

POULSBO CITY COUNCIL MEETING OF JUNE 19, 2019

MINUTES

PRESENT: Mayor Erickson; Councilmembers Lord, McGinty, Musgrove, Nystul, Stern, Thomas.

Staff: Finance Director Booher, City Clerk Fernandez, City Engineer Lenius, Planning Director Boughton, Parks & Recreation Director McCluskey, Police Chief Schoonmaker, IT Manager Stenstrom.

ABSENT: Councilmember Garland

MAJOR BUSINESS ITEMS

- * * * Award Presentation for Josh Krebs and Retirement Presentation for Dave Shurick
- * * * Budget Amendment/BA#19-0208, Small Business Development Center
- * * * Payable Disbursements for May 2019
- * * * 2019 Carryover Budget Amendment and Discussion
- * * * Lodging Tax Advisory Committee
- * * * Noll Road/Johnson Parkway Project Consultant Contract Amendment
- * * * C1 Zoning District Residential Use Workshop

1. CALL TO ORDER AND PLEDGE OF ALLEGIANCE

Mayor Erickson called the meeting to order in the Council Chambers at 7:00 p.m. and led the Pledge of Allegiance.

2. AGENDA APPROVAL

Mayor Erickson noted that Item 6C is pulled from tonight's meeting.

Motion: Move to approve the agenda as amended.

Action: Approve, **Moved by** Stern, **Seconded by** Lord.

Motion carried.

3. COMMENTS FROM CITIZENS

Paula Jasper spoke regarding the Forest Rock Hills construction processes and concerns regarding the vibration and shaking caused by the project.

Rita Hagwell spoke regarding a survey of her property, her street sign, the Urban Paths of Poulsbo, and concerns regarding Marelaine Lane.

4. **MAYOR'S REPORT AND COUNCIL COMMENTS**

Councilmember Lord encouraged everyone to participate in the events this weekend.

Mayor Erickson announced PetsWalk is on Saturday at Lions Park at 9:00 a.m; Midsommer Fest follows PetsWalk; and the Power Squadron and the American Radio Relay League events are also this weekend.

a. Award Presentation for Josh Krebs and Retirement Presentation for Dave Shurick

Mr. Blane Scott presented the Police Chief and their department with a thin blue line flag artwork that he hopes will be hung on the wall.

Chief Schoonmaker presented an award to Officer Josh Krebs for his service to the Poulsbo Police Department, who is moving on to be a partner at a law firm.

Chief Schoonmaker presented an award to Detective Dave Shurick for his service to the Poulsbo Police Department, and he congratulated him and wished him well in his retirement.

5. **CONSENT AGENDA**

Motion: Move to approve Consent Agenda items 5a and b as presented.

The items listed are:

- a.** Budget Amendment/BA#19-0208, Small Business Development Center
- b.** Payable Disbursements for May 2019

Action: Approve, **Moved by** Stern, **Seconded by** McGinty.
Motion carried.

6. **BUSINESS AGENDA**

a. 2019 Carryover Budget Amendment and Discussion

Finance Director Booher presented the 2019 carryover budget amendment. Presentation highlights included: 2019 Carryover (Beginning Balance). Presentation highlights included: General Fund (difference between projected and actual beginning balance is \$618,755); General Fund – Actual 2018 figures; Variables Budget vs. Actual highlights; funds to be carried over; Mayor's recommendation (retain balance in General Fund); General Fund projected fund balance 2020 (difference 2020

projection = \$571,380); other funds special revenue funds, debt service funds, capital project funds and proprietary funds; carryover special revenue funds (transfer from Traffic Impact Fees for Finn Hill, Noll Road, and city-wide safety improvements; transfer from park impact fees for Morrow Manor, and police restricted funds for event display, electric bike program, and drone program); carryover capital equipment fund 301, carryover park projects park reserves fund 302, street projects Fund 311 street reserves, facility fund 331 – street reserves, facility fund 331, utility funds, utility water fund 401 – capital, sewer fund 403 – capital, utility solid waste fund 404 – capital, utility storm drain fund 410 – capital.

Councilmember Stern said the Finance-Administration Committee recommended approval.

Motion: Move to approve Budget Amendment #19-0205 for the 2019 Carryover Adjustments.

