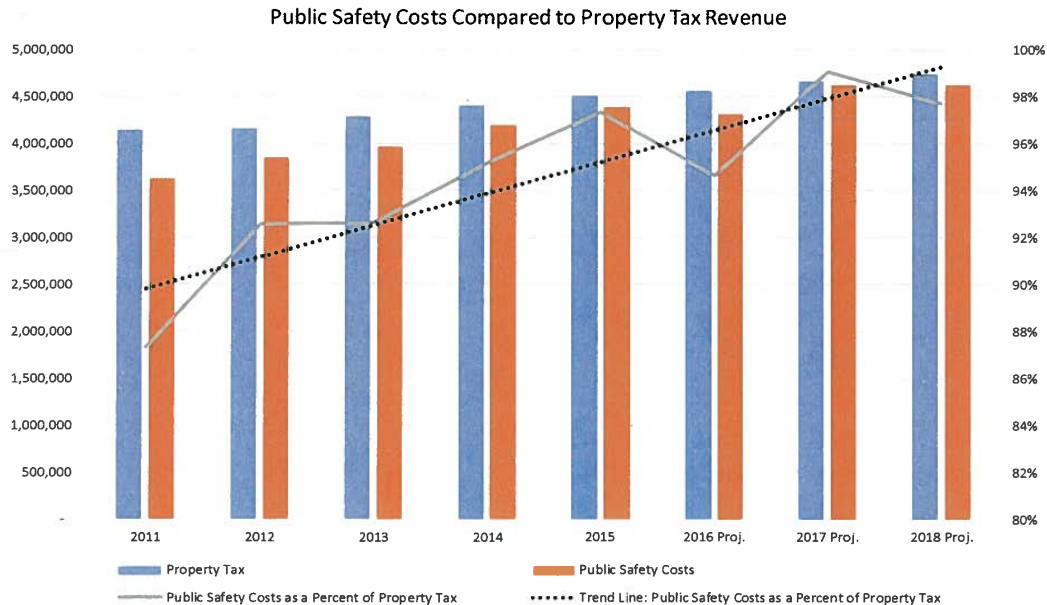
While not at the low of 2010, permit revenue is showing signs of decreasing, mainly due to lack of significant new development projects in the permit pipeline.

Sales tax is showing signs of leveling off, with an anticipated reduction in the construction portion of sales tax as the main culprit:



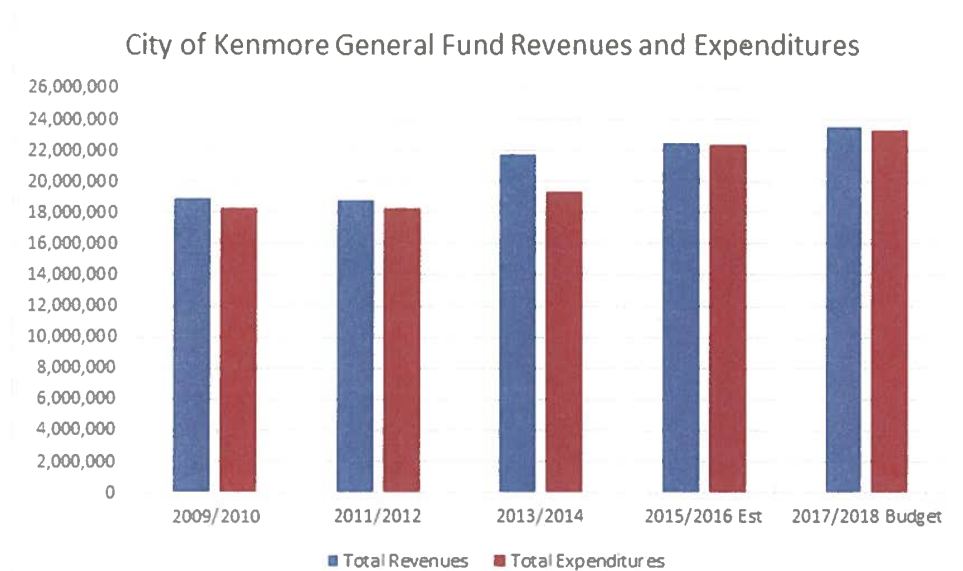
While we are anticipating relatively flat and even some declining revenues, we cannot say the same about expenditures. Ongoing programs, with no new positions or additions, are experiencing cost increases that are outpacing revenues. The largest example of this phenomenon is the Public Safety budget, comprising police, jail, court services and consuming almost 50% of the General Fund budget.

The Public Safety budget is about \$4.3 million per year and is expected to grow, with no new positions or programs, to \$4.6 million in 2017. For comparison purposes, the City's property tax revenue is just over \$4.5 million per year. As shown in the chart below, the Public Safety budget is growing at a faster rate than the property tax revenue. In 2011, Public Safety accounted for 87% of property tax, has grown to 95% of property tax in 2016, and is expected to reach 98% of property tax in the next biennium:



When it comes to the public safety budget, we have little control over costs aside from cutting service levels. Police, jail, and court are provided to the City by contract with other agencies. These contracts contain cost allocation formulas and are based on the actual costs of providing the services. Cost increases in these contracts are also based on actual costs are driven largely by increases in labor costs.

The following graph shows the relationship between the City's General Fund revenues and expenditures for the last four biennia and the upcoming biennium:



As shown by the above graph, the City has kept General Fund operating expenditures lower than revenues, thereby keeping the fund balance healthy at more than 25% of the Fund's operating expenditures (which is higher than our established policy of 20%). Note that the above graph does not show the one-time transfers from the General Fund to the Strategic Opportunities Fund, but it does include transfers to other funds such as the Street Fund and capital project funds.

While revenues such as property tax, sales tax, and permit fees are expected to be relatively flat or down for the next biennium, the above Revenues and Expenditures graph shows total revenues in the 2017-2018 biennium actually increasing. One reason for this increase is that we are assuming passage of Proposition 1 which includes a new parks project manager position funded in the General Fund but reimbursed from the Parks Capital Fund. Another yet similar reason is that we are more aggressively reimbursing the General Fund from other funds. At a higher rate than before, Surface Water Management and capital project funds will reimburse the General Fund for General Fund resources spent (staff time, for example) for projects and services in those other funds. The following graph illustrates the proposed increase in reimbursements back to the General Fund:

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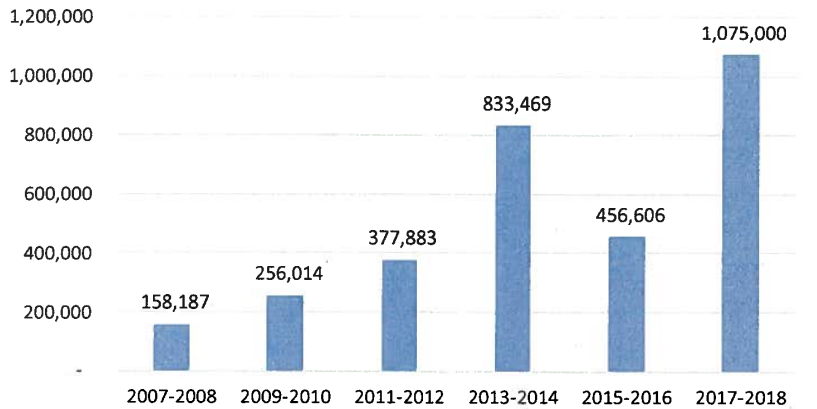
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Reimbursements back to the General Fund



Of the \$1,017,321 increase in General Fund revenues from the 2015-2016 biennium to the 2017-2018 biennium, just over \$600,000 is from the increase in reimbursements back to the General Fund.

Back to the expenditure side of the General Fund equation, the addition of operational positions and programs in prior years has added to our costs. Examples include the 2011 addition of a police officer position to respond to the loss of police coverage caused by the recent Kirkland annexation; increasing a 1/2 detective position to one full detective in 2011; an added position in 2011 in the Finance Department; a new maintenance/custodian position in 2012; and the Bastyr ball field annual contribution that began in 2010, and the addition of a full time volunteer and event supervisor and a full time traffic engineer in the last biennium.

While all of these operational additions are important and will contribute to a better Kenmore, they will impact our bottom line and will affect our ability to contribute General Fund resources to one-time projects. In fact, this coming biennium proposes a reduction in General Fund transfers to other funds—from \$3.3 million in 2015-2016 down to \$1.3 million in 2017-2018.

Human Services Funding and ARCH Capital Funding. In preparing the budget for the 2015-2016 biennium, we landed on \$7.53 per capita for human services funding, which was higher than the average for surrounding area cities. Staying with \$7.53 per capita and taking into account our latest population estimate of 22,320 from the State Office of Financial Management, this budget includes a human services budget increase from \$161,000 per year to \$168,070 per year.

This coming biennium maintains our capital contribution to A Regional Coalition for Housing (ARCH) at \$30,000 per year. When we reviewed this amount for the last biennium, this amount appeared to be in line with what other cities of our size and means are paying. The City's annual ARCH membership fee assumes an increase from \$26,000 per year to \$28,000 per year.

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Personnel. I continue believe that our employees are this organization's most important asset. I am impressed with the high caliber of people working at City Hall, and I believe it is vital to compensate them competitively and fairly.

Our health insurance rate increases continue to be in the single digits, with a 4.5% increase planned for 2017. These single digit rate increases, though still higher than inflation and revenue growth, are a welcome sight compared to the double digit annual increases of the previous two decades.

The proposed January 1, 2017 cost of living wage adjustment is based on June CPI for the Seattle area and is 1.1%.

Proposed personnel changes are as follows:

- Change the City Hall custodian position to a higher level facility technician position in order to cover a wider range of facility maintenance duties with the new addition of the Town Square and Hangar building.
- Create a 0.40 FTE (two days per week) maintenance custodian position to provide weekend coverage for the Town Square and Hangar building. This position will also be given tasks for City Hall and other facilities.
- Continue a temporary plans examiner/building inspector as the peak workload for new construction continues.
- Assuming passage of Proposition 1 Walkways & Waterways, include a temporary parks project manager and a regular parks project manager. The temporary parks project manager (already included in the 2015-2016 biennium) will complete parks projects already approved and currently in the pipeline, and the regular parks project manager will be funded by the bond and will manage the Waterways projects if the bond is approved by the voters.

Two four-year positions added in the last biennium will continue through this biennium:

- Project Manager for the West Sammamish River Bridge and other projects
- Traffic Engineer

General Fund Balance and Reserve Funds.

At the end of 2012, the General Fund Balance was a substantial \$5.3 million—more than 50% of operating revenues; our budget policy sets minimum balance at 20%. The City took this opportunity to create a Strategic Opportunities Fund with a \$2.5 million transfer from the General Fund balance. The purpose of this new Strategic Opportunities Fund, established in 2013, was to have resources available for key investments or to take advantage of strategic opportunities as they presented themselves.

The General Fund ending fund balance for 2016 is \$3.1 million which exceeds the amended budget ending fund balance of \$2.5 million by over \$600,000. At the end of 2016, with the budgeted expenditures outlined previously, the Strategic Opportunities ending fund balance is expected to exceed \$1.9 million. Also after the end of 2016, I will likely recommend transferring

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General Fund balance in excess of \$2.5 million over to the Strategic Opportunities Fund—this transfer amount is to be determined after the end of 2016 and is therefore not included in this current budget proposal.

The City also has continued to maintain a \$1.2 million Strategic Reserve Fund (not to be confused with the Strategic Opportunities Fund) balance. Set aside for emergencies and rainy days, this fund is limited by growth in City assessed valuation which declined during the recent recession. As a result, no transfers were made to the Fund. If assessed valuation continues to increase over the next several years, the City may be able to add to this fund.

Projecting forward to the end of the 2017-2018 biennium, with the combination of \$3.3 million of reserves estimated for the General Fund, \$1.3 million in the Strategic Opportunities Fund, and \$1.2 million in the Strategic Reserve Fund, the City will still have ending fund balance reserves of \$6.4 million.

Six-Year Financial Plan and Economic Outlook

We are once again in the process of updating the six-year financial plan. While this adopted biennial budget is balanced and our reserves are substantial (discussed above), we need our budget picture to be sustainable well beyond this next biennium. Added programs and positions over the last decade combined with flat or declining revenues and rising fixed costs will put pressure on our long-term budget picture, and the update to the six-year forecast will shed more light on these impacts.

While it is good to know that we have the dark days of the Great Recession behind us, the current recovery and economic expansion is relatively mature compared to other economic expansions. A recent Wall Street Journal survey of economists reported that economic downturn is 60% likely to happen in the next four years. (Wall Street Journal October 13, 2016 by Josh Zumbrun)

Commenting on this Wall Street Journal survey, business analyst Jill Schlesinger recently reported that the expansion currently underway is just over seven years old and may still have some life in it compared to the last three economic upturns:

“The current expansion, which began in July 2009, has lasted 87 months through September. That may seem like a long time, but it is not crazy. The previous three expansions (1982-1990, 1991-2001 and 2001-2007) lasted 92, 120 and 73 months respectively. That said, making a prediction that we could see a recession over the next four years does not seem particularly like going out on a limb.”
(JillonMoney.com, October 15, 2016)

Regardless of how long the current economic upturn will sustain itself, local governments like Kenmore continue to be in a structural financial problem where revenues, because of State-imposed growth limits and outdated tax systems, are not keeping pace with fixed costs. I believe local governments are part of an obsolete tax structure from a bygone era. The shift from a

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manufacturing to a service economy and the ongoing transition from a bricks-and-mortar to an online economy have significantly changed how local governments receive revenue.

To add to the problem, the State-imposed 1% growth limit on property tax collections is not sustainable over the long run. I illustrated this problem earlier in this budget message when I compared growth in public safety costs to growth in property tax. While household income and the cost of doing business continue to rise at a higher rate, the amount of property tax actually paid remains relatively flat and is not keeping pace with rising prices or the electorate's ability to pay.

Using my own home as an example, since 2009 the City share of annual property tax paid on my home has gone up by only 1.0% (\$6.07) while the Consumer Price Index for the Seattle area has risen by 10.4%. Furthermore, in just four years (2010 to 2014), growth in median household income has outpaced growth in the city property tax for this home by almost ten-fold:

	2009	2016	% Increase
City Share of Property Tax Paid	\$ 590.24	\$ 596.31	1.0%
STB CPI-U, January	224.73	250.94	11.7%

	2010	2014	% Increase
Median Household Income	\$ 80,658	\$ 88,472	9.7%

Source: US Census Bureau American Community Survey

This analysis only examines one home—because of the way city-wide values are assessed and property taxes are calculated, it is difficult to generate the “average” hypothetical home when comparing property taxes over time. However, the home used in this example is arguably a typical Kenmore home with no remodel work or new additions and reasonably close to the median price range for single family homes in Kenmore.

While the property tax story varies from house to house, I believe that in general, the actual city share of property taxes paid on existing homes have not kept pace with inflation, nor have they kept pace with household income. While Kenmore's household income has risen by almost ten percent in a four-year period, the City share of property tax paid on existing homes has, on average, lagged significantly behind.

As we update the financial forecast and update our strategy for a sustainable long-term financial plan, the City should consider whether to access a portion of its “banked” property tax capacity. Banked capacity is unused levy authority from prior years when the City chose to not take the allowable 1% property tax increase. This banked capacity has cumulatively grown to over \$500,000 per year in foregone property taxes. While I am not proposing to access banked capacity in this budget, I recommend that in future budgets, we should consider utilizing a portion of banked capacity or other unused taxing authority to further stabilize our budget and improve its long-term sustainability.

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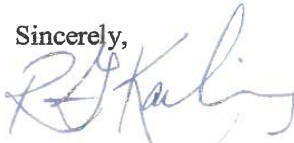
Conclusion

In conclusion, this preliminary budget proposal for the 2017-2018 is a pleasure to present. We have many meaningful services and projects planned that will sustain and even boost our momentum on Kenmore's upward trajectory of becoming.

Our budget is balanced with resources in place to retain professional, high caliber City staff to get the job done. Our focus continues to be on advancing the City Council's goals as well as the results identified in our priority based budgeting process.

Lastly, spending our first dollars on being safe and functional while also taking our community to happy and flourishing is what it's all about. I know we can continue to tap into and empower our citizen "co-creators" to produce lasting "love notes" that will connect us together, bring Kenmore that much closer to realizing the City's 20-year vision, and even get an answer to that quintessential question, Where's the Fun?

Sincerely,



Rob Karlinsey
City Manager
City of Kenmore

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City Council Business Agenda Item City of Kenmore, WA

Subject/Topic: Consideration of Ordinance 16-0433, addressing apartments and building heights in the single-family residential zoning districts (R-1, R-4 and R-6)

Proposed Council Action/Motion:
Adopt Ordinance 16-0433, amending the single-family residential zoning districts R-1, R-4 and R-6 to prohibit apartments and reduce maximum allowable building heights

For Council Meeting Agenda of: 11/14/16

Department: Community Development

Prepared by: Debbie Bent, Community Development Director and Lauri Anderson, Senior Planner

Initial & Date
Approved by Department Head: LWA GW DB 10/28/16
Approved by City Attorney: RK 10/29/16 email
Approved by Finance Director: JWG 11/2/16
Approved by City Manager: [Signature]

Exhibits/Attachments:

1. Ordinance 16-0433
2. Letter from the Housing Development Consortium

Expenditure Required \$0

Amount Budgeted: \$0

Appropriation Required \$0

INFORMATION/BACKGROUND: At your October 10 meeting, you directed staff to prepare an ordinance amending the single-family residential zoning district rules to eliminate apartments as a permitted or conditional use, and to reduce the maximum allowable height of structures. The proposed ordinance is attached (see Attachment 1). The changes would impact the R-1, R-4 and R-6 zoning districts.

