



CITY OF KIRKLAND CITY COUNCIL

Amy Walen, Mayor • Jay Arnold, Deputy Mayor • Dave Asher • Shelley Kloba
Doreen Marchione • Toby Nixon • Penny Sweet • Kurt Triplett, City Manager

Vision Statement

Kirkland is one of the most livable cities in America. We are a vibrant, attractive, green and welcoming place to live, work and play. Civic engagement, innovation and diversity are highly valued. We are respectful, fair, and inclusive. We honor our rich heritage while embracing the future. Kirkland strives to be a model, sustainable city that values preserving and enhancing our natural environment for our enjoyment and future generations.

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AGENDA KIRKLAND CITY COUNCIL MEETING City Council Chamber Tuesday, September 20, 2016 6:00 p.m. – Study Session 7:30 p.m. – Regular Meeting

COUNCIL AGENDA materials are available on the City of Kirkland website www.kirklandwa.gov. Information regarding specific agenda topics may also be obtained from the City Clerk's Office on the Friday preceding the Council meeting. You are encouraged to call the City Clerk's Office (425-587-3190) or the City Manager's Office (425-587-3001) if you have any questions concerning City Council meetings, City services, or other municipal matters. The City of Kirkland strives to accommodate people with disabilities. Please contact the City Clerk's Office at 425-587-3190. If you should experience difficulty hearing the proceedings, please bring this to the attention of the Council by raising your hand.

EXECUTIVE SESSIONS may be held by the City Council only for the purposes specified in RCW 42.30.110. These include buying and selling real property, certain personnel issues, and litigation. The Council is permitted by law to have a closed meeting to discuss labor negotiations, including strategy discussions.

PLEASE CALL 48 HOURS IN ADVANCE (425-587-3190) if you require this content in an alternate format or if you need a sign language interpreter in attendance at this meeting.

ITEMS FROM THE AUDIENCE provides an opportunity for members of the public to address the Council on any subject which is not of a quasi-judicial nature or scheduled for a public hearing. (Items which may not be addressed under Items from the Audience are indicated by an asterisk*.) The Council will receive comments on other issues, whether the matter is otherwise on the agenda for the same meeting or not. Speaker's remarks will be limited to three minutes apiece. No more than three speakers may address the Council on any one subject. However, if both proponents and opponents wish to speak, then up to three proponents and up to three opponents of the matter may address the Council.

1. *CALL TO ORDER*
2. *ROLL CALL*
3. *STUDY SESSION*
 - a. Surface Water Design Requirements Update
4. *EXECUTIVE SESSION*
 - a. To Discuss Pending and Potential Litigation
5. *HONORS AND PROCLAMATIONS*
 - a. National Pollution Prevention Week Proclamation
 - b. Welcoming Week Proclamation
6. *COMMUNICATIONS*
 - a. *Announcements*
 - b. *Items from the Audience*
 - c. *Petitions*
7. *SPECIAL PRESENTATIONS*

***QUASI-JUDICIAL MATTERS**

Public comments are not taken on quasi-judicial matters, where the Council acts in the role of judges. The Council is legally required to decide the issue based solely upon information contained in the public record and obtained at special public hearings before the Council. The public record for quasi-judicial matters is developed from testimony at earlier public hearings held before a Hearing Examiner, the Houghton Community Council, or a city board or commission, as well as from written correspondence submitted within certain legal time frames. There are special guidelines for these public hearings and written submittals.

PUBLIC HEARINGS are held to receive public comment on important matters before the Council. You are welcome to offer your comments after being recognized by the Mayor. After all persons have spoken, the hearing is closed to public comment and the Council proceeds with its deliberation and decision making.

NEW BUSINESS consists of items which have not previously been reviewed by the Council, and which may require discussion and policy direction from the Council.

ORDINANCES are legislative acts or local laws. They are the most permanent and binding form of Council action, and may be changed or repealed only by a subsequent ordinance. Ordinances normally become effective five days after the ordinance is published in the City's official newspaper.

RESOLUTIONS are adopted to express the policy of the Council, or to direct certain types of administrative action. A resolution may be changed by adoption of a subsequent resolution.

8. CONSENT CALENDAR

- a. *Approval of Minutes:* (1) September 6, 2016
(2) September 6, 2016
- b. *Audit of Accounts:*
 - Payroll* \$
 - Bills* \$
- c. *General Correspondence*
- d. *Claims*
- e. *Award of Bids*
- f. *Acceptance of Public Improvements and Establishing Lien Period*
- g. *Approval of Agreements*

(1) Resolution R-5209, Declaring the Property at 505 Market Street, Kirkland, Washington to be Surplus to the Needs of the City for Ownership of Real Property and Authorizing the Sale of Said Property.

h. Other Items of Business

- (1) Report on Procurement Activities

9. PUBLIC HEARINGS

- a. Proposed Revenue Sources for 2017-2018 Budget

10. UNFINISHED BUSINESS

- a. Utility Rates Process Overview – Part 2

11. NEW BUSINESS

- a. Transportation Commission Mission Statement and 2016-2017 Work Plan
 - (1) Ordinance O-4531, Updating the Powers and Duties of the Transportation Commission.
 - (2) Resolution R-5207, Pertaining to the Adoption of the 2016-2017 Transportation Commission Work Plan.
- b. Resolution R-5208, Amending the Timeline of Resolution R-5607 Relating to Planning and Land Use and Accepting the Recommendation of the Kirkland Planning Commission to Defer Action on the Houghton/Everest Neighborhood Center Citizen Amendment Requests Until the Completion of the Comprehensive Plan (File CAM13-00465, #14).

CITY COUNCIL COMMITTEE

agendas and minutes are posted on the City of Kirkland website, www.kirklandwa.gov.

ITEMS FROM THE AUDIENCE

Unless it is 10:00 p.m. or later, speakers may continue to address the Council during an additional Items from the Audience period; provided, that the total amount of time allotted for the additional Items from the Audience period shall not exceed 15 minutes. A speaker who addressed the Council during the earlier Items from the Audience period may speak again, and on the same subject, however, speakers who have not yet addressed the Council will be given priority. All other limitations as to time, number of speakers, quasi-judicial matters, and public hearings discussed above shall apply.

12. REPORTS

a. City Council Regional and Committee Reports

b. City Manager Reports

(1) Calendar Update

13. ITEMS FROM THE AUDIENCE

14. ADJOURNMENT

**CITY OF KIRKLAND**

Department of Public Works

123 Fifth Avenue, Kirkland, WA 98033 425.587.3800

www.kirklandwa.gov

MEMORANDUM

To: Kurt Triplett, City Manager

From: Kelli Jones, Surface Water Engineer
Jenny Gaus, Surface Water Engineering Supervisor
Kathy Brown, Public Works Director

Date: September 6, 2016

Subject: UPDATE OF SURFACE WATER DESIGN REGULATIONS TO MEET NPDES
STORMWATER PERMIT REQUIREMENTS

RECOMMENDATION:

It is recommended that Council receives a second briefing on options for updating the surface water design requirements and provides feedback on any issues Council members would like staff to address during the update process.

BACKGROUND AND DISCUSSION:**1. Introduction**

Staff provided background on the City's surface water design requirements at the [July 5th regular Council meeting](#). In short, the City must adopt updated surface water design requirements by December 31, 2016 in order to comply with the NPDES Municipal Stormwater Permit (NPDES Permit). The updated requirements emphasize use of Low Impact Development facilities (LID), which help to reduce the flow and toxicity of stormwater. Use of LID complements other city efforts to manage stormwater for environmental and regulatory compliance purposes.

A study conducted since the July 5th Council meeting reveals that:

- Kirkland currently requires stormwater conveyance and flood protection measures that are not required per the NPDES Permit. The staff recommendation is that any package of surface water design requirements should continue to include these items.
- Based on review of approaches of neighboring cities and of Kirkland's needs (see above), staff have narrowed the choices to two packages that Kirkland could use to meet NPDES Permit requirements: the Ecology Manual plus separately adopted stormwater conveyance and flood protection measures (Ecology package), or the 2016 King County Surface Water Design Manual package (King County Package).
- Either package will provide significant stream protection and water quality benefits, and will increase the cost and complexity of surface water requirements. The difference between the packages is minor in comparison to the increased requirements caused by either package and necessary to comply with the NPDES permit.

- Either of these packages can be altered in certain ways to better meet Kirkland's needs

This study session will focus on the type of magnitude and impact of overall changes required regardless of the package chosen, as well as the differences between packages that comply with the NPDES Permit. The goal of the session is to gather Council feedback on the choice of package, so that staff can proceed with developing code changes and documentation for presentation for consideration at an October Council meeting.

This memo discusses the surface water design requirements only. There is significant interaction between update of surface water design requirements and update of the critical areas ordinance (CAO). An integrated view of the impacts of both of these updates to the city is presented in a 2017-2018 budget issue paper.

2. Options (Packages) for Updated Surface Water Design Requirements

The NPDES Permit requires that the City adopt a *package* of updated surface water design requirements equivalent to Appendix 1 of the Permit that includes:

- Minimum requirements for addressing
 - on-site runoff control (LID)
 - flow control
 - water quality treatment
- Requirements and guidance for pollution source control
- Project/Plan review and approval processes

Kirkland currently has requirements for stormwater conveyance and flood protection that are not required by the NPDES Permit, and staff assume that the City would not wish to relax these requirements. An example of such a requirement is that pipes conveying runoff from development/redevelopment be sized to contain runoff from the 25-year storm event. If the Council does not concur with this assumption, this study session would be the time to request the change in policy.

Based on the above requirements and assumptions, there are two packages presented for Council consideration:

King County Package

- [2016 King County Surface Water Design Manual](#)
- [2016 King County Stormwater Pollution Prevention Manual](#)
- Cross-reference and possible updates to Kirkland Code to match King County Code Chapter [9.04](#), [9.12](#) and [16.82](#).
- Kirkland Addendum that includes implementation details specific to the City

Ecology Package

- [2012/2014 Stormwater Management Manual for Western Washington](#) (Ecology Manual) (includes a chapter on pollution source control)
- Creation and adoption of code and a technical notebook that details conveyance and flood protection requirements

- Comparison between Ecology Manual and Kirkland plan review/approval processes and possible alteration of Kirkland Code to resolve any conflicts
- Kirkland Addendum that includes implementation details specific to the City

The next two sections detail the general changes in requirements that occur with either of these packages, and the differences between the two packages.

3. Significant Changes with Either Package

Both of the packages presented above represent significant changes to the cost and complexity of surface water requirements relative to current City requirements. Differences between the two packages are small in relation to the magnitude of changes of either package relative to existing requirements.

The majority of the changes with either package result from the requirement that LID be considered and used to the maximum extent feasible. Every site that requires drainage review (generally those that create 2,000 sf of impervious surface) will need to evaluate soils, groundwater, slopes, and other information to determine feasibility. If conditions are favorable, installation of LID facilities such as rain gardens (bio retention), infiltration trenches, and permeable pavement will be required. In addition, soils must be amended with compost for most sites. Attachment A is an example of a typical design under the current manual compared to the new manual. Additional LID facilities, as well as larger LID facilities, will now be required and a traditional flow control facility, such as a vault or tank, will most likely still be required.

The size of flow control facilities will increase slightly under both packages. This increase results from new modelling software and the use of shorter time steps (15-minute vs. 1-hour). The change is likely a 10%-12% increase in volume for most projects. Depending on the size of the vault and efficiencies of scale, this will be a small increase in cost.

