

## **GIG HARBOR CITY COUNCIL MEETING OF FEBRUARY 25, 2008**

**PRESENT:** Councilmembers Ekberg, Young, Franich, Conan, Malich, Payne, Kadzik and Mayor Hunter.

**CALL TO ORDER:** 6:00 p.m.

**PLEDGE OF ALLEGIANCE:**

### **CONSENT AGENDA:**

1. Approval of the Minutes of City Council Meeting of February 11, 2008.
2. Interlocal Agreement Pierce County Fire District #5 for Fire Inspection.
3. Pierce County Dept. of Emergency Management PCNET Agreement.
4. Skansie Brothers House – Clean Up and Priming Interior.
5. Boating Safety Agreement with Pierce County Sheriff's Department.
6. Onshore Sewer Outfall Bid Award.
7. Onshore Sewer Outfall Archeological Consultant Services.
8. Onshore Sewer Outfall Surveying Services.
9. Public Works Trust Fund Loan Agreement - Sewer Outfall / WWTP Improvement Project.
10. Storm Water and Sanitary Sewer Facilities Maintenance and Easement Agreement(s) – Haub Short Plat.
11. Storm Water Facilities Maintenance and Restrictive Covenant Agreement – Harborview Drive Office Building – 4221 Harborview Drive.
12. Wastewater Treatment Plant Improvement Project Surveying Services.
13. Liquor License Renewals: Water to Wine; Costco Wholesale; Fraternal Order of Eagles; Tokyo Teriyaki; Judson Street Café; Hot Iron; Gourmet Essentials; Harbor Greens; and Tides Tavern.
14. Additional Wetland Survey, Report and Supplemental Outfall Reports, Consultant Services Contract.
15. Approval of Payment of Bills for February 25, 2008:  
Checks #56812 through #56964 in the amount of \$903,150.80.

**MOTION:** Move to adopt the Consent Agenda as presented.  
**Franich / Conan** – unanimously approved.

### **OLD BUSINESS:**

1. Second Reading of Ordinance – Increasing Water General Facility Charges.  
David Rodenbach, Finance explained that he would present information on all three General Facility Charges as they would return for a third reading at the next meeting. He explained that three letters were submitted addressing concerns, and that staff had addressed most of the concerns in a memo provided to Council. He said that there have been no changes to the ordinances from the first reading, adding that staff took a very conservative approach to all aspects of these fees and is comfortable with the calculations.

Ashley Emery, Peninsula Financial Consulting, gave an overview of the basic terms of meter size and water use measurement.

Greg Moore – Representing Quadrant Homes. Mr. Moore said that a meeting with staff and Councilmember Payne has helped them to understand the city's process and position. The meeting was followed up by e-mails and a letter from Master Builders Association, on which they concur. Mr. Moore described a current project to build 120 affordable homes at the Ridge at Gig Harbor. He said that these ordinances would add over one million dollars in unanticipated fees to their business plan. He said that Quadrant homes desires to pay reasonable and equitable fees, but the fee increase caught them unaware. He said that they look forward to working together to come to a conclusion and trusts that the city will put off final action until the issues raised have been addressed. Mr. Moore then said that even if the city decides not to revise technical issues that have been raised, they should consider phasing the fees rather than implementing them all at once which would dramatically impact affordable housing as well as other development. He thanked Council and offered to answer questions.

2. Second Reading of Ordinance – Increasing Sewer General Facility Charges. Addressed during the previous agenda item.

3. Second Reading of Ordinance – Increasing Stormwater General Facility Charges. Addressed during the previous agenda item.

Mayor Hunter explained that these three ordinances would return for a third reading at the next meeting.

Councilmember Franich asked for clarification on the Stormwater charges. David Rodenbach, Finance Director, explained that only a handful of municipalities charge general facility charges, but more will be doing so soon due to NPDES requirements.

