kirkland, washington

Kirkland Works

Kirkland is a business-savvy city, a vibrant place to live and a supportive place to work. Located on the east side of Lake Washington directly across from Seattle, Kirkland's thriving business environment offers companies a highly educated workforce and a dynamic, well-connected business community.

The City of Kirkland considers it a priority to foster an environment that is welcoming to businesses and commercial developers. The City is dedicated to creating the right environment for a wide range of businesses to thrive. Kirkland benefits from its location on Lake Washington and its proximity to major highways, other employment centers, attractive neighborhoods, and significant cultural, recreational, and entertainment opportunities—all of which help businesses to create value. The City is dedicated to leveraging and enhancing these assets by ensuring that city-assessed costs to businesses remain in line with the value businesses generate, while supporting the infrastructure development and local services that growing, successful businesses require.

In 2010 and 2012, Kirkland completed an assessment of the cost of doing business in and with Kirkland. The assessment helped to better understand how tax burdens and development fees impact the City's attractiveness to business and development.

Assessment findings were updated in 2015 and are presented here to describe:

- The competitiveness of our tax environment for businesses, and
- The comparative costs of development in Kirkland.

The competetiveness study is just one part of the many activities Kirkland undertakes to create a business-friendly environment. Up-to-date information on other recently completed and ongoing efforts can be found on the back page.

We invite you to discover what makes Kirkland Work.

September 2015

Kirkland Works

Working in Kirkland: Businesses

The City knows that business costs comprise just one side of the equation, though an important one, as businesses evaluate where to locate. With that in mind, Kirkland focuses on the components of locally-variable business costs it assesses in the context of total tax burdens and lease rates to ensure that it remains competitive with nearby cities. The data shown here are for representative large office and restaurant businesses, demonstrating the range of costs as a share of business revenue found in the assessment.

Locally Variable Costs of Business

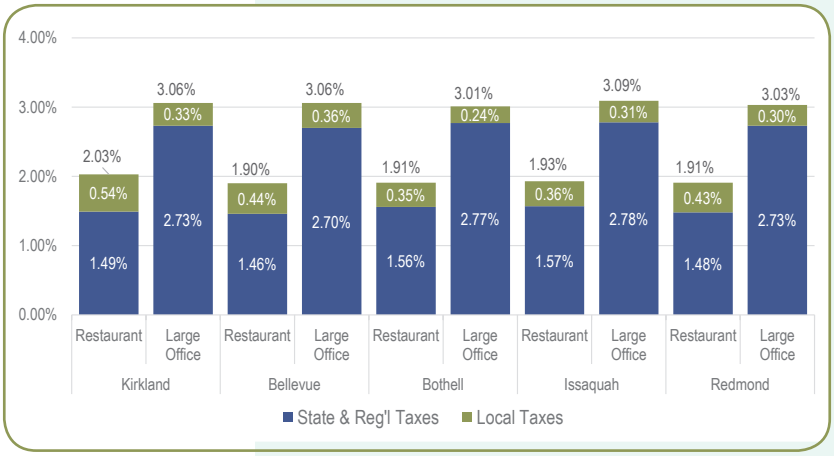
Lease rates and local taxes vary by location. The most significant locally-variable cost factor is lease costs, which vary widely among nearby jurisdictions based on the relative attractiveness of the commercial areas. Any meaningful difference in local tax policies between jurisdictions competing for the same market will be reflected in lease rates charged by landlords (since businesses that are particularly sensitive to certain local taxes will consider the costs as part of their decision, which will drive down what they are willing to pay for rent). Regarding these factors, the comparative assessment found that:

Locally Variable Costs per $1M in Gross Revenue ($1,000)

- Rent costs are the largest locally-variable cost factor and range from $61K to $128.5K for every $1M in gross revenue a business generates.
- Local taxes represent a very small share of total local variable costs—for every $1M in gross revenue a business generates, the range of local taxes paid varies from $2.4K to $5.5K.
- Kirkland has moderate rent costs compared to other eastside locations.

