CITY OF LACEY

Shaping our community together

CITY COUNCIL
ANDY RYDER
Mayor

CYNTHIA PRATT
Deputy Mayor

LENNY GREENSTEIN
MICHAEL STEADMAN
CAROLYN COX
ED KUNKEL
MALCOLM MILLER

CITY MANAGER
SCOTT SPENCE

LACEY CITY COUNCIL AGENDA
JUNE 3, 2021
4:00 P.M.
REMOTE ATTENDANCE

To comply with Governor Inslee's Proclamation 20-28, the City Council meeting will be conducted remotely, not in-person. You may view the Council meeting by watching live using one of following platforms: Live Meetings, YouTube, Facebook, Thurston Community Media, Channel 3 with your local cable provider, or Zoom: https://us02web.zoom.us/webinar/register/WN_-ehdwmlGTHqfI3vy1qfNLQ

The public may listen to the meeting via telephone by dialing toll-free: **(888) 788-0099** or **(877) 853-5247** - when prompted enter Webinar ID **839 2947 6110**

CALL TO ORDER:

1. **PLEDGE OF ALLEGIANCE**
2. **APPROVAL OF AGENDA & CONSENT AGENDA ITEMS:***
   A. Council Worksession minutes of May 13, 2021
   B. A motion to approve payment of claims, wages, and transfers for May 14, 2021, through May 26, 2021

**Items listed under the consent agenda are considered to be routine and will be enacted by one motion and one vote. There will be no separate discussion of these items. If discussion is desired, that item will be removed from the Consent Agenda and will be considered separately.*

3. **PUBLIC RECOGNITIONS AND PRESENTATIONS:**
4. **PUBLIC COMMENT ON ITEMS NOT ON THE AGENDA****

****VERBAL PUBLIC COMMENT**
Persons wishing to provide verbal public comment on items NOT on the agenda must preregister to speak at https://us02web.zoom.us/webinar/register/WN_-ehdwmlGTHqfI3vy1qfNLQ Instructions and access details will be provided once registration is complete. Registration for verbal public comment closes at 3:00 p.m. on June 3, 2021.

****WRITTEN PUBLIC COMMENT**
Public comments may also be submitted by email to publiccomment@ci.lacey.wa.us. Written comments will be provided to the City Council electronically prior to the meeting. Comments will not be addressed during the Council meeting; however, comments received will be added to the official record. The commenting period will close at 12:00 p.m. on June 3, 2021.

5. **PUBLIC HEARING:**
6. **PROCLAMATIONS:**

7. Referral from Planning Commission:

8. Referral from hearings Examiner:

9. Resolutions:

10. Ordinances:

11. Mayor's Report:

12. City Manager's Report:

A. 2019 GFOA Certificate of Achievement for Excellence in Financial Reporting *(Troy Woo)*
B. Award Bid for Carpenter Road Overlay PW 2021-14 *(Scott Egger)*
C. Community Development Block Grant Update (*Shannon Kelley-Fong)*

13. Standing General Committee:

A. Finance & Economic Development Committee (05.25.2021)
B. General Government & Public Safety Committee (05.25.2021)
C. Land Use Committee (05.25.2021)

14. Other Business:

15. Boards, Commissions and Committee Reports:

A. *Mayor Andy Ryder*:
1. Mayors' Forum
2. Thurston Chamber Shared Legislative Committee
3. Transportation Policy Board (TPB)

B. *Deputy Mayor Cynthia Pratt*:
1. Joint Animal Services Commission (JASCOM)
2. LOTT Clean Water Alliance
3. Olympic Region Clean Air Agency (ORCAA)

C. *Councilmember Carolyn Cox:*
1. Intercity Transit (IT)
2. Regional Housing Council

D. *Councilmember Lenny Greenstein:*
1. Emergency Medical Services (EMS)
2. TCOMM911

E. *Councilmember Malcolm Miller*:
1. Lodging Tax Advisory Committee (LTAC)
2. Thurston County Coalition Against Trafficking (TCCAT)
3. Thurston Regional Planning Council (TRPC)
4. Thurston Thrives

F. *Councilmember Michael Steadman*:
1. Community Action Council
2. Nisqually River Council
3. Thurston County Law & Justice

G. *Councilmember Ed Kunkel*:
1. Economic Development Council (EDC)
2. Lacey South Sound Chamber
3. Olympia-Lacey-Tumwater Visitor & Convention Bureau (VCB)
4. Solid Waste Advisory Committee (SWAC)

16. ADJOURN

Minutes of the Lacey City Council Worksession

May 13, 2021
4:00 p.m. – 5:30 p.m.
Remote Only

Council Present:	Mayor Ryder, Deputy Mayor Pratt, Councilmembers Greenstein, Cox, Kunkel, Miller
Council Excused:	Councilmember Steadman
Staff Present:	S. Spence, D. Schneider, R. Walk, E. Fontaine

Action: Approve Worksession Agenda
Motion: Motion made, seconded and carried by Deputy Mayor Pratt and Councilmember Cox

1-2 Stryker Brigade Combat Team Update

Presenter: Col. Jared Bordwell, 1-2 SBCT Commander
Action: Information only

Council received an update on the 1-2 Stryker Brigade Combat Team, also known as "Ghost Brigade", by Commander Col. Jared Bordwell. The presentation included the following items:

- Ghost Brigade Overview
- Lacey Connections
- Recent Brigade Highlights
- Ongoing/Upcoming Activities
- COVID Safety Update
- Special Events

Upcoming Events:

- May 31, 2021 – Memorial Day Ceremony at JBLM
- August 2021 – 40^{th} Annual Exercise Cobra Gold in Thailand
- September 2021 – Expert Infantryman's / Expert Soldier's Badge
- October 2021 – 'Bayonet Focus' at Yakima Training Center

More information regarding the 1-2 Stryker Brigade Combat Team can be found on the following social media sites:

- Facebook @GhostSBCT
- Twitter @1SBCT_Ghost
- Instagram @ghoststrykerbrigade
- Flickr: @GhostBrigade

MEDIC ONE LEVY LID LIFT

PRESENTER: KURT HARDIN, THURSTON COUNTY MEDIC ONE DIRECTOR
STEVE BROOKS, FIRE CHIEF FD3
ACTION: INFORMATION ONLY

Kurt Hardin, Director of Thurston County Medic One, presented to Council on the Medic One Levy LID Lift.

Medic One supports a Comprehensive County-Wide Tiered EMS System, including:
- 12 Fire Departments
- 2 Ambulance Companies
- Approximately 700 Providers
- 2 Hospitals
- 727 square miles
- Serving over 291,000 people in Thurston County

Medic One's budget increased from $8.22 million in 2008, to $14.05 million in 2019:
- Placed 1 Medic Unit into service in 2021 and 0.5 Medic Unit into service in 2014.
- Healthcare expenditures increased annually 5 percent over the past 10 years – supplies and equipment (CMS Reference).
- Healthcare projected increase 5.3 percent annually through 2029 (CMS Reference).
- 911 EMS call volume in 2008 increased from 24,392 to 35,997 calls in 2019 (47.58 percent increase)

Medic One's revenue increased from $8.35 million in 2008, to $11.10 million in 2019, creating a shortfall.

The Medic One Levy Restoration Proposal is to restore the Medic One levy by approximately $0.21 cents per thousand, or $63.00 for a home valued at $300,000, over a span of six years using current assessed values. It was noted that taxpayers who qualify for a senior citizen, disabled or veteran exemptions pursuant to RCW 84.36.381 may be exempt form the increased levy pursuant to RCW 84.55.054(4)(e) if expressly stated in the ballot proposition.

The Thurston County Emergency Medical Services Council recommended the Board of County Commissioners place a Medic One ballot measure on the August 2021 primary for voters to consider an increase to the Medic One levy by $0.211 per thousand over six years.

HOME SHARE – SENIOR SERVICES FOR SOUTH SOUND

STAFF: BRIAN WINDROPE, EXECUTIVE DIRECTOR, SENIOR SERVICES FOR SOUTH SOUND

ACTION: INFORMATION ONLY

Brian Windrope, Executive Director of Senior Services for South Sound presented an overview of the Home Share program, as well as outlined a request for funds.

Home Share is a program that helps both seniors and the housing crisis. Below are some highlighted statistics:

- Average rent in Thurston Count for 2018 was $1,187, exceeding that of Pierce County. The average social security payment in WA is $1,600.
- Seniors aged 65 and over make up a higher percentage of Thurston County residents (18%) than the state average, and this is expected to grow in disparity.
- The most affordable subsidized rent for seniors locally still costs over $700 a month.

The Home Share program matches home providers with home seekers, with either party being a senior. This approach provides a match making service, and not a list service.

