

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Special Meeting
Economic Development Workshop

March 1, 2013
8:30 a.m.-5:00 p.m.

Talaris Conference Center
Seattle, Washington

PRESENT: Mayor Lee, Deputy Mayor Robertson, and Councilmembers Balducci, Chelminiak, Davidson, Stokes, and Wallace

ABSENT: None.

The meeting was called to order at 9:00 a.m., with Mayor Lee presiding. All Councilmembers were present with the exception of Mr. Wallace, who arrived at 9:05 a.m.

Mayor Lee commented on how successful the City has been with economic development. He cited Microsoft's origins in Bellevue, as well as other local headquarters and prominent businesses. The Mayor noted, however, that there is growing competition, both internationally and with other cities in the region. He spoke to the need to be prepared, during the coming upswing in the economic cycle, to have a strategy and to be able to position ourselves when the opportunity strikes. Mr. Lee said it will be difficult for the City to know how to react without a collective vision.

Mayor Lee said he is happy that there are resources available to focus more strategically on economic development. He noted discussions at recent local forums about the advent of information technology and international trade as the new emphasis in the Northwest. With Bellevue's location and diverse population, the Council should develop a strategy and vision for moving forward.

To introduce today's economic development discussion, City Manager Steve Sarkozy distributed preliminary topline results for the 2013 Performance Survey and comparisons to 2010, 2011, and 2012. He walked through the results for the following indicators:

- Bellevue as place to live,
- Overall quality of life,
- Overall quality of services,
- Headed in the right direction,
- Citizens receiving money's worth in City tax dollars,
- Neighborhood as place to live, and
- Strong sense of community.

Mr. Sarkozy said Bellevue is perceived as a high quality community, and the sample set for the most recent survey is more diverse than in past.

Chris Salomone, Director of Planning and Community Development, reviewed the agenda and described the content of a number of posters arrayed around the room. He explained that, at the conclusion of the discussion, staff will seek Council's preliminary direction about whether to pursue a number of projects and programs.

Building on the City's prior success, the question was posed about what type of community we want Bellevue to be. What are the unique qualities that we want to emphasize?

Councilmember Davidson noted the need for a vision with a 20-30 year horizon. Instead of focusing solely on Bellevue, he feels the Council should be looking at the vision for the entire Eastside. He believes there continue to be rezone opportunities to foster development. He encouraged an emphasis on creating synergism within the Eastside rather than focusing on competition with neighboring jurisdictions. He noted that Seattle is not a central city based on geography, but Seattle is on the edge. Dr. Davidson observed that the center of the region continues to move toward the Eastside.

Mayor Lee suggested identifying the strengths of the Eastside, Bellevue, and of Seattle, and then leveraging the strengths. For Bellevue to be recognized, branding and marketing are important. Mayor Lee said the purpose of the discussion is to develop a strategy, vision, and plan for fostering economic development.

Councilmember Stokes would like to see Bellevue as a place for everyone in the community to participate in the process and in economic growth. With new opportunities in the Bel-Red corridor and Wilburton area, Bellevue can become an economic development leader on the Eastside without harming neighborhoods.

Mr. Salomone commented on staff's work to date including the study of a roadmap for an economic development strategy. Staff is hoping to get feedback on specific elements of the program at the end of this workshop. Mr. Salomone said the workshop is the abstract beginning of an economic development strategy.

Councilmember Wallace said the Council has had recurring discussions on economic development since 2009, and there was a Council subcommittee for some time that focused on economic development. He suggested referring back to any documentation available on those discussions. He said the City needs a plan, and he would like to provide an adequate budget to move forward with a focused plan.

Mr. Salomone said staff is ready to launch the plan and is seeking Council feedback on where we are and where we are going.

Dan Stroh, Planning Director, said feedback will help staff focus on where the entire Council would like to go. The decision tree at the end of the day will move the ball forward. Staff has

heard different ideas from Councilmembers about where the focus should be, and staff wants to be very strategic about identifying a subset of what could be done.

