

Whatcom County Business & Commerce Committee

October 19, 2020

Voting members in attendance: Casey Diggs, Andrew Gamble, Clark Campbell, Debbie Ahl, Troy Muljat, Paul Burill, Debbie Ahl, Pete Dawson, Sarah Rothenbuhler

Non-voting members in attendance: Don Goldberg, Rud Browne

Public in attendance: Jennifer Noveck, John Michener, Gina Stark, Cara Buckingham, Guy Occhiogrosso, Jed Holmes, Ken Bell, Pamela Jons, Ali Taysi, Derek Long

Motion to call the meeting to order at 11:01am. Troy and Casey second.

A couple process notes: we have to show votes. He proposes that all votes that do need an action be done with a simple hand vote versus a voice vote. That will be easiest to tabulate votes. That requires that all voting members have cameras switched on so we can do a hand vote. We do not need a vote to open or close the meeting, that can be done with a simple second. We have also talked about not over booking the agenda so we have time to discuss. On the topic of public comments, I propose we limit public comment to the public comment period or question and answer section of the speaker topic, unless called on specifically by a committee member. I think that this can lead to longer discussions but not necessarily more productive.

Don also noted that they **cannot “reply all” to emails**, if you want something to go to the group, then send it to me or Jennifer and we can distribute it. I think we are good if you want to start with public comments.

11:05 it is time for introductions and comments from the public. Roll call here for who is attending the meeting.

Clark asked if there were any public comments? No one responded.

Don then read roll call based on the Zoom call list (noted above).

A motion to approve the minutes from September. That requires a second. Troy and Paul second it.

A vote of the members, does anyone disapprove of the minutes? Approved. 8-0. Minutes approved.

Follow up from previous questions. We are trying to keep track of comments that come up and we are not able to answer. Jenn has done a great job of getting the questions and getting those back to the group, about what’s going on in the County, how CARES dollars are being spent. Any questions or comments?

We do not have a small working group meeting.

Next meeting we will invite Erika Lautenbach to speak on what happens if/when you have a positive case in your business place.

What is our hospital situation?

Is there any data on the number of hospitalizations and how many hospital beds are available?

Don read some data on what the current situation is in the county. Jennifer showed the state’s dashboard for each metric on share screen.

Clark said that he can speak from Gear Aid's experience with one case. They were really helpful and the person in question is healthy and will be reporting back to work later this week.

Update on County Council from Councilor Rud Browne.

Rud Browne has the floor for a report out on County Council business, what is coming before the Council and you can sent out a Cherry Point document that was circulated to the group.

Rud: My apologies for not participating last meeting, I was actually in Canada with my son for about 5 weeks. Things are moving in a positive way there. I am going to cover a few things today, the budget process, Cherry Point, observations about being in Canada versus Whatcom County during covid.

I believe Satpal has just published the budget. Things are looking better than we anticipated. The instructions from the council is to work on the assumption of up to a 10% drop in revenues at the same time we see an increase in services. The thing that has mitigated that is the CARES dollars, both in terms of direct money to the County, and also to citizens in the form of PPP and EIDL. We are going through the 2nd round of property taxes for the year, so we will see how that goes. The last conversation was that they were anticipating about a 7% drop in revenue overall and the budget has been adjusted by that, it is a fluid number and hard to predict. Any questions about that?

Clark said: the initial view was 10% and that was amended to 7% and the budget was based on that?

Rud: Well the instructions was 10% and base it on that. One lesson I learned, if I could do it over again I would have responded faster. So I said respond quickly, respond like 10% the next two years, versus nothing for a couple years and 20% after two years. 5% is hard, 10% starts to dig in, 20% you look at a significant drop, all training is gone, all supervision is gone, taking officers off the street. I'd rather us go through 10% planning than 20%.

The budget is built on 7% but show me where the buffer is coming from or the money to make up for it is coming from.

Clark: Was it 7% then?

Rud: Last discussion is about 7%. One thing I asked for is a spreadsheet that has the formulas for the assumptions and I'd like that to be something all of us can see and monitor. Based on what is happening with fines, fees, sales tax, property tax. I'd like to see those in a spreadsheet so we can be more timely in our response.

