

# SEQUIM PLANNING COMMISSION

Transit Center  
190 West Cedar Street  
Sequim, WA 98382  
Tuesday, February 16, 2010

6:00 P.M. Regular Meeting

## REGULAR MEETING:

### I. CALL TO ORDER, PLEDGE OF ALLEGIANCE & ROLL CALL:

East, Gardiner, Pedersen, Protze, Richmond and Wendt were present.

Staff present: Associate Planner Joe Irvin; Capital Projects Manager Frank Needham and Deputy City Clerk Bobbie Usselman.

### II. ELECTION OF OFFICERS

Richmond nominated Mike East as Chair; second by Protze. **Unanimously approved.**

Richmond nominated Julieanna Gardiner as Vice Chair; second by East. **Unanimously approved.**

### III. APPROVAL OF MINUTES: None.

### IV. ITEMS FROM THE PUBLIC NOT ALREADY ON THE AGENDA

Don Hall, 912 E. Oak Street, thanked Mike and Julieanna for coming forward as chair and vice chair, and thanked them on behalf of the Council.

### V. OLD BUSINESS:

- A. Impact/Mitigation Fees – Public Meeting
  - Parks and Recreation Facilities;
  - Transportation;
  - General Government Buildings
  - Police/Public Safety Facilities
  - February 9, 2010 Agenda for Open House
  - February 9, 2010 PowerPoint Presentation by Henderson & Young

Chair East read the ground rules of the public meeting. The public meeting was opened at 6:08 pm.

Needham asked the Commission if they wanted to review the PowerPoint again or allow questions by the public. There were 62 questions from the open house last week.

The Commission feels we should hear from the public and not review the PowerPoint again.

Public Comment:

Becky Markley Metcalf, 418 N. Dunlap Avenue, is a fourth generation Sequimite, and a realtor. Her background is corporate and commercial project management emphasizing heavily on cost control, cost reporting and financial risk analysis. She has decided to let the numbers speak for themselves in a best and worst case scenario analysis. In the best case scenario, criteria includes City Council's growth projections, capital improvements completed by local vendors and contractors paying Davis-Bacon wages, and only starting a project once sufficient funds have been collected, meaning no loans. In a perfect world, her analysis came back positive. She was impressed with her findings and ready to commend the Council in its ability to solve our communities economic and growth problems. Her worst case scenario is her enthusiasm quickly disappeared and was replaced with wide-eyed disbelief. The criteria for this analysis was based on using outside vendors and contractors, obtaining loans based on over-inflated growth projects and with little or no growth to support the loans. Depending on the size of the loans, Sequim residents would only have two options: pay for the loans through additional taxes, or worse, our town goes bankrupt. With both extreme scenarios she asked herself if she was over-exaggerating her analysis, after all Council and the City Manager would never put Sequim in a situation of going bankrupt, or would they. She has the following concerns: 1) what are the expenses associated with setting up and maintaining this "impact fee" plan and how does the Council plan on paying for these expenses; 2) what is the financial plan to pay for the "maintenance" of these new capital projects once they are completed; 3) will the capital projects be restricted to local hire or put out for statewide bid; 4) has a financial risk analysis been completed for this plan, and if so is it available for public viewing; 5) does the Council plan on accumulating sufficient funds for each capital project prior to startup or acquire loans using the impact fee estimated income as collateral; and 6) if the city takes out capital improvement loans for these projects, does the City Manager and each Councilor feel confident enough about this impact fee plan to personally guarantee the loans.