Councilmember Wallace said a vision is a data-driven analysis of strengths and weaknesses, similar to that developed by the Puget Sound Regional Council (PSRC). The results of the analysis are used to identify where to go with economic development.

Councilmember Balducci spoke to the Best Practices (Planning for Results – Recommended Plan Elements) poster on the wall and suggested that a good outcome for the workshop would be for the group to walk through that process. She said that approach makes sense to her.

Mr. Salomone said there are a variety of ways to develop an economic development strategy which is all things to all people. However, he is looking at strongly focusing on a smaller number of strategic goals and directing resources to accomplish those goals. He suggested that Bellevue is a strong retail center and strategic goals should address other areas that need further development.

Councilmember Balducci suggested including an environmental element (i.e., Bellevue is clean, tidy, safe, attractive to young people and knowledge workers, with an emphasis on livability and the natural beauty of its surroundings).

Dr. Davidson noted that, while his initial comments focused on geography, he feels that the driver to achieve the vision is economic development. However, the vision must consider the people.

Councilmember Chelminiak said he too would like to see a concrete action plan. Good work has been done at the regional level. Bellevue should look at where we are strong (i.e., business sector cluster, information technology, life sciences) and focus on growing those areas. He said it would be helpful to see the large maps of the clusters. He believes Bellevue should be doing more on transit and should protect neighborhoods. Bellevue was designed to attract the middle class and upper middle class.

Mr. Chelminiak said he would like a presentation on revisiting the City's neighborhood strategy. He said it is important to make the city work as well as it can with the given transportation system. He said there is a formula around the country for high-end cities that balances certain attributes (i.e., high wages, desirable amenities, low transportation costs, housing affordability).

Councilmember Stokes said there should be a strategy for redevelopment. Bellevue is changing from serving only high-end workers, and there is a need for service worker housing. Bellevue has a positive reputation for its shopping and parks/recreation. He said it is important to include the whole city in the analysis. There should be a direct strategy not to encroach on neighborhoods adjacent to the Downtown. Noting that it might be the northwest culture, he observed that the Council/City spends a lot of time planning and visioning. However, he would like to get to the point of targeted plans for implementation.

City Manager Sarkozy noted that direction from Council to staff at this point has been very diverse without common outcomes. The purpose of today's workshop is to identify and refine the Council's goals and to start to determine how to move forward on some of those items. He recalled that \$6 million has been set aside for the Council to consider for its economic development strategy.

Councilmember Balducci observed that economic development is often used to refer to commercial centers such as the Downtown, but she does not want to overlook the rest of the City's commercial areas (e.g., Crossroads). The neighborhood focus in the 1990s and into the early 2000s planted seeds that are now emerging. Ms. Balducci suggested both short-term and long-term objectives.

Deputy Mayor Robertson supports the need to maintain neighborhoods and to ensure equity among neighborhoods in City services (e.g., street sweeping, public safety services, parks acreage) and in fostering neighborhood businesses.

Mayor Lee believes the Council should focus on a few things at a time. He said the Council needs to be involved as a collective group and not as individual Councilmembers. The question is what staff needs from the Council to be able to march forward. The Council needs to provide clear direction to staff.

Mr. Salomone said there are a number of ways to approach this, and there are reasons to do a group discussion periodically. The world changes approximately every two years, and 66 percent of knowledge workers choose where they want to live first, and then find a job. He has found this abstract discussion to be helpful and understands the need to come back with a strategy. Staff will do additional work and get back to the Council.

Mr. Sarkozy is eager to get into the tactical side of this effort. He noted the Council's previous setting of audacious goals and what has been accomplished. He said the community survey results indicate that the City is on the right track. Mr. Sarkozy said staff recalibrates its work to meet the Council's needs.

Councilmember Stokes said an important goal is to continue to hit such high results with the citizens survey. This specific feedback will help the City to continue to move forward.

