



**JOINT PLANNING COMMISSION  
AND CITY COUNCIL MEETING**

**January 10, 2012**

**7:00 p.m.**

**City Hall**

**CALL TO ORDER/PLEDGE OF ALLEGIANCE**

Mayor Nehring called the January 10, 2012 meeting to order at 7:02 p.m. Mayor Nehring welcomed the members of the Planning Commission, City Council and Staff and led those present in the Pledge of Allegiance.

**Roll Call:**

CAO Hirashima gave the roll call. The following staff, Councilmembers, and Commissioners were noted as being present:

**Planning Commission**

**Chairman:** Steve Leifer

**Mayor:** Jon Nehring

**Commissioners:** Matthew Chapman, Marvetta Toler, Jerry Andes, Eric Emery

**Councilmembers:** Jeff Vaughan, Donna Wright, Jeff Seibert, Michael Stevens, Stephen Muller, Rob Toyer, and Carmen Rassmussen

**Staff:** CAO/Community Development Director Gloria Hirashima, City Attorney Grant Weed, Senior Planner Chris Holland, Public Works Director Kevin Nielsen, and Recording Secretary Amy Hess

**Absent:** Steve Lebo

**CURRENT BUSINESS:**

**Impact Fee Options:**

CAO Hirashima gave some background on the proposed Impact Fee Deferral. She described the process that had been gone through and noted that there was feedback from the development community as well as the School District which pointed in the direction of Impact Fee reduction rather than deferral. Ms. Hirashima described how the Planning Commission had discussed what types of growth were trying to be stimulated as well as the options that are available. She gave a briefing of the available options. Option 1 was to continue on the path of Impact Fee Deferral path. She noted that it is unusual for water and

sewer mitigation fees to be included in Impact Fee Deferral Ordinances, but that since the City is in that business, it was included. She described how the deferral process would work. The Second Option would be to reduce the impact and connection fees. The Third Option is to reduce certain types of Impact Fees to target specific types of development. A Fourth Option is to combine Impact Fee Deferrals in some areas and fee reductions in others. Staff is recommending Option 4. Ms. Hirashima described the types of development that staff felt would be most beneficial which are commercial, light industrial, and multi-family.

Mayor Nehring opened up general conversation between the Council and Planning Commission.

Chair Leifer discussed the passion that is associated with this topic and how important he felt it was to discuss this with Council. There is a consensus among the Planning Commission that something needs to be done to get some economic growth in the city.

Councilmember Wright questioned the types of Impact Fees and why Cities that do not charge impact fees were not included on the information provided. Councilmember Seibert questioned CAO Hirashima on her statement that there is low occupancy in multi-family. CAO Hirashima clarified that she miss-spoke and meant low vacancy not occupancy. Councilmember Seibert questioned if fees would be collected at occupancy, how pre-sales would be addressed. CAO Hirashima replied that a building permit would still have to be obtained and an inspection would still have to be done prior to occupancy. Ms. Hirashima described the discussions that had taken place in Planning Commission meetings and why fees weren't being recommended to be deferred beyond point of inspection. Councilmember Seibert noted a potential loophole in a commercial strip mall type setting. Attorney Weed noted that there is no question that there are details that need to be worked out when there is any type of deferral in fees. He noted that they needed to be thoughtful in how the City crafted the Ordinance to protect the City's interest.

Chair Leifer questioned if a reduction was a cleaner way to handle things rather than a deferral. Attorney Weed responded that in his opinion it was simpler. He noted that a possible sunset or end to the reduction would need to be discussed. Chair Leifer wanted to know if there was a way to defer property taxes in any way. Attorney Weed replied that that is a very limited prospect as it is a state law and constitutional requirement for equal distribution of taxes. Attorney Weed noted that it is not impossible, but it would be very limited. CAO Hirashima noted that the County collects property taxes, not the City and that the majority of taxes do not come to the City. She added that there is an exemption for multi-family development in place that could be utilized; noting that it is not a deferral, it is an actual exemption. CAO Hirashima also stated that when she has seen it used, it has been in a downtown area because that is a very costly and difficult area to develop. The City has used this as an incentive to attract downtown redevelopment.