Richard Chambers, 617 Maletti Hill Road, Port Angeles, was executive director for Habitat for Humanity when we built 6 houses in Sequim. He is concerned about the impact on affordable housing, that the escalation of the costs will make it almost impossible for an organization like Habitat to build housing for clients in the lower income arena. In the presentation you talked about waivers for affordable housing which is laudable, however, his experience with the City in the past when asking for some relief on the building permits for the homes we were building here was that the City couldn't do it because it would set a precedent for other people, although there is legislation in the RCWs that say you have the right to give affordable housing providers a break in terms of fees and structures. He is concerned that even though the presentation says that waivers might be available, that it is probably not likely to happen given the size of the fees included for building new structures. His personal comments looking at the costs, he is concerned about the cost of a new city hall. He noticed it is rated as an administrative building at \$400/sf to ramp up the buildings with respect to growth in the City in the next 20 years. He couldn't help but notice in the current situation over half of the square footage was for the City shop and not for administrative offices. He is curious what the split in the new city hall building would be. He would hope there is not going to be 24,000/sf of new admin effort when there is only about 8,000/sf in the current City offices. He is concerned about the cost of the transportation plan. I know it is extremely expensive to build streets as they are dealing with that currently in Port Angeles. He challenges Planning Commission and Council to find alternative ways to minimize street width which helps to keep speed down and reduces impervious area in keeping with the current stormwater runoff regulations. There are new designs for more walkable streets with less traffic and less parking and making things move slower. He is concerned about the allocation in the transportation plan. There is about \$38M. The large majority is going to growth and wonders if there are just 6 projects in that that will benefit current residents and the rest of the projects will be dumped on new building in the future. He feels more information on

that rational would be good, whether all of the streets need to be developed. He is concerned about projects on Happy Valley Road and the Simdars interchange. He wonders if those two projects put the City in a position whether they might not want to spend the \$3M to upgrade the Simdars route. He feels the projects aren't well thought out, or if so, they weren't well articulated.

Faleana Wech, 31 Red Bud Court, thanks the Commission for listening to the public and incorporating the public input into the process. It is appreciated. In this current economic environment, imposing impact fees will harm the housing market. If fees are enacted as proposed, the building permit will be 300% greater than 2006, if incorporated at their highest levels. During the same period, housing values are down 10%, or \$30,000 on a \$300,000 house; demand is low and Sequim hasn't absorbed the existing burden of new fees over 3 years. If sales prices fall together with an increase in the cost of goods produced, then the only give is in the land valuations. The prices of lots will fall dollar per dollar on cost of fees. In a 100 lot plat it will reduce in value of \$1M. Since developers obtain their financing from banks, then the security of banks is securely impaired by the proposed fees. New home permits have declined since 2005. The market conditions have already accomplished the knock-out punch to demand that many seek. Higher costs will further dampen demand in the Sequim UGA and drive demand to surrounding areas. Increased costs are not recoverable in this market. The City will spend thousands of dollars and countless hours on the impact fee initiative and will not get a return if it further damages the housing market. With so much at stake for the construction industry the City is likely to encounter legal challenges from affect land owners and construction businesses. She has reviewed the studies and has concerns, especially about mitigation fees and finding another way to fund general facilities as she feels mitigation fee isn't the best way to do this as there could be other alternatives to be considered. It was expressed at the open house there were concerns about some of the numbers used by the consultants and they are looking forward to seeing why they used different numbers on all of their rate studies. They said it wouldn't make a difference substantially but she is curious how that plays out and would like to discuss with them the aggressive growth projections used in the study.

Danielle Defen, 362 E. Runnion Road, has friends who are builders and many are out of work or have taken pay cuts. People aren't building houses and with the economy we should protect what we have instead of putting out a huge fee for things we don't require now. Do we need a \$4,000 fee for the parks now? We are in a recession – we need to hunker down and do things to boost the economy. She feels the fees are great ideas but should be put off to the future when the economy is better. She appeals to the common sense to the well-being of the community. We have to look out for each other.

Michelle Grinnell, 63 Johnson Creek Road, owns 9 parcels in Sequim but cannot vote on issues in the City as she lives outside the City. The impact fees will directly affect her. She has a 16 apartment building in the works. She is concerned because she provides affordable housing to a lot of Sequim residents. She is passionate about her tenants and keeping their costs affordable. She feels she has competitive, low rent rates according to different management companies and landlords she has talked to. She isn't sure she will be able to get the apartments off the ground with impact fees and water and sewer fees. We have been working on this for about 5 years, but with financing, etc., and these additional costs for water and sewer and the impact fees, she doesn't know if she can get this off the ground. She offers her tenants clean, affordable rental units that are quiet and well maintained. They are good people that deserve quality, affordable housing. She doesn't know if she will be able to do the project with the impact fees. That would be very unfortunately. She has people contact her on a regular basis looking for a place to live in Sequim because they know she is fair. She doesn't require people to have income guidelines.