On October 20, a letter was received from the Housing Development Consortium (see Attachment 2) asking that the residential density incentive provisions (RDI) be retained in the single-family zoning districts. The RDI provisions allow increased density in exchange for affordable housing. The proposed ordinance does not change the availability of the RDI incentives in the R-4 and R-6 zoning districts. Instead, it changes the form that new RDI housing could take. Only single-family and townhome projects would be able to use the incentives; apartments would be prohibited.

As mentioned in your October 10 agenda bill, allowing apartment development in the City's single-family residential zones using the RDI provisions could be an incentive to providing affordable housing in Kenmore. However, the RDI provisions, as written, have never been used anywhere in the City and are not currently contributing to affordable housing creation. The Housing Strategy Plan under review by the Planning Commission may outline more effective actions for addressing the City's affordable housing needs.

Background

The City Council requested review of the apartment allowance in single-family zoning districts as part of the 2016 docket discussion. Currently, to be a permitted use in the single-family zones, an apartment project must use the residential density incentive (RDI) provisions of Chapter 18.80 KMC. These provisions (in the R-4 and R-6 zoning districts) allow increased densities and apartments in exchange for affordable housing or the provision of open space, trails and parks. The RDI provisions cannot be used in the R-1 zoning district, so apartments cannot be a permitted use in that zone.

Apartments may be conditionally permitted in the single-family residential zones if they are located in a building listed on the National Register as an historic site or designated as a King County landmark subject to the provisions of

I:/City Clerk/Agenda Items/Templates

Chapter 2.20 KMC. Staff is aware of only one such structure in the R-1 through R-6 zoning districts: the Charles Thomsen House at 7330 NE 170th Street.

The proposed amendments would make all apartments a prohibited use in the R-1, R-4 and R-6 zoning districts. Comprehensive Plan Policy LU-1.3.1 states, "Ensure that zoning regulations emphasize single-family dwellings as the principal use in the City's established single-family neighborhoods." The proposed code changes are consistent with this direction.

Current height rules allow a maximum height of 75' in the single-family zoning districts if additional property line setbacks are provided. A 75' height limit would permit a structure 6-7 stories tall in a single-family zone with only 40' to 55' in setbacks from property lines. Comprehensive Plan Policy LU-1.3.2 states, "Provide development standards that create a consistent and compatible pattern of development within residential neighborhoods." Existing height limits are not consistent or compatible with the bulk of existing development in the City's single-family residential zones.

FISCAL CONSIDERATION:

None at this time.

COUNCIL GOAL/BUDGET OBJECTIVE BEING ADDRESSED:

- Comprehensive Plan 20-Year Vision: In 2035, we see Kenmore as a fun, vibrant waterfront community that supports the character of its single family residential neighborhoods.
- Land Use Element Policy LU-1.3.1: Ensure that zoning regulations emphasize single-family dwellings as the principal use in the City's established single-family neighborhoods.
- Land Use Element Policy LU-1.3.2: Provide development standards that create a consistent and compatible pattern of development within residential neighborhoods...
- Community Design Sub-Element Policy LU-11.1.1: Consider amendments to permitted uses, lot and building dimensional standards, street allowances, and other requirements to achieve compatible development in single-family, multi-family, and mixed use districts.
- Community Design Sub-Element Objective 11.2: Ensure that new housing is compatible with surrounding development in scale and/or design...
- Housing Element Policy H-1.2.3: Prepare and implement development and design standards that acknowledge neighborhood character and address compatibility with surrounding development consistent with Land Use and Community Design Element goals and policies.

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**CITY OF KENMORE
WASHINGTON
ORDINANCE NO. 16-0433**

**AN ORDINANCE OF THE CITY OF KENMORE, WASHINGTON, ADDRESSING
APARTMENTS AND BUILDING HEIGHTS IN SINGLE-FAMILY ZONING
DISTRICTS R-1, R-4 AND R-6; AMENDING MUNICIPAL CODE SECTIONS 18.21.020
AND 18.21.030; ADOPTING SEVERABILITY; AND ESTABLISHING AN EFFECTIVE
DATE.**

WHEREAS, on October 10, 2016, the City Council held a public hearing on proposed amendments to the City's single-family residential zoning districts R-1, R-4 and R-6 to obtain public input; and

WHEREAS, on October 10, 2016, the City Council reviewed and discussed the single-family zoning code amendment recommendations; and

WHEREAS, the City's Responsible Official under the State Environmental Policy Act issued a determination of non-significance for the proposed amendments; and

WHEREAS, the Washington State Department of Commerce was notified of the proposed amendments pursuant to RCW 36.70A.106 and granted expedited review; and

WHEREAS, on November 14, 2016, the City Council continued its review and consideration of the proposed amendments; and

WHEREAS, Section 19.20.090 of the Kenmore Municipal Code sets forth the decisional criteria for the amendment of development regulations; and

WHEREAS, the proposed amendments are consistent with the Growth Management Act and the Countywide Planning Policies as they support integration of new housing into existing built environments in ways that enhance the urban setting; and

WHEREAS, the proposed amendments do not create an inconsistency within the Comprehensive Plan as the Plan envisions the single-family zoning districts as "predominantly single detached dwelling units" and the Vision Statement voices support for preserving the character of the City's single-family residential neighborhoods; and

WHEREAS, the proposed amendments are beneficial to the city as a whole as they implement the Comprehensive Plan and will not adversely affect public health, safety, and welfare; and

WHEREAS, the proposed amendments are consistent with the policies, objectives, and goals of the Comprehensive Plan, including the 20-Year Vision Statement and Policies LU-1.3.1, LU-1.3.2, LU-11.1.1, LU-11.2 and H-1.2.3; and

WHEREAS, the proposed amendments do not duplicate or conflict with other portions of the Kenmore Municipal Code;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF KENMORE, WASHINGTON, DO ORDAIN AS FOLLOWS:

Section 1. Findings. The recitals set forth above are hereby adopted as the City Council's findings in support of this Ordinance. The City Council hereby finds that decisional criteria set forth in KMC 19.20.090, for the amendment of development regulations, have been met. This finding is based on the incorporated recitals and the record created before the City Council.

Section 2. Amendments to Sections 18.21.020 and 18.21.030 of the Kenmore Municipal Code. The City Council amends Sections 18.21.020 and 18.21.030 of the Kenmore Municipal Code to read as set forth in Attachment A, attached hereto and incorporated herein by reference.

Section 3. Severability. If any provision of this Ordinance or its application to any person or circumstance is held invalid or unconstitutional by a court of competent jurisdiction, the remainder of the Ordinance, or the application of the provision to other persons or circumstances, is not affected.

Section 4. Effective Date. This Ordinance shall be published in the official newspaper of the City and shall take effect and be in force five (5) days after the date of publication.

PASSED BY THE CITY COUNCIL AT A REGULAR MEETING THEREOF ON THE 14th DAY OF NOVEMBER, 2016.

CITY OF KENMORE

David Baker, Mayor

ATTEST/AUTHENTICATED:

Patty Safrin, City Clerk

Approved as to form:

Rod P. Kaseguma, City Attorney

Filed with the City Clerk:
Passed by the City Council:
Ordinance No.: 16-0433

Date of Publication:

Effective Date:

ATTACHMENT A

SINGLE-FAMILY ZONING CODE AMENDMENTS**Amend Section 18.21.020 as follows:****18.21.020 Residential zones R-1, R-4 and R-6 – Use allowances.**

The following *uses* in Table A are permitted, conditionally permitted, special uses, or *prohibited uses* in residential zones R-1, R-4 and R-6.

Table A. Residential Zones R-1, R-4 and R-6 Use Allowances

PERMITTED USE	CONDITIONAL USE	SPECIAL USE	PROHIBITED
<i>Single Detached Dwelling Unit¹</i>	<i>Single Detached Dwelling Unit¹</i>	<i>Jail</i>	<i>Community Residential Facility II</i>
<i>Townhouse²</i>	<i>Townhouse²</i>	<i>Hydroelectric</i>	<i>Hotel/Motel⁸</i>
<i>Apartment³</i>	<i>Apartment⁴</i>	<i>Generation Facility</i>	<i>Organization Hotel/Lodging</i>
<i>Designated Manufactured Home¹</i>	<i>Designated Manufactured Home¹</i>	<i>Nonhydroelectric Generation Facility</i>	<i>Houses</i>
<i>Mobile Home and Manufactured Home⁵</i>	<i>Mobile Home Park⁶</i>	<i>Communication Facility^{6a}</i>	<i>Campgrounds</i>
<i>Senior Citizen Assisted Living⁴</i>	<i>Community Residential Facility I</i>	<i>Earth Station</i>	<i>Destination Resorts</i>
<i>Residential Accessory Uses⁹</i>	<i>Dormitory⁷</i>	<i>Oil and Gas Extraction</i>	<i>Recreational Vehicle Park</i>
<i>Home Occupation</i>	<i>Home Industry</i>	<i>Energy Resource</i>	<i>Adult Entertainment Business</i>
<i>Park¹²</i>	<i>Bed and Breakfast</i>	<i>Recovery Facility</i>	<i>Theater</i>
<i>Trails</i>	<i>Guesthouse¹⁰</i>	<i>Landfill</i>	<i>Theater, Drive-in</i>
<i>Golf Course Facility¹⁵</i>	<i>Marina¹³</i>	<i>Transfer Station</i>	<i>Bowling Center</i>
<i>Amusement and Recreation Services^{16, 17, 18}</i>	<i>Sports Club^{13, 14}</i>	<i>Wastewater Treatment Facility</i>	<i>Shooting Range</i>
<i>Library²⁰</i>	<i>Amusement and Recreation Services^{16, 17, 19}</i>	<i>Municipal Water Production</i>	<i>Amusement Arcades</i>
<i>Museum²⁰</i>	<i>Library</i>	<i>Airport/Heliport</i>	<i>Amusement Park</i>
<i>Arboretum</i>	<i>Museum</i>	<i>Transit Bus Base</i>	<i>Outdoor Performance Center</i>
<i>Conference Center²⁰</i>	<i>Conference Center</i>	<i>School Bus Base</i>	<i>Drycleaning Plants</i>
	<i>General Personal Service²¹</i>	<i>Racetrack⁶²</i>	<i>Industrial Launderers</i>
			<i>Veterinary Clinic</i>
			<i>Automotive Repair</i>
			<i>Automotive Service</i>
			<i>Miscellaneous Repair</i>
			<i>Kennel or Cattery</i>

ATTACHMENT A

Table A. Residential Zones R-1, R-4 and R-6 Use Allowances

PERMITTED USE	CONDITIONAL USE	SPECIAL USE	PROHIBITED
<i>Cemetery, Columbarium or Mausoleum²³</i>	Funeral Home/Crematory ²² <i>Cemetery, Columbarium or Mausoleum²⁴</i>	Zoo/Wildlife Exhibit ⁶³ College/University ⁶⁴	<i>Theatrical Production Services</i> Nursing and Personal Care Facilities Medical/Dental Lab <i>Miscellaneous Health Services</i> <i>Public Agency Archives</i> Court <i>Construction and Trade</i> <i>Individual Transportation and Taxi</i> Trucking and Courier Service <i>Warehousing and Wholesale Trade⁴⁶</i> <i>Self-Service Storage</i> Farm Product Warehousing, Refrigeration and Storage <i>Log Storage</i> Transportation Service Freight and Cargo Service Passenger Transportation Service Communication Offices Telegraph and Other Communications <i>General Business Service</i> <i>Professional Office</i> Outdoor Advertising Service Miscellaneous Equipment Rental Automotive Rental and Leasing
<i>Family Child-Care Home²⁵</i>	<i>Day Care I</i>		
<i>Day Care I²⁶</i>	<i>Day Care II</i>		
<i>Day Care II²⁶</i>	<i>Church, Synagogue, Mosque, Temple²⁷</i>		
<i>Church, Synagogue, Mosque, Temple²⁷</i>	<i>Social Services^{27, 28}</i>		
<i>Social Services^{27, 28}</i>	<i>Social Services^{28, 29}</i>		
<i>Stable³⁰</i>	<i>Stable</i>		
<i>Artist Studios³¹</i>	<i>Medical/Dental</i>		
<i>Interim Recycling Facility⁶²</i>	<i>Office/Outpatient Clinic²⁹</i>		
<i>Medical/Dental</i>	Hospital ²⁹		
<i>Office/Outpatient Clinic²⁷</i>	<i>Secondary or High School³³</i>		
<i>Elementary School</i>	<i>Vocational School</i>		
<i>Middle/Junior High School</i>	<i>Specialized Instruction</i>		
<i>Secondary or High</i>	<i>School³⁵</i>		
<i>School³³</i>	<i>School District Support</i>		
<i>Vocational School²⁹</i>	<i>Facility</i>		
<i>Specialized Instruction</i>	<i>Public Agency or Utility</i>		
<i>School³⁴</i>	<i>Office</i>		
<i>School District Support</i>	Fire Facility ⁴⁰		
<i>Facility³⁵</i>	<i>Utility Facility⁴²</i>		
<i>Public Agency or Utility</i>	<i>Commuter Parking Lot</i>		
<i>Office³⁷</i>	<i>Helistop⁴⁷</i>		
<i>Public Agency or Utility</i>	<i>Department and Variety</i>		
<i>Yard³⁸</i>	<i>Stores⁴⁸</i>		
<i>Police Facility³⁹</i>	Food Stores ⁴⁹		
<i>Utility Facility⁴¹</i>	Eating and Drinking		
<i>Commuter Parking Lot⁴³</i>	Places ^{51, 52}		
<i>Private Stormwater</i>	<i>Drug Stores⁴⁹</i>		
<i>Management Facility⁴⁴</i>	<i>Book, Stationery, Video and Art Supply Stores⁴⁹</i>		

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ATTACHMENT A

Table A. Residential Zones R-1, R-4 and R-6 Use Allowances

PERMITTED USE	CONDITIONAL USE	SPECIAL USE	PROHIBITED
<i>Vector Waste Receiving Facility</i> ⁴⁵ Automotive Parking ⁴³ Agricultural Product Sales ⁵⁰ Livestock Sales ^{53, 54} Growing and Harvesting Crops Raising Livestock and Small Animals ⁵⁵	Florist Shops ⁴⁹ Hatchery/Fish Preserve ⁵⁶ Aquaculture ⁵⁶ Hydroelectric Generation Facility ⁵⁷ Nonhydroelectric Generation Facility ⁵⁸ Communication Facility ^{59, 60a} Earth Station ^{60a} School Bus Base		Professional Sports Teams/Promoters Research, Development and Testing Heavy Equipment and Truck Repair Commercial/Industrial Accessory Uses Building, Hardware and Garden Materials Stores Forest Product Sales Motor Vehicle and Boat Dealers Auto Supply Stores
Growing and Harvesting Forest Products School Bus Base ⁶¹ College/University ^{64, 65}	College/University ^{64, 66}		Gasoline Service Stations Apparel and Accessory Stores Furniture and Home Furnishings Stores Liquor Stores Used Goods: Antiques/Secondhand Shops Sporting Goods and Related Stores Jewelry Stores Monuments, Tombstones and Gravestones Sales Hobby, Toy, Game Shops Photographic and Electronic Shops Fabric Shops Fuel Dealers

ATTACHMENT A

Table A. Residential Zones R-1, R-4 and R-6 Use Allowances

PERMITTED USE	CONDITIONAL USE	SPECIAL USE	PROHIBITED
			<i>Personal Medical Supply Stores Pet Shops Bulk Retail Auction Houses Manufacturing Land Uses Forest Research Wildlife Shelters Mineral Extraction and Processing Asphalt/Concrete Mixtures and Block Manufacture Resource Accessory Uses Jail Farm/Camp Public Agency Animal Control Facility Public Agency Training Facility Soil Recycling Facility Fairground Stadium/Arena Secure Community Transition Facilities Marijuana Business</i>

¹ *Conditional use permit* required before approving more than one dwelling on individual *lots*, except on *lots* in subdivisions, short subdivisions or binding site plans approved for multiple unit *lots*, and except as provided for *accessory dwelling units* in subsection 8 of this section.

² A *conditional use permit* is not required for *townhouse* units on *lots* in a subdivision or short subdivision designed for *townhouse* units.

³ Only subject to the residential density incentive provisions of Chapter 18.80 KMC Reserved.

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⁴ Only in a *building* listed on the National Register as an historic site or designated as a King County landmark subject to the provisions of Chapter 2.20 KMC-Reserved.

⁵ *Manufactured homes* and *mobile homes* are only allowed in *mobile home parks*.

⁶ *Mobile home parks* shall not be permitted in the R-1 zones.

⁷ Only as an accessory to a school, college, university or church.