Both packages increase scrutiny of stormwater facilities that are proposed in landslide hazard areas. Additional requirements were added to determine feasibility of infiltration systems on or near steep slopes. This will prevent infiltration or dispersion from increasing landslide risk by being placed too close potential landslide hazard risk areas.

4. Impacts to Private Development and the City with Either Package

Types of impacts from updated surface water design requirements include alterations to construction cost, lifecycle cost, and maintenance costs. The impacts will affect both private development projects and city programs and operations. Balancing these impacts is an increased level of environmental protection that will assist in improving water quality and stream habitat.

Staff are still learning about these impacts, and what is presented here is our best educated guess. Both of the surface water design manuals are new, and only a small number of projects have been examined to evaluate potential impacts.

4A. Impacts to Private Development

Several examples that compare existing and proposed requirements for private development projects are presented in Attachments B and C. Private development projects will see the following impacts:

Increased study and design costs to evaluate the feasibility of LID, to develop more detailed erosion control plans, and to design many distributed LID facilities – this will have an especially large effect on small projects (2,000-10,000 sf of new and replaced impervious) that in the past would not have had to conduct a site evaluation or install LID facilities

Increased review time and cost - it may take longer to obtain permits for a given project, resulting in increased financing or opportunity costs. This delay will be longest when requirements are first adopted, as staff and design engineers will be learning the intricacies of the new design manual.

Increased construction cost – Because projects will need to provide LID facilities, often in addition to traditional flow control facilities such as tanks and vaults, construction costs will increase for most projects.

Potential increased lifecycle cost – If permeable pavement is used for driveways or parking areas, this may have a shorter life span than traditional paving materials. Other LID facility types may need to be reconstructed in fewer years than would a traditional tank or vault.

Increased maintenance cost – There will be more privately maintained facilities on private properties in residential projects: drywells and rain gardens in back yards, for example. The maintenance costs for these facilities vary from nothing (just make sure the facility is still there), to gardening (mulching, watering, weeding) for a rain garden, to vacuuming or sweeping of permeable pavement. Maintenance costs will increase for commercial multi-family projects that need to maintain both LID and traditional stormwater facilities.

4B. Impacts to City Projects and Programs

Update of surface water design requirements will impact City the cost and schedule of CIP projects, development review activities, and maintenance and inspection activities. There will also be long-term positive impact on water quality and stream habitat, which will assist with City efforts to protect and restore water resources. The size of this impact depends on the rate of development/redevelopment and on the long-term effectiveness of LID.

Transportation, Parks, and Public Safety (fire station) CIP projects are most likely to see changes to schedules and budgets with updated surface water design requirements. These projects are likely to add or replace impervious surface in quantities sufficient to trigger drainage review. Specific project examples are presented in Attachment D. Water and sewer projects generally do not create new impervious surfaces and/or are maintenance and so are exempt from surface water design requirements.

Transportation CIP projects such as sidewalks and street improvements (turn lanes, bike lines, etc.) are generally long and linear and are within existing rights of way. These projects will need to be evaluated for LID feasibility, to determine whether LID is infeasible due to soil conditions and drainage patterns. This will result in slightly increased study and design costs (these studies are often already done for CIP projects for other reasons so the difference may be minimal) and perhaps slightly lengthened project delivery periods. Requirements for evaluating flow control and water quality treatment remain unchanged. Flow control volumes

may increase by 10-20% due to new modelling methods and the construction cost difference will for those facilities will probably be slightly less than this because of efficiencies of scale.

Parks and fire stations are parcel-based projects. Impacts to the construction cost and schedule of these projects will be similar to what would be expected for a private development project. Small projects will be required to conduct an LID feasibility analysis, and to install LID facilities if feasible. Larger projects will also need to evaluate and install LID. Flow control and water quality treatment requirements are similar to existing (though there may be slight differences between the packages – see below). Parcel-based projects may have an increased review cost due to thresholds for types of drainage review, but currently pay for drainage review if triggered.

Surface water design review will be more complex and will need to be conducted for more projects under the new requirements. Service packages have been developed to add staff to work on both private development review and to coordinate and review CIP projects. These will be considered as part of the 2017-2018 budget process. The cost of these positions will be partially offset by increased design review revenue, as more projects will need to apply under a higher level of design review.

City maintenance needs will increase because of both facilities provided with CIP projects, and facilities provided with private residential projects (currently city policy is to maintain stormwater facilities associated with residential short plats and plats). Under both manuals, the number of LID facilities will increase. LID facilities provided with CIP projects will be publicly maintained unless agreements are negotiated with adjacent property owners. Staff will need to determine which if any LID facilities provided with private development projects will be publicly maintained. It may be possible, for example, to require that a homeowners' association be formed that will take responsibility for the gardening (weeding, mulching, plant replacement) of rain gardens in the right of way within a plat. A service package is being presented as part of the 2017-2018 budget to increase maintenance staff to accommodate this need plus work associated with maintenance of mitigation and restoration areas.

Per the NPDES Permit, all public and private flow control and water quality treatment facilities must be inspected once per year unless data is provided showing that the inspection frequency can be reduced. The number of LID facilities on private property will increase though the exact numbers depends on the pace and type of development/redevelopment. In addition to inspection, staff must notify owners of required maintenance, and may need to follow up with enforcement if the required maintenance is not completed. The number of public LID and traditional facilities will continue to increase as well. Staff will watch inspection needs over the next 2 years, and then will make a determination as to whether additional staff or resources are needed for facility inspection.

5. Comparing Packages

Both packages represent a large change from existing surface water design requirements. This section details the differences between the packages, which are likely small in relation to the difference between existing requirements and either package.

Differences between the two packages result in environmental benefits, risks and costs. The major differences that would result from using the King County package as opposed to the Ecology Package are discussed below. Other considerations in choosing a package in addition to these technical differences include:

- Consistency for developers – If requirements are the same for all jurisdictions in a region (King County, for example), developers do not need to learn new requirements when building a project in a new jurisdiction.
- Consistency – the City currently follows the 2009 King County Surface Water Design Manual with a Kirkland addendum.
- Prescriptive vs. outcome-based – the King County package provides greater detail on requirements, as opposed to outcomes. Reviewers (and some design engineers) appreciate the details of the King County package because it is clear when a project is in compliance. Some developers appreciate the outcome-based approach because there are instances where this can provide more flexibility.
- Staff would need to develop supplemental code and guidance on flood protection as part of the Ecology package. The King County package includes these items.
- Technical support. King County provides detailed technical support. Ecology provides limited support on outcomes and implementation details due to staff limitations.

5A. Summary of Technical Differences Between Packages

Technical design differences between the two packages are summarized here. If a future study is funded (see below) staff would continue to analyze the number and type of properties that might be impacted by differences between the packages.

The King County package would result in slightly larger flow control facilities for projects on certain soil types (moderate soils in flat areas where LID is feasible). Initial staff estimates are that it would impact very few projects, as there are few areas with these type of soils in Kirkland. This difference in flow control requirements arises because King County staff are concerned about the long-term viability of LID for flood control. The King County package applies factors of safety and a credit system (as opposed to allowing modelling of actual soil conditions) that result in more conservative estimates of the flow control function of LID, which results in larger traditional flow control facilities. King County has seen LID failures as well as major flooding problems (not necessarily associated with LID) that have colored their viewpoint.

The King County package would require flow control facilities where the Ecology package would not for certain small residential projects. As Kirkland has many small residential projects, this is a significant issue for the City (Attachment E). In 2015, 13 of 31 projects that were 2-4 lot short plats would have been impacted by this difference and would have had to provide flow control facilities under the King County package but not under the Ecology package. The 2015 Capacity Analysis with potential direct discharge areas removed shows that there are 443 parcels that could be impacted by this difference (Attachment F). The City would have gained flow control volume that protects stormwater infrastructure and streams, but also would have needed to begin inspection and maintenance of an additional 13 facilities per year if rates of development are similar to 2015.

Both packages give an option of either using a list of pre-designed LID facilities, or conducting modeling and choosing and sizing a suite of facilities to meet an LID performance standard (Attachment G). The Ecology list must be followed in order and requires use of rain gardens to serve rooftops and permeable pavement to serve all other hard surfaces. In other words, this list would result in creation of quite a bit of permeable pavement, with associated lower lifecycle and increased maintenance costs. The King County list is more flexible in the allowed facility types and would likely result in less permeable pavement.

The overall impacts between either manual for the private development community and parcel based CIP projects are summarized below. The construction cost is estimated to be higher under the King County package due to the conservative LID approach and the need for flow control facilities for smaller projects where the Ecology package would not require a system. However, maintenance and life cycle costs are anticipated to be lower for the King County package due to less permeable pavement.

Private development and parcel-based CIP Projects

	Ecology Manual	King County Manual
Construction Cost	Base	Higher
Maintenance Cost	Base	Lower
Life Cycle Cost	Base	Lower

For the CIP Right of Way projects evaluated to date, the differences between the two manuals will not play a major factor in cost. Projects would likely be evaluated the same between both manuals. Projects that trigger a flow control facility (rare for Right of Way projects) would be slightly larger using the King County package rather than Ecology package, but otherwise, produce very similar LID options (meet LID performance standard instead of list approach).

CIP Projects in Right of Way

	Ecology Manual	King County Manual
Construction Cost	Base	Equal
Maintenance Cost	Base	Equal
Life Cycle Cost	Base	Equal

6. Potential Alterations to Packages

Either package may need to be altered to meet Kirkland's needs. In general, alterations that add or increase requirements are allowed, and implementation details such as plan review requirements can be changed to meet local processes. Below are groups of changes that staff would recommend that Council consider for each package.

6A. Potential Alterations to Ecology Package

The Ecology package is the base in terms of what is required by the NPDES Permit. It does not contain requirements regarding flood protection or stormwater system conveyance elements. As Kirkland already has these items in place via the 2009 King County Surface Water Design

Manual, staff recommends that these elements should be retained. If the Ecology package is adopted, staff would recommend that they develop a technical notebook and Municipal Code changes that adopt conveyance and flood protection items such as pipe sizing and peak flow control.

6B. Potential Alterations to King County Package

The King County package contains the base elements required per the NPDES Permit, and contains flood protection and conveyance system elements. There are also some places where requirements differ from those of Ecology, as noted above. Council could choose to modify certain requirements that could be considered to be above-and-beyond what is required by the NPDES Permit. As noted above, there are differences between the way that Ecology and King County packages determine whether flow control facilities are required. This has implications for small short plats, of which there are many in Kirkland (see above). Options for altering this requirement include:

Option 1: Leave King County package as-is either permanently, or while staff investigate a fee-in-lieu program (see Option 3 below). This would result in construction of more flow control facilities to serve small short plats as described below.

Option 2: Adopt the Ecology package method of determining whether flow control is required (allow use of existing conditions in determining whether flows exceed the 0.15 cfs exception). This would result in fewer flow control facilities provided by small projects. Based on 2015 development numbers, approximately 12 projects out of 61 LSM Permits issued would not trigger flow control, where they would trigger such control under the King County package. Ecology has indicated that this would be an acceptable alteration of the King County package.

Option 3: Adopt a Fee-in-Lieu program for small projects that would require flow control under the King County package, but that would not require it using the Ecology package method. This program would give developers the option of paying a fee rather than installing a flow control facility for those projects. The fee would be used to conduct basin planning to determine the best location size and type of flow control facilities to meet flood and stream protection goals for the city's watersheds.

