City of East Wenatchee, Washington

Ordinance No. 2018-06

An Ordinance of the City of East Wenatchee adopting interim zoning controls relating to cryptocurrency mining operations in commercial and residential zoning districts, to be effective for a period of six months, setting a public hearing date, declaring an emergency necessitating immediate adoption and containing a severability clause.

Una ordenanza de la ciudad de East Wenatchee adoptando controles de zonificación interinos relacionados con las operaciones mineras de criptomonedas en distritos de zonificación comerciales y residenciales, con vigencia por un período de seis meses, estableciendo una fecha de audiencia pública, declarando una emergencia que requiere adopción inmediata y que contiene una divisiibilidad cláusula.

1. Alternate format.

1.1. Para leer este documento en otro formato (español, Braille, leer en voz alta, etc.), póngase en contacto con el vendedor de la ciudad al alternatformat@east-wenatchee.com, al (509) 884-9515 o al 711 (TTY).

1.2. To read this document in an alternate format (Spanish, Braille, read aloud, etc.), please contact the City Clerk at alternatformat@east-wenatchee.com, at (509) 884-9515, or at 711 (TTY).

2. Recitals.

2.1. The City of East Wenatchee ("City") is a non-charter code city, duly incorporated and operating under the laws of the State of Washington.

2.2. Cryptocurrency mining or bitcoin mining is a process where computers work continuous to solve algorithms to maintain and build an algorithmic chain, or blockchain, and in exchange are granted cryptocurrency. Cryptocurrency is a term encompassing code-based protocols supporting an electronic, non-physical media for the exchange of value, a form of virtual currency.

2.3. Virtual currency is regulated by the state of Washington in RCW 19.230 the Uniform Money Services Act.

2.4. The process of cryptocurrency mining uses specialized computer hardware typically consuming electricity on a continuous basis, creating a Non-Diverse Load situation which can produce significant impacts on electrical distribution infrastructure and may create a fire safety hazard.
2.5. The monetary value of cryptocurrencies fluctuates and recently has been achieving high market prices. The high value of the cryptocurrency coupled with the region’s low electricity rates have made this community extremely attractive for locating cryptocurrency mining operations.

2.6. Since this is generally a new technology, energy consumption characteristics of cryptocurrency mining was not envisioned in the development of the community’s infrastructure plans. Many systems are not designed for high energy loads necessitated by cryptocurrency mining.

2.7. If the current trends continue where cryptocurrency mining becomes increasingly prevalent, the Douglas County Public Utility District (PUD) may not be able to meet the community’s electricity consumption needs in a timely manner and therefore the community would not be able to accommodate its projected growth without the siting and construction of significant electrical infrastructure including power substations and transmission lines.

2.8. The City needs to review its codes and ordinances related to cryptocurrency uses in a comprehensive manner to determine what amendments are necessary to more adequately address the siting and permitting process for such facilities.

2.9. City staff, in cooperation with Douglas County PUD staff, need time to study the impacts cryptocurrency mining has on the electricity distribution network and to develop standards to appropriately evaluate and address the impacts.

2.10. The City Council finds that it is in the best interests of the City and its citizens to impose interim official zoning controls for a period of 6 months to provide more time to investigate this issue further to evaluate the best alternatives for the community.

3. Authority.

3.1. RCW 35A.11.020 and RCW 35A.12.190 authorize the City Council to adopt ordinances of all kinds to regulate its municipal affairs and appropriate to the good government of the City.

3.2. RCW 35A.63.220 and RCW 36.70A.390, authorize the City Council to establish interim official zoning controls.

4. Purpose. The purpose of this interim official zoning control is to allow the City adequate time to comprehensively review and amend its regulations. To promote and protect the public health, safety and welfare, preserve the aesthetic

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character of the East Wenatchee community, adequately address infrastructure planning, and to reasonably regulate the development and operation of cryptocurrency mining operations within the City to the extent permitted under State and federal law

THE CITY COUNCIL OF THE CITY OF EAST WENATCHEE DO ORDAIN AS FOLLOWS:

5. **Interim Official Zoning Controls.** The City Council hereby enacts interim official zoning controls for a 6-month period under RCW 36.70A.390 to preserve the status quo so that new regulations will not be rendered moot by intervening development.