⁸ a. See KMC 18.73.100 regarding *accessory dwelling units*.

b. One single or twin engine, noncommercial aircraft shall be permitted only on *lots* that abut, or have a legal access that is not a *City* right-of-way to, a waterbody or landing field, provided there is:

(1) No aircraft sales, service, repair, charter or rental; and

(2) No storage of aviation fuel except that contained in the tank or tanks of the aircraft.

⁹ Except *bed and breakfast guesthouses*.

¹⁰ *Bed and breakfast guesthouses* shall be authorized after issuance of a *conditional use permit*, subject to the following conditions:

a. The guesthouse shall be owner-occupied;

b. Meals shall be served to paying guests only (no restaurant *use* permitted);

c. The number of guestrooms shall not be greater than that authorized by the International Building and Fire Codes;

d. Parking shall be provided as required by this title; and

e. The guesthouse shall be compatible with the neighborhood character as determined by the *city manager*, and shall not create significant adverse neighborhood effects that cannot be mitigated.

¹¹ Reserved.

¹² The following conditions and limitations shall apply, where appropriate:

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- a. No stadiums on *sites* less than 10 acres;
- b. Lighting for *structures* and fields shall be directed away from residential areas;
- c. *Structures* or service yards shall maintain a minimum distance of 50 feet from property lines adjoining residential zones, except for *structures* in on-site recreation areas required in KMC [18.30.130](#) and [20.47.155](#). *Setback* requirements for *structures* in these on-site required recreation areas shall be maintained in accordance with the zoning standards for the underlying residential zone;

- d. Overnight camping is allowed only in an approved *campground*.

¹³ Limited to recreation facilities subject to the following conditions and limitations:

- a. The bulk and scale shall be compatible with residential character of the area;
- b. For *sports clubs*, the gross floor area shall not exceed 10,000 square feet unless the *building* is on the same *site* or adjacent to a *site* where a public facility is located or unless the *building* is a nonprofit facility; and
- c. Use is limited to residents of a specified residential *development* or to *sports clubs* providing supervised instructional or athletic programs.

¹⁴ Only for stand-alone *sports clubs* that are not part of a *park*.

¹⁵ Clubhouses, maintenance buildings, equipment storage areas and driving range tees shall be at least 50 feet from residential property lines. Lighting for practice greens and driving range ball impact areas shall be directed away from adjoining residential zones. Applications shall comply with adopted *best management practices* for golf course *development*.

¹⁶ Excluding amusement and recreational *uses* classified elsewhere in this chapter.

¹⁷ *Social card games*, as defined by this title, are prohibited.

¹⁸ Limited to a golf driving range as an accessory to golf courses.

¹⁹ Limited to golf driving ranges and subject to subsection 15 of this section.

²⁰ Only as accessory to a *park* or in a *building* listed on the National Register as an historic site or designated as a *City* landmark subject to Chapter [18.50](#) KMC.

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²¹ Not permitted in R-1 and limited to a maximum of 5,000 square feet per establishment and subject to the additional requirements in KMC [18.21.070](#).

²² Only as an accessory to a cemetery.

²³ Limited to columbariums accessory to a church, but required *landscaping* and parking shall not be reduced.

²⁴ *Structures* shall maintain a minimum distance of 100 feet from property lines adjoining residential zones.

²⁵ A *family child-care home* is subject to the requirements established by the Washington State Department of Early Learning (DEL) in WAC Title [170](#). The *family child-care home* shall meet the following requirements:

- a. The family child-care provider shall be licensed by DEL to operate a *family child-care home*;
- b. A safe passenger loading area as certified by the DEL licensor shall be provided;
- c. The *family child-care home* shall comply with all applicable building, fire, safety, and health codes enforced by the *City*;
- d. The *family child-care home* shall comply with all applicable development standards of the *City*, unless determined to be legally nonconforming;
- e. All signage shall conform to the applicable requirements of Chapter [18.42](#) KMC;
- f. The *City* has the authority to limit the hours of operation to facilitate neighborhood compatibility; and
- g. Prior to receiving State licensing, the family child-care provider shall provide the *City* with proof of written notification informing immediately adjoining property owners of the intent to locate and maintain the *family child-care home*. The notification shall inform the notified parties that comments may be submitted to the DEL and provide contact information for submitting such comments to the DEL. The proof of notification shall be in the form of a written affidavit containing (1) the date and means of notification; (2) a copy of the notification; and (3) a list of the parties to whom the notification was distributed.

²⁶ Only as a re-use of a public school facility subject to Chapter [18.50](#) KMC, or an *accessory use* to a school, church, *park*, *sport club* or public housing administered by a *public agency*, and:

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- a. Outdoor play areas shall be completely enclosed by a solid wall or *fence*, with no openings except for gates and have a minimum height of six feet;
- b. Outdoor play equipment shall maintain a minimum distance of 20 feet from property lines adjoining residential zones;
- c. Direct access to a developed arterial *street* shall be required in any residential zone; and
- d. Hours of operation may be restricted to assure compatibility with surrounding *development*.

²⁷ Only as a re-use of a public school facility subject to Chapter [18.50](#) KMC.

²⁸ Except day care services and residential care.

²⁹ Only as a re-use of a surplus nonresidential facility subject to Chapter [18.50](#) KMC.

³⁰ Covered riding arenas are subject to KMC [18.70.030](#) and shall not exceed 20,000 square feet, but stabling areas, whether attached or detached, shall not be counted in this calculation.

³¹ Only as a re-use of a surplus nonresidential facility subject to Chapter [18.50](#) KMC or as a joint use of an existing public school facility.

³² Limited to *drop box facilities* accessory to a public or community *use* such as a school, fire station or community center.

³³ Renovation, expansion, modernization, or reconstruction of a school, or the addition of *relocatable facilities*, is permitted.

³⁴ Only as an accessory to residential *use*, and:

- a. Students shall be limited to 12 per one-hour session;
- b. All instruction must be within an enclosed *structure*; and
- c. *Structures* used for the school shall maintain a distance of 25 feet from property lines adjoining residential zones.

³⁵ Subject to the following:

- a. *Structures* used for the school and *accessory uses* shall maintain a minimum distance of 25 feet from property lines adjoining residential zones;

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b. On *lots* over two and one-half acres:

- (1) *Retail sales* of items related to the instructional courses are permitted, if total floor area for *retail sales* is limited to 2,000 square feet;
- (2) Sales of food prepared in the instructional courses are permitted with Seattle/King County public health and *City* approval, if total floor area for food sales is limited to 1,000 square feet and is located in the same *structure* as the school; and
- (3) Other incidental student-supporting *uses* are allowed, if such *uses* are found to be both compatible with and incidental to the principal *use*; and

c. On *sites* over 10 acres zoned R-1 and/or R-4:

- (1) *Retail sales* of items related to the instructional courses are permitted, provided total floor area for *retail sales* is limited to 2,000 square feet;
- (2) Sales of food prepared in the instructional courses are permitted with Seattle/King County public health and *City* approval, if total floor area for food sales is limited to 1,750 square feet and is located in the same *structure* as the school;
- (3) Other incidental student-supporting *uses* are allowed, if the *uses* are found to be functionally related, subordinate, compatible with and incidental to the principal *use*;
- (4) The *use* shall be integrated with allowable agricultural *uses* on the *site*;
- (5) Advertised special events shall comply with the temporary use requirements of this title; and
- (6) Existing *structures* that are damaged or destroyed by fire or natural event, if damaged by more than 50 percent of their prior value, may reconstruct and expand an additional 65 percent of the original floor area but need not be approved as a conditional use if their *use* otherwise complies with the development conditions in this subsection (35)(c) and this title.

³⁶ Only if adjacent to an existing or proposed school.

³⁷ a. Only as a re-use of a public school facility or a surplus nonresidential facility subject to the provisions of Chapter 18.50 KMC; or

b. Only when accessory to a fire facility and the office is no greater than 1,500 square feet of floor area.

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³⁸ a. Utility yards only on *sites* with utility district offices; or

b. *Public agency* yards are limited to material storage for road maintenance facilities.

³⁹ Limited to "storefront" police offices. Such offices shall not have:

a. Holding cells;

b. Suspect interview rooms; or

c. Long-term storage of stolen properties.

⁴⁰ a. All *buildings* and *structures* shall maintain a minimum distance of 20 feet from property lines adjoining residential zones;

b. Any *buildings* from which fire-fighting equipment emerges onto a *street* shall maintain a distance of 35 feet from such *street*; and

c. No *outdoor storage*.

⁴¹ Excluding *bulk gas storage tanks*.

⁴² Limited to *bulk gas storage tanks* which pipe to individual residences but excluding liquefied natural gas storage tanks.

⁴³ Limited to commuter parking facilities for users of transit, carpools or ride-share programs, provided:

a. They are located on existing parking lots for churches, schools, or other permitted nonresidential *uses* which have excess capacity available during commuting hours; and

b. The *site* is adjacent to a designated arterial that has been improved to a standard acceptable to the *department*.

⁴⁴ Except when participating in an approved shared facility drainage plan; such facilities shall be located on the same *lot* that they are designed to serve except in subdivisions or short subdivisions that set aside a separate tract for such facilities. For shared facilities, such facilities which are not located on the *lot* they are designed to serve shall be located on a *lot* with the same or more intensive zoning designation.

⁴⁵ Only as an *accessory use* to a *public agency* or *utility yard*, or to a *transfer station*.

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⁴⁶ Except *self-service storage*.

⁴⁷ Limited to *emergency* medical evacuation sites in conjunction with police, fire or health service facility.

⁴⁸ Not in R-1 and limited to *variety stores*, with a maximum of 5,000 square feet of gross floor area, and subject to KMC [18.21.070](#).

⁴⁹ Not permitted in R-1 and limited to a maximum of 5,000 square feet of gross floor area and subject to KMC [18.21.070](#).

⁵⁰ a. Limited to products produced on-site.

b. Covered sales areas shall not exceed a total area of 500 square feet.

⁵¹ Not permitted in R-1 and excluding drinking places, and limited to a maximum of 5,000 square feet of gross floor area and subject to KMC [18.21.070](#).

⁵² *Social card games*, as defined by this title, are prohibited.

⁵³ Retail sale of *livestock* is permitted only as accessory to raising *livestock*.

⁵⁴ Limited to the R-1 zone.

⁵⁵ *Large livestock* allowed in accordance with Chapter [18.70](#) KMC.

⁵⁶ May be further subject to KMC Title [16](#), Division I, Shoreline Management.

⁵⁷ Limited to facilities that comply with the following:

a. Any new diversion *structure* shall not:

(1) Exceed a height of eight feet as measured from the streambed; or

(2) Impound more than three surface acres of water at the normal maximum surface level;

b. There shall be no active storage;

c. The maximum water surface area at any existing dam or diversion shall not be increased;

d. An exceedance flow of no greater than 50 percent in mainstream reach shall be maintained;

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e. Any transmission line shall be limited to a:

(1) Right-of-way of five miles or less; and

(2) Capacity of 230 kV or less;

f. Any new, permanent access road shall be limited to five miles or less; and

g. The facility shall only be located above any portion of the *stream* used by *anadromous fish*.

⁵⁸ Limited to *cogeneration* facilities for on-site use only.

⁵⁹ The provisions apply only to *major communication facilities*. *Minor communication facilities* shall be reviewed in accordance with the processes and standards outlined in Chapter [18.60](#) KMC.

⁶⁰ a. Limited to no more than three satellite dish *antennas*.

b. Limited to one satellite dish *antenna*.

c. Limited to tower *consolidations*.

⁶¹ Only in conjunction with an existing or proposed school.

⁶² Except racing of motorized vehicles.

⁶³ Except arboretum.

⁶⁴ Except technical institutions. See *vocational schools*.

⁶⁵ Only as a re-use of a public school facility subject to Chapter [18.50](#) KMC.

⁶⁶ Only as a re-use of a surplus nonresidential facility subject to Chapter [18.50](#) KMC.

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Amend Section 18.21.030 as follows:**18.21.030 Residential zones R-1, R-4 and R-6 – Development standards.**

The following zone-specific development standards in Table B apply in the R-1, R-4 and R-6 residential zones:

Table B. R-1, R-4 and R-6 Residential Zones Development Standards

STANDARDS	Z O N E S			
		R-1 ¹	R-4	R-6
Base Density: <i>Dwelling Unit/Acre</i> ²		1 du/ac	4 du/ac ³	6 du/ac
Maximum Density: <i>Dwelling Unit/Acre</i> ⁴			6 du/ac	9 du/ac
Minimum Density				
Minimum Lot Width ⁶		35 ft. ⁷	30 ft.	30 ft.
Minimum <i>Street Setback</i>		20 ft. ⁷	15 ft. ^{8,9}	15 ft. ^{8,9}
Minimum Side <i>Setback</i> ^{5,10}		5 ft. ⁷	15 ft. total ¹¹	15 ft. total ¹¹
Minimum Rear <i>Setback</i> ^{5,10}		5 ft. ⁷	20 ft.	20 ft.
Base Maximum Height ¹²		35 ft.	35 ft.	35 ft. 45 ft. ¹³
Maximum <i>Impervious Surface</i> : Percentage ¹⁴		30% ¹⁵	55%	70%
Minimum Lot Size		2,500 sq. ft.	7,200 sq. ft. ^{16,17}	5,400 sq. ft. ^{16,17}

- ¹ a. All subdivisions and short subdivisions in the R-1 zone shall be required to be *clustered* when the property is located within or contains:

(1) A *floodplain*;

(2) A regionally or locally significant resource area;

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- (3) Existing or planned public *parks or trails*, or connections to such facilities;
 - (4) A Class I or II *stream or wetland*;
 - (5) A "greenbelt/urban separator" or "wildlife corridor" area designated by the comprehensive plan.
- b. The *development* shall be *clustered* away from *critical areas* or corridors such as urban separators or the wildlife habitat network to the extent possible and the *open space* shall be placed in a separate tract that includes at least 50 percent of the *site*. *Open space* tracts shall be permanent and meet the provisions of KMC [17.20.130](#).
- ² Density applies only to *dwelling units* and not to sleeping units.
- ³ *Mobile home parks* shall be allowed a base density of six *dwelling units* per acre.
- ⁴ This maximum density may be achieved only through the application of residential density incentives pursuant to Chapter [18.80](#) KMC or *transfers of density credits*, or any combination of density incentive or density transfer. Maximum density may only be exceeded pursuant to KMC [18.80.040\(E\)\(1\)\(f\)](#).
- ⁵ These standards may be modified under the provisions for *zero-lot-line developments*.
- ⁶ The *building envelope* is determined through meeting minimum lot size and minimum lot width measurement requirements (KMC [18.30.110](#)).
- ⁷ The standards of the R-4 zone shall apply if a *lot* is less than 15,000 square feet in area.
- ⁸ If *development* provides *alleys* or consists of *townhouses*, then the *street setback* may equal 10 feet.
- ⁹ At least 20 linear feet of driveway shall be provided between any garage, carport or other fenced parking area and the *street* property line. The linear distance shall be measured along the centerline of the driveway from the access point to such garage, carport or fenced area to the *street* property line.
- ¹⁰ Vehicle access points from garages, carports or fenced parking areas shall be set back from the property line on which a *joint use driveway* is located to provide a straight line length of at least 26 feet as measured from the centerline of the garage, carport or fenced parking area, from the access point to the opposite side of the *joint use driveway*.

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¹¹ Any side yard shall equal a minimum of five feet but the two side yards combined must equal a minimum of 15 feet.

¹² Height limits may be increased when portions of the structure which exceed the base height limit provide one additional foot of street and interior setback for each foot above the base height limit, provided the maximum height may not exceed 75 feet. Netting or fencing and support structures for the netting or fencing used to contain golf balls in the operation of golf courses or golf driving ranges are exempt from the additional interior setback requirements; provided, that the maximum height shall not exceed 75 feet. Reserved.

¹³ The basemaximum height of 45 feet to be used only for projects as follows:

a. In R-6 zones, a building with a footprint built on slopes exceeding a 15 percent finished grade.

¹⁴ Applies to each individual lot. Impervious surface area standards for:

a. Regional uses shall be established at the time of permit review;

b. Nonresidential uses in residential zones shall comply with KMC 18.21.060 and 18.30.170;

c. Individual lots in the R-4 through R-6 zones which are less than 9,076 square feet in area shall be subject to the applicable provisions of the nearest comparable R-6 zone;

d. Lots may be increased beyond the total amount permitted in this chapter subject to approval of a conditional use permit.

¹⁵ Lots smaller than one-half acre in area shall comply with standards of the nearest comparable R-4 through R-6 zone. For lots that are one-half acre in area or larger, the maximum impervious surface area allowed shall be at least 10,000 square feet. On any lot over one acre in area, an additional five percent of the lot area may be used for buildings related to agricultural or forestry practices. For lots smaller than two acres but larger than one-half acre, an additional 10 percent of the lot area may be used for structures which are determined to be medically necessary, provided the applicant submits with the permit application a notarized affidavit, conforming with the requirements of KMC 18.100.170(A)(2).

¹⁶ For properties with critical areas or topographic constraints, up to 20 percent of the number of lots in a subdivision or a short subdivision of more than four lots, and one of the lots in a short plat of four lots or less, may contain an area less than the prescribed minimum for this zoning district. In no case shall any lots be created which contain an area more than 10 percent less

ATTACHMENT A

than the prescribed minimum for this zoning district. These smaller *lots* shall be located so as to have the least impact on surrounding properties in terms of consistency of *street frontages* and privacy of abutting properties.