People who make too much money to live in subsidized housing have no other locations to live. Concerning the costs of a new city hall at \$400/sf, she was curious if that included the land, the architects, etc., as she feels the numbers are ridiculous. Commercial medical buildings being built now don't come close to that number. She can't imagine a city hall building should be that expensive in comparison to a medical clinic.

Jack Grinnell, 63 Johnson Creek Road, is a commercial contractor in the city and also works in the County. He is a second generation builder with his father and brother who recently build Willow Creek Manor. Here is a real life scenario affecting our family: his father and brother are experienced builders and developers and had projections of certain sales per month. Phase 1 and portions of Phase 2 have been developed and then the economy nose-dived. He believes they are on a short sale now. They are currently doing other things now; his brother went to commercial fishing and his dad to small remodels. These are proud guys that had great plans developed by the City guidelines to do the right things. They met all of the code requirements. Now they are selling lots off below what they have into them. They will still owe money to the bank when all is done. He feels Planning Commission and Council should be careful when they raise the fees as people cannot afford them. There are many others like his family.

The Planning Commission allowed those who have spoken to give further testimony.

Richard Chambers, 617 Maletti Hill Road, Port Angeles, said he wanted to put more perspective on the cost issue based on what he has heard. When Habitat builds a house with volunteer labor and money that is donated from the community or from grants that purchase the materials, and then we sell the house at their cost to a family. They can put them in a 3-bedroom house for about \$600 per month that includes mortgage, taxes and liability insurance; the house sells for about \$100,000-\$120,000. When you tack on fees like this to affordable housing, you significantly reduce the number of houses the Housing Authority or Habitat can build and you impact people that don't have a lot of money and need a place to live. They can get subsidized housing, but they can't afford \$1,000 per month for rent. They sometimes have 5 in their family. In terms of the mission we are trying to do, this fee increase is a killer for us. He can't see how we can come to Sequim, buy land and build homes. As times are hard, you need to look at the population of the City and the expectations in terms of their lifestyle. Whatever the City is doing concerning salaries, buildings, improvements, they need to mirror what residents are having to live with. If people have expectations that are here, and I'm not saying you are, but for example, you can't afford a new city hall that is at a high level. You need to look at something that is commensurate with the population that makes up the bulk of your residents and my impression is you don't have people that are looking for expensive structures. He hopes the City will go with something efficient and economical without a lot of money being spent on architectural whoop-t-does that make a building soaring. When you are spending the public's money you have to live with what the public can live with. I don't see how the current proposal is affordable for the people living in this City unless you are going to be rich to buy and lot and spend \$20,000 in fees. That is a lot of money for someone buying an affordable house or even a medium income house. That needs to be considered. He isn't against growth or spending public money. You have to get the money from somewhere to run the City. He hopes the City can be more creative to make the last dollar go the last mile. With that the bulk of your constituency would be happy with what you do.

Feleana Wech said last year when the parks impact fee study came back Councilor McHugh asked for an inventory or analysis of the parks and she wondered if that had happened. We live in an area that has a lot of natural resources in the near proximity and she looks at the park proposal which is a large portion of the impact fees and she feels analyzing the current and future levels of

service would be highly beneficial to see. It is a huge amount of fees proposed. If you develop all of the parklands, how do you plan to maintain them? We can't even water plants this year and that is a problem – where is the money going to come from if we develop more parklands. Concerning the capital facilities mitigation fee, the consultant said there is no way a public facility can be built for \$200-\$250/sf. She encourages if this is an initiative Council has that they should consult the resources in the community to come up with a more reasonable fee.

Public Meeting closed at 6:40 pm.