Councilmember Muller noted that he wanted to remain competitive and wanted to know how we could apply pilot offerings in the markets where the City is interested in increasing development the way other jurisdictions such as Kirkland have done. He thought if we could get some momentum going, even if it meant giving away the farm on a specific project to

see what the actual impacts would be, it would be very beneficial. Councilmember Muller felt that we needed to get out in front of opportunities in order to avoid missing the few that there are.

Councilmember Seibert asked Director Nielsen to explain the water and sewer fees that we currently charge and the formula used to get the actual fees. Mr. Nielsen described how the traffic impact fee formula works including trip distribution and how the discounts apply across the board. Councilmember Seibert also pointed out the reductions that the School Districts had taken. Mr. Nielsen compared Marysville's fees in comparison with surrounding jurisdictions. CAO Hirashima added that generally speaking, when looking at Commercial fees, Marysville is favorable comparable. There was further discussion regarding how Marysville fees relate to other jurisdictions. Chair Leifer stated that he agreed that Marysville was middle of the road with most fees, but questioned if that is where we want to be. He felt that we need to be more competitive in a way that is very obvious; we are not going to gain much interest. Councilmember Rassmussen agreed with the business comparison, but noted that we have to be fiscally prudent and not cross the line where we are providing services at a loss. She stated that the formula is very complicated. Director Nielsen noted that there is a difference depending on what fee you are talking about and what each fee funds. Creating zones or overlays was discussed. Councilmember Seibert was concerned that we would end up in a "race to the bottom" situation. He felt that a targeted type of development discount would be more beneficial. He also thought that expanding traffic rebate fees might be a better option to look at. Councilmember Muller noted his frustration at the difficulty of getting the momentum going. Mr. Nielsen responded to zones and how this strategy could be implemented and how LOS at intersections plays into this option. Mr. Nielsen wanted to make everyone aware of the concurrency issue that could arise from implementing a zone.

Chair Leifer questioned if it could be demonstrated how reducing or deferring the fees now and the improvements that we might see in the future, if this could be demonstrated, would Councilmember Rassmussen and Councilmember Seibert be supportive. Councilmember Rassmussen and Councilmember Seibert responded that if it could be demonstrated, they would be supportive, but that they wanted to make sure that citizen's tax dollars were not being used to benefit someone else's profit.

Councilmember Rassmussen had a question about how the deferral/reduction affects the Lake Stevens School District and advanced planning. Was it actually planning or purchase of property and fiscal expenditures or was it the not knowing that is the problem. It was responded that it was on the Fiscal side and would make planning much more difficult.

#### **PUBLIC COMMENT:**

##### Jim Baker, Exec. Director of Finance Marysville School District

Mr. Baker thanked staff for the opportunity to discuss the issues at hand and gave a better understanding of the goals of the City. He stated that they are not against the notion of deferral with a sunset of 1 ½ to 2 years. The District supports the recommendation of Option 4 which includes a combination in order to spur economic activity and growth.

Councilmember Muller questioned if Marysville School District was operating with excess capacity. Mr. Baker replied that yes, MSD is, but feels that it is bottoming out this year and will begin to rebound within 2 years and peak out in the next 8 to 10 year term to a 15,000 student range. The recommended option allows sufficient time for this increase.

Fred Owen, Lakewood School District PO Box 222 North Lakewood WA 98259

Mr. Owen appreciated the chance to meet with City staff on this matter. He echoed Marysville School District's feelings on deferral. He noted that there is some capacity in Lakewood, but very little at the Middle and High School levels. They felt they could make it work with the deferral options with a sunset clause. They did not feel there should be any reduction, but in the spirit of spurring development, Lakewood School District would be willing to make a deferral work. Another concern was the tax exemption option and how that could affect the school district.