¹⁷ This excludes any area required for public or *private streets*, access easements, access tracts, and access panhandles.



**HOUSING
DEVELOPMENT**
consortium

October 13, 2016

Kenmore City Council
Kenmore City Hall
18120 68th Ave NE
Kenmore, WA 98028

**Re: Residential Density Incentive Provisions of Chapter
18.80 KMC**

Dear Councilmembers,

On behalf of the Housing Development Consortium Seattle-King County (HDC), thank you for this opportunity to comment on the proposed amendments to the residential density incentive provisions (RDI) in the R4 and R6 zoning districts. HDC is concerned that amending the RDI provisions, without replacing them with any additional affordable housing policies, will result in less affordability for current residents and those hoping to move to Kenmore. We encourage the Council to mitigate these impacts, and as the City continues to develop its affordable housing strategy, we urge the Council to adopt and implement policies that preserve and create affordable housing to ensure Kenmore is accessible for all.

HDC is a nonprofit membership organization representing 125 private businesses, nonprofit organizations, and public partners working to develop affordable housing and provide housing-related services in King County. HDC's members are dedicated to the vision that *all people should be able to live in a safe, healthy, affordable home in a community of opportunity*. In other words, we believe all people, regardless of income, deserve the opportunity to thrive in a safe neighborhood with good jobs, quality schools, and strong access to transit.

Attachment 2

HDC's Affordable Housing Members:

Low-income Housing Organizations
Community Development Corporations
Special Needs Housing Organizations
Public Housing Authorities
Community Action Agencies
Workforce Housing Organizations
Public Development Authorities
Government Agencies and Commissions
Architects and Designers
Development Specialists
Certified Public Accountants
Regional Funders and Lenders
National Funders and Lenders
Community Investment Specialists
Property Managers
Law Firms
Contractors

Affording Opportunity

1402 Third Avenue, Suite 1230 Seattle, Washington 98101

206.682.9541 Fax 206.623.4669 www.housingconsortium.org

Amending the RDI provisions jeopardizes this vision. Prohibiting apartment construction while actively promoting single-family dwellings and decreased density is likely to decrease housing choice and therefore could increase housing prices for a more limited supply. With a 2016 median rent of \$2,600¹ and only 13% of homes affordable to very low and low income households in 2014², Kenmore is already cost-prohibitive to many residents. Higher-cost housing means teachers, police officers, city employees, nurses, and other workers may not be able to afford to live in your city.

As Kenmore's Comprehensive Plan notes, "Approximately 20 percent of the households in Kenmore fall within the standards defined as very low- or low-income. The rental market is the primary source of housing for these populations."³ Preventing new apartment construction limits the rental market, disproportionately burdening these low-income residents. The proposed RDI amendments also seem at cross-purposes with the policies in the Comprehensive Plan Housing Element, including:

1. *Policy H-3.2.1*: Support efforts of private developers, both for-profit and not-for-profit, to preserve or develop affordable housing, including housing with onsite services, for very low-, low- and moderate-income families.
2. *Policy H-3.2.4*: Use density bonuses, inclusionary programs, and other methods with mixed-use and multi-family developments to provide housing affordable to low- and moderate-income households.
3. *Policy H-1.3.1*: Plan for an adequate supply of land to accommodate projected growth, including but not limited to, affordable housing, multifamily housing, and special needs housing.

Kenmore made great strides in adopting the Transit-Oriented District Overlay affordable housing incentive program. HDC encourages the Council to carefully consider whether the proposed amendments truly support the affordability goals for which you are striving. If the Council does decide to support the RDI changes, we urge members to simultaneously propose new policies to offset the loss of public benefits and to meet projected housing needs. And, as the Council continues to develop your affordable housing strategy, we urge you to implement existing affordable housing policies to the greatest extent possible and to commit to new strategies that address the entire continuum of housing needs. We look forward to continuing to work with you as you strive to maintain a thriving, vibrant community affordable for people of all incomes.

Thank you for your consideration. Please do not hesitate to contact us with any questions.

Best,



Kelly Rider
Director, Government Relations & Policy



Nicki Olivier Hellenkmap
Manager, Mobilization & Policy

¹ https://www.trulia.com/for_rent/Kenmore,WA/.

² Kenmore Comprehensive Plan, Housing Element 5-9.

³ Kenmore Comprehensive Plan, Housing Element 5-4.



**City Council Business Agenda Item
City of Kenmore, WA**

Subject/Topic:

Presentation of 2017-2018 Preliminary Biennial Budgets for the following departments and funds: Public Works Engineering, Park & Facility Maintenance, Street Fund, Transportation Benefit District Fund, Transportation Capital Fund, Transportation Impact Fee Fund, Sammamish River Bridge Fund, Surface Water Management Fund, and Surface Water Capital Fund

Proposed Council Action/Motion:

Presentation of 2017-2018 Preliminary Biennial Budgets for the following departments and funds: Public Works Engineering, Park & Facility Maintenance, Street Fund, Transportation Benefit District Fund, Transportation Capital Fund, Transportation Impact Fee Fund, Sammamish River Bridge Fund, Surface Water Management Fund, and Surface Water Capital Fund

For Council Meeting Agenda of: November 14, 2016

Departments: Finance and Administration, Public Works

Prepared by: Joanne Gregory, Director of Finance and Administration; Kris Overleese, Public Works Director; Jennifer Gordon, Public Works Operations Manager; Kent Vaughan, Senior Engineer; John Vicente, Capital Projects Engineer; Brett Schock, Traffic Engineer; Richard Sawyer, Surface Water Program Manager

Initial & Date

Approved by Department Head:

Approved by City Attorney:

Approved by Finance Director:

Approved by City Manager:

Joanne Gregory 11-3-16
Kris Overleese 11-3-16
Jennifer Gordon
Kent Vaughan

Exhibits/Attachments:

Powerpoint Presentation to be uploaded the week of November 7, 2016

Expenditure Required:

2017-2018 Preliminary City Budget
\$55,923,251

Amount Budgeted \$0**Appropriation Required N/A**

2017-2018 Preliminary City
Expenditure Budget \$55,923,251
Revenue Budget \$54,396,768

INFORMATION/BACKGROUND:

The following 2017-2018 preliminary budgets will be presented to the City Council for review and discussion: Public Works Engineering, Park & Facility Maintenance, Street Fund, Transportation Benefit District Fund, Transportation Capital Fund, Transportation Impact Fee Fund, Sammamish River Bridge Fund, Surface Water Management Fund, and Surface Water Capital Fund.

A powerpoint and staff presentation will be provided.

FISCAL CONSIDERATION:

Budgets to be reviewed include:

Public Works Engineering \$ 1,415,011 page 109

i:\admin & finance\budget\2017-2018\presentations\lab dept budget pres nov 14.docx

Park & Facility Maintenance	\$ 1,918,339	page 136
Street Fund	\$2,909,008	page 142
Transportation Impact Fee Fund	\$ 982,098	page 153
Transportation Benefit District Fund	\$ 669,000	page 155
Sammamish River Bridge Fund	\$ 3,009,961	page 162
Transportation Capital Fund	\$9,426,560	page 176
Surface Water Management Fund	\$4,729,487	page 180
Surface Water Capital Fund	\$3,458,634	page 191

COUNCIL GOAL/BUDGET OBJECTIVE BEING ADDRESSED:

The budget should be a performance, financing and spending plan, agreed to by a majority of the City Council. It should contain information and data regarding expected revenues, expected expenditures and expected performance.



Public Works Engineering

- The Engineering Division of Public Works is responsible for Capital Project Management, Development Review and Inspection, and maintenance of Road Standards.

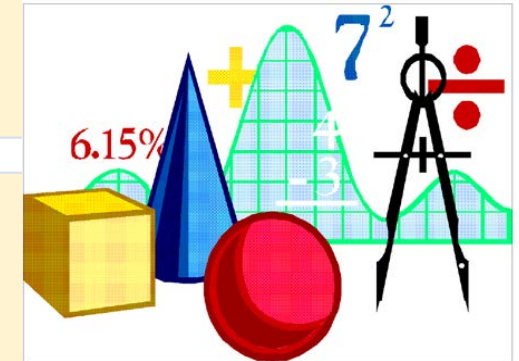
Preliminary Budget

- Total 2017-2018 Budget \$1,415,011
 - 7% decrease from 2015-2016 budget (reclass of Traffic Engineer)
- 6% of Total General Fund

FTEs

FTEs: 4.05

- Public Works Director
- Permit and Administrative Specialist (.05 FTE)
- Civil Engineer
- Senior Civil Engineer
- Capital Projects Manager



2017- 2018 Budget Highlights

- Continuation of Traffic Engineer position (now budgeted in Street Fund)
- Continuation of Capital Project Manager position (West Sammamish River Bridge)
- General Consulting budget includes: grant application support, Phase 2 of the Americans with Disability Act (ADA) assessment, and traffic engineering design/consulting assistance



Public Works Parks and Facilities Maintenance

- The Parks and Facilities Maintenance cost center accounts for the operation, maintenance, and repair of the City's public parks and facilities, as well as miscellaneous City owned properties.

Preliminary Budget

- Total 2017-2018 Budget \$1,918,340
 - 1.8% decrease from 2015-2016 budget
 - 8.8% above 2015-2015 projections
- 8.2% of Total General Fund



FTEs

- FTEs: 3.2
 - Permit and Administrative Specialist (.4 FTE)
 - Parks Maintenance Worker
 - Part Time Maintenance Worker(.4 FTE)
 - Building Technician (Previously Titled Maintenance Custodian)
 - New Part Time Building Technician (.4FTE)



2017-2018 Budget Highlights

- Increased consulting budget to include the Public Works Services Analysis.
- Addition of Part Time Building Technician to support the opening of The Hangar and Town Square.

Street Fund

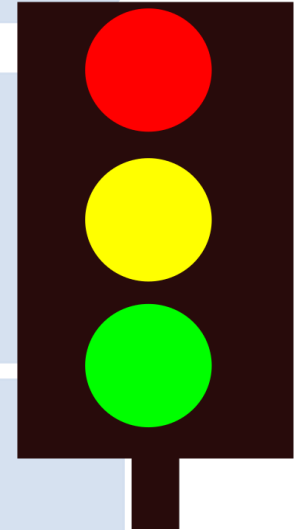
- The Street Fund accounts for traffic engineering and maintenance expenditures on street, traffic control devices, sidewalks and right of way maintenance.

Preliminary Budget

- Total 2017-2018 Budget \$2,909,008
 - 5% increase over 2015-2016 Budget
 - No transfers to other funds

FTEs

- FTEs: 3.4
 - Public Works Operations Manager
 - Permit and Administrative Specialist (.4 FTE)
 - ROW Inspector
 - Traffic Engineer (reclassified from PW Engineering)



Street Fund

Traffic Engineering

- Neighborhood Traffic Program
- Traffic Calming Program and projects
- Data collection and analysis
- Coordination with Northshore School District, King County and WSDOT

Operations and Maintenance

- Pavement Management
- Bridge Maintenance
- Snow and ice
- Signals, signs and markings
- Rights of Way (Banners, Permits, and Landscape/Vegetation)

The goal: to protect and preserve the health, safety and well being of the citizens through effective and efficient maintenance and operation of the City's transportation infrastructure.

Street Fund Revenues

Fuel Tax
\$969,604
11%
increase

Multi
Modal
\$46,200
new
revenue
source

ROW
Permit
Fees
\$220,000

Transfer
from
General
Fund
\$1,000,000
Water
Sewer
Franchise
Fees

Transfer
from TBD
\$669,000

Other
\$7,500

2017-2018 Operations Highlights

- Complete the Public Works Services Analysis
- Maintenance of signals, signage, markings, pavement and ROW
- Overlay Program Management
- Support Transportation CIP and transition to maintenance

2017-2018 Traffic Engineering Highlights

- Response to traffic-related service requests
- Coordination with Northshore School District
- Engineering support of Complete Streets and Target Zero



2017-2018 Budget Highlights

- \$355K Federal Road Preservation Grant (Simonds Road Overlay, Phase II). Although budgeted in Transportation Capital, this is managed by Public Works Operations.
- Traffic Engineer position included in this budget for 2017-2018
- 2018 Budgeted Ending Fund Balance = \$768,530

Transportation Benefit District

- This fund accounts for revenues received from the \$20 vehicle fee imposed on vehicles licensed in the City of Kenmore. The revenues collected are used for the purposes authorized by Resolution No. 2012-008, which establishes the vehicle fee, and for the cost and expense of administering and operating the TBD. The purpose of the District fee is to support transportation improvements and road preservation efforts.

Preliminary Budget

- 2017-2018 Projected Revenue \$680,800
 - Vehicle License Fees and Investment Interest
- 2017-2018 Total Preliminary Expenditures \$669,000
 - Transferred to the Street Fund
- 2018 Budgeted Ending Fund Balance \$60,762

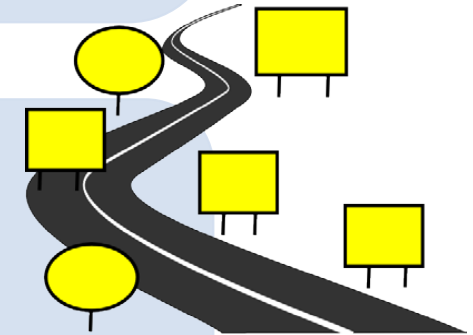


Transportation Impact Fees

- This fund accounts for City-imposed transportation impact fees that are received from new development activity that creates additional demand and need for transportation improvements. The 2017 transportation impact fee for a single-family residence is \$9,320.
- Expenditures from this fund are spent for public improvements including, but not limited to planning, land acquisition, improvements, construction, engineering, architectural, permitting, financing and administrative expenses, applicable impact or mitigation costs and any other transportation expenses which can be capitalized.

Preliminary Budget

- 2017-2018 Projected Revenue \$905,500
 - Impact Fees and Investment Interest
- 2017-2018 Total Preliminary Expenditures \$982,098
 - Transfers for Sidewalk Projects \$838,698
 - Transfers for Sammamish River Bridge \$143,400
- 2018 Budgeted Ending Fund Balance \$940,299





- West Sammamish River Bridge
 - Replace the West Sammamish River Bridge (southbound traffic) that crosses the Sammamish River on 68th Avenue NE. The project will also include improvements to the 68th/NE 170th Street and 68th/NE 175th Street intersections. Between the two intersections, pedestrian and bicycle safety will be improved with a wider facility.



- 2017-2018 Preliminary Budget \$ 3,009,961
- 2017-2022 CIP Program Budget \$21,615,639



- Project is currently budgeted to fund 0.75 FTE:
 - Capital Projects Manager



- 85% of Project Cost Paid with Grants
 - Highway Bridge Program (BRAC): \$1,378,202
 - Surface Transportation Program (STP): \$1,063,994
 - Connection Washington: \$424,365
- City Transportation Impact Fees: \$143,400
- When books are closed for 2016, any carryover from the account in the Transportation Capital Fund will be transferred to the Sammamish River Bridge Fund



- Highway Bridge Program (BRAC): \$12,000,000
- Surface Transportation Program (STP): \$1,063,994
- Connection Washington: \$8,000,000
- City Transportation Impact Fees: \$1,470,265
- Future Grants: unknown

Transportation Capital Fund	This fund accounts for transportation and sidewalk improvement expenditures with resources provided by impact fee / real estate excise tax / general fund transfers, state / federal grants, and Walkways & Waterways Bond Measure.
Preliminary Budget	Total 2017-2018 Fund Budget: \$9,426,560* *Excludes West Sammamish Bridge project, which is accounted for in a separate fund.
Budget Highlights	• Three (3) arterial street projects; • Seven (7) sidewalk projects; • Two (2) preliminary engineering studies and; • Asphalt Overlay and Neighborhood Transportation Plan Program Implementation.



T-6 SR522 West A
(61st to 65th)

FUNDING STATUS: SECURED

2017/18 Budget: 794k

Post construction utility
agreement reconciliation and
plant warranty / maintenance.

Total project budget: \$16.2M.



T-41 Juanita Drive
Ped & Bike Safety
(170th to south city limits)

FUNDING STATUS: Bonds

2017/18 Budget: \$2.1M

Design and ROW phases
budgeted in 2017-2018.

Total project budget: \$12.7M.



T-42 68th Ave
Ped & Bike Safety
(185th to 61st PL)

FUNDING STATUS: Bonds

2017/18 Budget: \$1.24M

Design phase; and construction
phase of segments up to 185th
budgeted in 2017-2018.

Total project budget: \$5.1M.

ARTERIAL STREET PROJECTS



181st

(68th-73rd SOUTH)

FUNDING STATUS:
SECURED

2017/18 Budget:
\$124k

Post construction
utility agreement
reconciliation and
plant warranty /
maintenance.

**Total project
budget: \$1.08M.**



181st

(68th-73rd NORTH)

FUNDING STATUS:
SECURED

2017/18 Budget:
\$182k

Under construction.
Construction will
extend into 2017-18
budget cycle.