6. **Public hearing.** A duly advertised public hearing shall be conducted on May 8, 2018.

7. **Findings of Fact.** The City Council adopts as its preliminary findings of fact the recitals set forth above. The Council may adopt additional findings in the event evidence is presented to the City Council at the public hearing held for this ordinance.

8. **Amendment 1.** The City Council adds a new definition Section 17.08.194 to the East Wenatchee Municipal Code (EWMC) to read as follows:

   “Cryptocurrency” means a digital currency in which encryption techniques are used to regulate the generation of units of currency and verify the transfer of funds, operating independently of a central bank. Bitcoin is the most common example of cryptocurrency.

9. **Amendment 2.** The City Council adds a new definition Section 17.08.195 to the EWMC to read as follows:

   “Cryptocurrency mining” means the operation of specialized computer equipment for the primary purpose of mining one or more blockchain based cryptocurrencies such as Bitcoin. This activity typically involves the solving of algorithms as part of the development and maintenance of a blockchain which is a type of distributed ledger maintained on a peer-to-peer network. Typical physical characteristics of cryptocurrency mining include specialized computer hardware with a Non-Diverse Electrical use for mining operations as well as equipment to cool the hardware and operating space. For the purposes of the associated regulations, cryptocurrency mining does not include the exchange of cryptocurrency or any other type of virtual currency nor does it encompass the use, creation, or maintenance of all types of peer-to-peer distributed ledgers.
10. **Amendment 3.** The City Council amends the Home Occupation chapter at EWMC 17.66.050 to read:

**17.66.050 Prohibited uses.**
The following uses are deemed to be prohibited:
A. Clinics or hospitals;
B. Adult entertainment facilities;
C. Mortuaries or funeral homes;
D. Commercial print shops;
E. Rental of trailers;
F. Restaurants and cafes;
G. Veterinary clinics or hospitals, stables or kennels;
H. Painting, detailing, service or repair of any vehicle, including recreational vehicles and water craft;
I. Retail sales of goods not made on the premises, except as provided in EWMC 17.66.030(I);
J. Outdoor storage of building or construction materials not intended for immediate use in or on the premises;
K. Marijuana production, marijuana processing, marijuana retailer, and medical marijuana collective gardens;
L. Cryptocurrency mining; and
M. All other uses which do not comply with the intent of this chapter or the standards set forth in EWMC 17.66.030 and 17.66.060, or the definition of a home occupation set forth in EWMC 17.08.320.

11. **Amendment 4.** The City Council amends EWMC 17.72.150 to read:

**17.72.150 Storage and display standards.**
A. General. All permitted storage shall be located entirely within an enclosed building or shall be screened from view of the surrounding properties with a sight-obscuring and/or landscaping in accordance with the requirements of EWMC 17.72.080(A) for Type I landscaping, except as otherwise required by this title.

1. No storage of materials shall be located within any required front yard.
2. Storage of scrap lumber, metals, glass and other material sold or offered for sale is prohibited within residential classifications.
3. The placement and use of cargo containers, railroad cars, semi-truck trailers and other similar storage containers proposed as accessory storage or any other
purpose shall be prohibited, except for the temporary use of such containers to secure materials, tools and equipment at a construction site during an active construction project that has received a building permit from the City. All such containers shall be removed from the site prior to final inspection and/or issuance of a certificate of occupancy. The placement of said containers related to an active, permitted construction project must comply with setbacks and applicable building and fire safety codes.

B. Display/Exhibits. The display of products or outdoor exhibits for public view or show is permitted; provided, that products for sale or rent are stored or displayed outdoors only during business hours and that such products are not located within any pedestrian walkways, parking areas or rights-of-way. Displays of automobiles, boats, farm equipment, and recreational vehicles intended for sale or lease are exempt from this provision, provided they are located within an approved display area.