7. Recommendation – King County Package with Slight Alterations

Staff recommend adoption of the King County package as-is (Option 1). It is further recommended that staff evaluate a fee-in-lieu program for Council review and potential approval in the first half of 2017 (Option 3). This approach would require flow control facilities for certain small projects that would not be required under Ecology, but this would likely impact a small number of projects that complete review in the first portion of 2017. Staff could notify applicant of the potential for a fee-in-lieu program should they wish to wait to see if it is approved.

The King County package is more complete than the Ecology package as it includes conveyance and flood protection requirements. The King County package takes a slightly more cautious approach than the Ecology package to LID: it is required, but backup facilities are also required

in the event that LID fails due to non-maintenance, geologic conditions, or other conditions. The King County package also provides regional consistency and consistency with past City requirements, both of which are appreciated by developers. King County staff have provided, and continue to provide, excellent technical support for use of the King County package.

The study described above would be used to determine the costs and benefits of this choice, and would assist in identifying and developing tools to streamline the development review process.

8. Study of the Two Packages

The King County and Ecology packages are both new. Staff have spent considerable effort running sample projects through both packages, but will not truly start to see the full range differences unless project comparisons are continued as actual projects are reviewed. In addition, there may be tools and implementation methods that would streamline the design and review process for both private development and CIP projects in Kirkland. Therefore staff are proposing to conduct a study over the next two years that may include the following:

- LID feasibility tools: investigate whether groundwater and geologic maps can be used to inform LID feasibility in certain areas of the city, and whether calculators or other tools could help to streamline the process.
- Special zoning district and other ways of implementing LID on a watershed or regional basis: Investigate whether this would help to control the type and location of LID facilities in a way that would be beneficial for city maintenance costs and for our watersheds.
- Evaluation of flow control sizing under both manuals: Investigate the type and number of projects that are impacted by sizing and threshold differences between the manuals, and investigate whether further changes to the King County package should be considered.

This study is being proposed as a service package as part of the 2017-2018 budget process and grant opportunities are also being explored.

9. Outreach Process

Coordination and public outreach for adoption of updated surface water design requirements has the goal of informing city staff and elected officials, the development community, and the public about the upcoming changes. To date, the following outreach has occurred:

- Parks/Public Works/Human Resources Council Committee
- CIP Steering Committee
- Open House for the Community
- Open House for Developers and Design Engineers
- Council Briefing
- Project [website](#)

At these meetings, questions and concerns have been raised regarding the impact of the updated requirements on the cost, complexity, and environmental benefits of the proposed requirements.

Future outreach efforts will include a second public open house, training for internal staff, and handouts such as templates, flow charts and policies to help the development community understand the new requirements.

King County is planning on providing training on the 2016 KCSDM in October. If, however, King County does not provide training, the surface water group will develop training for design engineers and developers.

10. Timeline and Next Steps

Staff will return to Council in October with an ordinance to adopt the Council's preferred package and to make any accompanying code changes. The effective date of whichever package is chosen will be set at January 1, 2017 in order to comply with the NPDES Permit. Staff will use the time between adoption and the effective date to provide and attend training, and to update the Pre-Approved plans with details and policies associated with the chosen package. Service packages are being proposed as part of the 2017-2018 budget for staff and consultant resources associated with adoption of either package.

Attachment A – Current Manual vs. New Manual Site Layout

Attachment B – Impacts to Projects by Size and Type from Adoption of the 2016 KCSDM

Attachment C – Sample Private Development Projects

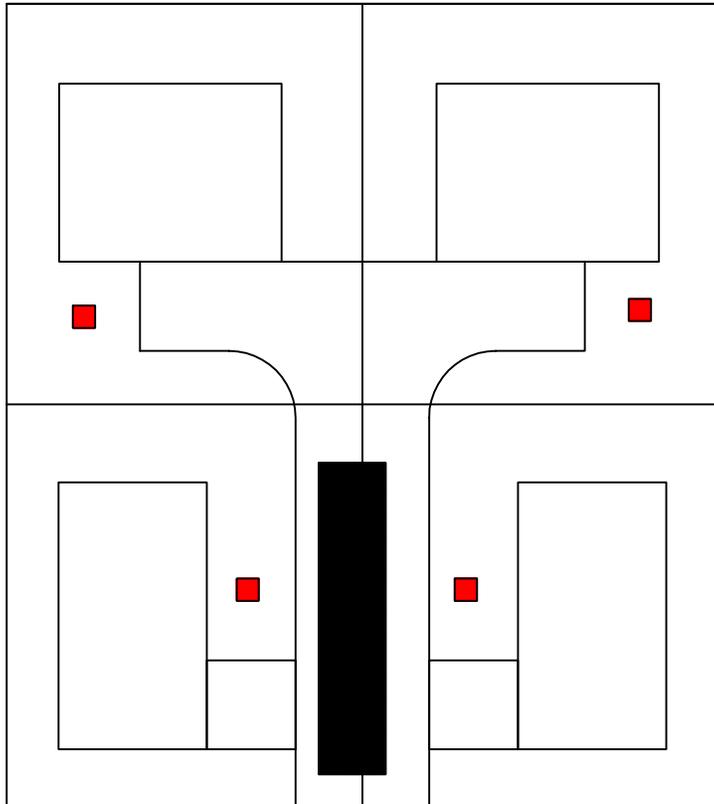
Attachment D – Sample CIP Projects

Attachment E – Pie Chart for 2015 LSM Submittals

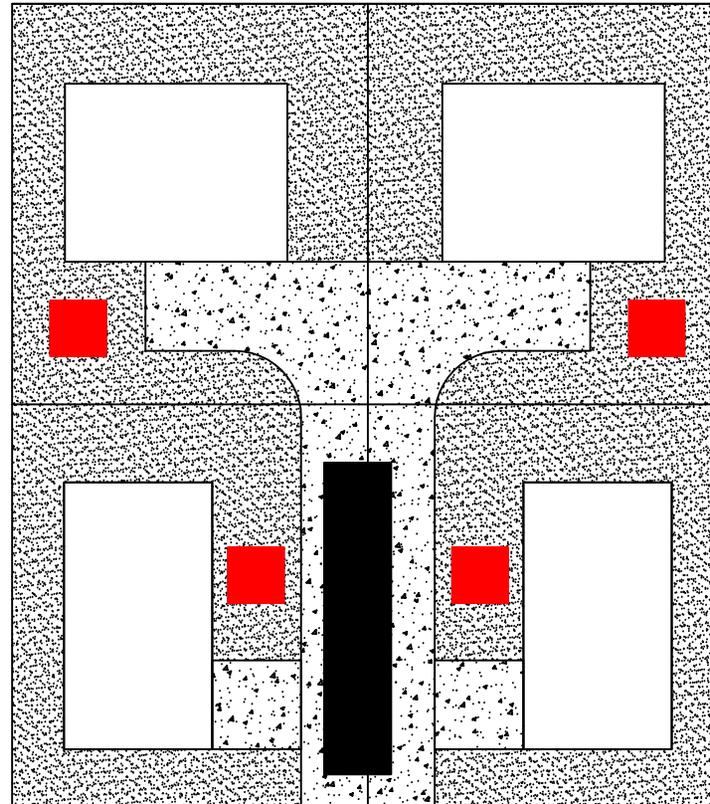
Attachment F – Properties between 15,000 and 20,000 Square Feet in Size Excluding Level 1 Flow Control Areas

Attachment G – LID lists in the Ecology and King County packages

Current Manual vs New Manual Site Layout



Current Manual
2009 King County Manual



New Manual
Either 2016 King County Manual
or 2012 Ecology Manual

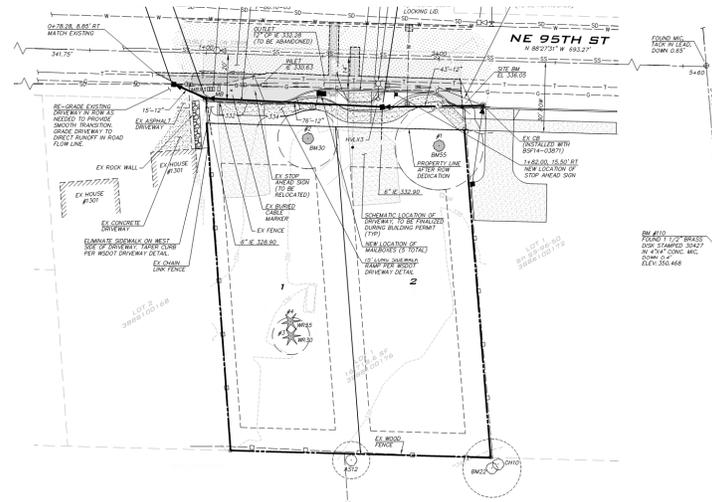
-  Drywell
-  Soil Amendment
-  Pervious Pavement
-  Detention Vault

Impacts to Projects by Size and Type from Updated Surface Water Design Requirements

Project Size	Typical Project	Change with New Manual	Change to Projects
< 500 sf of new plus replaced impervious surface	Addition of a patio or parking area to a single-family house	No change	No Change
<i>Small</i> - 500 - 1,999 sf of new plus replaced impervious surface	Addition to a single-family house	No change	No Change
<i>Medium</i> - 2,000 - 9,999 sf of new plus replaced impervious surface or < 5,000 sf of new impervious surface	2-4 lot shortplat, large single-family house	LID required to the maximum extent feasible, potentially full drainage review instead of small type II for projects	Potentially Large Change
<i>Large</i> - > 10,000 sf of new plus replaced impervious surface or > 5,000 sf of new impervious surface	Large commercial facility, plat of > 4 lots	LID required to the maximum extent feasible	Potentially Small Change because facilities are already required

Private Development Project – Beautiful Day Short Plat (2 Lots)

Background – Single lot subdividing into 2 lots. Total project size = 18,730 sf with existing impervious onsite = 4,200 sf.



Developed Conditions – This project would create 8,509 sf of new and replaced impervious surface and 10,221 sf of new pervious surface.

2009 KCSDM - This project would trigger a **Small Type II Drainage Review**. The project provided porous pavement and amended soil to meet minimum LID facility requirements. No flow control or water quality required.

2016 KCSDM – This project would trigger a **Full Drainage Review**. This project would need to evaluate flow control, water quality, and LID to the maximum extent feasible. This project would trigger a flow control facility (~4,700 CF), porous pavement for frontage improvements and driveways, and either infiltration trenches or rain gardens for the roofs. Water quality is not required.

2014 Ecology Manual – This project would need to evaluate **Minimum Requirements 1 – 9** (similar to full drainage review). This project would need to evaluate flow control, water quality, and LID to the maximum extent feasible. This project would not require water quality treatment or a flow control facility. LID would be met using porous pavement for all hard surfaces and bioretention for each lot's roof tops.

Changes from Current to Either Manual – This biggest change is the evaluation is from a small drainage review to a full drainage review. In a full drainage review, water quality and flow control are required to be evaluated. This causes this project to need a flow control facility in the 2016 KCSDM.

Change Between 2016 KCSDM and 2014 Ecology Manual – The biggest difference between the manuals is the need for a detention system in the KCSDM and no detention system in the Ecology manual.