Mr. Sarkozy observed that the "headed in the right direction" results demonstrate that the City is no longer in the neighborhoods versus business mode, but has seemed to have found a balance. Bellevue has the potential to be a world class city but cannot move there if citizen feedback in the survey results is not high. Staff is trying to find the next elements to focus on to move to the next level. Mr. Sarkozy said staff wants to ensure they are clear about the Council's direction.

Councilmember Chelminiak spoke to the realization at an Annual Retreat at Alderbrook several years ago that the City should move forward with significant investments in infrastructure as the top priority. There was discussion at that time about perhaps calling for a public vote on more discretionary infrastructure. He suggested the Council take a new look at that.

Councilmember Balducci noted the need for clarity of purpose in responding to which of the Decision Tree paths to focus on. She suggested that “world class” and “next level” are not meaningful or focused. She believes the City needs to develop something more substantive and specific to describe Bellevue, and suggested that would push the City closer to fulfilling a vision.

Mr. Sarkozy said the challenge is to develop a short vision statement that describes world class in Bellevue terms.

Mayor Lee observed that the City wants to be the innovation hub of the Pacific Northwest or the world as a technology center, including mobile technology center. He perceives this as a clear goal and not just a vision. Then the City needs to develop an action plan.

Councilmember Davidson noted the need to overcome barriers and to invest in the infrastructure in advance to allow economic development to occur.

Deputy Mayor Robertson spoke to the need for both City and economic development mission statements. She said Bellevue can be a place to develop and nurture knowledge workers and to foster education. She said the arena proposal in the past was appealing in that it fostered the growth of local businesses and could function as high-tech conference center. A research center, four-year college, and connectivity project would foster the attraction of knowledge workers.

Councilmember Chelminiak said Bellevue is seeking innovation. As society moves further into the knowledge economy, there is a need to attract knowledge workers and innovators.

At 10:45 a.m., Mayor Lee declared a break.

The meeting resumed at 11:00 a.m.

City Manager Sarkozy initiated discussion on the list of potential economic development opportunities outlined for the day’s discussion. He questioned whether the Council agrees that these activities are appropriate and that staff should stay on track to pursue them.

- (1) **Attracting Technology/Research & Development Center** – This includes linking education (particularly around the cloud, mass storage, and other emerging technologies) and the business sector to the Bel-Red area. The intention is to spin off business start-ups and entrepreneurial activity. This objective would form a place for higher education and breaking edge technologies and attract creative individuals and businesses to the area. Mr. Sarkozy noted the need for capital to initiate these ventures. This could require amendment of the Bel-Red Plan and/or revenue assumptions.

There was Council consensus to pursue this objective as an important, current opportunity.

- (2) **Four-year Bellevue College** – This includes the development of a residential campus. Mr. Sarkozy said this presents opportunities for links to the Eastgate Plan. Bellevue College is exploring potential opportunities to site dormitories nearby, add structured

parking, and possibly add recreational components (e.g., pool, field house). Mr. Sarkozy suggested there could be opportunities to develop linkages with the University of Washington, including the Bothell campus, and R&D entities. This previously was not considered a top indicator for economic development. However, four-year education facilities are becoming a major engine for pursuing a vision.

Bellevue has established a Medical Institution district and is now expanding into life sciences and a medical center. A great deal of groundwork facilitated the development of these options.

There was Council consensus to pursue college expansion as a desirable goal and to consider opportunities for a recreational component.

Staff noted the need to determine how an auto dealership in the Eastgate area affects Bellevue College's plans.

- (3) **Community-wide Wireless Connectivity** – The group discussed the opportunity to utilize different technology to achieve the Council's long-term goal of a fiber/wireless/Wi-Fi network, with the purpose of developing a "technology city." The group discussed the development of a business model that presents alternate ways of delivering a variety of City services to take advantage of this technology.

Staff noted the need for a thorough vetting of privacy and security concerns, and the importance of having a plan in place for how to engage the community. It was determined that the first tier of services can be provided without incurring privacy concerns.

There was Council agreement to continue to explore this topic.

Reflecting on the list of items, it was noted that there is a need for the coordination of infrastructure planning and funding when advancing these initiatives. The Council also discussed that there is need to look at partnerships to assist with moving forward, particularly in the linkages between items 1 and 3 above.