Needham said in fairness to the audience he feels he should respond to the public comments if it will help the Commission and the audience. Concerning a new city hall, if we were in the private sector, he would agree the cost of building the building is extraordinary. The \$415/sf includes the land, architecture and engineering, the building and furnishings, fixtures and equipment. That is a low cost number. If you were to look at the *Daily Journal of Commerce* you would find now city halls are being built for \$500-\$600/sf and that are not Taj Mahals, they are boxes. Unfortunately part of that is because of prevailing wages. Prevailing wages make up about 22% additional costs to a government building. That is one thing I wanted to bring up. Richmond indicated that we are required to build green. Needham said the Governor is requiring we meet a silver standard of lead and that is changing this year and it will push it up higher. Your City staff is going to try to find ways to get those costs down. The other thing is we are looking at costs associated with land prices that were 2-3 years old, which is when the market was high. It could be different now. We still do not have a site at this time. We are still working on that.

Regarding the studies, the question came up about whether we have to seek builders for our capital projects, we do have to seek bidders state-wide. We are on the MRSC website and have to send out notice for our projects to that state-wide service. It is not done locally.

Concerning an affordable housing waiver, if the City were to grant a waiver now we would have to cover that waiver through the General Fund. It is a waiver from you, but the City has to make it up, which translates to the community. There is a bill in legislature today, SH2566, which says a waiver will be removed so there is no liability to the jurisdiction and affords the opportunity for sponsors of low income or affordable housing projects to come to the community, ask for relief from any permitting fees or general facility charges, or impact or mitigation fees. It is through Rules Committee and is moving to the floor this or next week.

Concerning the size of the facilities, the 24,000/sf is for a city hall, administration of City government that would include Planning, Public Works and City staff in City Hall. You are right when you say we have about 9,000/sf because that is what we occupy today, but it also intends that we will have police in the building. They occupy 11,000/sf. We are now cramped in 20,000/sf. That is the intent today and could change. We could go to a smaller building and keep the police where they are, and that may be what Council directs us to do. The shop is not considered as part of the building and is a separate structure and has its own needs for future growth.

Joe could probably speak to this better on the street width as we relate to transportation costs. Staff is 100% behind the comments made about street width being narrower and less asphalt. We would love to see that. It has been proposed it on how many occasions Joe – 2-3 times in the past but we have run up against a brick wall. We need to hear from the public on this. We have low impact development (LID) presented before that mentions proposed narrower streets particularly in our residential areas as calming devices; they are important for how it affects stormwater. What happens to that less impervious surface we are covering out there? We need support when

the LID comes forward again. That will come forward later this spring or early summer. Come speak up on that – we need help on that.

The allocation of \$38M in transportation projects come off of the six year transportation improvement plan. About half of that is for existing needs; half is what is assignable or proposed against future development. Some is transportation connectivity that we need to solve and that is based upon 9<sup>th</sup> Street coming up from Kendall to Washington; 7<sup>th</sup> going up to the top of the hill at Reservoir. Solving the issue at Happy Valley – that is a deadly intersection just waiting for an accident. We all know that. We need to as a City since we are in control of that property; we need to find a solution. The best solution is to move it across from Happy Valley over to Simdars Road rather than to allow that intersection to continue. That is one of the reasons we are considering that.

He has been watching real estate prices and trends and he agrees 100% to see how much it has changed from 2006 to now. We have to remember that the City is playing catch-up. In the late 90s we had a Council that was talked into lowering everything very dramatically. We dropped our GFCs in a huge amount and now we are now playing catch-up, we have to. It is not an option. The GFCs are the ones that jumped so dramatically these last 2-3 years because we lost all that money that we would have been okay if we had been allowed to keep it where it was. There was pressure and Council agreed to pressure and dropped the fees dramatically and out of that now we are paying for it.

Staff and Planning Commission have given us recommendations in the past; Council has asked us to look at it, but we are looking for alternatives. We know a bond now that is the best alternative from financing to everything else to go after for projects that are capital facility projects for the City. It won't fly – we know that. That doesn't work. We are living in conditions in City hall and the Planning/Public Works space over in the shop that sooner or later they will be untenable. The space next door really is today. I don't know how many folks have been over there. You should take a look at it. The people working in that space are in very poor working conditions. They are willing to put up with it until we find a solution. We are working on it now.