Ryan: This came up in our last one, there's a lot of skepticism that 7% is realistic based on what we have seen on business. Rud, I think you are spot on, let's look at the assumptions. I am always very skeptical of the assumptions. I will be surprised if it comes in at 7%. Rip the bandaid off fast and then move on. I agree with your assessment. I appreciate your candor and making them think a bit harder than the standard process. Here's a role for the committee. It helps the cause if the committee spends a bit of time on a forecast and communicate that to county government. I have a lot of business experience and more than my peers and sometimes I feel like a lone voice on this issue and it'd help me. What do you think the forecast is? Government revenue is more stable than many industries, but if you are not arresting people or issuing building permits, then you are not getting those fees. 35% of all property tax in the county is paid by lenders, they pau because they do not want to go into default. A little different than a business but still.

Clark: What format would that take? We would need to see something from the County and then dissect it then give a point of view, so it isn't just us saying 'we think it is going to be worse than that.' Based on what?

Rud: What is hard for the community is to analyze the internal workings, what additional government funding is going to occur over the next few months because we do not know how to forecast that. You can say, we think it is going to be up, down, or neutral for the local economy going forward.

Don: Since we are sector based, we can make recommendations based on sectors?

Clark: Maybe you, Debbie, and I can work on a format so that we are not just freestyling comments.

Rud: A one-page summary, with a paragraph or two from the particular industry.

Sara: Can we see something that shows the tax revenue sources?

Rud: It's all in the budget, so I will find the most recent version.

Don: Jed is on this call too. Satpal announced on Friday the budget was published. I'm sure Jed can forward it to the group.

Rud: I want to stress that this issue of helping the county see the future / look forward is one of the most important things that the committee can do. Because of COVID, planning commission has had delays. Council members have come back and challenged some recommendations. They start tomorrow to go through a discussion about each individual council member concerns. Once we've gone through that process, we will work with CC's legal counsel, which is Cascadia Law, in order to change the document for final version and publication. I had a couple key areas I was concerned with: the way the changes to the conditional use permit were suggested in the industry. Environmental groups said what about a 10% threshold, if we change storage capacity to increase refining process, what if that is a trigger point for CUPs? If we increase transshipment by more than 10%? Industry and groups said they thought it was a good idea. The problem I see: you can increase capacity of storage without hitting either number, so you will be outside CUP oversight. If you change the use of the equipment the next day then they can do whatever they want without oversight. Most people are not aware of, when waiting for train to go by, the county has no jurisdiction over rail, if amount of transportation increases, railroad does not have to contribute to overpasses, which costs \$35 million each.

Clark: With regard to the 10%, that's been agreed to by both sides?

Rud: The way the agreement is written, they agreed to ... let me read you the exact wording. They agreed it would be a CUP if the maximum distillation capacity was increased by more than 10,000 barrels per day. And if the max transshipment was increased by XX gallons per day. But if you do not do either of those things, then there is no CUP.

Clark: What is your proposed solution to that? That follows along the lines of a trigger point but tightens up the loophole you pointed out.

Rud: The Council all agree that anything related to maintenance, public safety is permitted. There is no intention to slow that down. Add a 3rd bullet point, if you increase storage capacity by more than 10,000 barrels that also triggers a CUP. It doesn't cover all scenarios, but covers some, shipping, storage, refining.

Don: Our current temp moratorium ends December?

Rud: I think it's December.

Don: The goal is to get this taken care of before otherwise you will have to do an extension.

Rud: If everyone says that we need more time, then we will have to go with another moratorium extension.

Don: I know that Ali is talking later, maybe he has a comment?

Ali: In regards to the discussion about Cherry Point?

Don: Yes, CP.

Ali: I'll admit that my focus is primarily on Bellingham, I'm not as up to speed on CP, not enough to make an intelligent comment.

Don: If no one has anything else, are there any additional updates?