Private Development Project – Baker / Kirkland Ridge Plat (10 Lots)

Background – Two lots subdividing into 10 lots. Total project size = 111,078 sf with existing impervious onsite = 7,000 sf.



Developed Conditions – This project would create 62,675 sf of new and replaced impervious surface and 48,403 sf of new pervious surface.

2009 KCSDM - This project would trigger a **Full Drainage Review**. This project would need to evaluate flow control, water quality, and LID for a portion of their project. Flow control was provided through a detention vault, water quality through a wetvault, and a reduction in lot coverage to meet LID.

2016 KCSDM – This project would trigger a **Full Drainage Review**. This project would need to evaluate flow control, water quality, and LID to the maximum extent feasible. A detention vault would be

provided and water quality through a wetvault. LID was found to be infeasible for lots 1 – 6, but feasible for lots 7 – 10 and the ROW improvements. ROW improvements used an infiltration trench under the planter strip to meet LID requirements.

2014 Ecology Manual – This project would need to evaluate **Minimum Requirements 1 – 9** (similar to full drainage review). This project would need to evaluate flow control, water quality, and LID to the maximum extent feasible. A detention vault would be provided and water quality through a wetvault. LID was found to be infeasible for lots 1 – 6, but feasible for lots 7 – 10 and the ROW improvements. ROW improvements would be a permeable pavement road and sidewalks.

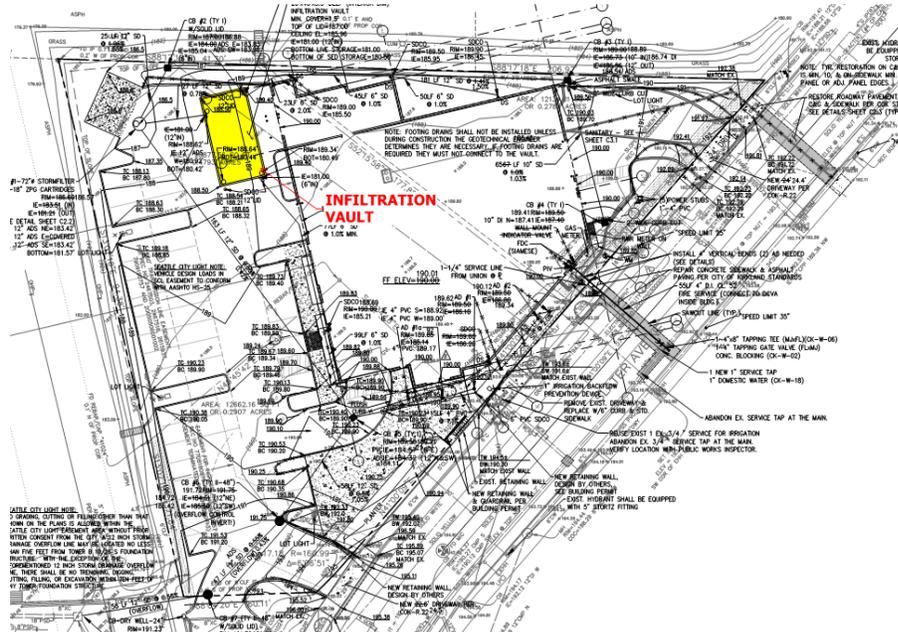
Changes from Current to Either Manual – This biggest change is LID to the maximum extent feasible. LID is only required for 10 – 20% of the lot size, rather than maximum extent feasible.

Change Between 2016 KCSDM and 2014 Ecology Manual – There are two major differences between the manuals: 1) how LID is implemented and 2) detention sizing.

- 1) With the 2016 KCSDM, options are allowed in the ROW using the list approach, which is why infiltration trenches are allowed under planter strips. 2014 Ecology Manual would require a permeable pavement road as the first LID alternative if feasible.
- 2) Detention sizing is significantly larger with the above design, due to credits in 2016 KCSDM (detention size of ~ 33,250 CF) vs allowance of modeling in 2014 Ecology Manual (detention size of ~16,200 CF).

Private Development Project – Commercial Project

Background – Hyundai car dealership was reviewed in 2013 under the King County 2009 Manual. The total parcel size was 45,700 square feet. Existing impervious on site was approximately 20,000 sf.



Developed Conditions – This project proposed to remove all existing impervious onsite and build a new dealership. New and replaced impervious on site totaled 38,000 sf.

2009 KCSDM – This project triggered a **Full Drainage Review**. Flow control, water quality, and LID for 20% of the site needed to be evaluated. This project met the requirements by providing an infiltration vault for full infiltration. Water quality was met through a soil exemption with infiltration.

2016 KCSWM – This project would trigger a **Full Drainage Review**. This project would need to evaluate flow control, water quality, and LID to the maximum extent feasible. This project proposed an infiltration vault for full infiltration to meet all requirements.

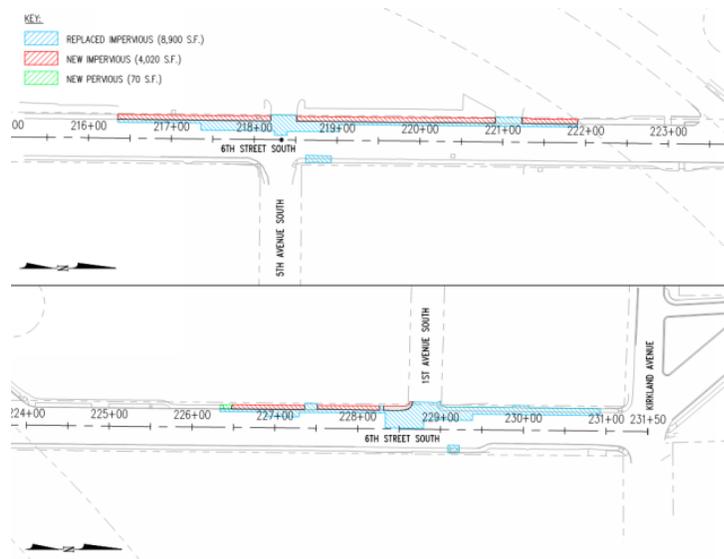
2014 Ecology Manual – This project would trigger **Minimum Requirements 1 – 9**. This project would need to evaluate flow control, water quality, and LID to the maximum extent feasible. This project proposed an infiltration vault for full infiltration to meet all requirements.

Changes from Current to Either Manual – This biggest change is the evaluation of LID to the maximum extent feasible. However, this project meets the LID requirement for the new manual by providing full infiltration. Design would not change.

Change Between 2016 KCSDM and 2014 Ecology Manual – Either manual would provide the same design using full infiltration to meet all three requirements. The design would be the same.

CIP Project – 6th Street Sidewalk

Background – Add new and replace existing sidewalk along 6th St S.



Developed Conditions – This project added 4,020 sf of new impervious area and replaced 8,900 sf of sidewalk.

2009 KCSDM – This project would fall under Full Drainage Review. It would meet the transportation exemption (<5,000 sf of new), so flow control would not be required. It would not trigger water quality requirements because sidewalk is not considered a pollution generating impervious surface. LID is recommended, not required for ROW projects.

2016 KCSDM – This project would fall under a Full Drainage Review. Flow Control would need to be evaluated, but would meet the 0.15 cfs exception, so no facility would be required. It would not trigger water quality requirements because sidewalk is not considered a pollution generating impervious surface. LID would be required to the maximum extent feasible.

2014 Ecology Manual – This project would need to evaluate Minimum Requirements (MR) # 1 – 5, which include feasibility of LID to the maximum extent feasible. No evaluation of flow control is required.

Change from Current to Either Manual – The biggest change is the feasibility of LID to the maximum extent feasible for projects within the ROW. In the current manual, LID is recommended, not required in the ROW.

Change Between 2016 KCSDM and 2014 Ecology Manual – The primary change is how to evaluate LID. If the LID Performance Standard method is used, LID implementation would be very similar between the two manuals. If the list approach is used, Ecology would require permeable pavement or rain gardens as the first option to evaluate. King County's list could be met by either using porous pavement, or directing the flow into an infiltration trench, drywell, or rain garden.

CIP Project – School Walk Route: 126th Ave NE from NE 85th St to NE 94th Way

Background – Improve school walk routes by providing sidewalk where there currently is none. Install 1400 LF of sidewalk, including curb, gutter and storm drainage improvements



Developed Conditions – This project would add 7,000 sf of new impervious area.

2009 KCSDM – This project would trigger a Full Drainage Review. This project would need to evaluate flow control and water quality, but would not trip either requirement. LID is recommended, not required.

2016 KCSDM – This project would trigger a Full Drainage Review. This project would need to evaluate flow control and water quality, but would not trip either requirement. LID would need to be installed to the maximum extent feasible.

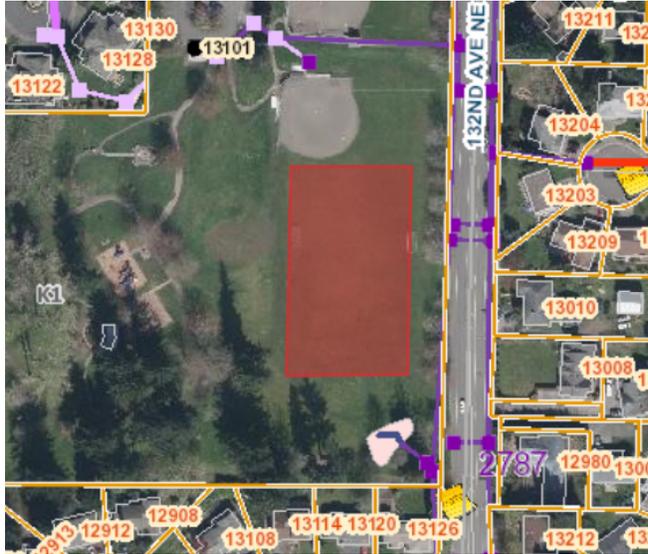
2014 Ecology Manual – This project would need to evaluate Minimum Requirements # 1 – 9. This project would need to evaluate flow control and water quality, but it would not trip either requirement. LID would need to be installed to the maximum extent feasible.

Changes from Current to Either Manual - The biggest change is the feasibility of LID to the maximum extent feasible for projects within the ROW. In the current manual, LID is recommended, not required in the ROW.

Change Between 2016 KCSDM and 2014 Ecology Manual – The primary change is how to evaluate LID. If the LID Performance Standard method is used, LID implementation would be very similar between the two manuals. If the list approach is used, Ecology would require permeable pavement or rain gardens as the first option to evaluate. King County's list could be met by either using porous pavement, or directing the flow into an infiltration trench, drywell, or rain garden.

CIP Project – 132nd Square Park Turf Field

Background – Parks is potentially looking at installing turf field at 132nd Square Park. The total project size is assumed to be 43,560 sf.



Developed Conditions – Assuming that the turf field did not have an underdrain but an overflow (providing storage beneath the pipe), there would be no new or replaced impervious surface. This project would create 43,560 sf of new pervious surface.

2009 KCSDM - This project would trigger a **Full Drainage Review**. This project would need to evaluate flow control, water quality, and LID for 10 – 20% of the disturbed area. All three of these would be met through infiltration under the turf field. 11” of rock storage would be provided below the field for full infiltration (assuming measured infiltration rate of 0.3

in/hr).