Services include the following:

- An intensive screening and interview process seeks to make enduring matches. Background checks are performed.

- Rooms are rented in exchange for an agreed amount and often an exchange of services. Average rent in the program is $400-600. which is less than the cheapest housing available.

- Regular contact and evaluation is a part of successful placements. Mediation and other services are made available.

The cost preplacement is far cheaper than any capital projects, leveraging scarce housing dollars to provide one type of solution to our shared housing emergency. Each placement keeps a person in their home, and provides housing to another, while also building community bonds with the support of social service infrastructure.

Home Share originally launched in 2015, with extensive infrastructure established in 2019. The program could restart, and not be delayed by needing to establish materials or basic framework and is already a known and trusted partner with the City of Lacey.

Senior Services for South Sounds requested $94,159 in bridge funding for one year, and included a breakdown of staffing, outreach and monthly budget.

It was noted the City of Tumwater awarded CDBG fundis for Tumwater residents. Senior Services currently has a pending fund request with Regional Housing Council as well.

Council expressed support of the program and identified a desire to have additional discussions at a future meeting.

PERMITTING IN LACEY'S UGA: MARTIN WAY CORRIDOR

PRESENTER: MAYOR ANDY RYDER
ACTION: INFORMATION ONLY

Mayor Ryder briefed Council on discussions with Thurston County and City Staff regarding amending the permitting process to ease customer experience. Staff proposed launching a joint agreement with the County, outlining that the City would assume sole responsibility for permitting on the Martin Way Corridor for new development.

Council expressed agreement and directed staff to begin discussions with Thurston County to draft a Memorandum of Understanding to this effect.

Mayor Ryder convened to an Executive Session at 5:25 p.m. for 10 minutes to discuss current litigation pursuant to RCW 42.30.110(1)(i).

Mayor Ryder concluded the Executive Session at 5:30 p.m. and reconvened the Worksession. No action was taken.

Mayor Ryder adjourned the Worksession at 5:30 p.m.

LACEY CITY COUNCIL MEETING
June 3, 2021

SUBJECT: **Disbursement Approval**

RECOMMENDATION: **By motion, approve payment of claims, wages, and transfers.**

STAFF CONTACT: Troy Woo, Finance Director TW

ORIGINATED BY: Troy Woo, Finance Department

BACKGROUND:

The action requested of the City Council is by motion to approve payment of claims, wages and transfers for 5/14/2021 through 5/26/2021. The disbursements consist of the following:

Checks:	Week of	Beg. Check No.	End. Check No.	Amount
	5/14/2021	256552	256653	136,212.45
	5/21/2021	256654	256724	228,010.88

Electronic Transfers:	Week of	Amount
	5/10/2021	3,189.84
	5/12/2021	14,063.36
	5/14/2021	1,260,350.62
	5/14/2021	255.00
	5/17/2021	566.46
	5/18/2021	162.00
	5/18/2021	13,097.74
	5/20/2021	252.00
	5/21/2021	667,118.88
	5/25/2021	89,946.80

Significant Disbursements:

Vendor	Amount	Description
Pape & Sons Construction	$ 291,919.05	Carpenter Road Utility Improvements
T Bailey, Inc.	$ 826,911.57	Hawks Prairie Sister Standpipe
Puget Sound Energy, Inc.	$ 100,128.64	Utilities
Sunset Air, Inc.	$ 503,302.29	Veterans Services Hub

LACEY CITY COUNCIL MEETING
June 3, 2021

SUBJECT:	**Carpenter Rd Overlay Project**
RECOMMENDATION:	**Motion to award Lacey Contract Number PW 2021-14 to low bidder Miles Resources, LLC from Puyallup, Washington in the amount of $1,680,680.00.**
STAFF CONTACT:	Scott Spence, City Manager SS Scott Egger, P.E., Public Works Director SE Roger Schoessel, P.E., City Engineer RAS Aubrey Collier, P.E., S.E., Design and Construction Manager AC Tyson Poeckh, Ph.D., P.E., Project Administrator TP Justin Knox, P.E., Design Engineer JK
ORIGINATED BY:	Public Works Department
ATTACHMENTS:	NONE
FISCAL NOTE:	Carpenter Rd Overlay was anticipated and included in Lacey's 2021 Budget. Funding for the project is provided under the fund code ST21OL through the fund source of Arterial Streets Funds $2.5M and Transportation Benefit District Funds $2M, 102-4101-595.90 and 103-4301-595.90, respectively.
PRIOR REVIEW:	N/A

BACKGROUND:

This contract provides for street reconstruction and hot mix asphalt overlay and HMA patching to include minor reconstruction, pavement digouts, adjustment of utility appurtenances, striping, and other work. This project will pave approximately 3.7 lane miles.

The project was advertised for two weeks and bids were opened May 20, 2021. Five (5) bids were received. The bids ranged from a low of $1,680,680.00 to a high of

$2,201,636.50. Miles Resources, LLC from Puyallup, Washington, is low bidder at $1,680,680.00. The Engineer's Estimate is $2,150,000.00. A Bid Summary Sheet is attached.

Miles Resources LLC is qualified and capable of performing the work. Start date of the project is anticipated to be beginning of August 2021, and there are 40 working days allotted.

ADVANTAGES:

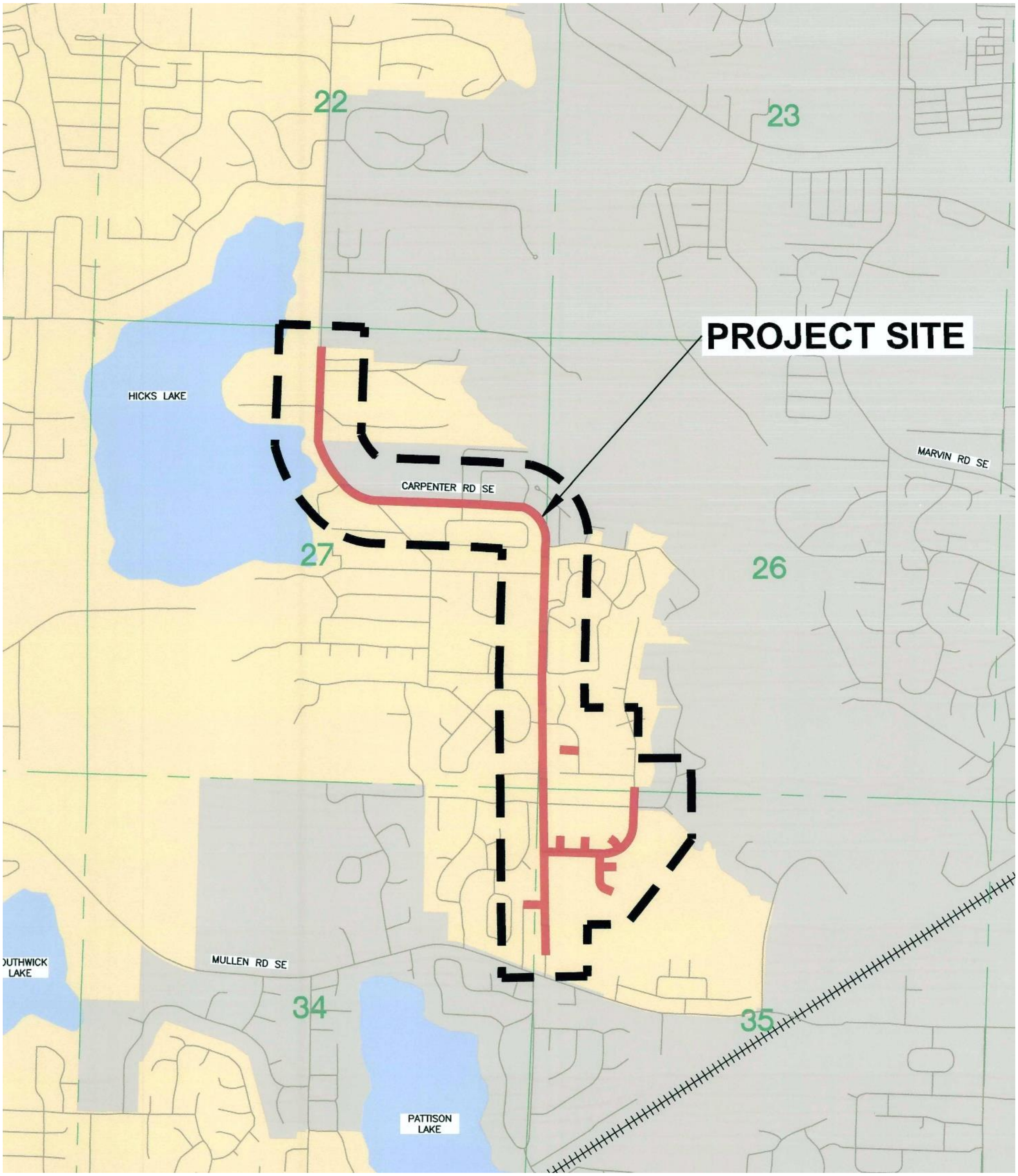
1. Provides new asphalt wearing surface.