Rud: A bit on my experience going to Canada. They were forced to do a 2 week quarantine before they could fly to Ontario. While Canada has done a better job overall, the fatality rate is 40% of the US, so it looks better. I'm worried that they are becoming complacent. Mask usage is shitty. In Toronto, they walked through the restaurant that wait staff wore masks, cooking staff and management were not. Widespread noncompliance. I also wanted to shout out what we are doing in Whatcom for testing. I developed a sniffle so I went and got a test. It took 30 calls in order to get the results. You couldn't register without a Canadian health system card. The instructions they gave: if you test positive you must quarantine for 10 days. Later told that was false because my test was negative and I had not been in contact with anyone with known covid. I'd rather be in Whatcom County. Ours is much better.

Don: I should also add yesterday they extended the border close to Nov 21st. Unfortunately, they are continuing.

Rud: If Canada doesn't improve, we may close it on them!

Ryan: What are you hearing about how long it will be closed? I've heard March.

Don: That's what we are hearing too. It isn't official, but we are hearing similar.

Ryan: So if you have to buy tickets, would you buy them out of Vancouver?

Don: I'd buy them out of BLI.

Sarah: It was interesting to see the BBC Presidential Election commentary. When covid came up, when it showed the US with 200K deaths, then they showed population, the US was the 2nd most successful (not the right choice of words) had the lowest death count per population. That appeared to be better than Canada. It was interesting to hear positive news.

Rud: The most objective numbers you can find are John Hopkins, they do worldwide numbers. The number per population is a lot higher in the US than other questions.

Sarah: On the budget, I can see the tax revenue summary, is there any way to see the retail sales and use tax? Part of my inexperience, looking at this, I cannot tell where taxes are coming from. Like how much taxes are Cherry Point paying? If we are going to talk about our sectors, and we want to say hi low neutral, how to quickly find it so we can give you valuable recommendations.

Rud: I will have to get back to you on that. For Cherry Point, the principle way we see CP's contribution to tax revenue is through property tax.

Sarah: Could we at least break out heavy industry? Retail? If we can actually see the breakdown, that would be helpful.

Rud: I do not think they track property tax by usage. I'll ask the question.

Ryan: To follow up on that revenue, I read the summary, we have an \$8 mil shortfall, then \$2 mil shortfall. But for right now, it is \$32 mil shortfall? Am I reading this correctly?

Rud: Government budgeting is a nightmare from a business perspective. If we have been collecting revenues in one year, we can use overages. Satpal is not spending any more money than he is taking in. If he does he is personally responsible for the difference. That really regulates things really well.

REP Update by Don Goldberg

Don: We are meeting with the SSA Property owners. Some of the things that are related. Hart Hodges did a report last year that was paid for by WBA on Cherry Point's income for 2019, was about 11% of property taxes came to the County via Cherry Point. I'm guessing somethings will change with Alcoa closing. I am working with a number of users that have interest in Cherry Point. None of them are fossil fuel companies, they are regular manufacturers. We are working on a tremendous number of grant programs, we are coordinating one with the Health Dept, one from the CARES Act, Whatcom ReStart 2.0, Gina just let me know this morning that a company she is working with from outside of the region will be moving here. They will give a proposal to a development company shortly. John Michener just completed a good transaction with a Canadian manufacturer that bought a 50k sq ft building and is still talking to multiple companies in Canada that still want to come to Whatcom. None of the uses at this time is for Bellingham proper. Part of the reason is that Bellingham doesn't have finished lots. We are looking at Lynden, Ferndale, and County properties for larger buildings.

Clark: What about business closures of scale?

Don: Alcoa closed, about 700 lost jobs. Some have gone to other companies. Our second big closure will happen in 2021, and that's Safran, airplane interiors. They laid off about 200 people last year and they will lay off the rest of the people in 2021. That's in Bellingham, 250k sq ft, with corporate office space, it is a high tech manufacturing facility, we receive leads about once a month for this type of space and we usually do not have any spaces to respond with. So we are hoping we will turn that into a new manufacturer with high paying jobs.

Clark: Does Safran own the building?

Don: We believe so. But it is possible the previous owners leased it back to them. That's the only big ones we know about know. I think we are still waiting to see, we don't know what the future holds but there is a good chance that the public sector may see layoffs next if revenues do not come in.