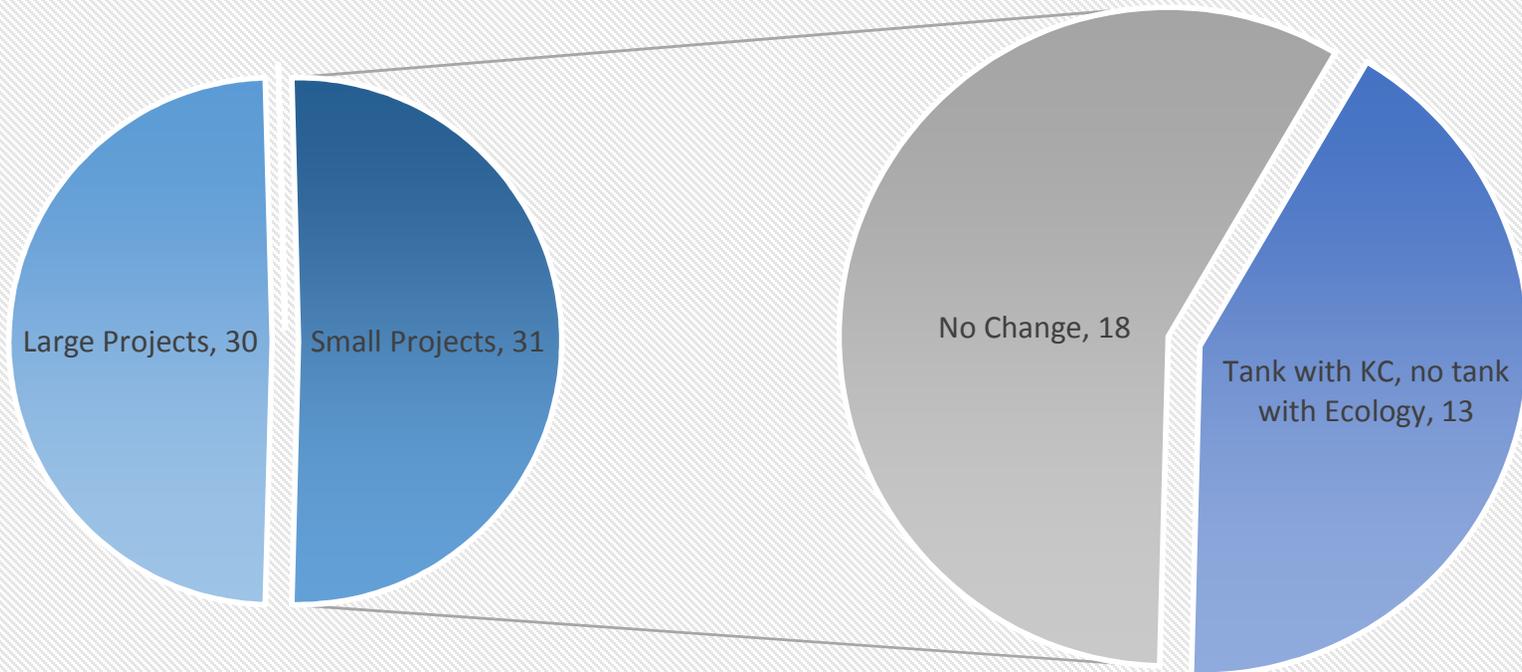
2016 KCSDM – This project would trigger a **Full Drainage Review**. This project would need to evaluate flow control, water quality, and LID for 10 – 20% of the disturbed area. All three of these would be met through infiltration under the turf field. 11” of rock storage would be provided below the field for full infiltration (assuming measured infiltration rate of 0.3 in/hr).

2014 Ecology Manual – This project would need to evaluate **Minimum Requirements 1 – 9** (similar to full drainage review). This project would need to evaluate flow control, water quality, and LID for 10 – 20% of the disturbed area. All three of these would be met through infiltration under the turf field. 11” of rock storage would be provided below the field for full infiltration (assuming measured infiltration rate of 0.3 in/hr).

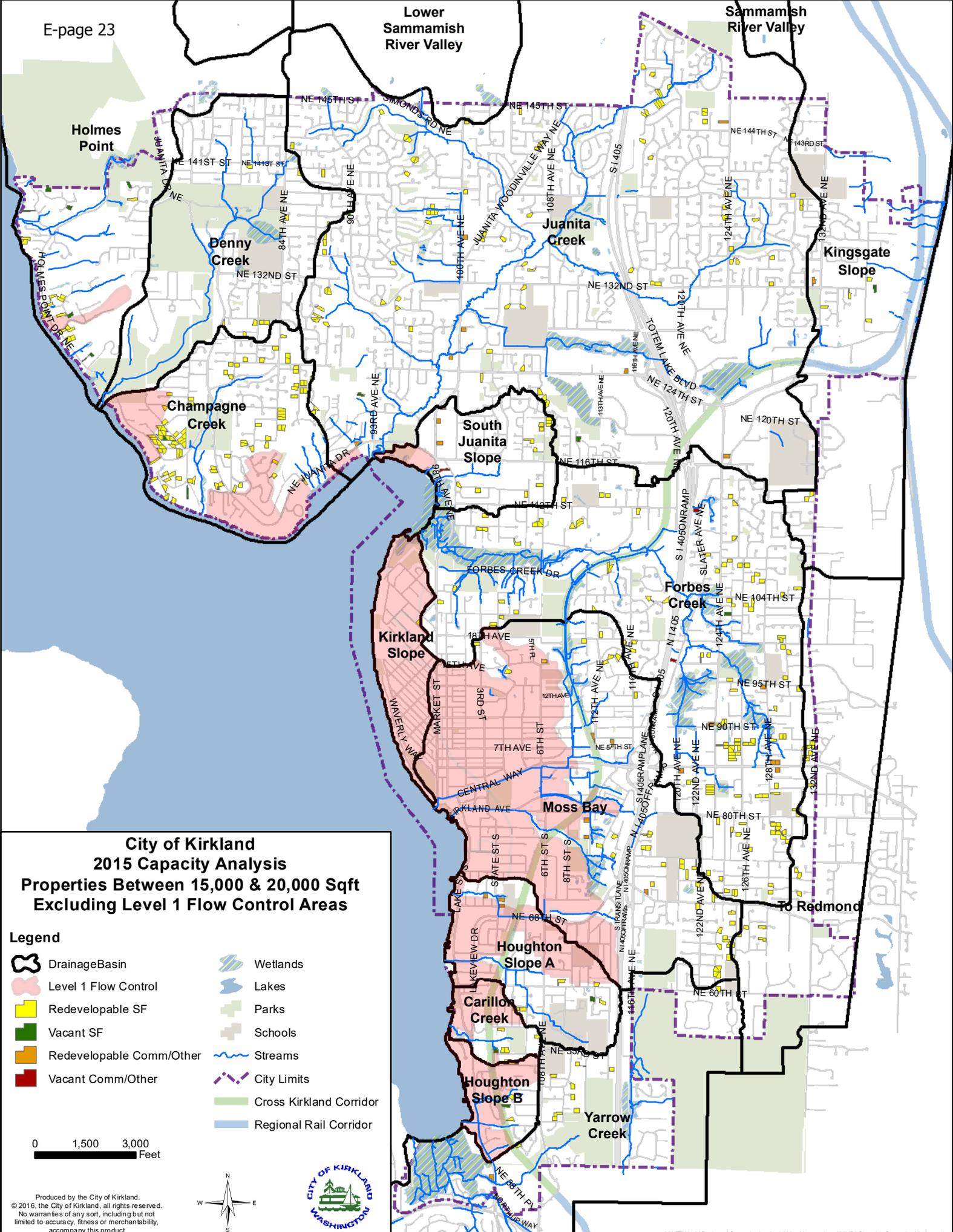
Changes from Current to Either Manual – This biggest change is the evaluation of LID to the maximum extent feasible. However, this project meets the LID requirement for the new manual by providing full infiltration. Design would not change.

Change Between 2016 KCSDM and 2014 Ecology Manual – Either manual would provide the same design using full infiltration to meet all three requirements. The design would be the same.

2015 Kirkland Projects Affected by Differences Between King County vs Ecology Manual



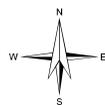
Lower Sammamish River Valley
Sammamish River Valley



**City of Kirkland
2015 Capacity Analysis
Properties Between 15,000 & 20,000 Sqft
Excluding Level 1 Flow Control Areas**

- Legend**
- Drainage Basin
 - Level 1 Flow Control
 - Redevelopable SF
 - Vacant SF
 - Redevelopable Comm/Other
 - Vacant Comm/Other
 - Wetlands
 - Lakes
 - Parks
 - Schools
 - Streams
 - City Limits
 - Cross Kirkland Corridor
 - Regional Rail Corridor

0 1,500 3,000 Feet



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No warranties of any sort, including but not limited to accuracy, fitness or merchantability, accompany this product.

Basin	Redevelopable SF	Vacant SF	Redevelopable Comm/Other	Vacant Comm/Other	Total
Carillon Creek	5	2	0	0	7
Champagne Creek	82	2	0	0	84
Denny Creek	9	0	0	0	9
Forbes Creek	115	1	6	2	124
Holmes Point	15	6	0	0	21
Houghton Slope A	5	1	3	0	9
Houghton Slope B	3	1	0	0	4
Juanita Creek	82	3	7	0	92
Kingsgate Slope	6	1	1	0	8
Kirkland Slope	1	0	0	0	1
Lower Sann River Valley	0	0	0	0	0
Moss Bay	38	0	4	0	42
South Juanita Slope	12	0	3	1	16
To Redmond	15	0	0	0	15
Yarrow Creek	10	0	1	0	11
Totals	398	17	25	3	443

List #1 & List #2: For each surface, consider the BMP's in the order listed for that type of surface. Use the first BMP that is considered feasible.