DISADVANTAGES:

1. Typical traffic delays can be expected during construction.

CITY OF LACEY
Carpenter Rd Overlay
PW 2021-14

CONTRACTOR	LOCATION	BID	POS.
Miles Resources LLC.	Puyallup, WA	$1,680,680.00	1
Tucci & Sons Inc.	Tacoma, WA	$1,877,133.60	2
Active Construction Inc.	Puyallup, WA	$1,878,878.00	3
Granite Construction Co.	Olympia, WA	$1,965,480.00	4
Lakeside Industries Inc.	Lacey, WA	$2,201,636.50	5
ENGINEER'S ESTIMATE $2,150,000.00			



22
23
PROJECT SITE
HICKS LAKE
MARVIN RD SE
CARPENTER RD SE
27
26
MULLEN RD SE
34
35
PATTISON LAKE

CITY OF LACEY

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LACEY CITY COUNCIL MEETING
June 3, 2021

SUBJECT: **Community Development Block Grant Funds Update**

RECOMMENDATIONS: **Brief City Council on Thurston County's Request to renew CDBG Urban Renewal Agreement (FY 2022 – 2024)**.

STAFF CONTACT: Scott Spence, City Manager
Shannon Kelley-Fong, Assistant City Manager

ORIGINATED BY: City Manager's Department

ATTACHMENTS:

1. Letter from Thurston County Board of Commissioners date April 30, 2021
2. Memorandum of Understanding for Governance, Decision Making, and Administration of the Community Development Block Grant Program
3. Amended Interlocal Cooperation Agreement between Thurston County and the City of Lacey to Participate in and Receive Funds under the Federal Community Development Block Grant Entitlement Program

FISCAL NOTE: Varies based on option as described below. Fiscal impacts could be offset with administrative charges to CDBG funds.

PRIOR REVIEW: Lacey City Council Meeting – June 25, 2015

BACKGROUND:

Prior to 2013, the City of Lacey ("City") competed for Community Development Block Grant (CDBG) funds through Washington State's Small Cities CDBG program.

In 2012, the Lacey City Council authorized the City Manager to enter into an Interlocal Cooperation Agreement (ILA) with Thurston County to participate in and receive funds under the CDBG program as an Urban County Entitlement Program for the years 2013-2015 ("Thurston County Urban CDBG program"). The City Council also authorized the City Manager to enter into a Memorandum of

Understanding (MOU) with Thurston County the regarding governance of such a program. Under the agreement, the CDBG funding rotates every three years among Thurston County (including south county communities), the City of Lacey, and the City of Tumwater.

At the time of this initial agreement, the City did not qualify as a standalone CDBG entitlement community. Per the Housing and Community Development Act of 1974 (HCDA), to qualify as a metropolitan city and receive CDBG funds, a city must have a population of at least 50,000. In 2012, the City had an estimated population of 43,600 per the State of Washington Office of Financial Management (OFM) population estimates.
In 2015, the Lacey City Council authorized the City Manager to enter into an amended ILA to continue this partnership. The amended ILA incorporated language updates that were required by HUD regarding the selling, trading, or transferring of CDBG funds among cities, counties, units of local government, Tribes, and insular areas. The term of this agreement was for the years 2016-2018 and included language allowing for a three-year automatic extension. At the time of this agreement, once again, the City was still not eligible to qualify for metropolitan city status.

In 2018, the second agreement was automatically extended to cover the years 2019-2021. At the time of this agreement, the City was likely eligible to qualify for metropolitan city status. The City elected to not pursue becoming a standalone entitlement community due to concerns over 1) costs of administering the program, and 2) concerns for the status of the overall Thurston County Urban County CDBG program. Regarding the latter, if the City were to leave the Thurston County Urban County CDBG program, the total population of the remaining program members would likely be less than 200,000, see **Table A**. Based on the HCDA, Urban County CDBG programs with populations of at least 200,000 are qualified to receive CDBG funds. Urban County programs with less than 200,000 may qualify to receive CDBG funds if the member entities collectively meet certain conditions, which are outlined below in more detail.

TABLE A	
Thurston County Urban County Entitlement program members	
Lacey	52,910
Lacey UGA	37,190
Tumwater	24,600
Tumwater UGA	3,300
Olympia UGA	12,640
Unincorporated Thurston County	92,170
Yelm	9400
Rainier	2210
Tenino	1850
Bucoda	580
Total w/o Lacey	**183,940**
Total w/ Lacey	**236,850**

Currently, Lacey is estimated to have a population of Lacey is 52,592 per the U.S. Census Bureau American Community Survey (2015-2019) and 52,910 per the OFM. Again, HUD uses Census data to determine annual entitlement funding.

On April 30, 2021, Thurston County sent correspondence to the City indicating that it had until June 11, 2021, to confirm if Lacey would continue to participate in the Thurston County Urban County CDBG program for an additional three-year period for the years 2022-2024 (see attachment 1). Thurston County provided the City with an updated MOU that was modeled after the prior MOU.

Notably, there is no change to the allocation method of past agreements, each entity would continue to receive CDBG grant funds in an amount equal to the annual allocation of CDBG funds after a 20% administrative fee is applied on a rotating three-year basis. If this agreement were adopted by all parties, the rotation would be as identified in **Table B**. Per this agreement, the City would next receive CDBG funds until 2023.

Table B	
YEAR	**Entity receiving CDBG funds**
2012	Tumwater
2013	Thurston County and south cities
2014	Lacey
2015	Tumwater
2016	Thurston County and south cities
2017	Lacey
2018	Tumwater
2019	Thurston County and south cities
2020	Lacey
2021	Tumwater
2022	Thurston County and south cities
2023	Lacey
2024	Tumwater

Meeting with HUD and Thurston County on 5.24.2021

The City and Thurston County representatives meet with the HUD Field Office to discuss the potential impacts of the City becoming an entitlement community. At this meeting, HUD representatives were unable to confirm that the City met the criteria of being an entitlement community. HUD representative indicated that this determination would be based on updated U.S. Census Bureau data that they would receive in late June. HUD representatives did comment that it appears Lacey has a population over 50,000 and that would make the City eligible to be an entitlement community. HUD representatives stated they would send the City a letter if it meets this criterion in late June, along with an estimate of expected CDBG Funds.

Additionally, HUD representatives were unable to answer if the remaining jurisdictions in the Thurston County Urban County CDBG program would be able to continue as an Urban County without Lacey's participation. It is likely that they would not be able to continue as an Urban County CDBG program.

Thurston County representatives stated that they would be sending the City an updated letter from the Thurston County Board of Commissioners regarding the Thurston County Urban County CDBG program renewal for 2022-2024. As previously mentioned, the original letter, **Attachment 1**, required the City to respond to Thurston County by June 11, 2021, regarding its participation in this program. Thurston County has agreed to push this date back to July when the City will have all the information regarding entitlement status and estimated funding levels from HUD.

Per HUD documents, it appears the City has until July 30, 2021, to notify Thurston County and the HUD field office, if it chooses to accept its entitlement status (Section II.H). The HUD Field Office could extend this deadline, if necessary. The City has reached out to HUD to confirm these dates are correct.

Community Development Block Grant Overview

The CDBG Entitlement Program provides annual grants on a formula basis to entitled cities and counties to develop viable urban communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for low- and moderate-income persons. The program is authorized under Title 1 of the HCDA.

HUD awards grants to entitlement community grantees to carry out a wide range of community development activities directed toward revitalizing neighborhoods, economic development, and providing improved community facilities and services.

Entitlement communities develop their own programs and funding priorities. However, grantees must give maximum feasible priority to activities that benefit low- and moderate-income persons. A grantee may also carry out activities that aids in the prevention or elimination of slums or blight. Additionally, grantees may fund activities when the grantee certifies that the activities meet other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community where other financial resources are not available to meet such needs. CDBG funds may not be used for activities that do not meet one of these national objectives.

<u>Eligible grantees are as follows:</u>

- Principal cities of Metropolitan Statistical Areas (MSAs)
- Other metropolitan cities with populations of at least 50,000
- Qualified urban counties with populations of at least 200,000 (excluding the population of entitled cities)

Pursuant to section 102(a)(6)(D)(A)(ii)(I) of the HCDA, an urban county may have a combined population of less than 200,000, however the areas and units of general local government must include the areas and units of general local government which in the aggregate have the preponderance of the persons of low and moderate income who reside in the county.