Guest speaker, Ali Taysi

Clark: Ok, moving on to the next, our guest speaker: Ali Taysi. Welcome!

Don: We have all been talking about housing for about a year and a half now. Troy mentioned we are under 1 month of housing supply, guessing it is worse now. What are we going to do to get planners and county to figure out how we are going to make positive suggestions and change some of this? Ali is a planning commissioner for Bellingham and is a planning consultant as well. Maybe give us an update and some constructive ideas that we can support.

Ali: Thanks Don. So I recognize a lot of names and faces in this group. My name is Ali Taysi and I have a background in permitting and planning in Bellingham, Whatcom County, and Small Cities. I've been in business since 2004, my interests are in planning and permitting and through that we do a lot of project management work for the process. I've also been a planning commissioner for 8 years, have participated actively in the development of the land use regulations in Bham, urban village regulations, comprehensive plan update in 2016 talked about how the community is going to grow. I am a lifetime resident; I've seen a lot of change in the community. I hope I can keep my family here. Most of my friends left either because of the job market.

Debbie: Are Faruk and Bettina Taysi your parents?

Ali: Yes, he worked for Trillium and then another company for a number of years. Interestingly, I did not get into this field through family. Chet Lackey really helped me out and offered me my first job. Don had asked me to share some thoughts about housing affordability, or the invisible middle, workforce housing, this segment that targets our workers and residents who are earning above poverty wages (or 80% AMI) which is where a lot of subsidies come in. This gap affects not just Bellingham and Whatcom County but the entire West Coast and is a major issue in the Seattle area. How do we provide housing for the people who live and work here? People like firefighters, nurses, teachers, people like that.

In Whatcom, a family of four is about \$68,000, if you earn more you will not qualify for affordable housing but you will also not qualify for a mortgage.

Don: We are all interested in making suggestions to planners at the county or city levels as to what we can do to effect this in positive ways.

Ali: This cannot just be solved by our local government. Private developers, community members, nonprofits, businesses, banking industry (plays a major role), so it is a broad issue and needs to be tackled by everybody. My experience is really with government, so I will be able to speak to that the most. So I think that the three key things that input into this issue: cost of land, financing component, cost of construction. Government can impact all three components to varying degrees. We have daily interactions with each jurisdiction working on projects.

The biggest issue is supply issue of land: we've made a conscious decision to not sprawl into rural areas. That puts pressure on incorporated municipalities, this means that we need to find space for people within UGAs. That also helps us preserve our agricultural lands, recreation lands, enjoy what we have around us. That squeezes our supply. Since we are not growing out, we need to grow up. So, how can we make it easier to accommodate growth? How do we densify single family neighbors? What about multifamily? What you will see a broad policy statement like 'we want infill' but the regulatory framework actually creates barriers to achieve that goal. We make it hard to achieve our goals. The regulatory environment is a big contributor.

Financing plays a massive role. Most developers in Whatcom are not huge regional national developers. They are small builders, smaller projects. A lot of our clients are not developers by trade, they are people with capital or vision. They are not doing this repeatedly. They often struggle to find financing, comes in late in the process and really stop a lot of projects. The way that government can contribute to that is by increasing predictability and transparency so engagement with banks sooner. If you do not find out if you are approved to build, after you've spent a lot on design and permitting, this is a huge risk. It requires a lot of sunk costs. Many will not take the risk.

The last thing I mentioned is construction costs. We cannot control how much steel costs. But what we can do is from a government perspective, we can work to make it easier to get through the process more quickly and efficiency. So we can make up some costs there. Updating regulations and standards to provide flexibility, give people the option to be innovative, changes in technology or designs, start reducing barriers to development that tie to construction costs. Another tie back is the fee structure, if we can evaluate impact fees, associated with construction, that can help.

Those are the three main areas where we can affect some change at a regulatory level.