Timing of the fees came up on the 9<sup>th</sup> loud and clear. It has come up on emails and phone calls. This is a terrible time for everyone. I agree with what Jack was saying. I know many of the builders here in the community – I was one. I empathize. There is no good time in a bad economy and no good answer. We have to find a way to struggle through it. We know the cycle will change; we don't know how fast it will change. These fees are being proposed at the highest amount they can be assessed. You need to talk to both the Planning Commission and the Council if the fee is to be assessed at a different rate. You need to have some alternatives coming from you. The consultants and staff will be making a recommendation at the public hearing that will be considerably lower. We need to hear from the public saying if there is a fee, can we get it lower. If there is a fee, does it have to be applied against projects that exist today or can we assess it against future projects. You need to speak to that. We need your help on that.

Gardiner said impact fees are not allowed to be used to replace existing structures. She understands the City leases both the City Hall and Public Works building. Does that get around the horn on the problem of replacing a building? The Police Department would apply to that too. City Attorney Richie said basically impact fees are not allowed to fix deficient stuff. It can replace something, like if you had a crumbling bridge. That is why you would find the consultants have not called the police and City Hall infrastructure 82.02 impact fees. That is why they are called mitigation fees because those rules don't apply to mitigation fees if you can show the particular projects cause that need. That drops back to a SEPA-type analysis although that is

another section in 82.08. The calculations generally done are that the City pays about half of the actual cost that is needed because it is addressing deficiencies.

Gardiner said she feels the parks should be at the bottom of the priority list. She feels transportation should be first. She wants to see how the numbers were established for the police fee. She would support a recommendation that we structure to set a rank and file of how to refine the fees and indicate what isn't so much of a priority. Some of it is very real. Playing catch-up stinks.

Wendt thanked the citizens for their comments. He philosophically agrees that growth should pay its own way so that current citizens already here are not overly burdened. A city with reasonable public services is more attractive to recruitment of employers and new residents than a city with below average level of service. He does have concerns about the mitigation fees and whether city hall is an existing deficiency; he has concerns about police within the existing geographic area. If the Police were expanding its geographic area through annexation and needed substations, but a central police station should be something that existing residents should play a bigger role in helping to pay. Sometimes when you start a new program it is best to start in a small way. He feels we should phase in the fees, especially for parks and streets, phasing those in at a 50% level to get it on the books and have something established, get experience with and accumulate data and see what impact it has on growth and the ability to pay for it. Like the stock market, it is a hard time. If growth did take off again we could increase or adjust as needed.

Pedersen said we have no idea what is going to happen in the next year. To increase the tax base for the City, we should bring Bell Hill into the City. If we had Bell Hill, the tax base would encompass enough money to do what we need to do. This is a quick way without spending our money. The newspapers won't publish anything on this because people won't talk about it. The poor people in Sequim won't get anything until the rich people in Bell Hill do something. We should increase sales tax so the Bell Hill people have to pay.

Protze said he sees both sides. He sees the City working in unsafe, crowded locations, and they do a great job with what they have. It is a bad time for everyone. The fees should be brought in a phased basis to entice the builders to build to kick-start the economy. Once it is rolling we can phase it in. We need to roll up our sleeves to entice people to build here and roll it in in phases.

East agrees with phasing in the fees. He isn't in favor of the impact fees at this time due to the economy. Sequim is a great place to live, but not the only place to live. He feels we are on a campaign to limit growth and expansion by these impact fees by members of the Council. He isn't in favor of them; they should be phased in with a low phase. He isn't in favor of the park impact fee. We need to evaluate what we have in parks. If we collected impact fees for parks, is it for parks only. Ritchie stated they are collected specifically for parks and must be used within 6 years or return the money. If you charge too little for the infrastructure to build, you still have to build it. Cities can't double dip on impact and SEPA fees. East asked if the fees can be put toward studies. Ritchie said they could but the City must still build the infrastructure.