As cited above, the City has requested HUD provide information on whether a Thurston County Urban CDBG program member entities without the City would meet this criterion allowing it to continue as a County Urban CDBG program should the City elect to become a standalone entitlement community, see Section below.

HUD determines the amount of each entitlement grantee's annual funding allocation by a statutory dual formula, which uses several measures of community needs including the extent of poverty, population, housing overcrowding, age of housing and population growth lag in relationship to other metropolitan areas.

<u>CDBG Funding Formulas:</u>

After CDBG funds are allocated to Section 7 special-purpose activities, of the remaining CDBG funds 70% are allocated to entitlement communities, and 30% are allocated to states for distribution to non-entitlement communities, e.g., small city grants.

Funds are awarded to entitlement communities based on the higher yield from one of two weighted formulas (Formula A and Formula B).

Formula A

Formula A is based on each jurisdiction's percentage share of population, poverty, and housing over-crowdedness relative to all entitlement jurisdictions. Each entitlement community's share = 0.25(pop/total pop) + 0.50(pov/total pov) + 0.25(overcrowded/total overcrowded).21

Formula B

Formula B allocates funds based on each jurisdiction's weighted relative share of poverty, housing built before 1940, and the lag in population growth rate relative to the total for all entitlement communities. Each entitlement community's = 0.30(pov/total pov) + 0.50(age of housing/total age of housing) + 0.20(pop lag/total pop lag).

Figure 1: CDBG Formula

Entitlement Communities		**States (Nonentitlements)**	
Formula A 25% * population 50% * poverty 25% * overcrowding	Formula B 20% * growth lag 30% * poverty 50% * pre-1940 housing	Formula A 25% * population 50% * poverty 25% * overcrowding	Formula B 20% * population 30% * poverty 50% * pre-1940 housing
Metropolitan denominators except for growth lag. Grant is larger of two formulas less a pro rata reduction.		State nonentitlement total denominators. Grant is larger of two formulas less a pro rata reduction.	

CDBG funds may be used for activities that include, but are not limited to:

- acquisition of real property;
- relocation and demolition;
- rehabilitation of residential and non-residential structures;
- construction of public facilities and improvements, such as water and sewer facilities, streets, neighborhood centers, and the conversion of school buildings for eligible purposes;
- public services, within certain limits;
- activities relating to energy conservation and renewable energy resources; and
- provision of assistance to profit-motivated businesses to carry out economic development and job creation/retention activities.

Each activity must meet one of the following national objectives for the program: benefit low- and moderate-income persons, prevention or elimination of slums or blight, or address community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community for which other funding is not available.

Table 1. CDBG Eligible Activities by General Categories

General Categories	Eligible Activities
Planning, Administrative and Technical Assistance	• comprehensive planning and related activities; • administrative costs associated with carrying out the requirements of the program, as well as other HUD programs; • provision of technical assistance to public or nonprofit entities; • payment of the non-federal share of other federal grant programs; • development and implementation of energy conservation and use strategies.
Public works and public facilities	• acquisition and rehabilitation of real property that may be used for public works, open space acquisition, historic preservation, or other public purposes; • acquisition, construction, reconstruction, or installation of public works, public facilities, neighborhood facilities, senior centers, centers for the handicapped, recreation facilities, and street lights; • removal of architectural barriers to the elderly and handicapped.
Economic Development and Neighborhood Revitalization	• payment to for-profit entities in support of economic development; • assistance to neighborhood-based organizations, including community development corporations, in support of economic development, housing assistance; or neighborhood revitalization activities; • assistance, including loans and grants, to non-profit entities in acquiring real property, or acquiring or rehabilitating public facilities, site improvements, utilities, or commercial and industrial facilities and improvements; • micro-lending; • brownfield redevelopment; • creation of revolving loan funds.
Public Services	• public services (limited to no more that 15% of an entitlement community or state's annual allocation).
Housing related activities	• rehabilitation of housing owned and occupied by low and moderate income persons; • repair of housing units acquired through tax foreclosures; • assistance to facilitate homeownership among low- and moderate-income persons; • housing services, including counseling, in connection with the HOME program; • lead-based paint abatement.
Acquisition, demolition, and disposition of real property	• Acquisition of real property; • disposal of real property; • code enforcement in deteriorated or blighted areas; • clearance, demolition, and rehabilitation and renovation of privately and publicly owned buildings, including closed public schools.

Generally, the following types of activities are ineligible:

- acquisition, construction, or reconstruction of buildings for the general conduct of government;
- political activities;
- certain income payments; and
- construction of new housing (with some exceptions).

Over a 1, 2, or 3-year period, as selected by the grantee, not less than 70 percent of CDBG funds must be used for activities that benefit low- and moderate-income persons.

Public Participation. A CDBG grantee must develop and follow a detailed plan which provides for, and encourages, public participation and which emphasizes participation by persons of low- or moderate-income, particularly residents of predominantly low- and moderate-income neighborhoods, slum or blighted areas, and areas in which the grantee proposes to use CDBG funds.

The plan must:

- provide the public with reasonable and timely access to local meetings, information, and records related to the grantee's proposed and actual use of funds;
- provide for public hearings to obtain public views and to respond to proposals and questions at all stages of the community development program, including at least the development of needs, the review of proposed activities, and review of program performance;
- provide for timely written answers to written complaints and grievances; and
- identify how the needs of non-English speaking residents will be met in the case of public hearings where a significant number of non-English speaking residents can be reasonably expected to participate.

Metropolitan City Status and American Rescue Plan Act (ARPA) allocations

The City was initially estimated by House and Senate estimates to receive $11.45M in ARPA Coronavirus State and Local Fiscal Recovery Funds. When the U.S. Treasury Department applied the codified funding equation/guidelines to the City, the City's share of the ARPA totaled $6.856M, significantly less than the earlier estimation.

The City followed-up with its federal delegation regarding this reduction. As part of the allocation determination process, the U.S. Treasury Department adjusted CDBG formulas, "to achieve the statutorily mandated consistency with the CDBG formula, while still "substitut[ing] 'all metropolitan cities' for 'all metropolitan areas' each place it appears," Treasury has adjusted the relative weights of the ratios that make up the formula to reflect the same relative importance of the ratios absent the substitution."[1] The impact of this adjustment for metropolitan areas, like Lacey, remains unclear.

It appears the City' ARPA allocation is final.

CDBG Options available to the City

The following provides an overview of CDBG options available for the City to explore.

<u>Option 1: No Change - Continue as a member in the Thurston County CDBG Urban County.</u>

The Lacey City Council could elect to adopt the MOU and ILA provided by Thurston County that would continue the City's existing role in the Thurston County CDBG Urban County program. Lacey projects would be eligible to receive CDBG funds every three-years. The next year the City would be eligible for receiving CDBG funds would be in 2023.

In 2021, the Thurston County CDBG Urban County program received $1,228,051 in CDBG funds. Of this amount, twenty percent (20%) or $245,610 went to Thurston County for program administration. After deducting administration costs, approximately $982,441 of CDBG funds were available for Tumwater projects. Using 2021 as a base for the years 2022-2024 **Table C** provides an overview of anticipated Thurston County CDBG Urban County funds for the term of this agreement. Over the next three years, it is estimated that $982,411 would be allocated for Lacey projects in 2023. The City would be obligated to remain in the Thurston County CDBG Urban County program until 2024.

Fiscal impact: None to the City.

[1] Allocation Methodology for Metropolitan Cities (treasury.gov)

TABLE C				
Estimated Thurston County CDBG Urban County Allotments for 2022-2024				
Year	**2022**	**2023**	**2024**	**Total 2022-2024**
CDBG Funding	$1,228,051	$1,228,051	$1,228,051	$3,684,153
CDBG Funding less TC Admin (20%)	$982,441	$982,441	$982,441	$2,947,322
Distribution per entity				
Lacey		$982,441		$982,441
Tumwater			$982,441	$982,441
UGA Projects				$0
Thurston County and south cities	$982,441			$982,441
TC Admin	$245,610	$245,610	$245,610	$736,831

<u>Option 2: Become an Entitlement Community - Leave the Thurston County CDBG Urban County program.</u>

Based on population estimates, it is very likely that the City will be eligible to be an CDBG entitlement community. If this is the case, the City could become a CDBG entitlement community in 2022.

While still waiting on HUD estimates (the City anticipates receiving these in late June), based on 2021 CBDG funding allocations of similar sized cities, the City estimates that Lacey's CDBG allocation as a standalone entitlement community would be around $320,000 to $360,000 annually. Over the next three-years, the City would receive around $960,000 to $1,080,000, see **Table D**.