Steven Misiurak, City Engineer, then responded that it will cost the city over \$100,000 over the next six years to implement and maintain a program to be in compliance with NPDES requirements. Other costs associated with the Stormwater General Facility Charges would be replacement of aging or undersized culverts. He explained that the city is updating the Stormwater Comprehensive Plan to identify other infrastructure needs.

Carol Morris, City Attorney clarified that several cities charge stormwater fees and are listed in an AWC User Study. She offered to get Councilmember Franich a copy of the study adding that stormwater fees have been collected for over 20 years.

Mayor Hunter asked if anyone else wished to speak on this issue.

John Alexander – Master Builders Association of Pierce County. Mr. Alexander first said that he appreciates the Council taking the MBA letter into consideration. He explained that MBA can't understand the justification for the ordinances and questions

whether the city is doing the right thing. He then said that the experts at MBA have reviewed the information and agreed that the figures aren't backed up. He stressed that this isn't the time to be adopting new fees; it's the time to look at other ways to fund city projects rather than asking new development to do so. Mr. Alexander said that he came across a new statistic that says that the construction cost index has dropped .02%. The ordinance rates are based on projected construction costs increasing by 10%; one reason to dispute the fees. The .02% figure also applies to traffic impact fees. He stressed that times are tight and when a recession arises, everyone has to take a bite. The construction industry is trying to look for ways to continue business, just as the city is going to have to do in order to provide services. He said that we are all stakeholders, this is a fairness issue, and the city has to be able to back up what they do.

Mr. Alexander responded to questions regarding the .02% decrease in construction costs. He said that this is based on October 2006 through October 2007 figures, and includes materials and general labor; everything except plastics.

Councilmembers discussed Mr. Alexander's comment regarding other funding sources. Councilmember Young stressed that every city is seeking funding for infrastructure improvements, but the state doesn't grant money to non-needs organizations. The funding has to come from fees or rate payers.

Mayor Hunter stressed that the city has looked into other funding. He said the city is looking at eighteen million for the Wastewater Treatment Plant Expansion because we are out of concurrency and another eight million for the outfall extension. The city has 6,800 residents which would have to pay for these improvements if new development doesn't pay their share. If other city funds are used for these improvements required due to development, it takes away from needed roads and other infrastructure. Mayor Hunter said that the city is trying to make this work and hopes that the questions raised can be addressed to everyone's satisfaction.

Mr. Alexander commented that everyone recognizes this tough problem, but the option to charge development by default isn't the answer. The city appears to be adopting this just for the sake of adopting something.

Mayor Hunter responded that the numbers speak for themselves.

Councilmember Payne asked what the percentage of the current rate charge is placed into capital funds. Mr. Rodenbach addressed this by saying in 2007 there wasn't enough revenue to transfer to the capital fund even after the rate increase. He explained that the stormwater fund is new and has no balance. Sewer had \$300,000 transferred to debt service, but nothing into capital. Mr. Rodenbach further commented that material costs increased by 10% in 2007 and they are expected to go up again.

Councilmembers and staff talked about which construction indexes are being used for comparison.

Mr. Emery gave a brief explanation of the Construction Cost Index. He said that he based his estimated cost increase on water and sewer engineering analyses performed by Gray & Osborne Consultants. The study shows an average 10% increase over the past three years. He said that this trend will not go on forever, and that is why the estimated cost drops to 3% after three years. He stressed again that a conservative approach and rationale was used to come up with a reasonable figure.

Councilmember Malich asked about outstanding bonds. Mr. Rodenbach explained that the city currently has bond debt for a pump station in an amount of 1.5 million. He said that current rates are adequate to pay this bond, but any additional debt would have to be paid by a combination of rate increases and general connection fees. Rob Karlinsey added that the city is applying for low-interest Public Works Trust Fund Loans for these improvements.

Mr. Emery said that GFCs are partially based on the cost of assets but do not include any interest rates yet to be incurred. The Sewer Treatment Plant Expansion Project will require a high degree of revenue bonding that will have to be paid by annual revenues through GFCs and rates. He said that the GFCs currently being reviewed have not been calculated to pay back future bonds and are based on current assets and CIP plans. He explained that the next piece of the puzzle is to determine any necessary rate increases to get projects funded.