Action: Approve, **Moved by** Thomas, **Seconded by** Stern.
Motion carried.

b. Lodging Tax Advisory Committee

Parks & Recreation Director McCluskey presented the agenda summary, noting per Resolution 2013-07, the City Council shall appoint the five public members of the committee, and review the membership of the LTAC each June to make changes as appropriate. No changes are needed for the next year. The LTAC slate includes:

- Two members from businesses required to collect the tax: Terri Douglas, Poulsbo Inn; Britt Livdahl, Harrison Street Guest Suite.
- Two members from organizations involved in activities authorized to be funded by these taxes: Steve Swann, Port of Poulsbo; Greg Enright, Cultural Arts Foundation of the NW.
- One elected official who serves as the chair: Councilmember Gary Nystul.

Motion: Move to approve the five members of the Lodging Tax Advisory Committee for 2019-2020 as presented: Terri Douglas, Britt Livdahl, Steve Swann, Greg Enright, and Gary Nystul.

Action: Approve, **Moved by** Lord, **Seconded by** McGinty.

Discussion: Councilmember Nystul said this has been a good group to work with. In a small town, it is not uncommon to have people in the community who do more than one thing, and they recognize that folks are involved in more than one entity. In substance, everyone tries to look objectively at the big picture and their organization.

Mayor Erickson thanked Councilmember Nystul for his work on this committee. Councilmember Thomas said the composition of the committee is outlined by the state law to have recipients of the grant to be on the committee. Councilmember Stern thanked Parks & Recreation Director McCluskey for her work.

Vote: Motion passed (**summary:** Yes = 5, No = 0, Abstain = 1).

Abstain: Nystul.

Parks and Recreation Director McCluskey noted that 2020 grant applications are being accepted until August 1st.

~~c. Finn Hill Road Shared Use Path Project Construction Contract Award~~

d. Noll Road/Johnson Parkway Project Consultant Contract Amendment

Mayor Erickson recused herself from the meeting at 7:49 p.m., Deputy Mayor McGinty continued chairing the meeting.

City Engineer Lenius presented the agenda summary, reviewing the current Parametrix consultant contract status for the Noll Road/Johnson Parkway project. Parametrix is requesting a supplement in the amount of \$177,408 to complete design and right of way negotiations for the south segment of the project. This supplement is part of the existing project budget and will not require a budget amendment to adjust the project budget.

Councilmember Thomas asked if the Bjorgen Stream Culvert is put in, will it open additional upland stream habitat for salmon. City Engineer Lenius said it removes a fish barrier and is open for all species.

Councilmember Musgrove reported the Public Works Committee recommends approval of the amendment. He asked about the new compact roundabout and concerns in the past about large trucks not being able to navigate them well. City Engineer Lenius said for compact roundabouts, the center is mountable, so the larger vehicles can go over the center circle. This one is designed to be able to handle the larger vehicles.

Motion: Move to approve the Parametrix Supplement #8 for the Johnson Parkway design contract in the amount of \$177,408 and authorize the Deputy Mayor to sign Supplement #8 on behalf of the City.

Action: Approve, **Moved by** Musgrove, **Seconded by** Nystul.

Motion carried.

At 7:58 p.m., Mayor Erickson returned to the meeting and continued chairing.

e. C1 Zoning District Residential Use Workshop

Planning Director Boughton gave a presentation on the C-1 Zoning District Residential Uses. Presentation highlights:

- City Council adopted amendments to the Commercial Zoning Chapter in 2018.
- Amendments were to all C zones and addressed use table, landscaping, design standards, and the creation of the downtown shopfront overlay.
- Mayor requested EDC reconsider the mixed-use component in downtown based upon new information.
- What's on the books for C-1
 - Stronger design standards, which reinforce Scandinavian heritage.
 - Establishment of Shopfront Overlay.
 - Height limit of 35' with no underbuilding parking credit.
 - Downtown C-1 district shall be 35' provided:
 - 3rd Avenue between Moe Street and Hostmark Street shall be 25' as measured from the highest sidewalk grade of 3rd Avenue adjacent to property line;
 - In Shopfront Overlay, west side of Front Street shall be 25' and the east side of Front Street shall be 35' as measured from the highest sidewalk grade of Front Street.
- Mixed Use 2018 – What was recommended by the Planning Commission and what was adopted by the City Council.
- Request for Reconsideration
 - Mayor requested EDC review the mixed-use component of the C-1 Zoning District.
 - Since February 2019, EDC has discussed options for residential uses in the commercial zoning districts.
 - EDC at its April 2019 meeting requested a City Council workshop.
- Missing an opportunity?
 - Delayed maintenance is resulting in expensive upgrades.
 - Any upgrade to buildings requires life safety improvements – sprinklering.
 - Commercial rents in downtown cannot at this time support the expense of building upgrades and sprinklering.