Zoning, when it comes to land costs, is a huge input. If we are going to chose to grow up rather than out, we need to fit more units into the land we have. We need to be proactive about zoning, how can we encourage density in the core. Bellingham is already doing this to some degree via urban village programs. We need make it easier to develop with the urban villages. Just as an example: parking. Parking is a huge cost, if we

focus on transit corridors, we should be able to move away from spending money and space on parking facilities. Just changing parking and height restrictions can have a significant impact for higher density development. They require community buy in, they require political will and support. A lot of voting population is comfortable with what they have now, they are not comfortable with change. There is a lot of pushback from neighbors when we talk about increasing density, increasing height, etc. That generates a lot of pushback and fear. Those are people who vote and call legislators. So we need legislators to be on board and say the right things when they get those calls.

Beyond zoning and regulatory changes.

How do we incentivize development? For example, we have tax credits that apply, a lot tie back to affordability (80% AMI). One thing we can look at is expanding the breadth of those tax credits. Do we want to create greater incentives for workforce housing and have it be 80-150% AMI? Is there a way to expand the incentive package?

Another big thing is process. Our processes take a long time to achieve a permit. The permitting often takes longer than the construction in COB. 14 months to build the building, 16 months to permit it. That's a problem. Our smaller communities do a better job than Bellingham because they are not dealing with the same volume, but there is still more we can do to create efficiencies. I'm going to pat Michael Jones on the back. We just did a project in Blaine. Most codes say within 28 days to have a complete application, not was it right but did you give us everything? Stacie does something called counter completeness. They give you a completeness letter after the planner reviews the list. It saves 30 days. We proposed the same to COB, but they said no. Most projects go the full 28 days or longer before they get a completeness letter. This is simple and I doubt this created a problem for the City of Blaine. Many small changes like that that cities can make to streamline process. This takes time and effort beyond the meeting. Communities have to put in the hours to figure this out. How can we create some peer review system? I know it is hard now because we are dealing with covid, furloughs, and so on. But this was a problem before COVID and will continue to be a problem, so I do not see this as a valid excuse to prevent us from working on. When we do come out of this situation, we are better prepared to confront these issues. Tackling process, zoning and regulatory updates to reduce barriers to infills, looking at incentive structure and how to expand them for middle income are the key things, but none are easy. The last thing I want to mention is that any change is a hand out to developers. Developers are making money hand over fist. If we look at supply and demand, it will transfer down the line. The key issue with community is lack of education, they do not understand how difficult it is to permit and build a home, they only see the end result. Education is important for government employees too. Planners go to college, they learning about planning but don't learn about financing. Public works people have engineering degrees. Leadership should allocate fund to educate employees / staff in these departments so they understand all the input. They operate in a bubble otherwise.

Ali then showed a hand drawn graphic of the development process, which starts with an idea – research, buy property, planning, design, permit, financing, contractor, construction, occupancy.

Many focus only on obtaining a permit. However, if you do not understand the other components, it makes the permitting process be disconnected from the rest of the process. A lot of times contractors will say, it would be more affordable if we could build it this way, but if it doesn't follow existing regulations, it is not possible. If staff do not understand the whole process, it will be hard for them to also understand and participate in any sort of leaning process. Everyone has niche knowledge, this isn't a criticism, this is just a fact. I can put some of these ideas in writing and forward them on.

Don: I have one comment before questions start. What I hear, whether various planning organizations are barriers or partners. Do they help you or do they put a barrier up? Blaine's example is a partner example. We

are trying to help a manufacturing facility to get a 2nd bathroom in Bellingham and they haven't been able to do it. We want to make the process as easy as possible.

Ali: It is not an easy question to answer. Some cities are better than others, in terms of being partners. Even within each community there are specific staff members that are committed to be a partner. Most do not seem to be intentionally making it more difficult. But they operate with regulations that are outdated and that facilitate being a barrier. Planners will say "I would really love to let you do that but cannot" so that has to do with how the rules are written / what we have. If we could make the rules and process more simple, it would help communities be partners.

We say want things, but then we have regulations that create barriers.

City of Bellingham has just started to update the multifamily code. It hasn't been updated in over 20 years. This makes it really hard for planners to use it.

Some is leadership. People at the top need to message to staff. The Mayors and Directors need to tell staff that our mission is to permit faster, to facilitate, to reduce barriers. I do not know that that is happening to the degree it needs to.