At 12:20 p.m., the group broke for lunch.

The meeting resumed at 1:05 p.m.

Mayor Lee said Bellevue has great opportunities. He noted the convergence of the world into this region. He said he will be emphasizing comparisons to Singapore and Hong Kong. Bellevue has similar strengths but is a better city with better systems and the ability to attract new workers and residents.

Mayor Lee proposed the idea of a Silicon Summit in 2013 to engage thought leaders from all over the world on evolving trends in economic development, technology, and investment opportunities. The thought is that the Summit will help to showcase Bellevue and launch a process for the development of a Bellevue innovation cluster. The emphasis will be on mobile, cloud, and big data technologies. He believes that Bellevue can provide the platform for these

leaders to meet. Mayor Lee described details of the Summit including a core Leadership Team, timeline, and venue for this forum.

Councilmember Stokes questioned whether there is a date for this event and the City's role.

Mayor Lee feels the City should provide sponsorship for this event with an agenda of international trade. It will facilitate the developing relationship with Chinese and Indian companies who want to do business with Microsoft, Expedia, and other local companies. The conference would consider what kind of city Bellevue wants to be and the unique qualities to emphasize.

Tom Boydell, Economic Development Manager, spoke to use of this sort of conference as a recruitment tool. International companies tend to choose to take trips and attend conferences first, and to develop conversations as a later step, which is a different approach than U.S. companies.

Councilmember Stokes said this sounds like a private group's effort that will help to facilitate economic development. Mayor Lee said the group would like to see the City as a key sponsor. However, he characterized it as a conceptual idea.

Mr. Sarkozy said that type of effort could have value in highlighting Bellevue with regard to items 1 and 3 above. He said there is currently a massive flight out of California, particularly Silicon Valley, to the Northwest. This is due to significant change in their tax structure as Proposition 13 rolls off and a new structure takes its place. This presents an opportunity to sell Bellevue as a portal to the Pacific.

Councilmembers Chelminiak and Stokes asked how this fits into what Council and staff have been discussing today and how it would grow local businesses.

Mayor Lee believes the city should be the platform and major sponsor, and that this is to the city's benefit. He noted a suggested budget of \$200,000, which could vary depending on the City's level of involvement. There would be a need to seek contributions from major businesses.

Councilmember Chelminiak questioned how this will contribute to growing jobs.

City Manager Sarkozy said this could be the kickoff for a R&D venture. He envisioned individuals at this conference talking about Bellevue as the center of this high-tech region. He said it is an opportunity to market Bellevue's assets.

PCD Director Salomone said this reflects a transactional approach to economic development. He suggested that staff could develop a proposal regarding the Summit and bring it back to Council for discussion and a determination on whether this should be included in the economic development strategic plan.

Councilmember Wallace observed the need for a plan, schedule and budget. If the Summit fits into the plan and there is a budget, and there is agreement that this should be a high priority for

the use of the budget, the City could then move forward. The City does not currently have a plan, a priority, or a schedule.

Councilmember Stokes suggested that the Mayor come to the Council with a plan before the Council can make a decision.

There was Council consensus requesting that the Mayor bring back a plan for the Summit.

The group moved to a discussion of competition. Mr. Salomone distributed a handout, "Comparisons between Downtown Bellevue, Seattle CBD and South Lake Union," and spoke to the City's reasonable lease rates and work force that is comparable to California.

Mayor Lee questioned how Bellevue compares more broadly with other cities, for example, Austin, Texas.

Mr. Salomone said that competition with other cities outside of the state is not meaningful when they have economic development tools that are not available within Washington state. He said businesses in this state do not directly compete with them. He said one of Bellevue's advantages is that it is a smaller city with the ability to be more agile. Corporations have access to the Council and City Manager that is not available in all cities.

Council returned to discussing the list of potential economic development opportunities.