**Total project
budget: \$522k.**



202nd ST

(198th-66th/KJH)

FUNDING STATUS:
SECURED

2017/18 Budget:
\$1.19M

Complete design
and construct
project in 2017.

**Total project
budget: \$1.35M.**



62nd Ave

(181st – 187th)

FUNDING STATUS:
SECURED

2017/18 Budget:
\$785k

Construct project in
2017.

**Total project
budget: \$918k.**

T-27 SIDEWALK PROJECTS

181st

(65th-67th)

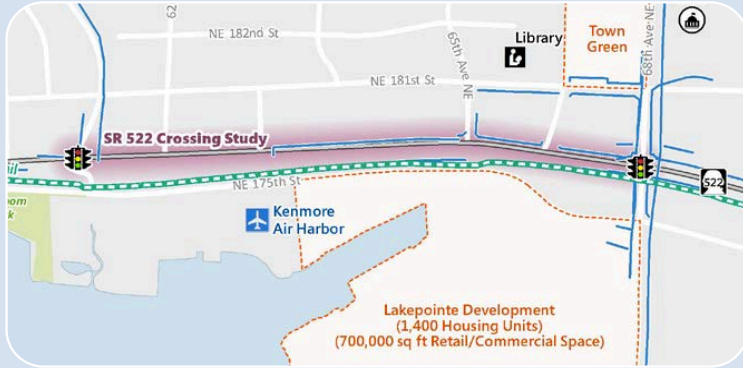
**FUNDING STATUS:
UNSECURED**

2017/18 Budget: \$152k

Design and ROW phases budgeted in 2017-2018.

Total project budget: \$791k.

T-27 SIDEWALK PROJECTS (cont'd)



T-43 SR522 Pedestrian Crossing Study (61st – 68th)

FUNDING STATUS: UNSECURED
2017/18 Budget: \$282k

Alternatives Analysis and 30% Design phase budgeted in 2017-2018.

Total project budget: \$555k.

T-44 61st Ave Survey & Conceptual Plan (190th – 193rd)

FUNDING STATUS: SECURED
2017/18 Budget: \$90k

Alternatives Analysis and 30% Design phase budgeted in 2017-2018.

Total project budget: TBD.

PRELIMINARY ENGINEERING STUDIES



T-35 Asphalt Overlays

(Citywide)

FUNDING STATUS: SECURED

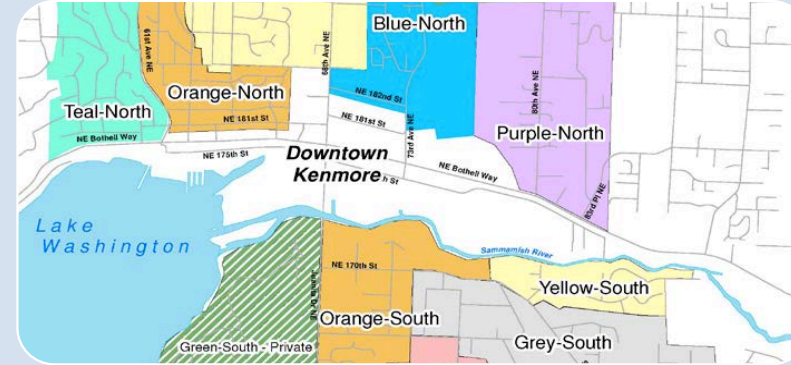
2017/18 Budget: \$900K plus \$355K Grant

Complete grind and overlay at the following locations:

Simonds RD (163rd – 155th);

182nd ST (68th – 73rd);

62nd Ave (187th – 63rd).



T-39 Neighborhood Transportation Plans

(Citywide)

FUNDING STATUS: SECURED

2017/18 Budget: \$110k

Continue implementation / construction of neighborhood projects derived from 2015-16 public outreach meetings.

Total program budget: \$350k.

PROGRAM IMPLEMENTATION

Surface Water Mgmt.

- The Surface Water Management Division of Public Works is responsible for managing the City’s municipal stormwater system and natural surface water environment. This involves capital projects, operations and maintenance, development review, public education and water quality monitoring/enforcement.

Preliminary Budget

- 2017 Projected Beginning Fund Balance \$1,684,882
- Preliminary 2017-2018 SWM Revenues \$3,543,400
- Preliminary 2017-2018 SWM Expenditures \$4,729,487
 - 19% increase over 2015-2015 Budget
- 2018 Budgeted Ending Fund Balance \$498,795

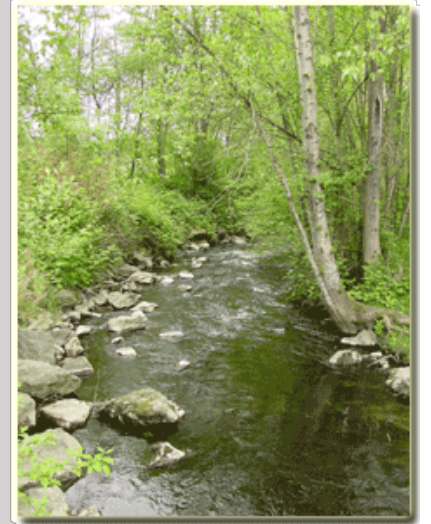
FTEs

- FTEs: 2.65
- Surface Water Manager
 - Permit and Administrative Specialist (.15 FTE)
 - Surface Water Technician
 - Seasonal (.25 FTE)
 - Seasonal (.25 FTE)



2017- 2018 Budget Highlights

- Continue inspections, operations and maintenance of growing surface water system
- Address existing and emerging surface water issues throughout the City through studies, small works projects, capital improvement projects and response to citizen concerns
- Comply with the requirements of the City's NPDES Permit
- \$30,000 match for Adopt A Stream mini grant program
- Transfer to Surface Water Capital Fund:
 - \$1,448,085





SW-008
Culvert Project
(190th & 61st)
FUNDING STATUS:
LOAN DEPENDENT
2017/18 Budget:
\$1.50M

Installation of new fish passable box culvert

Total project budget: \$1.50M



SW-019
Culvert Project
(7815 NE 192nd St)
FUNDING STATUS:
SECURED
2017/18 Budget:
\$886K

Installation of new fish passable box culvert

Total project budget: \$1.07M



SW-025
Facility Project
(15213 72nd Ave NE)
FUNDING STATUS:
SECURED
2017/18 Budget:
\$460K

Replacement of existing surface water facility

Total project budget: \$460K

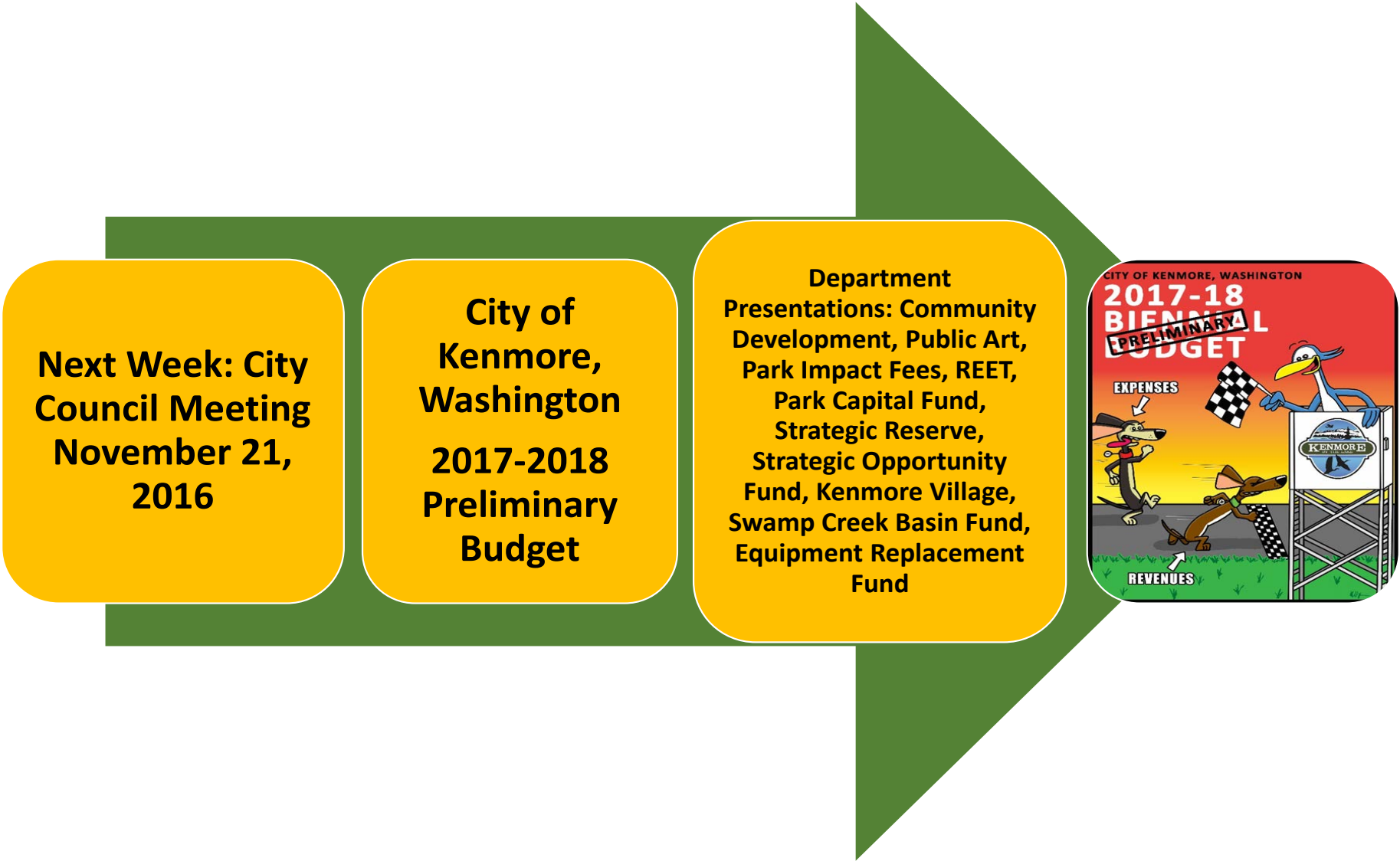


SW-030
Drainage Project
(NE Arrowhead DR)
FUNDING STATUS:
SECURED
2017/18 Budget:
\$125K

Installation of new roadway drainage system

Total project budget: \$150K

SURFACE WATER CIP HIGHLIGHTS





**City Council Business Agenda Item
City of Kenmore, WA**

Subject/Topic: First Reading of Bond Ordinance No. 16-0434	For Council Meeting Agenda of: November 14, 2016 Department: City Manager, Finance and Administration Prepared by: Joanne Gregory, Finance and Administration Director Initial & Date JMG 11-9-16 JMG 11-9-16 JMG 11-9-16			
Proposed Council Action/Motion: None	Exhibits/Attachments: Attachment 1: Bond Ordinance No. 16-0434			
<table style="width: 100%; border: none;"> <tr> <td style="width: 33%;">Expenditure Required \$0</td> <td style="width: 33%;">Amount Budgeted \$0</td> <td style="width: 33%;">Appropriation Required \$0</td> </tr> </table>		Expenditure Required \$0	Amount Budgeted \$0	Appropriation Required \$0
Expenditure Required \$0	Amount Budgeted \$0	Appropriation Required \$0		
<u>INFORMATION/BACKGROUND:</u> On June 13, 2016, the City Council adopted Bond Election Ordinance No. 16-0422 to place a not to exceed \$19,750,000 bond measure for voter consideration at the November 8, 2016 election to fund projects identified during the Imagine Kenmore process. On September 26, 2016, the Council received a presentation from Deanna Gregory of Pacifica Law Group LLP who serves as the City's Bond Counsel in this matter. She presented a summary of the bond ordinance and subsequent approval process. Also introduced was Lindsay Sovde of Piper Jaffray & Co. who has been retained as the City's Financial Advisor. Ms. Sovde presented a Preliminary Schedule of Events that would lead up to the sale of the bonds should Proposition 1 be approved by the voters. The Walkways & Waterways Proposition 1 was approved by the voters on November 8, 2016. Bond Ordinance No. 16-0434 provides authorization to issue the Bonds and delegates authority to the City Manager and Finance Director, for a limited time and within specific parameters, to approve the interest rates, maturity dates, redemption terms and principal maturities for the bonds. This is the first reading of the Bond Ordinance. Questions and comments from the City Council are				

encouraged. Final reading and passage of the Bond Ordinance is scheduled for November 21, 2016 at which time Deanna Gregory of Pacifica Law Group LLP will be present for further discussion and to answer questions.

FISCAL CONSIDERATION:

The Bond Ordinance provides authorization to issue the first series of bonds, in an amount up to \$10,000,000 to finance projects described in the Walkways & Waterways Proposition 1, approved by the voters on November 8, 2016.

COUNCIL GOAL/BUDGET OBJECTIVE BEING ADDRESSED:

Council Goal 1: Focus on and emphasize multimodal transportation safety in the City of Kenmore with a specific focus on pedestrian, bicycle, and other means of travel.

Council Goal 2: Continue to implement the Economic Development Plan.

Council Goal 4: Advance the public access and connection to the waterfront.

Council Goal 5: Accelerate implementation of the Sidewalk Plan and pursue various funding options.

Council Goal 8: Continue to implement a Parks Improvement and Financial Plan.

Council Goal 11: Address watershed issues affecting the City.

CITY OF KENMORE, WASHINGTON

ORDINANCE NO. 16-0434

AN ORDINANCE OF THE CITY OF KENMORE, WASHINGTON, AUTHORIZING THE ISSUANCE OF UNLIMITED TAX GENERAL OBLIGATION BONDS OF THE CITY IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$10,000,000, TO FINANCE COSTS RELATED TO CONSTRUCTING, DEVELOPING, ACQUIRING, EQUIPPING, UPGRADING, AND IMPROVING WALKWAYS AND WATERFRONT ACCESS IN THE CITY AND PAYING COSTS OF ISSUING THE BONDS; PROVIDING THE FORM, TERMS AND COVENANTS OF THE BONDS; PROVIDING FOR THE DISPOSITION OF THE PROCEEDS OF THE SALE OF THE BONDS; DELEGATING AUTHORITY TO APPROVE THE FINAL TERMS OF THE BONDS; AND PROVIDING FOR OTHER MATTERS RELATING THERETO.

PASSED NOVEMBER 21, 2016

PREPARED BY:

PACIFICA LAW GROUP LLP
Seattle, Washington

30067 00002 f1233m425p

CITY OF KENMORE, WASHINGTON

ORDINANCE NO. 16-0434

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* This Table of Contents is provided for convenience only and is not a part of this ordinance.

CITY OF KENMORE, WASHINGTON

ORDINANCE NO. 16-0434

AN ORDINANCE OF THE CITY OF KENMORE, WASHINGTON, AUTHORIZING THE ISSUANCE OF UNLIMITED TAX GENERAL OBLIGATION BONDS OF THE CITY IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$10,000,000, TO FINANCE COSTS RELATED TO CONSTRUCTING, DEVELOPING, ACQUIRING, EQUIPPING, UPGRADING, AND IMPROVING WALKWAYS AND WATERFRONT ACCESS IN THE CITY AND PAYING COSTS OF ISSUING THE BONDS; PROVIDING THE FORM, TERMS AND COVENANTS OF THE BONDS; PROVIDING FOR THE DISPOSITION OF THE PROCEEDS OF THE SALE OF THE BONDS; DELEGATING AUTHORITY TO APPROVE THE FINAL TERMS OF THE BONDS; AND PROVIDING FOR OTHER MATTERS RELATING THERETO.

WHEREAS, at an election held in the City of Kenmore, Washington (the “City”) on November 8, 2016, the City submitted the question to the qualified electors of the City of whether the City shall issue unlimited tax general obligation bonds in the aggregate principal amount of not to exceed \$19,750,000 (“Bond Authorization”) to provide the funds to construct, develop, equip, upgrade, acquire, and improve arterial walkways and waterfront access in the City, including the acquisition of property, as identified in Exhibit A attached to Ordinance No. 16-0422 (the “Election Ordinance”) passed by the City Council on June 13, 2016 (the “Project”); and

WHEREAS, the number and proportion of the qualified electors of the City required by law for the adoption thereof voted in favor of the Bond Authorization and the election results are expected to be certified by King County Elections, as *ex officio* supervisor of elections in King County, Washington, on or around November 29, 2016; and

WHEREAS, it is deemed necessary and advisable that the City authorize the issuance of the first series of such unlimited tax general obligation bonds (the “Bonds”) to provide part of the funds necessary to finance the Project and to pay costs of issuance for the Bonds; and

WHEREAS, this Council wishes to delegate authority to the City Manager and the Finance Director, or his or her designee (each, a “Designated Representative”), for a limited time, to approve the interest rates, maturity dates, redemption terms and principal maturities for the bonds within the parameters set by this ordinance; and

WHEREAS, the City expects to receive a proposal from D.A. Davidson & Co. (the "Underwriter") and now desires to issue and sell the bonds to the Underwriter as set forth herein;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF KENMORE, WASHINGTON, DO ORDAIN AS FOLLOWS:

Section 1. Definitions. As used in this ordinance, the following words and terms shall have the following meanings, unless the context or use indicates another or different meaning or intent. Unless the context indicates otherwise, words importing the singular number shall include the plural number and vice versa.