Tax Composition

The assessment found that, compared to state and regional taxes, local taxes represent a small share of the overall tax burden of businesses from restaurants to large offices. While local taxes represent a relatively small share of total local variable costs, the City nevertheless remains focused on making sure they in no way impede the ability of businesses to thrive there:



Taxes as Percent of Annual Gross Revenue

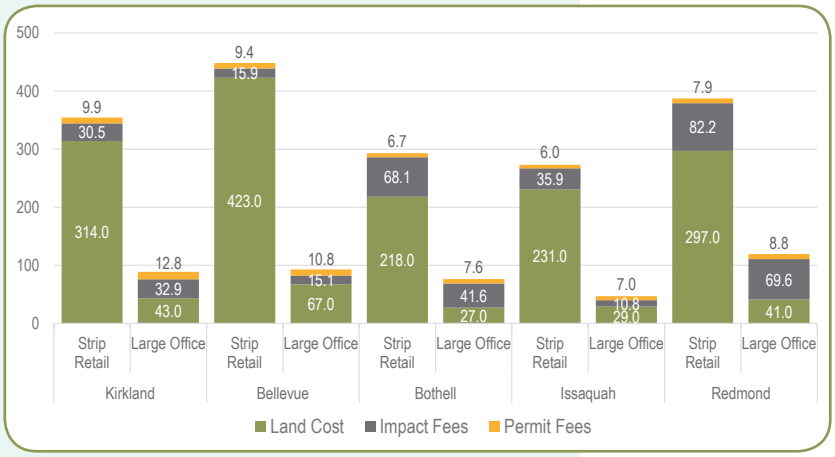
- **Kirkland notably has no local Business & Occupation (B&O) tax**, unlike Bellevue and Issaquah.
- While total tax burdens range from 1.90% to 3.09%, local tax burdens only range from 0.24% to 0.54% of gross revenue.
- Kirkland's local tax burden, though not the lowest—between 0.33% of gross revenue for a typical large office to 0.54% for a typical restaurant—is competitive for the region and contributes to the amenities the City is able to offer.

Kirkland values the role businesses play in making Kirkland a vibrant draw for activity in the region and will continue to welcome current and new businesses to the City and to focus on facilitating their ability to thrive.

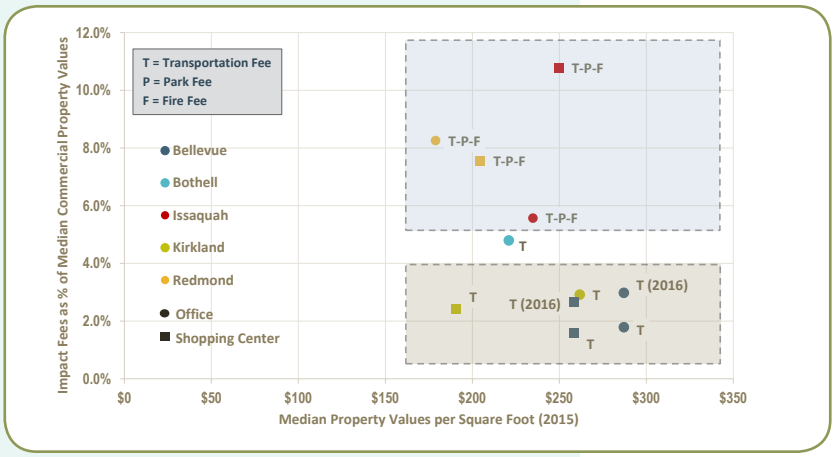
Working with Kirkland: Developers

The City of Kirkland considers it a priority to foster an environment that welcomes commercial developers. The City is continually working to ensure that the value proposition for developers makes development in Kirkland attractive. It has evaluated development project costs and the income-producing capacity of projects to determine the level at which to assess fees on development, to free development of fees that do not ultimately benefit growth, and to continue to attract development and the revenue it generates to create an environment that stimulates future growth.