BMPs	List #1 (Project triggers Minimum Requirements #1-5)	List #2 (Project triggers Minimum Requirements #1-9)
Lawn & Landscaped Areas:	<ul style="list-style-type: none"> Post-Construction Soil Quality and Depth in accordance with BMP T5.13 in Chapter 5 of Volume V of the <i>SWMMWW</i> 	<ul style="list-style-type: none"> Post-Construction Soil Quality and Depth in accordance with BMP T5.13 in Chapter 5 of Volume V of the <i>SWMMWW</i>
Roofs:	<ol style="list-style-type: none"> Full Dispersion in accordance with BMP T5.30 in Chapter 5 of Volume V of the <i>SWMMWW</i>, or Downspout Full Infiltration Systems in accordance with BMP T5.10A in Section 3.1.1 of Volume III of the <i>SWMMWW</i>. 	<ol style="list-style-type: none"> Full Dispersion in accordance with BMP T5.30 in Chapter 5 of Volume V of the <i>SWMMWW</i>, or Downspout Full Infiltration Systems in accordance with BMP T5.10A in Section 3.1.1 of Volume III of the <i>SWMMWW</i>.
	<ol style="list-style-type: none"> Rain Gardens in accordance with the "Rain Garden Handbook for Western Washington," or Bioretention in accordance with Chapter 7 of Volume V of the <i>SWMMWW</i>. The rain garden or bioretention facility must have a minimum horizontal projected surface area below the overflow which is at least 5% of the area draining to it. 	<ol style="list-style-type: none"> Bioretention (See Chapter 7 of Volume V of the <i>SWMMWW</i>) facilities that have a minimum horizontally projected surface area below the overflow which is at least 5% of the of the total surface area draining to it
	<ol style="list-style-type: none"> Downspout Dispersion Systems in accordance with BMP T5.10B in Section 3.1.2 of Volume III of the <i>SWMMWW</i>. 	<ol style="list-style-type: none"> Downspout Dispersion Systems in accordance with BMP T5.10B in Section 3.1.2 of Volume III of the <i>SWMMWW</i>.
	<ol style="list-style-type: none"> Perforated Stub-out Connections in accordance with BMP T5.10C in Section 3.1.3 of Volume III of the <i>SWMMWW</i>. 	<ol style="list-style-type: none"> Perforated Stub-out Connections in accordance with BMP T5.10C in Section 3.1.3 of Volume III of the <i>SWMMWW</i>.
Other Hard Surfaces:	<ol style="list-style-type: none"> Full Dispersion in accordance with BMP T5.30 in Chapter 5 of Volume V of the <i>SWMMWW</i>. 	<ol style="list-style-type: none"> Full Dispersion in accordance with BMP T5.30 in Chapter 5 of Volume V of the <i>SWMMWW</i>.
	<ol style="list-style-type: none"> Permeable pavement¹ in accordance with BMP T5.15 in Chapter 5 of Volume V of the <i>SWMMWW</i>, or Rain Gardens in accordance with the "Rain Garden Handbook for Western Washington," or Bioretention in accordance with Chapter 7 of Volume V of the <i>SWMMWW</i>. The rain garden or bioretention facility must have a minimum horizontal projected surface area below the overflow which is at least 5% of the area draining to it. 	<ol style="list-style-type: none"> Permeable pavement¹ in accordance with BMP T5.15 in Chapter 5 of Volume V of the <i>SWMMWW</i>
	<ol style="list-style-type: none"> Sheet Flow Dispersion in accordance with BMP T5.12, or Concentrated Flow Dispersion in accordance with BMP T5.11 in Chapter 5 of Volume V of the <i>SWMMWW</i>. 	<ol style="list-style-type: none"> Bioretention (See Chapter 7, Volume V of the <i>SWMMWW</i>) facilities that have a minimum horizontally projected surface area below the overflow which is at least 5% of the of the total surface area draining to it.
		<ol style="list-style-type: none"> Sheet Flow Dispersion in accordance with BMP T5.12, or Concentrated Flow Dispersion in accordance with BMP T5.11 in Chapter 5 of Volume V of the <i>SWMMWW</i>.

Refer to your Municipal Stormwater Permit, 2012 Stormwater Management Manual for Western Washington, and/or your local jurisdiction for more information about these requirements and other requirements.

¹ This is not a requirement to pave these surfaces. Where pavement is proposed, it must be permeable to the extent feasible unless full dispersion is employed.

investigation, permeable soil and depth to seasonal high groundwater, determination of initial infiltration rates, calculation of design infiltration rates, and preparation of soils reports consistent with the larger size and risk associated with these systems.

Infiltration Testing Requirements

The testing procedure described below is for bioretention and permeable pavement serving a single lot, less than 10,000 square feet of impervious area, less than 5,000 square feet of pollution generating impervious surface, less than $\frac{3}{4}$ acre of pervious area, and less than 1 acre total tributary area.

Where required to determine feasibility/infeasibility based on native soil infiltration rates, the following test procedure is required:

Infiltration Testing Procedure

1. Excavations shall be made to the bottom elevation of the proposed infiltration BMP. The measured infiltration rate of the underlying soil shall be determined using one of the following: the **EPA falling head percolation test procedure** (*Onsite Wastewater Treatment and Disposal Systems*, EPA, 1980; see Reference Section 6-A), the **double ring infiltrometer test** (ASTM D3385), a **single ring percolation test** using a ring at least 3 feet in diameter (see Reference Section 6-A), or a small or large scale **Pilot Infiltration Test (PIT)** as described in the 2014 Stormwater Management Manual for Western Washington and Reference 6A of this manual. The larger PIT tests have been shown to more closely match actual full-scale facility performance than the single ring and smaller test methods.
2. The test hole or apparatus shall be filled with water and maintained at depths above the test elevation for the **saturation periods** specified for the appropriate test.
3. Following the saturation period, the rate shall be determined in accordance with the specified test procedures, with a **head** of 6 inches of water.
4. The design engineer shall perform sufficient tests at multiple locations in a proposed BMP footprint to determine a representative infiltration rate. At least two **tests** shall be performed (three if using the smaller-sized EPA falling head or ASTM D3385 double ring infiltrometer test methods) for each proposed bioretention BMP location. Proposed bioretention swales require 1 test per 200 linear feet of swale with a minimum of two tests (3 if using the smaller-sized EPA falling head or ASTM D3385 double ring infiltrometer test methods) performed. Proposed permeable pavement requires 1 test per 5,000 square feet of proposed footprint with a minimum of two tests (3 if using the smaller-sized EPA falling head or ASTM D3385 double ring infiltrometer test methods) performed.

☐ MITIGATION OF WATER QUALITY IMPACTS

For projects subject to Simplified Drainage review, most water quality impacts will be adequately addressed through proper application of flow control BMPs to impervious and pervious surface as specified below. Projects in Simplified Drainage Review are required to have less than 5,000 square feet targeted pollution generating impervious surfaces and less than $\frac{3}{4}$ acres of new pollution generating pervious surfaces-- therefore, water quality facilities are not required.

C.1.3.1 SMALL LOT BMP REQUIREMENTS

IF the proposed project is on a **site/lot smaller than 22,000 square feet**, THEN flow control BMPs must be applied as specified in the requirements below OR the project must demonstrate compliance with the LID Performance Standard (described in Section 1.2.9 of SWDM) using an approved continuous runoff model. Projects on small lots are typically single family residential improvements (e.g., homes, outbuildings, etc.) but could be a small commercial development.

1. The feasibility and applicability of full dispersion as detailed in Appendix C, Section C.2.1 must be evaluated for all target impervious surfaces. If feasible and applicable, **full dispersion** must be implemented as part of the proposed project. Typically, small lot full dispersion will be applicable

- only in subdivisions where enough forest was preserved by tract, easement, or covenant to meet the minimum requirements for full dispersion in Appendix C, Section C.2.1.1
2. Where full dispersion of target impervious roof areas is not feasible or applicable, or will cause flooding or erosion impacts, the feasibility and applicability of full infiltration as detailed in Appendix C, Section C.2.2 must be evaluated (*note, this will require a soils report for the site/lot*). If feasible and applicable, **full infiltration of roof runoff** must be implemented as part of the proposed project.
 3. All target impervious surfaces not mitigated by Requirements 1 and 2 above, must be mitigated to the maximum extent feasible using one or more BMPs from the following list. Use of a given BMP is subject to evaluation of its feasibility and applicability as detailed in Appendix C. Feasible BMPs are required to be implemented. The BMPs listed below may be located anywhere on the *site/lot* subject to the limitations and design specifications for each BMP. These BMPs must be implemented as part of the proposed project.
 - **Full Infiltration** per Appendix C, Section C.2.2, or per Section 5.2, whichever is applicable
 - **Limited Infiltration** per Appendix C, Section C.2.3,
 - **Bioretention** per Appendix C, Section C.2.6, sized as follows:
 - Inside the UGA (Rainfall region SeaTac 1.0 and less): In till soils, provide bioretention volume based on 0.6 inches of equivalent storage depth; in outwash soils provide bioretention volume based on 0.1 inches of equivalent storage depth,
 - Inside the UGA (Rainfall regions greater than SeaTac 1.0): In till soils, provide bioretention volume based on 0.8 inches of equivalent storage depth; in outwash soils, provide bioretention volume based on 0.4 inches of equivalent storage depth,
 - Outside the UGA: In till soils, provide bioretention volume based on 1.9 inches of equivalent storage depth; in outwash soils provide bioretention volume based on 1.0 inches of equivalent storage depth,
 - **Permeable Pavement** per Appendix C, Section C.2.7,
 4. All target impervious surfaces not mitigated by Requirements 1,2 and 3 above, must be mitigated to the maximum extent feasible using the Basic Dispersion BMP described below. Use of Basic Dispersion is subject to evaluation of its feasibility and applicability as detailed in Appendix C. Feasible BMPs are required to be implemented. Basic Dispersion BMPs may be located anywhere on the *site/lot* subject to the limitations and design specifications cited in Appendix C. The BMP must be implemented as part of the proposed project.
 - **Basic Dispersion** per Appendix C, Section C.2.4,
 5. BMPs must be implemented, at minimum, for an impervious area equal to at least 10% of the *site/lot* for **site/lot sizes up to 11,000 square feet** and at least 20% of the *site/lot* for **site/lot sizes between 11,000 and 22,000 square feet**. For projects located in **critical aquifer recharge areas**, these impervious area amounts must be doubled. Doubling of the minimum impervious area required for BMP implementation in a CARA is not required for projects located within 200 ft. of a **steep slope hazard, landslide hazard area, or erosion hazard area**. If these minimum areas are not mitigated using feasible BMPs from Requirements 1, 2, 3, and 4 above, either a fee in lieu of the required minimum BMPs must be paid (requires that King County Water and Land Resources Division has established a program for determining and utilizing the fees for stormwater focused retrofit projects) OR one or more BMPs from the following list are required to be implemented to achieve compliance. These BMPs must be implemented as part of the proposed project.
 - **Reduced Impervious Surface Credit** per Appendix C, Section C.2.9,
 - **Native Growth Retention Credit** per Appendix C, Section C.2.10.
 6. The soil moisture holding capacity of **new pervious surfaces** must be protected in accordance with KCC 16.82.100 (F) and (G). KCC 16.82.100(F) requires that the duff layer or native topsoil be

retained to the maximum extent practicable. KCC 16.82.100(G) requires soil amendment to mitigate for lost moisture holding capacity where compaction or removal of some or all of the duff layer or underlying topsoil has occurred. The specifications for compost for soil amendment can be found in Reference 11-C.

7. Any proposed connection of roof downspouts to the *local drainage system* must be via a **perforated pipe connection** as detailed in Appendix C, Section C.2.11.

C.1.3.2 LARGE LOT BMP REQUIREMENTS

IF the proposed project is on a *site/lot* that is **22,000 square feet or larger, but is not a Large Rural Lot as defined in Section 1.3.3**, THEN flow control BMPs must be applied as specified in the requirements below OR the project must demonstrate compliance with the LID Performance Standard (described in Core Requirement #9, Section 1.2.9 of the SWDM) using an approved continuous runoff model.