TABLE D					
	2022	**2023**	**2024**	**Total 2022-2024**	**Difference from Urban County member**
Lacey (High)	$360,000	$360,000	$360,000	$1,080,000	$97,559
Lacey (High w/ 10% Admin)	$324,000	$324,000	$324,000	$972,000	$(10,441)
Lacey (Low)	$320,000	$320,000	$320,000	$960,000	$(22,441)
Lacey (Low w/ 10% Admin)	$288,000	$288,000	$288,000	$864,000	$(118,441)
Lacey (as Urban County member)		$982,441		$982,441	$0

While the City would not be receiving significantly more CDBG funds over a three-year period, the City would be able to allocate these funds to projects or programs that impact the Lacey community on an annual basis rather than a three-year basis. Notably, the City would need create a CDBG Plan and have adequate staffing for administrative support. Typically, no more than 20 percent of CDBG funds can be used for administrative costs. This administrative cap is determined by the appropriations act not the HCDA. Jurisdictions typically allocate 10 to 20 percent for administrative costs. Thurston County applies a 20 percent administrative cost to the CDBG funds allocated to the Thurston County Urban CDBG program.

CDBG funds can be used for a variety of rehabilitation uses and affordable housing activities. The City could use CDBG funds to support eligible affordable and supportive housing costs and services.

Fiscal impact: The City could offset fiscal impacts using the administrative allocation of 10 to 20 percent.

Impact on HOME funds: The City could continue be a member jurisdiction of the Thurston County, Lacey, Olympia, Tumwater, Rainier, Yelm, Tenino, and Bucoda HOME consortium to receive funds under the Affordable Housing Act. Currently, Olympia is an entitlement community but participates in the HOME consortium. The City would, like Olympia, need to prepare an Action Plan to cover its CDBG program, which would then be incorporated into the Consortium's Consolidated Plan.

Option 3: Renegotiate the terms of the Thurston County Urban County CDBG program MOU for 2022-2024

The City could attempt to renegotiate the terms of the Thurston County Urban County CDBG program MOU. If this were to be pursued, the City should consider the following elements as part of the negotiation:

1. An allocation of CDBG funds annually to all jurisdictions for projects and programs within each respective jurisdiction.

2. Allocate shares of CDBG funds on a per capita basis to increase equitability across member communities and consider including UGA populations as part of this distribution calculation to the cities of Lacey and Tumwater.

3. An allocation of CDBG funds for housing needs on an annual basis.

4. An allocation of CDBG funds as if Lacey's were an entitlement community.

Fiscal impact: None to the City if Thurston County continued to administer the project and charge a twenty percent administrative fee on CDBG funds.

RECOMMENDATIONS: Staff recommends waiting until HUD provides more details (anticipated in late June) on the City's entitlement status and potential annual CDBG allocation, as well as the impact on the Thurston County Urban Community program prior to determining the City's participation in any CDBG program.

THURSTON COUNTY
WASHINGTON
SINCE 1852

COUNTY COMMISSIONERS
Carolina Mejia
District One
Gary Edwards
District Two
Tye Menser
District Three

BOARD OF COUNTY COMMISSIONERS

April 30, 2021

Andy Ryder, Mayor
City of Lacey
420 College Street SE
Lacey, WA 98503

Subject: CDBG Urban County Renewal Agreement (FY 2022-2024)

Dear Mayor Ryder:

As you are aware, Thurston County was designated a CDBG Urban County by the US Department of Housing and Urban Development (HUD). The County and partner Cities and Towns signed three year Interlocal Cooperation Agreements in August of 2012 covering the federal fiscal years 2013-2015.

The original Interlocal Agreement signed in 2012 automatically renews to consecutive three (3) year terms but before the end of each three (3) year term, the County must notify the Cities and Towns in writing of its right not to participate in the Urban County for the successive three (3) year term.

In accordance with the Urban County Qualification Notice issued by HUD, this letter provides notice to the City of Lacey informing you of your right to not participate in the CDBG Urban County for a successive three (3) year term including Federal Fiscal years (2022-2024). If you choose to not participate in the Urban County CDBG program, provide written notice to the County by June 11, 2021.

The County is proposing to continue the partnership for the next three (3) federal fiscal years (2022-2024).

If you choose to continue this partnership and participate in the next three year term covering Federal Fiscal years (2022-2024), please:

1. Provide a resolution stating your continued participation (if necessary); and
2. Sign the attached Interlocal Cooperation Agreement and Memorandum of Understanding.

We have updated the dates in the attached Interlocal Cooperation Agreement. All other original terms and conditions remain the same. The MOU includes one change in Paragraph II with a clarification added concerning the County's use of allowable administrative funds.

If you choose to participate as a member of the Urban County, the City:

1. May not apply for grants under the Small Cities or State CDBG Programs from appropriations for fiscal years 2022, 2023, and 2024, the years during which the City is participating in the Thurston County CDBG Program; and
2. May receive a formula allocation under the HOME program through the Urban County; and
3. May receive a formula allocation under the Emergency Solutions Grant Program only through the Urban County.

Please review the terms and conditions and have your authorized representative sign both the Interlocal Cooperation Agreement and the Memorandum of Understanding.

Please return those documents to the County by June 11, 2021.

If you should have any questions, please contact Tom Webster with our Public Health and Social Services Department. He can be reached at (360) 280-6265 or via email at Thomas.webster@co.thurston.wa.us.

Sincerely,

Tye Menser, Chair

Enclosures: Interlocal Cooperation Agreement
Memorandum of Understanding

MEMORANDUM OF UNDERSTANDING for Governance, Decision Making and Administration of the Community Development Block Grant Program

This memorandum of understanding (MOU) is entered into triplicate originals between Thurston County (hereinafter the "County"), a political subdivision of the State of Washington, and the cities of Lacey and Tumwater (hereinafter the "Cities"), municipal corporations within Thurston County, for purposes of defining a governance, decision making and administrative structure to manage the Community Development Block Grant (hereinafter the "CDBG") entitlement funding. These CDBG funds are referenced in the Interlocal Cooperation Agreement (Agreement) between the County and the Cities to participate and receive funds under the federal CDBG entitlement program.

WHEREAS, the County and the Cities have agreed to pursue funding from the Department of Housing and Urban Development (HUD) for CDBG;

WHEREAS, the County and the Cities recognize the need to create a governance/administrative structure to manage CDBG funding in a fair and equitable way with particular attention paid to meeting both urban and rural needs;

NOW THEREFORE, in consideration of the mutual promises made herein and the mutual benefits received hereunder, the parties agree as follows:

I. The County shall be the administrator of the CDBG Entitlement Program in accordance with the provisions of the Agreement referenced above.

II. Decisions for the division of CDBG funding for each year within the three-year term of the agreement shall be made by committee consisting of an equal number of representatives from each of the three parties. Provided, however, that over the three-year term of the Agreement, each of the parties shall receive CDBG grant funds in an amount equal to the annual allocation of CDBG grant funds less 20% of the grant that will be applied toward the County's administrative costs, unless specifically waived by a party to this agreement.

III. This Memorandum of Understanding will terminate in coordination with the end date of the Agreement.

IV. This Memorandum of Understanding creates no separate legal entity.

V. Prior to its entry into force, this Memorandum of Understanding shall be filed with the Thurston County Auditor's Office or posted upon the web sites of the County and Cities as provided by RCW 39.34.040.

VI. This Memorandum of Understanding shall be governed by the laws of the State of Washington as to interpretation and performance. The parties agree that venue for enforcement of any provisions shall be the Superior Court of Thurston County.

VII. This Agreement shall be effective upon the signature by the last of the parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Memorandum of Understanding to be executed by the dates and signature herein under affixed. The persons signing this MOU on behalf of the parties represent that each has authority to execute this MOU on behalf of the party entering into this MOU.

Thurston County

____

Tye Menser, Chair of Board

Date: ________________________

Approved as to form:

____

Deputy Prosecuting Attorney

City of Lacey

____

Scott Spence, City Manager

Date: ________________________

Approved as to form:

____

Attorney

City of Tumwater

____

Pete Kmet, Mayor

Date: ________________________

Approved as to form:

____

Attorney

INTERLOCAL COOPERATION AGREEMENT BETWEEN THURSTON COUNTY AND CITY OF LACEY TO PARTICIPATE IN AND RECEIVE FUNDS UNDER THE FEDERAL COMMUNITY DEVELOPMENT BLOCK GRANT ENTITLEMENT PROGRAM

PROGRAM YEARS 2022 – 2024

This Interlocal Cooperation Agreement (hereinafter the "Agreement") for Community Development Block Grant Funds (hereinafter "CDBG") is made and entered into by and between Thurston County (hereinafter the "County"), a political subdivision of the State of Washington, and the City of Lacey, (hereinafter the "City"), a municipal cooperation within Thurston County for the purpose of receiving and administering federal funds under the CDBG Entitlement Program. This agreement will become effective upon adoption by the parties and approval by the U.S. Department of Housing and Urban Development (HUD), and will continue until terminated as provided herein.