Beneficial Owner means any person that has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

Bond Authorization means the unlimited tax general obligation bonds in the aggregate principal amount of \$19,750,000 authorized by the Election Ordinance and approved by the requisite number of voters of the City at a special election held on November 8, 2016 for the purpose of providing the funds necessary to carry out the Project and to pay the costs of issuance of such bonds.

Bond Counsel means Pacifica Law Group LLP or an attorney at law or a firm of attorneys, selected by the City, of nationally recognized standing in matters pertaining to the tax exempt nature of interest on bonds issued by states and their political subdivisions.

Bond Purchase Contract means the contract for the purchase of the Bonds between the Underwriter and the City, executed pursuant to Section 12 of this ordinance.

Bond Register means the registration books showing the name, address and tax identification number of each Registered Owner of the Bonds, maintained pursuant to Section 149(a) of the Code.

Bond Registrar means, initially, the fiscal agent of the State, for the purposes of registering and authenticating the Bonds, maintaining the Bond Register, effecting transfer of ownership of the Bonds and paying interest on and principal of the Bonds.

Bonds mean the City's Unlimited Tax General Obligation Bonds, 20XX, or other series designation as approved by a Designated Representative, authorized to be issued pursuant to the terms of this ordinance.

City means the City of Kenmore, a municipal corporation duly organized and existing under the laws of the State.

City Clerk means the duly appointed and acting City Clerk of the City or the successor to the duties of that office.

City Manager means the duly appointed and acting City Manager, including anyone acting in such capacity for the position, or the successor to the duties of that office.

Closing means the date of delivery of the Bonds to the Underwriter.

Code means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

Commission means the United States Securities and Exchange Commission.

Continuing Disclosure Certificate means the written undertaking for the benefit of the owners and Beneficial Owners of the Bonds as required by Section (b)(5) of the Rule.

Council or **City Council** means the Kenmore City Council, as the general legislative body of the City as the same is duly and regularly constituted from time to time.

Debt Service Fund means the fund or account created pursuant to this ordinance for the purpose of paying debt service on the Bonds.

Designated Representative means the City Manager and the Finance Director, or his or her designee. The signature of one Designated Representative shall be sufficient to bind the City.

DTC means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, as depository for the Bonds pursuant to Section 4 of this ordinance.

Election Ordinance means Ordinance No. 16-0422 passed by the Council on June 13, 2016.

Fair Market Value means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the City and related parties do not own more than a 10% beneficial interest therein if the return paid by the fund is without regard to the source of the investment. To the extent required by the applicable regulations under the Code, the term "investment" shall include a hedge.

Federal Tax Certificate means the certificate executed by a Designated Representative setting forth the requirements of the Code for maintaining the tax exemption of interest on the Bonds, and attachments thereto.

Finance Director means the Finance Director of the City or the successor to such officer.

Government Obligations means those obligations now or hereafter defined as such in chapter 39.53 RCW, as this chapter may be hereafter amended or restated.

Letter of Representations means the Blanket Issuer Letter of Representations given by the City to DTC, as amended from time to time.

Mayor means the duly appointed and acting Mayor of the City or the successor to the duties of that office.

MSRB means the Municipal Securities Rulemaking Board or any successors to its functions.

Official Statement means the disclosure documents prepared and delivered in connection with the issuance of the Bonds.

Project means the capital projects described in Section 2 of this ordinance.

Project Fund means the account created pursuant to Section 8 of this ordinance.

Record Date means the close of business for the Bond Registrar 15 days preceding any interest and/or principal payment or redemption date.

Registered Owner means the person named as the registered owner of a Bond in the Bond Register. For so long as the Bonds are held in book-entry only form, DTC or its nominee shall be deemed to be the sole Registered Owner.

Rule means the Commission's Rule 15c2-12 under the Securities Exchange Act of 1934, as the same may be amended from time to time.

State means the State of Washington.

Underwriter means D. A. Davidson & Co., or its successors.

Section 2. Authorization of the Project. The Bonds are being issued to finance and/or reimburse the City for costs related to constructing, developing, equipping, upgrading, acquiring, and improving arterial walkways and waterfront access in the City as authorized by the Election Ordinance and described in Exhibit A attached thereto, which description is incorporated herein by this reference (the "Project"), and to pay costs of issuance for the Bonds.

Section 3. Authorization of Bonds and Bond Details. For the purpose of paying and/or reimbursing the City for costs of the Project and paying costs of issuance of the Bonds as authorized by the Election Ordinance and by the qualified electors of the City at a special

election held on November 8, 2016, the City is hereby authorized to issue and sell unlimited tax general obligation bonds in an aggregate principal amount of not to exceed \$10,000,000 (the "Bonds"). Notwithstanding anything in this ordinance to the contrary, the issuance of the Bonds shall be subject to satisfaction of the conditions set forth in Section 12 of this ordinance.

The Bonds shall be general obligations of the City and shall be designated "City of Kenmore, Washington, Unlimited Tax General Obligation Bonds, 20XX" with additional series designation or other such designation as determined to be necessary by a Designated Representative. The Bonds shall be dated as of the date of Closing; shall be fully registered as to both principal and interest; shall be in the denomination of \$5,000 each, or any integral multiple thereof, within a maturity; shall be numbered separately in such manner and with any additional designation as the Bond Registrar deems necessary for purposes of identification; shall bear interest from their date payable on the dates and commencing as provided in the Bond Purchase Contract; and shall mature on the dates and in the principal amounts set forth in the Bond Purchase Contract, as approved and executed by a Designated Representative pursuant to Section 12 of this ordinance.

Section 4. Registration, Exchange and Payments.

(a) *Bond Registrar/Bond Register.* The City hereby specifies and adopts the system of registration approved by the Washington State Finance Committee from time to time through the appointment of state fiscal agencies. The City shall cause a bond register to be maintained by the Bond Registrar. So long as any Bonds remain outstanding, the Bond Registrar shall make all necessary provisions to permit the exchange or registration or transfer of Bonds at its designated office. The Bond Registrar may be removed at any time at the option of the Finance Director upon prior notice to the Bond Registrar and a successor Bond Registrar appointed by the Finance Director. No resignation or removal of the Bond Registrar shall be effective until a successor shall have been appointed and until the successor Bond Registrar shall have accepted the duties of the Bond Registrar hereunder. The Bond Registrar is authorized, on behalf of the City, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of such Bonds and this ordinance and to carry out all of the Bond Registrar's powers and duties under this ordinance. The Bond Registrar shall be responsible for its representations contained in the Certificate of Authentication of the Bonds.

(b) *Registered Ownership.* The City and the Bond Registrar, each in its discretion, may deem and treat the Registered Owner of each Bond as the absolute owner thereof for all purposes (except as provided in the Continuing Disclosure Certificate), and neither the City nor the Bond Registrar shall be affected by any notice to the contrary. Payment of any such Bond shall be made only as described in Section 4(g), but such Bond may be transferred as herein provided. All such payments made as described in Section 4(g) shall be valid and shall satisfy and discharge the liability of the City upon such Bond to the extent of the amount or amounts so paid.

(c) *DTC Acceptance/Letters of Representations.* The Bonds initially shall be held by DTC acting as depository. The City has executed and delivered to DTC a Blanket Issuer Letter of Representations. Neither the City nor the Bond Registrar shall have any responsibility or

obligation to DTC participants or the persons for whom they act as nominees (or any successor depository) with respect to the Bonds in respect of the accuracy of any records maintained by DTC (or any successor depository) or any DTC participant, the payment by DTC (or any successor depository) or any DTC participant of any amount in respect of the principal of or interest on Bonds, any notice which is permitted or required to be given to Registered Owners under this ordinance (except such notices as shall be required to be given by the City to the Bond Registrar or to DTC (or any successor depository)), or any consent given or other action taken by DTC (or any successor depository) as the Registered Owner. For so long as any Bonds are held by a depository, DTC or its successor depository or its nominee shall be deemed to be the Registered Owner for all purposes hereunder, and all references herein to the Registered Owners shall mean DTC (or any successor depository) or its nominee and shall not mean the owners of any beneficial interest in such Bonds.

(d) *Use of Depository.*

(1) The Bonds shall be registered initially in the name of "Cede & Co.", as nominee of DTC, with one Bond maturing on each of the maturity dates for the Bonds in a denomination corresponding to the total principal therein designated to mature on such date. Registered ownership of such Bonds, or any portions thereof, may not thereafter be transferred except (A) to any successor of DTC or its nominee, provided that any such successor shall be qualified under any applicable laws to provide the service proposed to be provided by it; (B) to any substitute depository appointed by the Finance Director pursuant to subsection (2) below or such substitute depository's successor; or (C) to any person as provided in subsection (4) below.

(2) Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository or a determination by the Finance Director to discontinue the system of book entry transfers through DTC or its successor (or any substitute depository or its successor), the Finance Director may hereafter appoint a substitute depository. Any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

(3) In the case of any transfer pursuant to clause (A) or (B) of subsection (1) above, the Bond Registrar shall, upon receipt of all outstanding Bonds together with a written request on behalf of the Finance Director, issue a single new Bond for each maturity of that series then outstanding, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such written request of the Finance Director.

(4) In the event that (A) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained, or (B) the Finance Director determines that it is in the best interest of the beneficial owners of the Bonds that such owners be able to obtain physical Bond certificates, the ownership of such Bonds may then be transferred to any person or entity as herein provided, and shall no longer be held by a depository. The Finance Director shall deliver a written request to the Bond Registrar, together with a supply of physical Bonds, to issue Bonds as herein provided in any authorized denomination. Upon receipt by the Bond Registrar of all then outstanding Bonds together with a written request on behalf of the Finance Director to the Bond Registrar, new Bonds of such series

shall be issued in the appropriate denominations and registered in the names of such persons as are requested in such written request.

(e) *Registration of Transfer of Ownership or Exchange; Change in Denominations.* The transfer of any Bond may be registered and Bonds may be exchanged, but no transfer of any such Bond shall be valid unless it is surrendered to the Bond Registrar with the assignment form appearing on such Bond duly executed by the Registered Owner or such Registered Owner's duly authorized agent in a manner satisfactory to the Bond Registrar. Upon such surrender, the Bond Registrar shall cancel the surrendered Bond and shall authenticate and deliver, without charge to the Registered Owner or transferee therefor, a new Bond (or Bonds at the option of the new Registered Owner) of the same date, maturity, and interest rate and for the same aggregate principal amount in any authorized denomination, naming as Registered Owner the person or persons listed as the assignee on the assignment form appearing on the surrendered Bond, in exchange for such surrendered and cancelled Bond. Any Bond may be surrendered to the Bond Registrar and exchanged, without charge, for an equal aggregate principal amount of Bonds of the same date, maturity, and interest rate, in any authorized denomination. The Bond Registrar shall not be obligated to register the transfer of or to exchange any Bond during the 15 days preceding any principal payment or redemption date.

(f) *Bond Registrar's Ownership of Bonds.* The Bond Registrar may become the Registered Owner of any Bond with the same rights it would have if it were not the Bond Registrar, and to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the right of the Registered Owners or beneficial owners of Bonds.

(g) *Place and Medium of Payment.* Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America. Interest on the Bonds shall be calculated on the basis of a year of 360 days and twelve 30-day months. For so long as all Bonds are held by a depository, payments of principal thereof and interest thereon shall be made as provided in accordance with the operational arrangements of DTC referred to in the Letter of Representations. In the event that the Bonds are no longer held by a depository, interest on the Bonds shall be paid by check or draft mailed to the Registered Owners at the addresses for such Registered Owners appearing on the Bond Register on the Record Date, or upon the written request of a Registered Owner of more than \$1,000,000 of Bonds (received by the Bond Registrar at least by the Record Date), such payment shall be made by the Bond Registrar by wire transfer to the account within the United States designated by the Registered Owner. Principal of the Bonds shall be payable upon presentation and surrender of such Bonds by the Registered Owners at the designated office of the Bond Registrar.

If any Bond is duly presented for payment and funds have not been provided by the City on the applicable payment date, then interest will continue to accrue thereafter on the unpaid principal thereof at the rate stated on the Bond until the Bond is paid.

Section 5. Redemption Prior to Maturity and Purchase of Bonds.

(a) *Mandatory Redemption of Term Bonds and Optional Redemption.* The Bonds shall be subject to mandatory redemption to the extent, if any, set forth in the Bond Purchase Contract and as approved by a Designated Representative pursuant to Section 12. The Bonds shall be subject to optional redemption on the dates, at the prices and under the terms set forth in the Bond Purchase Contract approved by a Designated Representative pursuant to Section 12.

(b) *Purchase of Bonds.* The City reserves the right to purchase any or all of the Bonds offered to it at any time at a price deemed reasonable by the Finance Director plus accrued interest to the date of purchase.

(c) *Selection of Bonds for Redemption.* For as long as the Bonds are held in book-entry only form, the selection of particular Bonds within a maturity to be redeemed shall be made in accordance with the operational arrangements then in effect at DTC. If the Bonds are no longer held by a depository, the selection of such Bonds to be redeemed and the surrender and reissuance thereof, as applicable, shall be made as provided in the following provisions of this subsection (c). If the City redeems at any one time fewer than all of the Bonds having the same maturity date, the particular Bonds or portions of Bonds of such maturity to be redeemed shall be selected by lot (or in such manner determined by the Bond Registrar) in increments of \$5,000. In the case of a Bond of a denomination greater than \$5,000, the City and the Bond Registrar shall treat each Bond as representing such number of separate Bonds each of the denomination of \$5,000 as is obtained by dividing the actual principal amount of such Bond by \$5,000. In the event that only a portion of the principal sum of a Bond is redeemed, upon surrender of such Bond at the designated office of the Bond Registrar there shall be issued to the Registered Owner, without charge therefor, for the then unredeemed balance of the principal sum thereof, at the option of the Registered Owner, a Bond or Bonds of like maturity and interest rate in any of the denominations herein authorized.

(d) *Notice of Redemption.*

(1) Official Notice. For so long as the Bonds are held by a depository, notice of redemption shall be given in accordance with the operational arrangements of DTC as then in effect, and neither the City nor the Bond Registrar shall provide any notice of redemption to any beneficial owners. The notice of redemption may be conditional. Thereafter (if the Bonds are no longer held by a depository), notice of redemption shall be given in the manner hereinafter provided. Unless waived by any owner of Bonds to be redeemed, official notice of any such redemption (which redemption may be conditioned by the Bond Registrar on the receipt of sufficient funds for redemption or otherwise) shall be given by the Bond Registrar on behalf of the City by mailing a copy of an official redemption notice by first class mail at least 20 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Bond Registrar.

All official notices of redemption shall be dated and shall state:

- (A) the redemption date,
- (B) the redemption price,
- (C) if fewer than all outstanding Bonds are to be redeemed, the identification by series and maturity (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed,
- (D) any conditions to redemption,
- (E) that unless conditional notice of redemption has been given and such conditions have either been satisfied or waived, on the redemption date the redemption price shall become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and
- (F) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the designated office of the Bond Registrar.

On or prior to any redemption date, unless such redemption has been rescinded or revoked, the City shall deposit with the Bond Registrar an amount of money sufficient to pay the redemption price of all the Bonds or portions of Bonds which are to be redeemed on that date. The City retains the right to rescind any redemption notice and the related optional redemption of Bonds by giving notice of rescission to the affected registered owners at any time on or prior to the scheduled redemption date. Any notice of optional redemption that is so rescinded shall be of no effect, and the Bonds for which the notice of optional redemption has been rescinded shall remain outstanding.

(2) Effect of Notice; Bonds Due. If notice of redemption has been given and not rescinded or revoked, or if the conditions set forth in a conditional notice of redemption have been satisfied or waived, the Bonds or portions of Bonds to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Bond Registrar at the redemption price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. All Bonds which have been redeemed shall be canceled by the Bond Registrar and shall not be reissued.

(3) Additional Notice. In addition to the foregoing notice, further notice shall be given by the City as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed. Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (A) the CUSIP numbers of all Bonds being redeemed; (B) the date of issue of the Bonds as originally issued; (C) the rate of interest borne by each Bond being redeemed; (D) the series and

maturity date of each Bond being redeemed; and (E) any other descriptive information needed to identify accurately the Bonds being redeemed. Each further notice of redemption may be sent at least 20 days before the redemption date to each party entitled to receive notice pursuant to Section 14 and the Continuing Disclosure Certificate and with such additional information as the City shall deem appropriate, but such mailings shall not be a condition precedent to the redemption of such Bonds.

(4) Amendment of Notice Provisions. The foregoing notice provisions of this Section 5, including but not limited to the information to be included in redemption notices and the persons designated to receive notices, may be amended by additions, deletions and changes in order to maintain compliance with duly promulgated regulations and recommendations regarding notices of redemption of municipal securities.

Section 6. Form of Bonds. The Bonds shall be in substantially the form set forth in Exhibit A, which is incorporated herein by this reference.

Section 7. Execution of Bonds. The Bonds shall be executed on behalf of the City by the facsimile or manual signature of the Mayor and shall be attested to by the facsimile or manual signature of the City Clerk, and shall have the seal of the City impressed or a facsimile thereof imprinted, or otherwise reproduced thereon.