- (4) **Business & Occupation (B&O) Tax policy** – Based on discussions about attracting corporate headquarters facilities, staff looked at the impacts of a gross receipts tax on intellectual property. If Bellevue is seeking to attract headquarter offices of high tech companies, this possibly puts the City at a competitive disadvantage. Mr. Sarkozy said the State modified its tax policy to only tax intellectual property within the state and not globally. No cities have yet taken that approach. The Department of Planning and Community Development worked with the Finance Department to determine whether this might serve as a deterrent for locating knowledge-based firms, and found this may be the case. Staff suggested this is something that Council might want to consider.

Councilmember Balducci questioned the fiscal impact of a decision to make a change. She suggested this not be brought back as a standalone discussion topic without considerable context about what it means, where the loss of income might be made up, the deterrent impact, and how it fits into other taxing policies. There is a corporate headquarter in Bellevue now so one could conclude that it is not a deterrent.

Deputy Mayor Robertson observed that Bellevue is not at a disadvantage with respect to competition with other B&O cities because none of them have changed their rates. Dr. Davidson said Bellevue is competing with other areas around the country, however. Other Councilmembers noted that Washington state does not have an income tax or other taxes that exist in other areas.

Councilmember Chelminiak questioned who is more disadvantaged by taxing intellectual property. What are we competing for, and what advantage do we want to establish for that line of business?

Mr. Salomone noted that Bellevue would be the first city in the state to tax intellectual property. Mr. Sarkozy said that, as staff learns more about how Bellevue's tax code is differentiated from others, staff will provide additional information.

Planning Director Dan Stroh noted that tax policy is no longer a primary decision factor in locating businesses and corporate headquarters. He said the impact from royalty income is different than the way that other B&O gross receipts are treated. If the vision is to attract knowledge-based headquarters, especially large ones, staff wanted to look at the deterrent impact to that type of business.

Councilmember Wallace said it would be helpful to see some data, including the per employee tax for different types of companies. He suggested there could be some merit in tweaking the bottom of the scale by considering exemptions on a per employee basis and/or softening the impact for start-up companies.

Deputy Mayor Robertson and Councilmember Balducci suggested that, if there is a large corporation for whom this would be a significant deciding factor in locating in Bellevue, the matter could be brought to the Council to consider.

Mayor Lee summarized that a complete analysis is needed to properly consider this topic.

- (5) **Newport Hills Neighborhood Initiative** – Staff provided an update on the Lake Hills Shopping Center project, which is moving forward with occupancy targeted for November 2013. Staff explained that Newport Hills requires redevelopment as a mixed use site, but the ownership is risk averse. Staff described ideas that have been discussed.

The Council questioned whether the Newport Hills Shopping Center ownership might be willing to sell a portion of the property, or whether some other type of acquisition and/or rezone strategy might facilitate redevelopment. Staff believes that a case could be made for community revitalization.

Councilmember Chelminiak said he sees the need for community revitalization, which has not occurred to date when left on its own.

Councilmember Balducci suggested a tactic of communicating with the ownership about the loss of the ability to shop in the neighborhood and about concerns regarding blight. She suggested the consideration of some type of Land Use Code action.

Deputy Mayor Robertson said the City should enforce any safety or nuisance issues to ensure the property is kept to adequate minimum standards.

Councilmember Stokes opined that the current state of the shopping center is affecting the livability of and ability to enjoy the neighborhood. He said there are competing interests. There

is a responsibility to neighborhoods to make them viable and livable. Many Newport Hills residents would like to retire in place as they love the area, so housing on the shopping center site could be feasible.

Mr. Sarkozy said the Lake Hills Shopping Center redevelopment demonstrates the need for the appropriate combination of commercial property and residential property. The group discussed options that might include the City acting in a different role related to redevelopment or continuing to allow the free market to operate.

Councilmember Balducci observed that there is not a clear path. However, she would like the Council to remain engaged in considering options.

- (6) **Coordinated infrastructure planning and funding** – Mr. Salomone commented on the need for funding.

Deputy Mayor Robertson said some Councilmembers are interested in putting together a package to put before the voters on the 2014 ballot. She would like to consider this early enough if Council wishes to proceed.