WHEREAS, a pursuant to Section 104 (b) Title I of the Housing and Community Development Act of 1974, as amended, provides CDBG funds may be used for the support of the activities that provide decent housing and suitable living environments and expanded economic opportunities principally for persons of low and-moderate-income; and

WHEREAS, Thurston County notified HUD of its intent to participate as an Urban County under the CDBG program as the federal fiscal year 2013; and

WHEREAS, HUD has previously determined that Thurston County qualifies as an Urban County and is eligible to become a CDBG Entitlement grantee; and

WHEREAS, the amount of CDBG funds to which the County may be entitled is in part dependent upon the population of other CDBG eligible applicant cities and towns which by this Agreement elect to participate in the CDBG Entitlement Program with the County; and

WHEREAS, the purpose of this Agreement, which is entered into pursuant to, and in accordance with the State Inter-local Cooperation Act, RCW 39.34 is to plan for, and administer the CDBG Program.

NOW, THEREFORE, in consideration of the mutual promises made herein and the mutual benefits received hereunder, the parties agree as follows:

SECTION I: DEFINITIONS:

1. "Party" means a unit of local government that is a signatory to this agreement.

2. "Qualified Urban County" is a county that is eligible to be a CDBG Entitlement grantee. The qualified urban county in this agreement is Thurston County. As a qualified urban county, Thurston County shall assume overall responsibility for ensuring that the funds it receives from the CDBG Entitlement Program are managed in compliance with all applicable HUD requirements.

SECTION II: GENERAL PROVISIONS

1. This agreement covers the County and the City's participation in the federal CDBG Program. The County has the necessary authority to accept CDBG funding as an Urban County to undertake essential and eligible community development and lower income housing assistance activities for the next three (3) Federal Fiscal Years (2022-2024) funded from the CDBG program and from any program income generated from the expenditure of such funds. The County and City agree to cooperate to undertake, or assist in undertaking, community renewal and lower income housing assistance activities.

2. By executing this agreement, each party understands that it:

    a. May not apply for grants from appropriations under the State CDBG Program for fiscal years during the period in which it participates in the urban county's CDBG program; and
    b. May receive a formula allocation under the Emergency Solutions Grant (hereinafter "ESG") Program only through the urban county. Provided, however, that this does not preclude the urban county or a unit of government participating with the urban county from applying to the State for ESG funds, if the state allows; and
    c. May receive a formula allocation under the HOME Program and through the urban county.

3. The term of this Agreement shall be the County CDBG Urban County qualification period of the federal fiscal years 2022-2024, commencing on October 1, 2021, and ending on September 30, 2024, unless an earlier date of termination is fixed by HUD, pursuant to the ACT. This Agreement remains in effect until the CDBG, HOME, and ESG funds and program income received with the respect to activities carried out for Program Years 2022, 2023, and 2024 and any successive qualification periods are expended and the funded activities

are completed. The County and the City cannot terminate or withdraw from this Agreement except at the end of each three year qualification period.

4. This Agreement automatically renews to consecutive three (3) year terms, unless the County or the City provide written notice at least sixty (60) days prior to the end of the term that it elects not to participate in a new qualification period. A copy of that notice must be sent to the HUD Field Office. Before the end of each three (3) year term, the County will notify the City in writing by the date specified in HUD's Urban County qualification notice for the next qualification period of its right not to participate in the urban county for a successive three (3) year term with a copy of the notification sent to the HUD Field Office.

5. The Parties to this Agreement agree to adopt any amendments to this Agreement incorporating any changes necessary to meet the requirement for Cooperation Agreements set forth in the Urban County Qualification Notice by HUD applicable for a subsequent three (3) year urban county qualification period. Any amendment to this Agreement shall be submitted to HUD as provided in the urban county qualification notice as required and that such failure to comply will void the automatic renewal for such qualification period.

6. The County and the City agree to cooperate to undertake, or assist in undertaking community renewal and lower-income housing assistance activities.

7. The County and the City will take all actions necessary to assure compliance with Thurston County's certification required by Section 104 (b) of the Title I of the Housing and Community Development Act of 1974, as amended, including Title VI of the Civil Rights Act of 1964, the Fair Housing Act, Section 109 of Title I of the Housing and Community Development Act of 1974, and other applicable laws.

8. The County will not use CDBG funding for activities in, or in support of a City that does not affirmatively further fair housing within the City's jurisdiction or that impedes the County's action to comply with the County's fair housing certification.

9. The County and the City have each adopted and are enforcing:

    a. A policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in non-violent civil rights demonstration; and,
    b. A policy of enforcing applicable State and local laws against physically barring entrance to, or exit from a facility or location which is the subject of such non-violent civil rights demonstration within jurisdictions.

10. The County and the City will not obstruct the implementation of the approved Consolidated Plan, the Community Development Plan and subsequent Annual Action Plan(s) during the period covered by this Agreement.

11. The County has final responsibility for conducting CDBG activities and annual filing of non-housing Community Development Plan and Action Plan and required certifications with HUD. The Thurston County HOME Consortium will submit the Consolidated Plan.

12. The County, as recipient pursuant to 24CFR 570.501 (b), is responsible for ensuring that all funds are used in accordance with all program requirements. The use of designated public agencies, sub-recipients, or contractors does not relieve the recipient of this responsibility. The County is also responsible for determining the adequacy of performance under sub-recipient agreements and procurement contracts, and for taking appropriate action when performance problem arise, such as the actions described in 24CFR 570.910.

13. Where the City is participating with, or as part of an urban county, the County is responsible for applying to the City the same requirement of a written agreement as described in 24 CFR 570.503, except that the five-year period identified under 24CFR 570.503 shall begin with the date that a participating City is no longer considered by HUD to be a part of the urban county, instead of the date that the sub-recipient agreement expires.

14. The County and the City may not apply for grants under the Small Cities or State CDBG Programs from appropriations for fiscal years 2022, 2023, and 2024, the years during which the City is participating in the Thurston County CDBG Program.

15. Pursuant to the Consolidated and Further Continuing Appropriations Act, 2015, Pub L. 113-235, a unit of general local government may not sell, trade, or otherwise transfer all or any portion of such funds to a metropolitan city, urban county, unit of general local government, or Indian Tribe, or insular area that directly or indirectly receives CDBG funds in exchange for any other funds, credits or non-Federal considerations, but must use such funds for activities eligible under Title 1 of the Housing and Community Development Act of 1974, as amended.

16. The County and the City agree to execute a Memorandum of Understanding (MOU) determining the governance structure, including decision and administrative processes to carry out the terms of this Agreement.

17. This Agreement creates no separate legal entity.

18. Prior to its entry into force, this Agreement shall be filed with the Thurston County Auditor's Office or posted upon the websites of the County and the City as provided by RCW 39.34.040.

19. This Agreement shall be governed by the laws of the State of Washington as to interpretation and performance. The parties agree that venue for enforcement of any provisions shall be the Superior Court of Thurston County.

20. This Agreement shall be effective upon the signature by the last of the parties hereto.

Thurston County	**City of Lacey**
______________________________	______________________________
Tye Menser, Chair of Board	Scott Spence, City Manager
Date: ____________________	Date: ____________________
Approved as to form:	Approved as to form:
County Prosecuting Attorney:	
By: ____________________	By: ____________________
Deputy	City Attorney

FINANCE & ECONOMIC DEVELOPMENT COMMITTEE MINUTES
MAY 25, 2021
8:30 A.M. – 9:08 A.M.
REMOTE ONLY

COUNCIL PRESENT: MAYOR RYDER (CHAIR), DEPUTY MAYOR PRATT, COUNCILMEMBER GREENSTEIN

STAFF PRESENT: SCOTT SPENCE, TROY WOO, PERI EDMONDS

ACTION: APPROVE FINANCE & ECONOMIC DEVELOPMENT COMMITTEE AGENDA
MOTION: MOTION MADE, SECONDED, AND CARRIED BY COUNCILMEMBER GREENSTEIN AND DEPUTY MAYOR PRATT

2021 BUDGET AMENDMENT UPDATE

STAFF: TROY WOO, FINANCE DIRECTOR
ACTION: INFORMATION ONLY

Staff presented an update on the 2021 Budget Amendments. The following are significant budget amendments that have been identified since the adoption of the 2021 Budget.