Councilmember Muller questioned multi-family fee reduction on Lakewood School District. He wanted to know if there is a threshold in how a potential multi-family development could become unmanageable. Mr. Owen replied that it is very difficult to predict what that number would be, but there is a study currently going on and he is using those numbers to see how a possible multi-family development could be absorbed.

Jim Tosti 235 Park Place Plaza Kirkland, WA

Mr. Tosti described some of the recent project that they have accomplished in Marysville. He stated that the City is not only in competition with local jurisdiction, but with the entire West coast, Texas, and Florida. He noted some of the potential projects that have been lost because of cost. We have to figure out how to be competitive for these large distribution centers and have a complete economic advantage to other areas. He also noted that the on and off ramps at the new 156<sup>th</sup> street overcrossing needs to be a priority and how a public and private sector venture can be worked out.

Commissioner Andes questioned the difference in mitigation fees to the areas that getting the business. Mr. Tosti replied that is not only the impact fees, it is a combination of issues.

Mayor Nehring wanted to know what the cost drivers are; is it water and sewer or something else. He wanted to know what Marysville can affect in real time to make a difference. Mr. Tosti replied that there is no easy answer. He felt that transportation is huge, as well as dependable timelines in permitting and land prices.

Joel Hylback

Mr. Hylback wanted to speak in support of Dan Eernisse and Brian Kenworthy.

Dan Eernisse Smokey Point Commercial, LLC

Mr. Eernisse described his experience. He stated that impact fees make sense; however you can't just look at the costs and negative impacts, you have to look at the benefits the developments bring; increased tax revenue, enthusiasm, increased shopping opportunities, job growth, etc. He discussed whether or not multi-family development pays for itself. He described how taxes function in order to benefit the community. He gave an example of how a multi-family development could increase tax revenue initially and over the near

future. There is incredible value for the city to see new development. He noted that rents in Marysville cannot go up; if they could, mitigation fees would not be an issue. Mr. Eerinessee noted that there have not been any new multi-family developments in Marysville, so the risk factor for developers goes up substantially. Two suggestions: eliminate or reduce fees for new development. He did not feel that deferral is an attractive offer. For his particular situation, the deferral is not important. Second suggestion is a multi-family property tax exemption. This is a huge incentive for developers. He felt that this option should be spread as broadly across the City as possible and see what happens. This option does not require citizens to pay more; school districts would not see any change.

Councilmember Muller agreed that the going market rates are a major problem. He wanted to know what type of unit count would be supported based on Mr. Eerinessee's studies. Mr. Eerinessee replied that there are a lot of apartment dweller jobs in an increasing number; the Tribe doesn't build for non-tribal members, which is an advantage in apartments. There is a lot of capacity as far as land goes, and there is a need which depends on other commercial developments, but that there could potentially be multiple projects.

#### Brian Kenworthy Kidder Matthews, Bellevue WA

Mr. Kenworthy described some of the experiences he had had in Marysville. He noted that costs were definitely a hurdle for development. Rents were major cost of occupancy for Marysville. Costs impacted where a tenant or developer chooses to go. The ability to give certainty in a development timeline is crucial in attracting users and developers. Having all of the players available and presenting a unified front when potential users come to look at options is also very important. If we can get one user in, it will in a sense snowball attracting more and more development. He felt anything the City can do minimize costs and get that first user in would be a huge benefit to the City.

#### **Medical Marijuana:**

Mayor Nehring deferred this item until a later date.