- (7) **Wilburton opportunity** – This is on the list to remind the Council that there is interest in redevelopment in the Wilburton area including rezoning and the relocation of auto dealerships.
- (8) **EB-5 Investment Visas Regional Center** – These provide the opportunity to reposition Bellevue as an international business center. Tom Boydell, Economic Development Manager, displayed the web site BellevueCN.com and noted that related material is provided in the Council Retreat packet. He showed a video describing the EB-5 fast-tracked corporate visa program (employment-based visa). Mr. Sarkozy described how a EB-5 center might be used if the City is interested in exploring it.
- (9) **Transactional approach to Economic Development** – Mr. Salomone noted his understanding of a Council expectation that staff be more proactive and that staff bring proposals to the Council on an ad hoc basis. Examples are the case of the auto dealership facility in Eastgate and the Concur signage proposal. He noted that the Downtown Livability Initiative will address the issue of changing bonus programs, and he hopes the Council will continue to consider these types of opportunities, even if they are not scheduled in the work plan.

Councilmembers encouraged staff to continue to bring emerging opportunities before the Council.

Councilmember Stokes said there was a discussion at the Bellevue Downtown Association (BDA) breakfast recently about the upward trend in economic development opportunities in Bellevue right now.

Mr. Sarkozy noted the need to look at maintenance needs for Meydenbauer Center over the coming years, while at the same time they will be affected by construction activity related to light rail.

Councilmember Chelminiak said two positions are vacant on the Bellevue Convention Center Authority (BCCA) Board. Meydenbauer Center is working on its 20th anniversary, and debt service on the building is coming due over the next 10 years.

Councilmember Wallace would like to put Meydenbauer Center and the Metro site (next to City Hall) on the agenda for discussion in 2013. The group discussed holding another mini-Retreat in the fall.

Councilmember Davidson said a large convention is coming to town later in the year which will utilize Meydenbauer Center, the Hyatt, and a portion of City Hall.

Councilmember Chelminiak said he sees a difference between transactional and situational opportunities. He viewed the car dealership proposal as situational. His perspective is that transactional is more intentional and planned. He feels the City has grown so well because it follows well-considered plans.

Councilmember Balducci said she prefers to implement ongoing overall plans that have proven to be successful and are supported by the community. She noted that, in the interest of retaining auto dealerships, several ideas have surfaced. She believes this potentially ignores the long-term land use vision already in place.

Councilmember Stokes would like to maintain the flexibility for considering new opportunities that might benefit the City and community.

At 3:45 p.m., the group took a break and planning staff left the meeting.

The meeting resumed at 3:55 p.m.

3. Ethics Policy Discussion

City Clerk Myrna Basich and City Attorney Lori Riordan presented a draft outline of potential amendments to the City's ethics policy, including the work completed to analyze elements of other cities' ethics ordinances. These elements included:

- Applicability of the code (i.e., to Council only or to Council-appointed Boards, Commissions and Committees);
- Sample language describing the purpose of the ethics policy;
- The standards on which the ethics policy should rely (BCC 3.90.020 relating to City employees or other cities' ethics codes);
- Definitions of various key terms such as "interest," "family," or "relative" that have implications for the breadth of the policy;
- Types of prohibited conduct that might be addressed in the policy;

- Who may request an advisory opinion;
- Who provides the opinion on whether a conflict exists;
- The process for determining whether a conflict exists;
- How investigation of an allegation would be conducted;
- How/when a recommendation would be brought to Council; and
- The disposition of complaints and penalties.

Councilmembers asked questions about the implications of particular approaches, and directed staff to bring back a draft ethics code based on the Kirkland model for their consideration.

Councilmembers suggested that the Kirkland provisions relating to financial statements not be included in the draft code language. They asked that Kirkland's provisions for the acceptance of gifts, found in a separate document, be provided to Councilmembers.

At 4:52 p.m., Mayor Lee declared the meeting adjourned.

Myrna L. Basich, MMC
City Clerk

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