Current Expense Fund (General Fund)

- A late 2020 audit and reconciliation of the City's liability, property, machinery, and auto insurance coverage resulted in an overall $60,820 increase compared to the 2021 Budget projection. This affects multiple budget funds.

- Veterans Services Hub First Floor Tenant Improvements Project - $70,000 The project is funded by $421,852 from the City's Community Development Block Grant and $70,000 from assigned reserves.

- Veteran Affairs Outstation Center Lease Tenant Improvements – additional $35,000.

- Strategic Communications Plan Project – additional $40,000 for completion.

- Community and Economic Development Department – $169,000 for new staff position.

- Two annexations (Steilacoom/Marvin and Capitol City Estates) require a census study to certify the annexation to the Office of Financial Management. The 2021 Adopted Budget did consider one $20,000 census study. To complete both an additional $21,217 is required.

- Staff proposes the budgeted Water Quality Assurance Fee phase-in transfer is eliminated. Due to COVID-19 revenue reductions and according to the preliminary draft of the Water Comprehensive Plan update, the $714,286 transfer is not necessary for the water capital improvement plan.

Capital Equipment Fund (General Fund)

- The adopted 2021 Budget includes $500,000 for Police Station enhancements and the funding for the project is the City Council designated committed reserve for the Police Station project. The updated recommendation is to enhance the Police Department's equipment and technology. It is requested that the original budget appropriation be changed to equipment from building improvements and the funding source be changed to a more appropriate reserve, because equipment and technology does not meet the intent of the Police Station committed reserve.

Arterial Street Fund

- College Street and 7th Avenue (Mid-Town) Pedestrian Crossing preliminary analysis requires $40,000. City Council committed reserves for the project will be transferred into the Arterial Street Fund.

- City staff is evaluating a potential College Street SE property purchase related to right of-way for the future 16th Avenue and College Street SE roundabout project.

Transportation Benefit District Fund

- Lacey Midtown on 10th Avenue SE - $50,000 for sidewalk repairs.

Building Improvement Fund

- City Hall front counter glass structures for additional security and social distancing improvements - $103,490.

- The adopted 2021 Budget includes $500,000 for Police Station enhancements and the funding for the project is the City Council designated committed reserve for the Police Station project. The updated recommendation is to enhance the Police Department's equipment and technology. It is requested that the original budget appropriation be changed to equipment from building improvements and the funding source be changed to a more appropriate reserve, because equipment and technology does not meet the intent of the Police Station committed reserve.

- Well decommissioning, soil cleanup, and the Department of Archaeology and Historic Preservation (DAHP) assessment is required for the Lacey Museum and Cultural Center site (5700 Lacey Blvd) $208,227.

- $25,000 is requested to initiate Lacey Museum and Cultural Center comprehensive exhibit design. Lacey Fire District No. 3 has provided the funding for the costs indicated.

<u>Regional Athletic Complex Capital Fund</u>

- Regional Athletic Complex (RAC) - $74,673 to complete security camera system upgrade project

<u>Water Capital Fund</u>

- Completion of Water Capital Projects:
    - Hawks Prairie Sister Standpipe - $115,000
    - TCOMM911 Radio System Facilities (Hawks Prairie Sister Standpipe) - $50,324
    - 2020 Well Review and Rehabilitation Program - $104,000

The purpose of this update is to inform the Finance and Economic Development Committee of significant proposed amendments. Additional budget amendment reports will be presented as needed. The final approval of the proposed amendments will be considered by the full City Council in September.

<u>2021 FIRST QUARTER FINANCIAL REPORT</u>

STAFF: TROY WOO, FINANCE DIRECTOR
ACTION: INFORMATION ONLY

Staff highlighted the 2021 first quarter financial report.

<u>General Fund Expenditures</u>

As of March 31, 2021, total General Fund Expenditures were $10,742,698 or 19.3 percent of the adopted 2021 Budget. This is a total increase of $413,722 or 4.0 percent compared to the first quarter 2020 total expenditure level. First quarter 2020 expenditures were 18.5 percent of the total 2020 General Fund Budget. The majority of the overall 2021 increase is due to Veterans Services Hub building improvements.

General Fund Revenues

As of March 31, 2021, total General Fund Revenues were $9,816,178 or 17.6 percent of the adopted budget. Last year at this same time, revenues were 18.3 percent of budget. First quarter General Fund revenues decreased $387,881 compared to the previous year.

- Through March 2021, $183,706 of property taxes have been collected. This is equal to 2.5 percent of the annual property tax budget.
- 2021 sales tax receipts totaled $3,504,121 at the end of March. This is $116,334 or 3.4 percent higher than last year. The top 20 sources provide 90.7 percent of all sales tax.
- The General Fund business & occupation (B&O) tax first quarter revenues total $828,066 or 39.5 percent of budget estimate. B&O taxes increased $14,635 or 1.8 percent.
- First Quarter utility tax collections was $42,936 higher than the previous year. Electricity utility tax increased $55,152 during the first quarter. Telephone utility tax declined $53,869 compared to the previous year. The City-owned utilities produced $25,042 more utility tax year-to-date 2021.
- Admissions Tax was $59,415 lower and Gambling Tax was $98,666 lower than first quarter 2020 due to the COVID-19 safety restrictions. These 2021 combined tax sources were projected in the amount of $351,636.
- Non-business license (includes building, mechanical, plumbing, and electrical permits fees) revenues have been collected at 22.3 percent of the budget estimate. Building permits decreased $146,408.
- One positive development indicator is plan checking fees increased $138,686 during the first quarter. This is an indicator of potential future building permit activity.
- Culture and Recreation program fee charges decreased $92,851 due to limited programs as a result of the COVID-19 safety restrictions.
- Interest earnings decreased $33,897 during the first quarter after adjusting for a yearend accounting adjustment (-$282,523) relating to generally accepted accounting principles investment valuation.

Utility Funds

First quarter 2021 operating expenditures for the City's utilities were consistent with projections. The Water Utility Maintenance and Operations Fund expenditures were $4,392 or 0.2 percent higher in 2021. Wastewater Utility Maintenance and Operations Fund expenditures were $64,542 or 1.9 percent higher in 2021. The Stormwater Maintenance and Operations Fund expenditures were $24,089 or 3.9 percent higher than the previous year. Operating revenues for the utilities are meeting projections and consistent with approved rate increases and customer growth. Water revenues were $73,065 or 3.0 percent lower than the first quarter of 2020. Water sales increased $93,196 or 4.2 percent despite a deferral to rate increases. The investment accounting adjustment impacted the water fund by $63,511. Wastewater total revenues were $80,102 or 1.7 percent higher than the previous year. LOTT sales increased $135,454 or 4.5 percent. Stormwater revenues were $4,280 or 0.4 percent higher than 2020.

Staff also reviewed both positive and negative impacts due to COVID-19. Until COVID-19 is eradicated, it will be very challenging trying to develop an accurate financial outlook for the City. It appears the uncertainty will continue as the 2022 Budget development process begins. As always, staff will monitor and evaluate the City's immediate economic condition and indicators and communicate any need to adjust the 2021 Budget and 2022 financial outlook.

GENERAL GOVERNMENT & PUBLIC SAFETY COMMITTEE
MAY 25, 2021
9:30 A.M. – 10:10 A.M.
REMOTE ONLY

COUNCIL PRESENT: DEPUTY MAYOR PRATT (CHAIR), MAYOR RYDER, COUNCILMEMBER GREENSTEIN

STAFF PRESENT: SCOTT SPENCE, RICK WALK, PERI EDMONDS

ACTION:	APPROVE THE GENERAL GOVERNMENT & PUBLIC SAFETY COMMITTEE AGENDA
MOTION:	MOTION MADE, SECONDED, AND CARRIED BY COUNCILMEMBER GREENSTEIN AND MAYOR RYDER

<u>BUILDING PERMIT FEE WAIVERS</u>

STAFF:	RICK WALK, COMMUNITY AND ECONOMIC DEVELOPMENT DIRECTOR
ACTION:	INFORMATION ONLY

The City of Lacey's Affordable Housing Strategy identified expanding the program that waives fees for non-profits building low-income housing to include private sector builders building low-income housing as a priority action item.

The Lacey Municipal Code (LMC) 1.20 currently authorizes the City Manager to waive certain development fees for non-profits and community-based housing development organizations that fit certain criteria. The eligible fees to be waived include building, mechanical, plumbing, electrical, plan check, and water meter fees. Wastewater connection and general discharge fees can also be waived for certain affordable housing development projects. The City Council could also authorize the City Manager to waive fees for private sector developers building low-income units.

If Council considers this amendment, criteria and conditions will need to be established to determine which units meet the community's needs for low-income housing, and meet state law regarding use of public funds.