- New property owner has expressed his desire, vision and financing for downtown improvements at the EDC meetings.
 - However, based upon the current financial status, he is not moving forward on building permits that were approved.
- Flexible Use Option
 - Cost of Improvements + Market Rent \neq Reinvestment/Investment
 - Cost of Improvements + Flexible Uses = Reinvestment/Investment
 - Allow flexible use option by requiring first floor to be constructed and parked to higher commercial standards but allow for residential use until market demand supports change to commercial use.
 - PMC 18.80.080.J can be modified to allow for this standard, but it would apply to C-1 zone.
 - Exclude Shopfront Overlay from flexible use option.
 - Within the C-1 zoning district, but outside of the shopfront overlay, residential units may be allowed on the first floor; provided that the first floor shall be constructed to commercial building and fire code standards and parking required at the applicable commercial ratio, to accommodate flexibility of use as both residential or commercial, as the market supports.
- Flexible Use Option discussed at EDC
 - Pros:
 - Do not want to miss an important opportunity for refurbishment of aging buildings and installation of sprinklers.
 - Opportunity to improve 3rd Avenue.
 - New residential units can support businesses and night-life economy.
 - Will be parked at higher commercial standard thereby ensuring sufficient on-site parking.
 - Cons:
 - May never convert to commercial, thereby allowing full residential buildings within C-1 zoning district.
 - Market driven seems counter intuitive to traditional zoning and predictability for both developers and citizenry.
- What's Next? The Mayor has directed PED staff to begin the public process of considering a conversion option for the C-1 zoning district with the goal of a public hearing in late August.

Mayor Erickson recommends this and feels Poulsbo has excessive commercial property and a huge need for residential. She thinks that by being overly restrictive in the downtown core, it can limit our ability to keep our downtown vibrant and healthy. She supports flexibility.

Councilmember Stern noted when this came to Council, it was a unanimous recommendation of the Planning Commission to proceed. It was a split vote from the Council. They are strictly discussing 3rd Avenue. There is no height issue and the appearance will be largely the same. They need to allow free market flexibility.

Councilmember McGinty said the developers presented a lot of information at the EDC meetings that they didn't have previously.

Mike Brown, SoundWest Group, shared that most of their buildings need improvements. They shared a few concepts on how to make 3rd Street more user friendly and how to improve its design. He also shared the rents received from the buildings.

Gary Lindsey shared a scenario of taking a flex space and repurposing it back and forth. He said the conversion process is easier than it seems.

Planning Director Boughton reviewed the properties that would be able to utilize the proposed change. In general, she said residential use is the preferred use in all the zones. Her mind has changed on mixed use over the last three years. She believes her department can bring something forward that protects downtown and our identity. She does not believe we want to miss an opportunity to rehabilitate some aging structures and make 3rd Avenue something cool for our community.

Mayor Erickson said the buildings are not worth enough to fix because they are not driving enough rent. If we don't fix them, we are in danger of losing them all.

Councilmember Thomas said the two issues they need answers for before proceeding is how this would impact traffic congestion and parking downtown.

Councilmember McGinty said he got a better understanding of how to convert commercial to residential at the EDC meeting.

Councilmember Lord said this portion was a small piece of all the changes that were made during the update last year. Originally, she was concerned properties would never convert to commercial if it started out as residential. After the EDC meetings, she now thinks it is not a hazard, but an opportunity waiting when the economics warrant it, as long as it is set up to convert easily into commercial by having the construction standards set up. She still wants to protect downtown but is approaching it in a different way, because they cannot achieve what they want downtown if they don't have economic viability. She is happy to have received this additional information.

Planning Director Boughton said the Planning Department will put together a set of amendments and bring forward to the Planning Commission, then the ordinance will be brought forward in August to the City Council.

Councilmember Lord is concerned that the public doesn't think the Council can stick to a decision. She thinks this need to be addressed at the Planning Commission and at the Council's Public Hearing. This is not being reintroduced on a whim. Councilmember McGinty said they are exploring the opportunity now that they have more information.