12. Amendment 5. The City Council adds a new Section 17.72.270 Cryptocurrency mining to read as follows:

17.72.270 Cryptocurrency mining
Cryptocurrency mining operations are permitted only within the General Commercial and Central Business District Zoning Districts. In addition to compliance with the requirements for those Zoning Districts all projects must meet the following standards, unless otherwise regulated within this code:

A. Applications shall be processed as an administrative review under Type IB if exempt from SEPA review or a Type IIA if not exempt from SEPA review under EWMC 19.01.030.

B. The use of cargo containers, railroad cars, semi-truck trailers and other similar storage containers for any component of the operation is strictly prohibited.

C. Prior to issuance of a building permit, the applicant shall provide written verification from Douglas County Public Utility District (PUD) that the PUD has calculated the potential electrical consumption of the proposed use and has verified the utility supply equipment and related electrical infrastructure is sufficiently sized and can safely accommodate the proposed use.

D. Prior to City issuance of a certificate of occupancy, the applicant must provide a copy of the Washington State Department of Labor and Industries electrical permit and written verification that the electrical work has passed a final inspection.

13. Duration/Renewal. The interim official zoning controls imposed by the Ordinance shall be effect for a period of six months from the date this ordinance is passed and shall automatically expire at the conclusion for that six-month
period unless extended as provided for in RCW 35A.63.220 and RCW 36.70A.390, or unless terminated sooner by the City Council.

14. **Declaration of Emergency.** The City Council hereby declares that an emergency exists necessitating that this Ordinance take effect immediately upon passage. Without an immediate interim official control on the City's acceptance of development applications for cryptocurrency mining within the City limits, such applications could become vested, leading to development that could be incompatible with the development regulations eventually adopted by the City. This interim official control must be imposed as an emergency measure to protect the public health, safety and welfare, and to prevent the submission of applications to the City with the intent to establish vested rights for an indefinite period of time. The underlying facts necessary to support this emergency declaration are included in the Recital clauses above.

15. **Severability.** If a court of competent jurisdiction declares any provision in this Ordinance to be contrary to law, such declaration shall not affect the validity of the other provisions of this Ordinance.

16. **Publication.** The City Council directs the City Clerk to publish a summary of this Ordinance. The summary shall consist of the title of this Ordinance. The City Council directs the City Clerk to publish a copy of this Ordinance on the City's website.

17. **Effective Date.** This Ordinance, as a public emergency ordinance necessary for the protection of the public health, public safety, public property, or public peace, shall take effect and be in full force immediately upon its adoption. To remain in effect, however, the City Council must hold a public hearing regarding this Ordinance within 60 days of adoption.

Passed by the City Council of East Wenatchee, at a regular meeting thereof on this 27th day of March, 2018.

The City of East Wenatchee,
Washington

By

[Signature of Mayor]

Steven C. Lacy, Mayor

Authenticated:

[Signature of Clerk]

Maria Holman, City Clerk
Approved as to form only:

Devin Poulson, City Attorney

Filed with the City Clerk: 3/20/2018
Passed by the City Council: 3/27/2018
Published: 3/29/2018
Effective Date: 4/10/2018
Summary of Ordinance No. 2018-06
Of the City of East Wenatchee, Washington

On the 27th day of March, 2018, the City Council of the City of East Wenatchee, Washington approved Ordinance No. 2018-06, the main point of which may be summarized by its title as follows:

An Ordinance of the City of East Wenatchee adopting interim zoning controls relating to cryptocurrency mining operations in commercial and residential zoning districts, to be effective for a period of six months, setting a public hearing date, declaring an emergency necessitating immediate adoption and containing a severability clause.

The full text of this Ordinance is available at www.east-wenatchee.com.

Dated this 27th day of March, 2018.

Maria Holman, City Clerk