Rud: We have done code updates. The biggest barrier we have is the GMA. We have said let's change zoning to do x. We settled 26 separate violations for the GMA, we finally settled those with the GMA hearing board about 2 years. Culturally, is that government is very risk averse, much more than businesses. Businesses are designed to come and go. Government has to last forever.

Ali: I would differentiate between the county and cities. The GMA does impact the county because the mandate is to not accommodate the growth. So it is harder for zoning change to have impact in the county. You know, in any lawsuit there is a risk analysis. Maybe the county can push back on outside organizations trying to impact our growth?

Rud: Just explaining the landscape.

Michael: Thanks for the kind words about Blaine. I just want to stress that the legislators are responding to community voices. It is not like there are people on county or city councils who want huge yards and low density. That's not where they start from. They are responding to community voices; they are elected by the people who are already here. Not our future population. The county council sets the amount of land we have, via the density expectations, this is the land they will fit into. This drives a lot of challenges. County Council picks one that we all target. They tend to be conservative in my opinion. Planners work for executive, city managers or mayors or administrators. They do not want to throw up barriers, but the message is not being driven down to staff. How can we help people to get to the end goal? This isn't about forcing compliance.

Ali: Sometimes Planners may ask for a change that requires a lot of work for someone. So if they want a porch to be added because it looks better on main street and that change creates direct costs and times to make that correction. So if we can simplify all that, it will help.

Community voices comment: I've conducted and sat in on many planning commission meetings. We here from the same people over and over again. I will tell you all, you should not beat around the bush. Do not hide behind those people. While those people elect people, they have time to participate. Nurses do not have time to participate. We are not hearing everyone's voice. She doesn't care about a bigger side yard; she cares about affordability. If there was some methodology, you'd find that the pushback comes from a small minority in Whatcom. Most people are just living their lives. But people who are housed, retired, have resources, they have time.

Don: Many of the things you've suggested, were in a document that we presented about a year ago to the Council. Changing the playbook, doing some of these things. Very similar. I'd love to follow up with you so that we can make recommendations again.

Ali: This is not an us versus them issue. I talk to engineers, developers, community. People want to effect positive change and they want to collaborate. If they would just listen to the things we are dealing with, we can work collaboratively. I do not want anyone to feel like this is us versus them. This is about getting a seat at the table so when they make changes, they get your input.

Don: A lot of the things we are talking about are Bellingham specific but we are a county. There are lessons to be learned by everyone.

Ali: I put my email in the chat and anyone is free to.

Ken: What will the difference be this time? I am concerned we will issue recommendations and get the same result.

Don: I hear you, Ken. The pushback we got last time was this is a city issue not county. But the county is the umbrella agency. Clark we are nearing our end here.

Clark: Thank you for your comments. The point about education is a strong one. If there is one thing that our presentation to the council may have done is to raise awareness that this is a business issue not just a personal property issue and got it exposed to maybe beyond the target audience, which was originally just the County Council. Your comments were interesting regarding land supply, forcing a squeeze up versus out, and we still work on this Balkanized framework, no meaningful conversation about mixed use, beyond the urban village concept. To me, that is one of the bigger challenges. If we want up versus out, can we deconstruct zoning so that it is less Balkanized.

Ali: You are right. Looking at single family, multifamily, and even ADUs. Are we looking at an antiquated model that benefits the few at the expense of many?

Rud: One that that might be useful is for Mark Personius and COB counterpart to discuss the legislative challenges to making changes. Every idea we come up with we run into a roadblock with the GMA.

Don: We would love to have them. We had Rick Sepler here, but there was no action from the city.

Rud: What can we change? That was the frustration with the report, it did not address things we can change.

Sara: I just want to circle back, the property taxes made up 32% of the tax revenue, in the 2021 proposed has a bit of a decrease, actually make up more 34%. We are planning on relying more on taxes. Retail sales and use are closer to 50%. It would be helpful to see a breakdown as soon as we could, would be helpful.

Rud: Send me your specific question so I can get a specific answer.

Clark: I am going to propose to close the meeting at 12:35. Seconded by Don.

Meeting adjourned at 12:35pm.