Protze said Seattle charges extra sales tax for light rail, etc. He suggests a sales tax is a good idea. Ritchie said most sales tax increases require a public vote. He gave an overview of Gig Harbor's issue when they had no infrastructure and had to deny building. That is the risk you take if you don't get the infrastructure built. It is a delicate balance.

Gardiner said the phasing issue could cause problems on future infrastructure. Ritchie said having a list of things to be built required. The City has done mostly SEPA fees before, but with

that you can't get the broadly spread impacts paid for. That is why you hire consultants to do that.

There was discussion about phasing in of fees and possible problems that could cause. Ritchie stated councils are empowered to decide what impact fees could be. Council cannot impose an impact fee that is higher than the consultants justify.

East asked if impact fees are a decision by Council or can it go to the public for a vote. Ritchie stated it is a decision by Council.

Needham said one question that comes up is projects that have already gone through the SEPA process, if Council can impose an impact fee. Ritchie said they can, or it can be imposed when the construction occurs. Sequim has imposed various fees with SEPA and mitigation. Some part of the impact fee is grandfathered in.

**MOTION** by Wendt that we forward to Council with recommendation of phasing in the fees with Council and staff to develop a phasing plan; second by Protze.

Gardiner has concerns on the police and parks impact fees.

Pedersen said we should set a time limit on something like this that it be completed within a certain period of time. Ritchie stated it is already covered by statutes. Pedersen said there are too many unknowns coming from Washington, DC that may affect this. He feels we should spread out the timing.

Wendt said phasing in his mind is what fee is appropriate at this time. They should decide when to phase in which fee.

**AMENDMENT TO MOTION:** in addition to consideration of phasing also consideration of priority of which impact fees should be set forth first, or at all.

Vote on Amendment: **Unanimously approved.**

Vote on Main Motion: Aye by Wendt, Gardiner, Protze, Pedersen and Richmond; Nay by East. **Motion passed.**

Recess at 7:20 pm

Resume at 7:30 pm

## **VI. NEW BUSINESS:**

- A. Chapter 18.20 (Permitted Uses/Dimensional Requirements and Density)  
Sequim Municipal Code Amendments – Public Meeting

The rules of the public meeting were not re-read as there were no new members in the audience.

Irvin said this legislation was written with the low impact development in 2009. Currently low impact development has been put on hold, but this section is to clarify bulk and dimensional standards and density in R-III and R-IV. He explained the density and zoning changes.

East said on page 5, attachment 1, zero lot line is for end units. In C2 it indicates no clear doors or windows go on that wall.

Richmond said on page 5 the opening paragraph talks about the lot line and the building line, but under C3 it talks about eaves not projecting over the adjacent property lien. Irvin said setbacks are measured to the foundation and eaves sometimes hang into the setbacks. Richmond feels there is confusion in the wording of eaves hanging over the lot line. Irvin said we can consolidate the opening sentence with C3.

Gardiner is happy that the densities will be fixed and not a range.

Irvin said the public hearing before Council is to be on March 8.

Public Comment: None

Public Meeting closed at 7:40 pm.

**MOTION** by Richmond that Planning Commission recommends that City Council adopt Ordinance 2010-003 with the changes to page 5 as stated, amending Chapter 18.20 of the Sequim Municipal Code; second by Gardiner. **Approved unanimously.**

**VII. ITEMS FROM COMMISSIONERS/COMMITTEE REPORTS** - None.

**VIII. DIRECTOR'S REPORT** - None

**IX. GOOD OF THE ORDER**

East would like more formality when recognizing the Commissioners. Richmond feels it is helpful for the audio stream to identify the speaker.

Irvin stated Council approved the resolution for Sequim's Victory Garden Program that uses water conservation and beautification. This is for individual homeowners to convert parts of their yard for vegetable gardens to get a rebate on their water bills.

**X. ADJOURNMENT:**

**MOTION** to adjourn by Wendt; second by Pederson. **Unanimous.**

The meeting ended at 7:45 p.m.

Respectfully submitted,

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Bobbie Usselman, CMC  
Deputy City Clerk

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Mike East  
Chair

**Next regular meeting is scheduled for Tuesday, March 2, 2010.**