Councilmember Young discussed the Public Works Trust Fund mentioned by Rob Karlinsey. He stressed that these funds are low-interest loans and not grants. He also said that there is an effort in the Legislature to eliminate these subsidies, which haven't grown in years. This funding source is dwindling and not easy to obtain.

Councilmember Franich asked when the GFCs could be reviewed and adjusted to make sure the city isn't overcharging. This led to a discussion on the complexity of the GFCs and the practicality of adjusting the fees. Mr. Emery explained that the development of GFCs is an averaging process which requires a ten-year Capital Improvement Plan window to readjust. With new facilities you need at least five-years of growth.

Mr. Emery then responded to questions about the impact of removing the "rolling stock" from the calculations. He said that it reduced rates by approximately \$20 in water, \$70 in sewer, and \$120 in stormwater GFCs. He described the effort to only include rolling stock assets that had been purchased within the past five years; another conservative approach to the calculations.

There were no further comments and Mayor Hunter moved on.

### **NEW BUSINESS:**

1. Gig Harbor Arts Commission - Recommendation for 2008 Grant Awards.  
Bob Sullivan, Chair of the Gig Harbor Arts Commission, explained that the commission went through a rigorous process to review and then select thirteen out of fifteen

applicants to received grants. He requested Council to authorize the award of the grant contracts in the total amount of \$35,000.00.

**MOTION:** Move to authorize the award of the 2008 grant agreements for the 2008 Gig Harbor Arts Commission Project Support Program for a combined total amount of \$35,000.  
**Payne / Malich** – unanimously approved.

Councilmembers voiced appreciation to the Arts Commission for the hard work to review these applications.

2. Gig Harbor Arts Commission – Request to Commission Torrens Public Art. Mayor Hunter said that the Parks Commission had yet to approve the installation location for this piece. Bob Sullivan explained that the Gig Harbor Arts Commission is development a flowchart for future placement of art.

Councilmember Malich commented that while he was on the Parks Commission there seemed to be confusion on who had jurisdiction over choosing art. He recommended that Council further define the role of both Commissions.

Councilmember Ekberg explained that the Arts Commission and Parks Commission make recommendations, and ultimately, it is up to the City Council to make the decision.

Mr. Sullivan assured Council that the art piece had been redesigned for durability. He talked about how they arrived at the fair market value of the piece, which was based on the cost of the original design for the Salmonchanted Auction and any modifications.

After further discussion and clarification that the Parks Commission had approved of the piece, just not the location within Donkey Creek Park, Council agreed to authorize the construction of the artwork to prevent further delays.

**MOTION:** Move to approve the Torrens art piece at the Donkey Creek Park location in the amount of \$6700.00 plus WSST for a total amount of \$7,262.80.  
**Malich / Payne** – unanimously approved.

3. Development Agreement – The Quadrant Corporation / United Western Development. Cliff Johnson, Associate Planner, presented a resolution that authorizes the city to enter into a development agreement pertaining to the property located north of Borgen Boulevard and Harbor Hill Drive roundabout. The property owners have obtained approval of 120 lot preliminary plat and plans to construct seven model homes prior to the completion of the final plat. Because the city doesn't have a model homes ordinance, this development agreement will allow them to allow for building permits for these model homes. He gave a brief overview of the development agreement.

Greg Moore – Representing Quadrant Homes. Mr. Moore said that providing model homes is critical to their success of housing affordability. There are 275 people signed up with interest. He said that they do not building speculative homes; all homes are pre-sold from models. He explained that the development agreement has been modeled after ordinances in other jurisdictions in which they work. Mr. Moore said that City Staff and the Attorney have been responsive to this proposal and they appreciate the working relationship.

Mr. Moore responded to Council's questions about the project and Quadrant Homes. He said that the model homes are built to scale and sold when the project is completed. He said that Quadrant Homes is a subsidiary of Weyerhaeuser and is purchasing the property from United Western Development.