#### **Impact Fee Options:**

Mayor Nehring opened it up for further discussion between the bodies. Commissioner Toler questioned CAO Hirashima if the PTE option had been looked at, and had it been factored in to any of the options in front of them. CAO Hirashima replied that it is not something the city would recommend at this time. She felt that there was potential for development to come on its own. There was a shift of burden, albeit minimal, to the tax payers. Chair Leifer questioned how disruptive a 4 or 5 year exemption would be. CAO Hirashima replied that the City has some responsibility to acknowledge the short fall of multi-family housing, but at this point it is not what she would recommend. If it was an exemption for commercial or industrial, she would definitely stand behind it. Councilmember Rassmussen questioned if there is an actual loss to EMS if the exemption was allowed. There would in fact be a loss, but EMS is capped. Councilmember Muller felt that supporting Option 4 would make sense. He felt that getting a project up and running that rents could support is more

important. He added that some of these components were easy, but that the more difficult ones could be directed to the Economic Development Committee to sort through.

Councilmember Seibert could support reviewing Option 4, but would want a review after one year, and a definite sunset after 2 years. He stated that it would be easier to extend it if necessary in the future than to try to scale it back once it is in place.

Councilmember Stevens questioned Mr. Eernisse's 8 or 5 year sunset for the PTE and if a 2 year would be desirable. Mr. Eernisse replied that 2 years would be better than nothing, but 4 to 5 years would be recommended. Councilmember Vaughan felt that some of Mr. Eernisse's comments made sense, but putting multi-family developments first seems out of sequence. He felt that getting the jobs in place would drive the need for housing. Providing incentives in a targeted way is more important and getting an anchor in is where the focus should be. Commissioner Emery thought we should look at both areas because they go hand in hand. He felt that targeting both things at the same time would be beneficial and desirable. We need to get the first housing development and the first big box in and the rest would follow suit. Commissioner Andes concurred with Commissioner Emery, but also saw Councilmember Vaughan's point. He suggested that staff find the lowest and most valuable rates for the fees in question.

Mayor Nehring thought that there was the beginning of a consensus for Option 4 with a wide variety of sunset clauses, deferrals and reductions. Councilmember Seibert noted that he is not in favor of finding the lowest fees at all. He was more in support of a deferral than a reduction. CAO Hirashima noted that she felt industrial development was very important. Councilmember Seibert wanted to know if there was an option available that is outside of the box that would allow negotiations for a particular user. Attorney Weed responded that there is some measure of flexibility in the RCW that dictates how mitigation fees have to be assessed. Councilmember Seibert suggested adding that provision to the options on the table. Director Nielsen spoke to the permitting certainty that was noted as very desirable and that the City is still working to obtain master permits in the north end which has been an on-going process. The transportation issue is another one that staff is working to nail down and make simpler for incoming development.

Chair Leifer questioned Councilmember Vaughan's comment about not seeking warehouse space in Marysville. Councilmember Vaughan replied that the type of space he needs does not exist in Marysville. An anchor is needed to allow smaller companies such as his to lease or purchase a portion of those areas.

Councilmember Rassmussen would like to pursue commercial and industrial with whatever gusto didn't "give away the farm". She thought one high quality multi-family project go in to re-set the rates. Councilmember Stevens spoke to the project being proposed by Mr. Eernisse and felt that it is a very high quality development of which the likes do not exist in Marysville. He thought this was a great opportunity for the city to look at. He agreed that the housing would come with the development, but that the timeline might not be right.

Mayor Nehring stated that he felt there is a general consensus that something needs to be done to spur targeted development in Marysville. He stated that staff would move forward and get some more information to the Planning Commission.

CAO Hirashima commented on the demographics of Marysville and encouraged the bodies to look at the recent demographic data collected in the census. Mayor Nehring added that we needed some more of the upper income housing which could help spur development.

Chair Leifer re-emphasized that whether it is multi-family, commercial or industrial, it comes down to net operating income which is related to cost of the project. If the numbers don't come up right, the project doesn't pencil. The current fees can be project prohibitive and are one of the few things this body has control over.

**ADJOURNMENT:**

The meeting was adjourned at 9:48 p.m.

**NEXT MEETING:**

Planning Commission-Tuesday, January 24, 2012  
City Council - Monday, January 23, 2012

  
\_\_\_\_\_  
Amy Hess, Recording Secretary