To remain a sought after location for the commercial development community, the City has focused on locally-variable costs as a component of the total costs of development. Land costs and local jurisdiction development fee policies are the main drivers of these locally variable costs. In this context, the City is focused on maintaining the competitiveness of its permitting and impact fees (as contributors to overall variable costs), compared to neighboring cities.



Locally Variable Costs per $1M in Project Costs ($1,000)



Impact Fees for General Office and Shopping Centers Compared

Locally Variable Costs of Development

The data shown here are for representative large office and strip retail developments, demonstrating the range of costs as a share of total project costs found in the assessment. The City found that:

- Land costs are the largest locally variable costs, ranging from $27K to $423K for every $1M spent on a total project. Land costs incorporate meaningful differences in permit and impact fee costs since buyers factor these components into how much they can sell land for.
- Impact fees are a much smaller share of locally variable costs, ranging from $10.8K to $82.2K for every $1M spent on total project costs—Kirkland's impact fees are typical for the region.
- Permit fees comprise the smallest share of locally variable costs. Overall, there is not a significant difference in total permit fees among eastside cities.

Impact Fees Composition

As a percentage of median commercial property values, the comparative assessment found that Kirkland's impact fees are relatively low:

- Cities east of Kirkland charge commercial development more overall.
- While Kirkland charges commercial development for transportation and multifamily for transportation and schools, other cities charge other types of impact fees—i.e., parks and fire.

Overall, the assessment found that the City of Kirkland provides a competitive environment with a range of options for commercial development. In Kirkland, total project costs, along with local variable costs, remain competitive for the eastside.

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How we are doing: Updates from the Annual Commercial Brokers Meeting

Action	Status
No local B&O tax	→ ongoing
Hands on assistance with location, permitting, and licensing processes	→ ongoing
Impact fee deferral program for single-family residential	✓ 2010
Suspension of transporation impact fees for changes of use	✓ 2011
Additional density (within existing height limits) for LIT zones	✓ 2012
Totem Lake, height increases in certain zones	✓ 2012 → re-considered in 2015
Park maintenance, restoration, and enhancement levy	✓ 2012
Road maintenance and pedestrian safety levy	✓ 2012
Competitiveness study comparing Kirkland fees with other cities	✓ 2012 → revised in 2015
Waiver of first year business license fees for those with 10 or fewer employees	✓ 2012
Review of and improvements to development services	✓ 2013 → ongoing
Improvement to functionality of nwproperty.net, commercial real estate website	✓ 2013
Zoning for additional uses within 150' of Cross Kirkland Corridor[1]	✓ 2013
Impact fee deferral program for mixed-use projects	✓ 2013
Complete construction of NE 120th Street in Totem Lake	✓ 2014
Parkplace code amendment	✓ 2014
Totem Lake Development Agreement ($15m City contribution)	✓ 2014
Streamlined permitting process for solar panel installation	✓ 2014
Business satisfaction survey	✓ 2015

1) The City of Kirkland purchased the Cross Kirkland Corridor, a 5.8 mile segment of the former BNSF rail line in 2012. Plan are underway to connect the 42-mile abandoned railroad on the eastside of Lake Washington. The Kirkland segment has 1700 businesses adjacent to it and accommodates bikers and pedestrians with plans to include some form of transit in the future

For more information contact the City of Kirkland.
All offices located at 123 5th Avenue, Kirkland, WA 98033

Economic Development:
Ellen Miller-Wolfe, Manager
(425) 587-3013
emwolfe@kirklandwa.gov

Planning and Building Department:
(425) 587-3225
planninginfo@kirklandwa.gov

Building Services:
(425) 587-3600
building_services@kirklandwa.gov

Public Works Development
Engineering:
(425) 587-3800
publicworks@kirklandwa.gov