Mayor Erickson said the Council is not given as much information that they need at times (the Hearing Examiner has changed the process), and they will work at doing a better job to make sure they have the information they need. She feels what they are doing tonight is an important thing.

7. COUNCIL COMMITTEE REPORTS

Finance-Administration Committee: Councilmember Stern reported they reviewed four budget amendments coming forward from the Police Department, reviewed sales tax by zone (up 7% year over year), monthly sales tax and real estate excise tax reports, and a resolution for the Mayor to attend certain events as a representative of the City (Fishline annual fundraiser and the Chamber Gala fundraiser). Councilmember Thomas added regarding the event attendance; both entities provide services to the City.

Economic Development/Tourism Committee: Councilmember Musgrove reported Planning Director Boughton gave a director's report on PSRC. Planning Director Boughton reported the comprehensive plan update is due in 2024. PSRC sets forth the vision and provides transportation funding. PSRC has identified the growth for the region, and we have been designated to receive 97,000 population for Kitsap County.

She has been working with local planning directors to determine the distribution of the 97,000. It will get to the elected level on July 11.

Public Works Committee: Councilmember Musgrove reported they met to discuss the bids received for the Finn Hill Project. This will be presented to Council at the next meeting.

Public Safety/Legal Committee: Councilmember McGinty reported the court has been busy. They'll be meeting with other local municipal courts to discuss new collection agencies, because the one they're using has not been meeting service level expectations. Police reported that the Viking Fest report is done, and it will be emailed soon. The Fire Chief reported he is not planning to ban fireworks this year, and they will continue to research the differences between the County's and the City's fireworks code.

8. DEPARTMENT HEAD COMMENTS

Planning Director Boughton stated that the Kitsap Public Facility District (KPFDD) meetings continue, they'll discuss Poulsbo's project submittal at the next meeting. They are just now working on the technical work to issue bonds in tandem with reviewing the projects.

City Engineer Lenius noted that the Forest Rock Lane Project is running ahead of schedule. She appreciates the concern regarding the vibratory roller and compaction. They typically let the property owners know when it is going to happen. The work will be completed tomorrow, and then in a couple of weeks it will happen again. She and Transportation Engineer Bateman participated in a competition at PSRC today for the rural town centers, which is an ask for a \$220K grant.

Finance Director Booher noted that the audit report has been sent via email, and the exit conference is July 1.

9. BOARD/COMMISSION REPORTS

Councilmember Thomas attended the WA Transportation Commission meeting. It provided a good breakdown of what they do and where state funds come from. He heard several commissioners noted that Michael Bateman did a great job. Almost every jurisdiction got a chance to present, and the feedback was, "are you using transportation improvement districts?" He found it interesting it is not something we are doing in Poulsbo. The Commission got a good understanding of the transportation problems in Kitsap County.

Mayor Erickson reported on the WA Transportation Commission tour of Kitsap County; PSRC Transportation Policy Board recommended an additional \$1.3 million to complete Tremont project (going to PSRC Executive Committee next); and Housing Kitsap is deliberating on selling properties, one of which is on Bainbridge Island.

10. CONTINUED COMMENTS FROM CITIZENS

Rita Hagwell spoke regarding Bainbridge Island encouraging everyone to attend Poulsbo's firework show and various concerns regarding Marelaine Lane (sewer lines, survey, and needing a name on the lane).

11. MAYOR & COUNCILMEMBER COMMENTS

Councilmember Stern said Kitsap Transit will be at the fire station this Saturday to share information and solicit input on programs.

Councilmember Thomas wished everyone a happy Fourth of July.

Councilmember Lord encouraged everyone to stay safe and enjoy the weekend.

Councilmember Musgrove wished everyone Happy Independence Day and consider skipping fireworks if it is dry.

Councilmember Nystul said Kitsap Transit sent out a flyer with two free tickets for a one-way trip. He also noted the Kitsap County Assessor sent out the change in property valuation notices and reminded the citizens that taxes can only increase up to 1% per year (even if their property values are increasing faster).

12. ADJOURNMENT

Motion: Move to adjourn at 9:31 p.m.,

Action: Approve, **Moved by** Nystul, **Seconded by** McGinty.

Motion carried unanimously.

Rebecca Erickson, Mayor

ATTEST:

Rhiannon Fernandez, CMC, City Clerk