1. The feasibility and applicability of **full dispersion** as detailed in Appendix C, Section C.2.1 must be evaluated for all **target impervious surfaces**. If feasible and applicable for any such surface, then full dispersion must be applied to that surface and implemented as part of the proposed project. Typically, full dispersion will be applicable only on the largest *sites/lots* where there may be enough forest area available within a **threshold discharge area** to meet the 15% ratio of **fully dispersed** impervious area to **native vegetated surface**.
2. Where full dispersion of target impervious roof areas is not feasible or applicable, or will cause flooding or erosion impacts, the feasibility and applicability of **full infiltration of roof runoff** must be evaluated in accordance with Appendix C, Section C.2.2, or Section 5.2 of the SWDM, whichever is applicable based on the type of project.¹¹ If feasible and applicable, full infiltration of roof runoff must be implemented as part of the proposed project.
3. All target impervious surfaces not mitigated by Requirements 1 and 2 above, must be mitigated to the maximum extent feasible using one or more BMPs from the following list. Use of a given BMP is subject to evaluation of its feasibility and applicability as detailed in Appendix C. Feasible BMPs are required to be implemented. The BMPs listed below may be located anywhere on the site/lot subject to the limitations and design specifications for each BMP. These BMPs must be implemented as part of the proposed project.
 - **Full Infiltration** per Appendix C, Section C.2.2, or per SWDM Section 5.2, whichever is applicable
 - **Limited Infiltration** per Appendix C, Section C.2.3,
 - **Bioretention** per Appendix C, Section C.2.6, sized as follows:
 - Inside the UGA (Rainfall region SeaTac 1.0 and less): In till soils, provide bioretention volume based on 0.6 inches of equivalent storage depth; in outwash soils provide bioretention volume based on 0.1 inches of equivalent storage depth
 - Inside the UGA (Rainfall regions greater than SeaTac 1.0): In till soils, provide bioretention volume based on 0.8 inches of equivalent storage depth; in outwash soils, provide bioretention volume based on 0.4 inches of equivalent storage depth,
 - Outside the UGA: In till soils, provide bioretention volume based on 1.9 inches of equivalent storage depth; in outwash soils provide bioretention volume based on 1.0 inches of equivalent storage depth,
 - **Permeable Pavement** per Appendix C, Section C.2.7,

¹¹ For projects subject to Simplified Drainage Review, and for any **single family residential project** subject to Full or Large Project Drainage Review, the design requirements and specifications in Appendix C, Section C.2.2 may be used for evaluation and design of full infiltration on individual lots. For all other projects, full infiltration must be evaluated and designed in accordance with the infiltration facility standards in Section 5.2.

4. All target impervious surfaces not mitigated by Requirements 1,2 and 3 above, must be mitigated to the maximum extent feasible using the Basic Dispersion BMP described below. Use of Basic Dispersion is subject to evaluation of its feasibility and applicability as detailed in Appendix C. Feasible BMPs are required to be implemented. Basic Dispersion BMPs may be located anywhere on the **site/lot** subject the limitations and design specifications cited in Appendix C. The BMP must be implemented as part of the proposed project.
 - **Basic Dispersion** per Appendix C, Section C.2.4,
5. BMPs must be implemented, at minimum, for impervious area amounts defined as follows:
 - a) For projects that will result in an impervious surface coverage on the buildable portion of the site/lot of less than 45%, flow control BMPs must be applied to 50% of target impervious surfaces.
 - b) For projects that will result in an impervious surface coverage of 45% to 65% on the buildable portion of the site/lot, flow control BMPs must be applied to 50% of target impervious surfaces reduced by 1.5% for each 1% of impervious surface coverage above 45% (e.g., impervious coverage of 55% results in a requirement of FCBMPs applied to 35% of target impervious surfaces).
 - c) For projects that will result in an impervious surface coverage greater than 65% on the buildable portion of the site/lot, flow control BMPs must be applied to 20% of the target impervious surfaces or to an impervious area equal to at least 10% of the site/lot, whichever is less.

The buildable portion of the site/lot is the total area of the site/lot minus any critical areas and minus 200 ft. buffer areas from a **steep slope hazard, landslide hazard area, or erosion hazard area**. If these minimum areas are not mitigated using feasible BMPs from Requirements 1, 2, 3, and 4 above, either a fee in lieu of the required minimum BMPs must be paid (requires that King County Water and Land Resources Division has established a program for determining and utilizing the fees for stormwater focused retrofit projects) OR one or more BMPs from the following list are required to be implemented to achieve compliance. These BMPs must be implemented as part of the proposed project.

 - **Reduced Impervious Surface Credit** per Appendix C, Section C.2.9,
 - **Native Growth Retention Credit** per Appendix C, Section C.2.10.
6. The soil moisture holding capacity of **new pervious surfaces** must be protected in accordance with KCC 16.82.100 (F) and (G). KCC 16.82.100(F) requires that the duff layer or native topsoil be retained to the maximum extent practicable. KCC 16.82.100(G) requires soil amendment to mitigate for lost moisture holding capacity where compaction or removal of some or all of the duff layer or underlying topsoil has occurred. The specifications for compost for soil amendment can be found in Reference 11-C.
7. Any proposed connection of roof downspouts to the drainage system must be via a **perforated pipe connection** as detailed in Appendix C, Section C.2.11.

C.1.3.3 LARGE RURAL LOT BMP REQUIREMENTS

IF the proposed project is on a **site/lot** that is **5 acres or larger and is located outside the Urban Growth Area (UGA)**, THEN the project must demonstrate compliance with the LID Performance Standard (described in Section 1.2.9 of SWDM) using an approved continuous runoff model.

As an alternative to demonstrating compliance with the LID Performance Standard via modeling as described above, agricultural projects and single family residential projects (excluding subdivisions creating 10 lots or more) are given the option to apply flow control BMPs as specified in the requirements below.

1. The feasibility and applicability of full dispersion as detailed in Section C.2.1 must be evaluated for all target impervious surfaces. If feasible and applicable, **full dispersion** must be implemented as part of the proposed project. Typically, full dispersion will be applicable only to **sites/lots** or portions of **sites/lots** where enough forest is preserved by a clearing limit per KCC 16.82 or by recorded tract, easement, or covenant to meet the minimum requirements for full dispersion in Section C.2.1.1.
2. Where full dispersion of target impervious roof areas is not feasible or applicable, or will cause flooding or erosion impacts, the feasibility and applicability of **full infiltration of roof runoff** must be evaluated in accordance with Section C.2.2, or Section 5.2, whichever is applicable based on the type of project.¹² If feasible and applicable, full infiltration of roof runoff must be implemented as part of the proposed project.
3. All target impervious surfaces not mitigated by Requirements 1 and 2 above, must be mitigated using one or more BMPs from the following list. Use of a given BMP is subject to evaluation of its feasibility and applicability as detailed in Appendix C. The BMPs listed below may be located anywhere on the site/lot subject to the limitations and design specifications for each BMP. These BMPs must be implemented as part of the proposed project.
 - **Full Infiltration** per Appendix C, Section C.2.2, or per SWDM Section 5.2, whichever is applicable,
 - **Limited Infiltration** per Appendix C, Section C.2.3,
 - **Bioretention** per Appendix C, Section C.2.6, sized as follows: In till soils, provide bioretention volume based on 1.9 inches of equivalent storage depth; in outwash soils, provide bioretention volume based on 1.0 inches of equivalent storage depth,
 - **Basic Dispersion** per Appendix C, Section C.2.4 followed by **Bioretention** per Section C.2.6., with bioretention sized as follows: In till soils, provide bioretention volume based on 0.9 inches of equivalent storage depth; in outwash soils, provide bioretention volume based on 0.2 inches of equivalent storage depth,
 - **Permeable Pavement** per Appendix C, Section C.2.7
4. The soil moisture holding capacity of **new pervious surfaces** must be protected in accordance with KCC 16.82.100 (F) and (G). KCC 16.82.100(F) requires that the duff layer or native topsoil be retained to the maximum extent practicable. KCC 16.82.100(G) requires soil amendment to mitigate for lost moisture holding capacity where compaction or removal of some or all of the duff layer or underlying topsoil has occurred. The amendment must be such that the replaced topsoil is a minimum of 8 inches thick, unless the applicant demonstrates that a different thickness will provide conditions equivalent to the soil moisture holding capacity native to the site. The replaced topsoil must have an organic content of 5-10% dry weight and a pH suitable for the proposed surface vegetation (for most soils in King County, 4 inches of well-rotted compost tilled into the top 8 inches of soil is sufficient to achieve the organic content standard.) The amendment must take place between May 1 and October 1. The specifications for compost for soil amendment can be found in Reference 11-C.
5. BMPs must be applied to all new pervious surfaces according to the order of preference and extent of application specified in the following requirements:
 - a) The feasibility and applicability of full dispersion as detailed in Section C.2.1 (p. C-32) must be evaluated for all new pervious surface. If feasible and applicable, full dispersion must be implemented as part of the proposed project. Typically, full dispersion will be applicable only to sites/lots or portions of sites/lots where enough forest is preserved by a clearing limit per KCC

¹² For projects subject to Simplified Drainage Review, and for any **single family residential project** subject to Full, Directed, or Large Project Drainage Review, the design requirements and specifications in Appendix C, Section C.2.2 may be used for evaluation and design of full infiltration on individual lots. For all other projects and any project proposing a full infiltration system serving more than one lot, full infiltration must be evaluated and designed in accordance with the infiltration facility standards in Section 5.2.

16.82 or by recorded tract, easement, or covenant to meet the minimum requirements for full dispersion in Section C.2.1.1 (p. C-32).

- b) For that portion of new pervious surface not addressed in Requirement 5.a above, one or more of the following BMPs must be implemented as part of the proposed project.
- **Basic Dispersion** per Appendix C, Section C.2.4, onto native vegetated surfaces only,
 - **Bioretention** per Appendix C, Section C.2.6, sized as follows: In till soils, provide bioretention volume based on 0.7 inches of equivalent storage depth; in outwash soils, provide bioretention volume based on 0.006 inches of equivalent storage depth.
 - **Limited Infiltration** per Appendix C, Section C.2.3

C.1.3.4 FLOW CONTROL BMP IMPLEMENTATION REQUIREMENTS

The flow control BMPs required in Section C.1.3.1, C.1.3.2, and C.1.3.3 above must be implemented in accordance with the following requirements:

1. **Implementation Responsibility.** All flow control BMPs required for the *site/lot* must be implemented (installed) by the applicant as part of the proposed project unless they have already implemented as part of a subdivision project (e.g., plat or short plat) that created the lot.
2. **Maintenance Responsibility.** Maintenance of all required flow control BMPs is the responsibility of the owner of the *site/lot* served by these BMPs. The responsibility for such maintenance must be clearly assigned to the current and future owners of the *site/lot* through a "declaration of covenant and grant of easement" as described in Requirement 3 below.
3. **Declaration of Covenant and Grant of Easement.** A declaration of covenant and grant of easement must be recorded for each *site/lot* that contains flow control BMPs. A draft of the proposed covenant must be reviewed and approved by DPER prior to recording. All required covenants must be recorded prior to final construction approval for the proposed project. The covenant in Reference Section C.5.2, p. C-149, (or equivalent) must be used, and is designed to achieve the following:
 - a) Provide **notice** to future owners of the presence of flow control BMPs on the lot and the responsibility of the owner to retain, uphold, and protect the flow control BMP devices, features, pathways, limits, and restrictions.
 - b) Include as an **exhibit**, a *recordable version*¹³ of the following drainage plan information:
 - The **flow control BMP site plan** showing all developed surfaces (impervious and pervious) and the location and dimensions of flow control BMP devices, features, flowpaths (if applicable), and limits of native growth retention areas (if applicable). This plan(s) must be to scale and include *site* topography in accordance with the specifications for such plans in Section C.4.2 (p. C-139). Also indicate any areas where County access is excluded (see paragraph 3.d below). *Note: DPER may waive this element if, for example, the only flow control BMP proposed is a limit on impervious surface (reduced footprint).*
 - The **flow control BMP design and maintenance details** for each flow control BMP per Section C.4.3 (p. C-143). This includes a diagram (if applicable) of each flow control BMP device or feature and written maintenance and operation instructions and restrictions for each device, feature, flowpath (if applicable), native growth retention area (if applicable) and impervious surface coverage (if applicable). See Reference M for prepared 8-1/2"x11" maintenance instruction sheets. See <http://www.kingcounty.gov/environment/water-and->

¹³ *Recordable version* means one that meets King County's "Standard Formatting Requirements for Recording Documents" pursuant to RCW 36.18.010 and 65.04.045, available online and from the King County Recorder's Office. These requirements include specifications for such things as page size (8 1/2" x 14" or smaller), font size (at least 8-point), and margin width (1" on all sides of every page if there is a standard cover sheet).