Multiple initial elements of a fee waiver program have been developed for Council's consideration based on feedback from the residential, building, and social service communities.

At the request of the Finance & Economic Development Committee at their June 23, 2020, meeting, staff met with the Government Affairs Committee of the Olympia Master

Builders (OMB) to discuss the program. The OMB was supportive of the options and did not have detailed feedback.

Staff advised the purpose of the briefing is to re-introduce the proposal to expand fee waivers in the LMC 1.20 to all developers that construct housing for moderate and low-income households, to have a general discussion of program criteria, and receive guidance on developing a draft program and start community outreach.

The Committee discussed using the same playing field for private industry as they do for non-profits, defining the square footage for a starter home, and adding incentives for building homes with a smaller footprint.

The Committee requested staff bring back a couple of scenarios for discussion.

SALVATION ARMY'S HOMELESS VETERAN SERVICE EXPANSION

STAFF:	RICK WALK, COMMUNITY AND ECONOMIC DEVELOPMENT DIRECTOR CAPTAIN JARED ARNOLD, SALVATION ARMY KEITH LOOKER, LACEY VETERANS SERVICES HUB
ACTION:	INFORMATION ONLY

The Committee was briefed on the Salvation Army's Veteran's Community Housing Program. After performing a needs assessment in early 2020, the Salvation Army realized the need to expand services for homeless veterans in the City of Lacey.

The agency applied for the Homeless Providers Grant Per Diem (GPD) program to expand their program and bed count to provide support services for veterans for two years. They will not know if funds will be awarded until sometime between July and September. In the meantime, they have received funding from private donors in order to begin the program.

They are currently working with a Lacey hotel to reserve 10 rooms to house 10 single homeless veterans. The goal is to provide housing in close proximity to the Lacey Veterans Services Hub so veterans can easily receive wrap around services.

LAND USE COMMITTEE
MAY 25, 2021
10:30 A.M. – 11:33 A.M.
REMOTE ONLY

COUNCIL PRESENT: COUNCILMEMBER COX (CHAIR) (JOINED AT 10:45 A.M.), DEPUTY MAYOR PRATT, COUNCILMEMBER GREENSTEIN

STAFF PRESENT: SCOTT SPENCE, RICK WALK, RYAN ANDREWS, JESSICA BRANDT, PERI EDMONDS

ACTION: APPROVE THE LAND USE COMMITTEE AGENDA
MOTION: MOTION MADE, SECONDED, AND CARRIED BY COUNCILMEMBER GREENSTEIN AND DEPUTY MAYOR PRATT

COMPREHENSIVE PLAN UPDATES

STAFF: RYAN ANDREWS, PLANNING MANAGER
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ACTION: INFORMATION ONLY

Staff presented updates on the following Comprehensive Plans:

Climate Mitigation Plan

The community was invited to a virtual open house April 1 to 30, where participants could learn about topics related to the Thurston Climate Mitigation Plan (TCMP) and provide input on how local actions identified in the plan should be implemented in Lacey. Top action items included converting to EV fleets, green building technical assistant, and LED Lighting.

An online survey was also available April 1 to May 15, where 160 surveys were completed. Top priorities included renewable energy and a shift from fossil fuels.

The Planning Commission held a public hearing on May 18 and received overwhelmingly positive and supportive comments.

The City used a variety of notification methods throughout the project, to get the word out to the public, including:

- Social media
- Coordinated with “Lacey Cares” campaign
- Elected and appointed officials shared links with their networks
- Community presentations to Olympia Master Builders, Panorama, and Thurston Climate Action Team
- Spring 2021 Stream Team Newsletter

- April 2021 “Lacey Life”
- Planning Commissioners handed out postcards at locations throughout the City
- North Thurston Public Schools “Peach Jar” announcements

More than 70% of the community was supportive of climate actions by the City and stated they were willing to take their own actions as well.

The TCMP is a policy framework to guide the city in achieving carbon reduction targets. The Thurston Climate Mitigation Plan will be integrated into the Environmental Element of the Comprehensive Plan after it is adopted by City Council.

The City Council will receive a briefing at the June 10, 2021, Worksession. Council will consider adoption of the TCMP at the July 15, 2021, Council meeting.

Housing Action Plan

In November 2019, the City of Lacey, in partnership with the Cities of Olympia and Tumwater, received a Grant Award from the Department of Commerce to develop a Housing Action Plan to meet the goals of HB 1923. The intent of HB 1923 is to encourage the construction of additional affordable and market-rate housing in a greater variety of housing types, and at prices that are accessible to a greater variety of incomes. Lacey Community and Economic Development staff have been coordinating with staff from Olympia and Tumwater to develop a draft Housing Action Plan that is now being reviewed through our local processes.

To support the effort, the Cities of Lacey, Olympia, and Tumwater contracted with the Thurston Regional Planning Council to develop:

- A Housing Needs Assessment, including a 25-year projection of housing affordability at different income levels;
- A Rental Survey to better understand what residents are paying for rent and how rents are changing; and
- A preliminary draft Housing Action Plan that can be tailored for use by each city that contains specific actions that can increase the stock of affordable housing.

The draft Housing Action Plan recommends actions the City could consider and also identifies whether or not the City has previously considered implementing the action. The Plan categorizes each action into the following:

1. Actions that increase the supply of permanently affordable housing for households that make 80 percent or less of the area median income.
2. Actions that reduce barriers for households to access housing and stay housed.
3. Actions that encourage expansion of the overall housing supply by reducing barriers to build all types of housing projects.
4. Actions that increase the variety of housing choices.
5. Actions that improve implementation of housing strategies through collaboration, public understanding, and continually building on resources.
6. Actions that would establish a permanent source of funding for low-income housing.

Public outreach was conducted including placing the draft Plan on the City’s website and social media, and was reviewed by the Government Affairs Committee of Olympia Master Builders, and the Thurston Thrives Affordable Housing Team. It has also been broadly distributed to affordable housing providers and stakeholders for their review.

The Planning Commission conducted a public hearing on the draft Housing Action Plan on May 18. Comments on homeownership support programs included partner with low-income housing developers to expand homeownership opportunities and establish a regional down payment assistance program.

Council will receive a briefing on the draft Housing Action Plan at the June 10, 2021, Worksession.

Urban Forest Management Plan

The Urban Forest Management Plan is the overarching policy document that guides the City's urban forestry vision and efforts. The City developed the Plan in 2006 and updated it in 2013 with the assistance of the City's contract forester, Galen Wright.

In keeping with the Plan's goal of updating the document every five years, it is now due again for review, along with the implementation regulations in LMC 14.32. The review process examines challenges, issues, and experiences related to the implementation of the Plan since its last update.

A tree task force was established to assist the Planning Commission in developing recommendations for changes to the Plan. The task force met five times and provided staff and City foresters input on policy and regulation issues and challenges.

The following high-level issues were identified by the task force early in their discussions:

- Enforcement of Tree Regulations
- Street Tree Program
- Private Property Trees and Consistent Application of Regulations
- Retention of Existing Trees Through Development Process
- Tree Education and Outreach
- Potential Establishment of Tree Board

During the month of April, staff engaged the community with educational information in Lacey Life, a tree survey and dedicated a section of the Climate Mitigation Plan Open House to trees. A State of the Trees Report is available on the City's website and was distributed through social media, a link in the Lacey Life newsletter, and emailed to HOAs and landscaping businesses in Lacey.

Highlights of the proposed draft amendments include:

Urban Forest Management Plan

- Introductory information about this update.
- Goals and Policies – added language about the importance of enforcement.
- Appendix 4 – planting details to match Development Guidelines and Public Works Standards.
- Tree protection specialists reviewed and updated where needed, recommended tree lists for street trees, parks, and residential uses.

Lacey Municipal Code 14.32

- Housekeeping items in definitions
- Exemptions
    - o Individual lot exemption – maintain tree density and require tree protection specialist review if removing more than 5 trees. Remove language for “5 trees every 36 months” allowance.
    - o HOA open spaces with forester review and replanting (discussion item).
    - o City owned property
- Remove a substantial portion of “Revegetation Options” section 14.32.069. City tree protection professionals determined it is no longer necessary to include the entirety of this language in the regulations.

The Planning Commission conducted a public hearing on the draft Urban Forest Management Plan on May 18, 2021. Public comments included removing too many trees in the new development in NE Lacey, do not support amendments to exemptions that make it easier to remove more trees, more protection for exceptional trees, and stronger tree protection for Climate Mitigation Plan goals.

The Planning Commission will conduct a Worksession to discuss the Plan on June 1, 2021. The City Council will be briefed at the June 10, 2021, Worksession.