Councilmembers asked staff to develop a model homes ordinance for consistency and predictability for Council consideration.

David Gillman – Attorney for the Canterwood Homeowners Association. Mr. Gillman said that they are cautiously optimistic with this development adjacent to Canterwood. He said that most issues have been resolved through good faith discussions. He said that they are thankful for the way Quadrant does business, adding that Cliff Johnson has been very helpful in providing information. He said that there has been some homeowner damage because of buffering problems, which they are working to resolve. Mr. Gillman said that they would like to have a timetable for remediation.

Cliff Johnson explained that the damage to the ten foot buffer to the north of the property is the result of the recent windstorms. Quadrant will need to do additional planting in these areas.

**MOTION:** Move to adopt Resolution No. 742 authorizing the Development Agreement with The Quadrant Corporation / United Western Development.  
**Kadzik / Payne** – unanimously approved.

4. Recommendation for Appointment to Parks Commission. Rob Karlinsey presented this recommendation to fill a vacant position on the Parks Commission made available when Councilmember Malich was elected.

**MOTION:** Move to appoint Robyn Dupuis to serve the remainder of the vacant term on the Parks Commission that expires March 31, 2010.  
**Young / Ekberg** – six voted in favor. Councilmember Malich voted no.

**PUBLIC COMMENT:**

Greg Moore – Quadrant Homes. Mr. Moore voiced surprise that there were no significant changes in the ordinance for GFCs given the comments submitted by

Quadrant and MBA. He said they were certain there would be changes, and so they are anxious to see staff's response to the concerns. He then said he was surprised to not have had a chance to review staff's comments before this meeting and asked to get a copy by tomorrow morning. He then said that the thought this would have been discussed at the Thursday Operations Committee meeting. He asked for clarification.

Rob Karlinsey responded that it isn't on the agenda for the 28<sup>th</sup> meeting. Mayor Hunter said that Council will make the decision.

### **MAYOR'S REPORT / COUNCIL COMMENTS:**

Mayor Hunter asked Councilmembers confirm the Council Retreat scheduled for July 11<sup>th</sup> in Community Rooms A&B.

Councilmember Franich voiced appreciation for the new council packet format with indexing information and divider pages.

Councilmember Young asked Councilmembers not to discard the purple notice in their box that refers to infrastructure. He said it's a good illustration of the struggles that all municipalities are experiencing. He said that the state is looking at a billion dollar deficit over the next year in terms of local infrastructure funding.

Councilmember Malich suggested the formation of another Council Committee to address green issues that the community is facing in the future. It was suggested that this be discussed as an agenda item at the retreat.

### **STAFF REPORT:**

Gig Harbor Police Department Monthly Report. Chief Davis gave a brief overview and offered to answer questions.

### **ANNOUNCEMENT OF OTHER MEETINGS:**

1. Special Council Workstudy Session – Junk Vehicles & Annexation Goals and Policies – Mon. March 3<sup>rd</sup> at 5:00 p.m.
2. Finance / Safety Committee: Next quarterly meeting on Mar 17<sup>th</sup> at 4:00 p.m.
3. Tuesday, March 18<sup>th</sup> at 6:00 p.m. – Westside Area Community Meeting at Goodman Middle School.

**EXECUTIVE SESSION:** For the purpose of discussing potential litigation RCW 42.30.110 (1)(b).

**MOTION:** Move to adjourn to Executive Session at 7:25 p.m. to discuss potential real property acquisition for approximately thirty minutes.  
**Franich / Conan** – unanimously approved.

**MOTION:** Move to return to regular session at 8:00 p.m.  
**Franich / Conan** – unanimously approved.

**ADJOURN:**

**MOTION:** Move to adjourn at 8:00 p.m.  
**Payne / Conan** – unanimously approved.

CD recorder utilized:  
Disk #1 Tracks 1 – 29  
Disk #2 Tracks 1-3

  
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Charles L. Hunter, Mayor

  
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Molly Towselee, City Clerk