In the event any officer who shall have signed or whose facsimile signatures appear on any of the Bonds shall cease to be such officer of the City before said Bonds shall have been authenticated or delivered by the Bond Registrar or issued by the City, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issuance, shall be as binding upon the City as though said person had not ceased to be such officer. Any Bond may be signed and attested on behalf of the City by such persons who, at the actual date of execution of such Bond shall be the proper officer of the City, although at the original date of such Bond such persons were not such officers of the City.

Only such Bonds as shall bear thereon a Certificate of Authentication manually executed by an authorized representative of the Bond Registrar shall be valid or obligatory for any purpose or entitled to the benefits of this ordinance. Such Certificate of Authentication shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this ordinance.

Section 8. Application of Bond Proceeds. The Finance Director is hereby authorized to create a fund or account (the "Project Fund"), and subaccounts therein as necessary, for the purposes set forth in this section. From the money derived from the sale of the Bonds:

(a) Net premium (premium minus costs of issuance) shall be deposited in the Debt Service Fund and/or the Project Fund and used to pay debt service on the Bonds coming due on the next upcoming interest payment date or costs of the Project, respectively; and

(b) The balance of the proceeds of the Bonds shall be deposited in the Project Fund and shall be used solely to pay the allocable cost of issuing and selling the Bonds and to finance costs of the Project as authorized by the Election Ordinance.

None of the proceeds of the Bonds shall be used for the replacement of equipment or for other than a capital purpose. The Finance Director shall invest money in the Project Fund and the subaccounts contained therein in such obligations as may now or hereafter be permitted to cities of the State by law and which will mature prior to the date on which such money shall be needed, but only to the extent that the same are acquired, valued and disposed of at Fair Market Value.

Section 9. Tax Covenants. The City will take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Bonds, including but not limited to the following:

(a) *Private Activity Bond Limitation.* The City will assure that the proceeds of the Bonds are not so used as to cause the Bonds to satisfy the private business tests of Section 141(b) of the Code or the private loan financing test of Section 141(c) of the Code.

(b) *Limitations on Disposition of Project.* The City will not sell or otherwise transfer or dispose of (i) any personal property components of the Project other than in the ordinary course of an established government program under Treasury Regulation 1.141-2(d)(4) or (ii) any real property components of the Project, unless it has received an opinion of nationally recognized bond counsel to the effect that such disposition will not adversely affect the treatment of interest on the Bonds as excludable from gross income for federal income tax purposes.

(c) *Federal Guarantee Prohibition.* The City will not take any action or permit or suffer any action to be taken if the result of such action would be to cause any of the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

(d) *Rebate Requirement.* The City will take any and all actions necessary to assure compliance with Section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Bonds.

(e) *No Arbitrage.* The City will not take, or permit or suffer to be taken, any action with respect to the proceeds of the Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Bonds would have caused the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code.

(f) *Registration Covenant.* The City will maintain a system for recording the ownership of each Bond that complies with the provisions of Section 149 of the Code until all Bonds have been surrendered and canceled.

(g) *Record Retention.* The City will retain its records of all accounting and monitoring it carries out with respect to the Bonds for at least three years after the Bonds mature or are redeemed (whichever is earlier); however, if the Bonds are redeemed and refunded, the City will retain its records of accounting and monitoring at least three years after the earlier of the maturity or redemption of the obligations that refunded the Bonds.

(h) *Compliance with Federal Tax Certificate.* The City will comply with the provisions of the Federal Tax Certificate with respect to the Bonds, which are incorporated herein as if fully set forth herein. The covenants of this Section will survive payment in full or defeasance of the Bonds.

(i) *Bank Qualification.* The Finance Director is hereby authorized to designate the Bonds as “qualified tax-exempt obligations” under Section 265(b)(3) of the Code for investment by financial institutions if the City does not reasonably expect to issue more than \$10,000,000 of qualified tax-exempt obligations in the calendar year in which the Bonds are issued.

Section 10. Debt Service Fund and Provision for Tax Levy Payments. The City hereby authorizes the creation of a fund or account to be used for the payment of debt service on the Bonds (the “Debt Service Fund”). No later than the date each payment of principal or interest on the Bonds becomes due, the City shall transmit sufficient funds, from the Debt Service Fund or from other legally available sources, to the Bond Registrar for the payment of such principal or interest. Money in the Debt Service Fund may be invested in legal investments for City funds. Any interest or profit from the investment of such money shall be deposited in the Debt Service Fund, but only to the extent that the same are acquired, valued and disposed of at Fair Market Value.

The City hereby irrevocably covenants that, unless the principal of and interest on the Bonds are paid from other sources, it will make annual levies of taxes without limitation as to rate or amount upon all of the property in the City subject to taxation in amounts sufficient to pay such principal and interest as the same shall become due. All of such taxes and any of such other money so collected shall be paid into the Debt Service Fund. None of the money in the Debt Service Fund shall be used for any other purpose than the payment of the principal of and interest on the Bonds.

The full faith, credit and resources of the City are hereby irrevocably pledged for the annual levy and collection of such taxes and for the prompt payment of the principal of and interest on the Bonds when due.

Section 11. Defeasance. In the event that the City, in order to effect the payment, retirement or redemption of any Bond, sets aside in the Debt Service Fund or in another special account, cash or noncallable Government Obligations, or any combination of cash and/or noncallable Government Obligations, in amounts and maturities which, together with the known earned income therefrom, are sufficient to redeem or pay and retire such Bond in accordance with its terms and to pay when due the interest and redemption premium, if any, thereon, and such cash and/or noncallable Government Obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made into the Debt Service Fund for the payment

of the principal of and interest on such Bond. The owner of a Bond so provided for shall cease to be entitled to any lien, benefit or security of this ordinance except the right to receive payment of principal, premium, if any, and interest from the Debt Service Fund or such special account, and such Bond shall be deemed to be not outstanding under this ordinance. The City shall give written notice of defeasance of the Bonds in accordance with the Continuing Disclosure Certificate.

Section 12. Sale of Bonds.

(a) *Bond Sale.* The Bonds shall be sold at negotiated sale to the Underwriter pursuant to the terms of the Bond Purchase Contract. The Council has determined that it is in the best interest of the City to delegate to the Designated Representatives, for a limited time the authority to approve the final interest rates, aggregate principal amount(s), principal amount of each maturity of the Bonds, and the redemption rights for the Bonds.

Subject to the terms and conditions set forth in this Section 12, and subject further to certification of approval of the Bond Authorization, each Designated Representative is hereby authorized to approve the final interest rates, aggregate principal amount, principal maturities, and redemption rights for the Bonds in the manner provided hereafter so long as:

- (1) the aggregate principal amount of the Bonds does not exceed \$10,000,000,
- (2) the final maturity date for the Bonds is no later than December 1, 2036,
- (3) the aggregate purchase price for the Bonds shall not be less than 98% of the aggregate stated principal amount of the Bonds, excluding any original issue discount, and
- (4) the true interest cost for the Bonds (in the aggregate) does not exceed 4.00%.

Subject to the terms and conditions set forth in this section, each Designated Representative is hereby authorized to execute the Bond Purchase Contract on behalf of the City.

Following the execution of the Bond Purchase Contract, a Designated Representative shall provide a report to the Council describing the final terms of the Bonds approved pursuant to the authority delegated in this section. The authority granted to the Designated Representatives by this Section 12 shall expire 180 days after the effective date of this ordinance. If a Bond Purchase Contract for the Bonds has not been executed within 180 days after the effective date of this ordinance, the authorization for the issuance of the Bonds shall be rescinded, and the Bonds shall not be issued nor their sale approved unless such Bonds are re-authorized by ordinance of the Council. The ordinance re-authorizing the issuance and sale of such Bonds may be in the form of a new ordinance repealing this ordinance in whole or in part or may be in the form of an amendatory ordinance approving a bond purchase contract or establishing terms and conditions for the authority delegated under this Section 12.

(b) *Delivery of Bonds; Documentation.* Upon the passage and approval of this ordinance and execution of the Bond Purchase Contract, the proper officials of the City,

including the Designated Representatives, are authorized and directed to undertake all action necessary for the prompt execution and delivery of the Bonds to the Underwriter and further to execute all closing certificates and documents required to effect the closing and delivery of the Bonds in accordance with the terms of the Bond Purchase Contract. Such documents may include, but are not limited to, documents related to a municipal bond insurance policy delivered by an insurer to insure the payment when due of the principal of and interest on all or a portion of the Bonds as provided therein, if such insurance is determined by a Designated Representative to be in the best interest of the City.

Section 13. Preliminary and Final Official Statements. Each Designated Representative is hereby authorized to deem final the preliminary Official Statement relating to the Bonds for the purposes of the Rule. Each Designated Representative is further authorized to approve for purposes of the Rule, on behalf of the City, the Official Statement relating to the issuance and sale of the Bonds and the distribution of the Official Statement pursuant thereto with such changes, if any, as may be deemed by him or her to be appropriate.

Section 14. Undertaking to Provide Ongoing Disclosure. The City covenants to execute and deliver at the time of Closing a Continuing Disclosure Certificate. Each Designated Representative is hereby authorized to execute and deliver a Continuing Disclosure Certificate upon the issuance, delivery and sale of the Bonds with such terms and provisions as such officer shall deem appropriate and in the best interests of the City.

Section 15. Lost, Stolen or Destroyed Bonds. In case any Bonds are lost, stolen or destroyed, the Bond Registrar may authenticate and deliver a new Bond or Bonds of like amount, date and tenor to the Registered Owner thereof if the owner pays the expenses and charges of the Bond Registrar and the City in connection therewith and files with the Bond Registrar and the City evidence satisfactory to both that such Bond or Bonds were actually lost, stolen or destroyed and of his or her ownership thereof, and furnishes the City and the Bond Registrar with indemnity satisfactory to both.

Section 16. Severability; Ratification. If any one or more of the covenants or agreements provided in this ordinance to be performed on the part of the City shall be declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or agreements, shall be null and void and shall be deemed separable from the remaining covenants and agreements of this ordinance and shall in no way affect the validity of the other provisions of this ordinance or of the Bonds. All acts taken pursuant to the authority granted in this ordinance but prior to its effective date are hereby ratified and confirmed.

Section 17. Payments Due on Holidays. If an interest and/or principal payment date for the Bonds is not a business day, then payment shall be made on the next business day and no interest shall accrue for the intervening period.

Section 18. Corrections by Clerk. Upon approval of the City Attorney and Bond Counsel, the City Clerk is hereby authorized to make necessary corrections to this ordinance, including but not limited to the correction of clerical errors; references to other local, state or

federal laws, codes, rules, or regulations; ordinance numbering and section/subsection numbering; and other similar necessary corrections.

Section 19. Effective Date. This ordinance shall be published in the official newspaper of the City, and shall take effect and be in full force five (5) days after the date of the publication.

PASSED BY THE CITY COUNCIL OF THE CITY OF KENMORE, WASHINGTON
AT A REGULAR MEETING ON THIS 21ST DAY OF NOVEMBER, 2016.

CITY OF KENMORE, WASHINGTON

David Baker, Mayor

ATTEST/AUTHENTICATED:

Patty Safrin, City Clerk

Approved as to form:

Pacifica Law Group LLP

Date of Publication: _____

Effective Date: _____

Exhibit A

Form of Bond

[DTC LANGUAGE]

UNITED STATES OF AMERICA

NO. _____

\$ _____

STATE OF WASHINGTON

CITY OF KENMORE

UNLIMITED TAX GENERAL OBLIGATION BOND, 20[]

INTEREST RATE: %

MATURITY DATE:

CUSIP NO.:

REGISTERED OWNER:

PRINCIPAL AMOUNT:

The City of Kenmore, Washington (the "City"), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above, the Principal Amount indicated above and to pay interest thereon from _____, 20____, or the most recent date to which interest has been paid or duly provided for until payment of this bond at the Interest Rate set forth above, payable on _____ 1, 20____, and semiannually thereafter on the first days of each succeeding _____ and _____. Both principal of and interest on this bond are payable in lawful money of the United States of America. The fiscal agent of the State of Washington has been appointed by the City as the authenticating agent, paying agent and registrar for the bonds of this issue (the "Bond Registrar"). For so long as the bonds of this issue are held in fully immobilized form, payments of principal and interest thereon shall be made as provided in accordance with the operational arrangements of The Depository Trust Company ("DTC") referred to in the Blanket Issuer Letter of Representations (the "Letter of Representations") from the City to DTC.

The bonds of this issue are issued under and in accordance with the provisions of the Constitution and applicable statutes of the State of Washington and Ordinance No. 16-0434 duly passed by the City Council on _____, 2016 (the "Bond Ordinance"). Capitalized terms used in this bond have the meanings given such terms in the Bond Ordinance.

This bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Ordinance until the Certificate of Authentication hereon shall have been manually signed by or on behalf of the Bond Registrar or its duly designated agent.

This bond is one of an authorized issue of bonds of like date, tenor, rate of interest and date of maturity, except as to number and amount in the aggregate principal amount of

A-1

\$_____ and is issued pursuant to the Bond Ordinance to provide a portion of the funds necessary (a) to construct, develop, equip, upgrade, acquire, and improve arterial walkways and waterfront access in the City, including the acquisition of property, as identified in Exhibit A attached to Ordinance No. 16-0422 passed by the City Council on June 13, 2016 and approved by the qualified electors of the City at a special election held therein on November 8, 2016, and (b) to pay costs of issuance.

The bonds of this issue are subject to redemption prior to their stated maturities as provided in the Bond Purchase Contract.

The City has irrevocably covenanted with the owner of this bond that it will levy taxes annually upon all the taxable property in the City without limitation as to rate or amount and in amounts sufficient, together with other money legally available therefor, to pay the principal of and interest on this bond when due. The full faith, credit and resources of the City are irrevocably pledged for the annual levy and collection of such taxes and the prompt payment of such principal and interest.

The pledge of tax levies for payment of principal of and interest on the bonds may be discharged prior to maturity of the bonds by making provision for the payment thereof on the terms and conditions set forth in the Bond Ordinance.

It is hereby certified that all acts, conditions and things required by the Constitution and statutes of the State of Washington to exist and to have happened, been done and performed precedent to and in the issuance of this bond exist and have happened, been done and performed and that the issuance of this bond and the bonds of this issue does not violate any constitutional, statutory or other limitation upon the amount of bonded indebtedness that the City may incur.

IN WITNESS WHEREOF, the City of Kenmore, Washington, has caused this bond to be executed by the manual or facsimile signatures of the Mayor and the City Clerk and the seal of the City to be imprinted, impressed or otherwise reproduced hereon as of this ____ day of _____, 20____.

[SEAL]

CITY OF KENMORE, WASHINGTON

By _____/s/ manual or facsimile
Mayor

ATTEST:

_____/s/ manual or facsimile
City Clerk

The Bond Registrar's Certificate of Authentication on the Bonds shall be in substantially the following form:

CERTIFICATE OF AUTHENTICATION

Date of Authentication: _____

This bond is one of the bonds described in the within-mentioned Bond Ordinance and is one of the Unlimited Tax General Obligation Bonds, 20____, of the City of Kenmore, Washington, dated _____, 2016.

WASHINGTON STATE FISCAL AGENT,
as Bond Registrar

By _____

CERTIFICATE

I, the undersigned, City Clerk of the City Council of the City of Kenmore, Washington (the "City"), DO HEREBY CERTIFY:

1. The attached copy of Ordinance No. 16-0434 (the "Ordinance") is a full, true and correct copy of an ordinance duly passed at a regular meeting of the City Council of the City held at the regular meeting place thereof on November 21, 2016 as that ordinance appears in the minute book of the City; and the Ordinance will be in full force and effect five (5) days after its passage and publication as provided by law; and

2. That said meeting was duly convened and held in all respects in accordance with law, and to the extent required by law, due and proper notice of such meeting was given; that a legal quorum was present throughout the meeting and a legally sufficient number of members of the Council voted in the proper manner for the passage of said Ordinance; that all other requirements and proceedings incident to the proper passage of said Ordinance have been fully fulfilled, carried out and otherwise observed; and that I am authorized to execute this certificate.

3. That Ordinance No. 16-0434 has not been amended, supplemented or rescinded since its passage and is in full force and effect and that I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand this 21st day of November, 2016.

City Clerk



City Council Business Agenda Item
City of Kenmore, WA

Subject/Topic: Resolution No. 16-282 of the City of Kenmore, Washington, Indicating the City Council's Intent to Conduct a Public Hearing Concerning the Assumption by the City of the Rights, Powers, Functions, and Obligations of the Kenmore Transportation Benefit District. Proposed Council Action/Motion: Pass Resolution No. 16-282 of the City of Kenmore, Washington, Indicating the City Council's Intent to Conduct a Public Hearing Concerning the Assumption by the City of the Rights, Powers, Functions, and Obligations of the Kenmore Transportation Benefit District.	For Council Meeting Agenda of: November 14, 2016 Department: Finance and Administration Prepared by: Joanne Gregory, Director of Finance and Administration <u>Initial & Date</u> Approved by Department Head: <i>[Signature]</i> 11-2-16 Approved by City Attorney: <i>[Signature]</i> 11-2-16 Approved by Finance Director: <i>[Signature]</i> 11-2-16 Approved by City Manager: <i>[Signature]</i> Exhibits/Attachments: Chapter 36.74 RCW Resolution No. 16-282 Draft Ordinance No. 16-0424
Expenditure Required N/A Amount Budgeted N/A Appropriation Required N/A	
<u>INFORMATION/BACKGROUND:</u> The Kenmore Transportation Benefit District (TBD) was created in 2012 as authorized by Chapter 36.73 RCW and functions as a separate legal and reporting entity governed by a Transportation Benefit District Board. In 2015 the Washington State Legislature enacted RCW 36.74.010 which authorizes a city, that has a TBD with the same boundaries, to assume the functions, rights, powers, and obligations of that TBD. Per MRSC, of the approximately 90 cities and towns that formed TBDs, about half have assumed their TBDs (including Bainbridge Island, Lake Forest Park, Shoreline, University Place, Mercer Island). To do so would create efficiencies for the City and eliminate the need for separate meetings, budgets, and financial reports. If the City absorbs the TBD, the fees received would be treated as a special revenue source of funds for the City which will continue to be restricted to transportation improvements and preservation. There would be no changes in contracts, programs, charges, or obligations as a result of this action. The annual assessment for liability insurance coverage would cease as would the special audit. If the Council wishes to assume the TBD as described above, they must consider and pass Resolution 16-282 indicating intent to conduct a public hearing concerning the assumption of the TBD. The public hearing would be scheduled for November 28, 2016. Subsequent to the public hearing, the City Council would consider Ordinance 16-0424 to enable the assumption by the City of the Rights, Powers, Functions, and Obligations of the Kenmore TBD.	

i:\city clerk\agenda items\finance & administration\2016 council meetings\11.14.2016\ab intent to dissolve tbd.docx

FISCAL CONSIDERATION:

The primary fiscal advantage of this action would be \$2,500 saved each year which is the current cost of the liability insurance coverage for the Kenmore TBD as well as about \$2,000 in audit fees. Council and Staff efficiencies would include the elimination of TBD meetings, separate audits and audit reports and preparation of a TBD budget.

COUNCIL GOAL/BUDGET OBJECTIVE BEING ADDRESSED:

Effective and efficient services

Chapter 36.74 RCW**TRANSPORTATION BENEFIT DISTRICTS—ASSUMPTION BY CITIES AND COUNTIES****Chapter Listing****Sections**

36.74.010	Assumption of rights, powers, functions, and obligations authorized.
36.74.020	Ordinance or resolution of intention to assume rights, powers, functions, and obligations—Adoption—Publication—Hearing.
36.74.030	Declaration of intention to assume—Abolition of city or county governing body—Transfer of rights, powers, immunities, functions, and obligations to city or county.
36.74.040	Existing rights, actions, proceedings, etc., not impaired or altered.
36.74.050	Rules and regulations, pending business, contracts, obligations, validity of official acts.
36.74.060	Reports, books, records, etc.—Funds, credits, assets—Appropriations or federal grants.
36.74.070	Debts and obligations.

36.74.010**Assumption of rights, powers, functions, and obligations authorized.**

Any city or county in which a transportation benefit district has been established pursuant to chapter 36.73 RCW with boundaries coterminous with the boundaries of the city or county may by ordinance or resolution of the city or county legislative authority assume the rights, powers, functions, and obligations of the transportation benefit district in accordance with this chapter.

[2015 3rd sp.s. c 44 § 301.]

NOTES:

Effective date—2015 3rd sp.s. c 44: See note following RCW 46.68.395.

36.74.020**Ordinance or resolution of intention to assume rights, powers, functions, and obligations—Adoption—Publication—Hearing.**

(1) The assumption of the rights, powers, functions, and obligations of a transportation benefit district may be initiated by the adoption of an ordinance or a resolution by the city or county legislative authority indicating its intention to conduct a hearing concerning the assumption of such rights, powers, functions, and obligations. If the city or county legislative

authority adopts such an ordinance or a resolution of intention, the ordinance or resolution must set a time and place at which the city or county legislative authority will consider the proposed assumption of the rights, powers, functions, and obligations of the transportation benefit district, and must state that all persons interested may appear and be heard. The ordinance or resolution of intention must be published at least two times during the two weeks preceding the scheduled hearing in newspapers of daily general circulation printed or published in the city or county in which the transportation benefit district is to be located.

(2) At the time scheduled for the hearing in the ordinance or resolution of intention, the city or county legislative authority must consider the assumption of the rights, powers, functions, and obligations of the transportation benefit district and hear those appearing and all protests and objections to it. The city or county legislative authority may continue the hearing from time to time, not exceeding sixty days in all.

[2015 3rd sp.s. c 44 § 302.]

NOTES:

Effective date—2015 3rd sp.s. c 44: See note following RCW 46.68.395.

36.74.030

Declaration of intention to assume—Abolition of city or county governing body—Transfer of rights, powers, immunities, functions, and obligations to city or county.

(1) If, after receiving testimony, the city or county legislative authority determines that the public interest or welfare would be satisfied by the city or county assuming the rights, powers, immunities, functions, and obligations of the transportation benefit district, the city or county legislative authority may declare that to be its intent and assume such rights, powers, immunities, functions, and obligations by ordinance or resolution, providing that the city or county is vested with every right, power, immunity, function, and obligation currently granted to or possessed by the transportation benefit district.

(2) Upon assumption of the rights, powers, immunities, functions, and obligations of the transportation benefit district by the city or county, the governing body established pursuant to RCW 36.73.020 must be abolished and the city or county legislative authority is vested with all rights, powers, immunities, functions, and obligations otherwise vested by law in the governing board of the transportation benefit district.

[2015 3rd sp.s. c 44 § 303.]

NOTES:

Effective date—2015 3rd sp.s. c 44: See note following RCW 46.68.395.

36.74.040**Existing rights, actions, proceedings, etc., not impaired or altered.**

No transfer of any function made pursuant to this chapter may be construed to impair or alter any existing rights acquired under chapter 36.73 RCW or any other provision of law relating to transportation benefit districts, nor as impairing or altering any actions, activities, or proceedings validated thereunder, nor as impairing or altering any civil or criminal proceedings instituted thereunder, nor any rule, regulation, or order promulgated thereunder, nor any administrative action taken thereunder; and neither the assumption of control of any transportation benefit district function by a city or county, nor any transfer of rights, powers, functions, and obligations as provided in this chapter, may impair or alter the validity of any act performed by such transportation benefit district or division thereof or any officer thereof prior to the assumption of such rights, powers, functions, and obligations by any city or county as authorized under this chapter.

[2015 3rd sp.s. c 44 § 304.]

NOTES:

Effective date—2015 3rd sp.s. c 44: See note following RCW 46.68.395.

36.74.050**Rules and regulations, pending business, contracts, obligations, validity of official acts.**

(1) All rules and regulations and all pending business before the board of any transportation benefit district transferred pursuant to this chapter must be continued and acted upon by the city or county.

(2) All existing contracts and obligations of the transferred transportation benefit district remain in full force and effect and must be performed by the city or county. A transfer authorized in this chapter does not affect the validity of any official act performed by any official or employee prior to the transfer authorized pursuant to this chapter.

[2015 3rd sp.s. c 44 § 305.]

NOTES:

Effective date—2015 3rd sp.s. c 44: See note following RCW 46.68.395.

36.74.060**Reports, books, records, etc.—Funds, credits, assets—Appropriations or federal grants.**

(1) All reports, documents, surveys, books, records, files, papers, or other writings relating to the administration of the powers, duties, and functions transferred pursuant to this chapter and available to the transportation benefit district must be made available to the city or county.

(2) All funds, credits, or other assets held in connection with powers, duties, and functions transferred under this chapter must be assigned to the city or county.

(3) Any appropriations or federal grant made to the transportation benefit district for the purpose of carrying out the rights, powers, functions, and obligations authorized to be assumed by a city or county pursuant to this chapter, on the effective date of such transfer, must be credited to the city or county for the purpose of carrying out such transferred rights, powers, functions, and obligations.

[2015 3rd sp.s. c 44 § 306.]

NOTES:

Effective date—2015 3rd sp.s. c 44: See note following RCW 46.68.395.

36.74.070

Debts and obligations.

The city or county must assume and agree to provide for the payment of all of the indebtedness of the transportation benefit district, including the payment and retirement of outstanding general obligation and revenue bonds issued by the transportation benefit district.

[2015 3rd sp.s. c 44 § 307.]

NOTES:

Effective date—2015 3rd sp.s. c 44: See note following RCW 46.68.395.

**CITY OF KENMORE
WASHINGTON
RESOLUTION NO. 16-282**

**A RESOLUTION OF THE CITY OF KENMORE,
WASHINGTON, INDICATING THE CITY COUNCIL'S
INTENT TO CONDUCT A PUBLIC HEARING
CONCERNING THE ASSUMPTION BY THE CITY OF THE
RIGHTS, POWERS, FUNCTIONS, AND OBLIGATIONS OF
THE KENMORE TRANSPORTATION BENEFIT
DISTRICT.**

WHEREAS, on April 16, 2012, the City Council passed Ordinance No. 12-0339 (codified as Chapter 12.90 KMC), which created the Kenmore transportation benefit district as authorized by Chapter 36.73 RCW; and

WHEREAS, on July 1, 2015, the Washington State Legislature enacted RCW 36.74.010, which authorizes a city that has established a transportation benefit district with boundaries coterminous with the city to assume the rights, powers, functions, and obligations of the transportation benefit district, in accordance with Chapter 36.74 RCW; and

WHEREAS, the boundaries of the Kenmore transportation benefit district are coterminous with the boundaries of the City of Kenmore; and

WHEREAS, RCW 36.74.020(1) provides that a city council, prior to assuming the rights, powers, functions and obligations of a transportation benefit district, must indicate its intent to conduct a hearing concerning the assumption in a resolution of intention, which sets the time and place for the hearing and states that all persons interested in the assumption may appear and be heard at the hearing;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF KENMORE, WASHINGTON, DOES RESOLVE AS FOLLOWS:

Section 1. Intent to Conduct Public Hearing. The City Council hereby declares its intent to conduct a public hearing to consider the proposed assumption of the rights, powers, functions, and obligations of the existing Kenmore transportation benefit district.

Section 2. Date, Time, and Place of Public Hearing. The public hearing on the proposed assumption shall be held on November 28, 2016 at 7:00 p.m. in the Council Chambers of the Kenmore City Hall, 18120 68th Avenue NE, Kenmore, Washington 98028.

Section 3. Public Testimony. All persons interested in the proposed assumption may appear at the hearing and will have the opportunity to be heard.

PASSED BY THE CITY COUNCIL OF THE CITY OF KENMORE, WASHINGTON,

AT A REGULAR MEETING THEREOF THIS 14th DAY OF NOVEMBER, 2016.

CITY OF KENMORE

Mayor David Baker

ATTEST/AUTHENTICATED:

Patty Safrin, City Clerk

Approved as to form:

Rod Kaseguma, City Attorney

**CITY OF KENMORE
WASHINGTON
ORDINANCE NO. 16-0424**

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**AN ORDINANCE OF THE CITY OF KENMORE, WASHINGTON,
ASSUMING THE RIGHTS, POWERS, FUNCTIONS, IMMUNITIES, AND
OBLIGATIONS OF THE KENMORE TRANSPORTATION BENEFIT
DISTRICT; AND ESTABLISHING AN EFFECTIVE DATE.**

WHEREAS, on April 16, 2012, the City Council passed Ordinance No. 12-0339 (codified as Chapter 12.90 KMC), which created the Kenmore transportation benefit district as authorized by Chapter 36.73 RCW; and

WHEREAS, on July 1, 2015, the Washington State Legislature enacted RCW 36.74.010, which authorizes a city that has established a transportation benefit district with boundaries coterminous with the city to assume the rights, powers, functions, and obligations of the transportation benefit district, in accordance with Chapter 36.74 RCW; and

WHEREAS, the boundaries of the Kenmore transportation benefit district are coterminous with the boundaries of the City of Kenmore; and

WHEREAS, on November 14, 2016, the City Council adopted Resolution No. 16-282, which declares its intent to conduct a public hearing to consider the proposed assumption of rights, powers, functions, and obligations of the existing Kenmore transportation benefit district, and fixes November 28, 2016 in the Council Chambers of the Kenmore City Hall at 7:00 p.m. as the date, location and time of the public hearing; and

WHEREAS, on November 28, 2016, at the time schedule for the public hearing, the City Council held the public hearing and invited all interested persons to appear and be heard; and

WHEREAS, following the conclusion of the public hearing, the City Council determined that the public interest and welfare will be satisfied by the City assuming the rights, powers, immunities, functions, and obligations of the existing Kenmore transportation benefit district;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF KENMORE, WASHINGTON, DO ORDAIN AS FOLLOWS:

Section 1. Assumption of Kenmore Transportation Benefit District. Pursuant to RCW 36.74.010 and 36.74.030, the City of Kenmore hereby assumes all of the rights, powers, immunities, functions and obligations of the Kenmore transportation benefit district. The City is hereby vested with each and every right, power, immunity, function, and obligation currently granted to or possessed by the Kenmore transportation benefit district as of the effective date of

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this Ordinance. The right, powers, functions, and obligations previously exercised and/or performed by the governing body of the Kenmore transportation benefit district are hereby assumed by and transferred to the City Council.

Section 2. Abolishment of Governing Body of Transportation Benefit District. Pursuant to Chapter 36.74.030, the governing body of the Kenmore transportation benefit district, established in KMC 12.90.020, is hereby abolished and the City Council is vested with all rights, powers, immunities, functions, and obligations vested by law in the governing body of the Kenmore transportation benefit district.

Section 3. Amendment – KMC 12.90.020. KMC 12.90.020 is amended as follows:

- A. The governing board of the transportation benefit district shall be the Kenmore city council which shall have the authority to exercise the statutory powers set forth in Chapter 36.73 RCW and this chapter.
- B. The treasurer of the transportation benefit district shall be the city director of finance.
- C. The board shall develop a material change policy to address major plan changes that affect project delivery or the ability to finance the plan, pursuant to the requirements set forth in RCW 36.73.160(1).
- D. The board shall issue an annual report, pursuant to the requirements of RCW 36.73.160(2).

Section 4. No Existing Right Impaired. Pursuant to RCW 36.74.040, this assumption does not impair or alter any existing rights acquired by the Kenmore transportation benefit district under Chapter 36.73 RCW or any other provision of law relating to transportation benefit districts. This assumption also does not impair or alter any actions, activities, or proceedings validated thereunder; any civil or criminal proceedings instituted thereunder; any rule, regulation, or order promulgated thereunder; any administrative action taken thereunder; or the validity of any act performed by the Kenmore transportation benefit district or division thereof or any officer thereof prior to the assumption of such rights, powers, functions, and obligations by the City as authorized under the law.

Section 5. Rules, Regulations, Pending Business, and Contracts. Pursuant to RCW 36.74.050(1), all rules and regulations and all pending business before the board of the Kenmore transportation benefit district shall be continued and acted upon by the City Council. In addition, pursuant to RCW 36.74.050(2), all existing contracts and obligations of the Kenmore transportation benefit district remain in full force and effect and must be performed by the City. The assumption does not affect the validity of any official act performed by any official or employee prior to the assumption authorized under the law.

Section 6. Records of the Kenmore Transportation Benefit District. Pursuant to RCW 36.74.060(1), all reports, documents, surveys, books, records, files, papers, or other writings

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relating to the administration of the powers, duties, and functions of the Kenmore transportation district and available to the Kenmore transportation benefit district must be made available to the City.

Section 7. Funds, Credits, Appropriations, Federal Grants, or Other Assets. Pursuant to Chapter 36.74.060(2), all funds, credits, or other assets held in connection with assumed powers, duties, and functions must be assigned to the City. Pursuant to Chapter 36.74.060(3), any appropriations or federal grants made to the Kenmore transportation benefit district for the purpose of carrying out the rights, powers, functions, and obligations authorized to be assumed by the City must, on the effective date of the assumption, be credited to the City for the purpose of carrying out such assumed rights, powers, functions, and obligations.

Section 8. Assumption of Indebtedness. Pursuant to RCW 36.74.070, the City assumes and agrees to provide for the payment of all of the indebtedness of the Kenmore transportation benefit district, including the payment and retirement of outstanding general obligation and revenue bonds issued by the Kenmore transportation benefit district, if any.

Section 9. Severability. If any portion or section of this ordinance is found to be invalid or unenforceable for any reason, such finding shall not affect the validity or enforceability of any other portion or section of this ordinance.

Section 10. Effective Date. This Ordinance shall be published in the official newspaper of the City, and shall take effect and be in full force five (5) days after the date of the publication.

PASSED BY THE CITY COUNCIL AT A REGULAR MEETING THEREOF ON THE 28th DAY OF NOVEMBER, 2016.

CITY OF KENMORE

David Baker, Mayor

ATTEST/AUTHENTICATED

Patty Safrin, City Clerk

Approved as to form:

Rod P. Kaseguma, City Attorney

FILED WITH THE CITY CLERK:
PASSED BY THE CITY COUNCIL:
ORDINANCE NO. 1_-0____
DATE OF PUBLICATION:
EFFECTIVE DATE:

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