CITY OF KIRKLAND
Department of Public Works
123 Fifth Avenue, Kirkland, WA 98033
425.587.3800 www.kirklandwa.gov

MEMORANDUM

To: Kurt Triplett, City Manager

From: Kathy Brown, Public Works Director

Date: September 1, 2016

Subject: NATIONAL POLLUTION PREVENTION WEEK PROCLAMATION –
SEPTEMBER 19-25, 2016

RECOMMENDATION:

It is recommended that the Mayor proclaims September 19-25, 2016 as National Pollution Prevention Week in Kirkland. This is the second year the City of Kirkland will recognize this week and this year we are celebrating it with neighboring jurisdiction, City of Bothell.

BACKGROUND DISCUSSION:

Each year the United States Environmental Protection Agency (EPA) acknowledges "National Pollution Prevention Week" in honor of the United States Congress passing the Pollution Prevention (P2) Act in 1990. This year, we celebrate 26 years of pollution prevention efforts of the EPA, its state and local partners, industry and the public.

The following explains why the P2 Act was necessary (taken from the "Findings" section of P2 Act):

- The United States of America annually produces millions of tons of pollution and spends tens of billions of dollars per year controlling this pollution.
- There are significant opportunities for industry to reduce or prevent pollution at the source through cost-effective changes in production, operation, and raw materials use.
- The opportunities for source reduction are often not realized because existing regulations, and the industrial resources they require for compliance, focus upon treatment and disposal, rather than source reduction.
- Source reduction is fundamentally different and more desirable than waste management and pollution control.

The Pollution Prevention Act establishes a national policy (implemented by EPA) stating:

- Pollution should be prevented or reduced at the source whenever feasible;
- Pollution that cannot be prevented should be recycled in an environmentally safe manner whenever feasible;
- Pollution that cannot be prevented or recycled should be treated in an environmentally safe manner whenever feasible; and
- Disposal or other release into the environment should be employed only as a last resort and should be conducted in an environmentally safe manner.

The City of Kirkland is fortunate to have a workforce that strives to meet these goals with programs such as:

[Sewer & Septic](#)

- Food Service Waste Fats, Oil, and Grease (FOG) Inspections
- Sewer Source Control Business Visits

[Storm & Surface Water](#)

- Private Stormwater Maintenance Program
- Business Pollution Prevention, including technical assistance with:
 - Stormwater pollution practices
 - Hazardous Waste storage and disposal
 - Spill Prevention and Response, including free spill kits & training
- Car Wash Kits for businesses and charities
- Pet Waste Outreach
- Vehicle Maintenance - Don't Drip and Drive
- Adopt-a-Drain - Public and Private Storm Drain Markers
- Water Quality & Flooding Investigations
- 24/7 Spill Response and Clean-up
- Sandbag fill stations to prevent local flooding

[Kirkland Utilities - Water Information](#)

- Use of educator trucks for maintenance activities
- Best Management Practices used for flushing and saw cutting activities

[Kirkland Public Works - Streets and Grounds Maintenance](#)

- Street Sweeping
- Cross Kirkland Corridor Maintenance
 - Hand-pulling and treating invasive weeds with integrated pest management (IPM) methods

[Kirkland Development Engineering Group](#)

- Public Works Development Review
- Construction Inspection, including Erosion Control



[Kirkland Solid Waste Division - Garbage and Recycling](#)

- Solid Waste, Recycling, and Compost Programs
- Styrofest, providing free collection and recycling of Styrofoam
- Hazardous/Dangerous/Other materials collection and recycling, including but not limited to:
 - Batteries
 - Smoke detectors
 - Compact fluorescent light bulbs
 - Residential Used Cooking Oil
- Plastic Bag Reduction Policy
- Waste Reduction Toolkit for Multifamily Property Managers
- Unwanted Medicine Disposal Program
- Recycling Hotline

[Kirkland Development Transportation Group](#)

- Improvements to expand multi-modal transportation systems to reduce single passenger car use, which impacts air and water quality by reducing car use
- Improved neighborhood pathway and sidewalk programs to increase walking
- Improve bike use via increased biking accessories (bike racks, bike lockers, wayfinding signage, installation of greenways – safe biking routes)

[Planning Department Home Page](#)

- Urban Forestry Strategic Management Plan
- Low Impact Development Regulations & Incentives
- Tree Management Regulations
- Shoreline Master Program
- Stream and Wetland Regulations
- Slope Protection and Erosion Control Regulations

[Kirkland Green - City Wide Green Initiatives](#)

- Kirkland Green Building Program
- Regional Climate Collaboration impact reductions
- Solarize Kirkland
- Urban Forest Management Program
- Natural Restoration Projects w/Parks and Public Works Departments

Finally, enclosed within this packet is a proclamation, designating September 19-25, 2016 as National Pollution Prevention Week in the City of Kirkland. The Public Works Director will be on hand to receive the proclamation at the Tuesday, September 20th City Council meeting.



A PROCLAMATION OF THE CITY OF KIRKLAND

Designating September 19-25, 2016 as "National Pollution Prevention Week" in Kirkland, Washington

WHEREAS, the United States Environmental Protection Agency acknowledges "National Pollution Prevention Week" in honor of the United States Congress passing the Pollution Prevention Act in 1990; and

WHEREAS, the Pollution Prevention Act encourages pollution prevention by reducing or eliminating waste at the source by modifying production processes, promoting the use of nontoxic or less toxic substances, implementing conservation techniques, and reusing materials rather than putting them into the waste stream; and

WHEREAS, the City Council's Environment Goal is to protect the natural environment through integrated natural resource management; and

WHEREAS, the City of Kirkland is a leader implementing programs and processes to prevent pollution, such as, but not limited to, Local Source Control Business Audits, Free Spill Kit distribution, Spill Response and Clean-up, After-Hours Response, Food Service Waste Fats, Oil, and Grease (FOG) Inspections, Public Works Development Review and Inspection, Solid Waste, Recycling, and Compost, Styrofest Events, Kirkland Green Building Program, Solarize Kirkland, Drug Take Back Program, Cross Kirkland Corridor Maintenance, Street Sweeping, Stream and Wetland Management, Tree Management Regulations, Neighborhood Pathway and Sidewalk improvements; and

WHEREAS, these services are provided by a diverse workforce with a variety of backgrounds and experience levels that share a common goal of protecting public health and the environment by reducing or eliminating sources of pollution before they enter our environment, including our wetlands, streams, and lakes, and prevents the need for costly controls and cleanup responses; and

NOW, THEREFORE, I, Amy Walen, Mayor of Kirkland, do hereby proclaim the week of September 19-25, 2016 as "*National Pollution Prevention Week*" in the City of Kirkland, Washington, and call upon all citizens to protect natural resources by reducing and eliminating pollution at its source.

Signed this 20th day of September 2016

Amy Walen, Mayor



CITY OF KIRKLAND
Department of Parks & Community Services
505 Market Street, Suite A, Kirkland, WA 98033 425.587.3300
www.kirklandwa.gov

MEMORANDUM

To: Kurt Triplett, City Manager

From: Lynn Zwaagstra, Director
Michael Cogle, Deputy Director
Leslie R. Miller, Human Services Coordinator

Date: September 8, 2016

Subject: EASTSIDE WELCOMING WEEK PROCLAMATION

RECOMMENDATION:

That the Mayor join the Mayors of Bellevue, Issaquah, Redmond and Sammamish in proclaiming the week beginning April 16th as Eastside Welcoming Week in Kirkland, Washington.

BACKGROUND DISCUSSION:

Eastside Welcoming Week is part of the national Welcoming Week created by the organization Welcoming America. The cities of Kirkland, Bellevue, Issaquah, Redmond and Sammamish are joining communities across the country in celebrating the ways that immigrants and refugees make cities stronger economically, socially, and culturally.

Welcoming America recognizes that when American communities create an inclusive and warm environment to newcomers, everyone benefits. Immigrants and refugees are encouraged and enabled to share their many talents and contribute to the life of their neighborhoods. You will find out more information about Welcoming America and Welcoming Week at this website:

<https://www.welcomingamerica.org/programs/welcoming-week>.

The Mayor and Councilmembers are invited to attend the Eastside Welcoming kick-off event on September 16th at 2 pm at the Old Redmond Schoolhouse Community Center. This event is sponsored by the Eastside Refugee and Immigrant Coalition.

Debbie Lacy with the Eastside Refugee and Immigrant Coalition will be present to accept the proclamation.

PROCLAMATION

WHEREAS, the population on the Eastside has grown rapidly since 2010, increasing by over 79,000 in the last six years; and

WHEREAS, 30% of these newcomers have arrived from places outside the United States; and

WHEREAS, more than one third of Eastside residents now speak a language other than English at home; and

WHEREAS, diversity is the lifeblood of our community, bringing fresh perspectives and new ideas, innovation and entrepreneurial spirit, leadership, and hard workers; and

WHEREAS, our success depends on ensuring that all our residents feel welcome here;

NOW, THEREFORE, WE, THE MAYORS OF BELLEVUE, ISSAQUAH, KIRKLAND, REDMOND, AND SAMMAMISH, WASHINGTON, proclaim September 16 through 25, 2016, as

EASTSIDE WELCOMING WEEK

in our cities and call on all our residents to join together to build stronger communities across the Eastside.

John Stokes, Mayor
City of Bellevue

Fred Butler, Mayor
City of Issaquah

Date

Date

Amy Walen, Mayor
City of Kirkland

John Marchione, Mayor
City of Redmond

Date

Date

Don Gerend, Mayor
City of Sammamish

Date

KIRKLAND CITY COUNCIL SPECIAL MEETING

Minutes

September 6, 2016

1. CALL TO ORDER

Mayor Walen called the Special Meeting of the Kirkland City Council to order at 5:45 p.m.

2. ROLL CALL

All Members Present: Mayor Amy Walen, Deputy Mayor Jay Arnold, Councilmembers Dave Asher, Shelley Kloba, Doreen Marchione, Toby Nixon and Penny Sweet.

3. LIBRARY BOARD INTERVIEW

a. Maia Jackson

4. SELECTION AND APPOINTMENT OF TRANSPORTATION COMMISSION MEMBER

Deputy Mayor Arnold moved to appoint Maia Jackson to the youth seat on the Library Board for an unexpired two year term ending 3/31/17. Councilmember Nixon seconded the motion, which passed unanimously.

5. ADJOURNMENT

The September 6, 2016 Special Meeting of the Kirkland City Council was adjourned at 5:55 p.m.

City Clerk

Mayor



KIRKLAND CITY COUNCIL REGULAR MEETING MINUTES
September 6, 2016

1. CALL TO ORDER

Mayor Walen called the Study Session to order at 6 p.m. and the Regular Meeting to order at 7:30 p.m.

2. ROLL CALL

ROLL CALL:

Members Present: Deputy Mayor Jay Arnold, Councilmember Dave Asher, Councilmember Shelley Kloba, Councilmember Doreen Marchione, Councilmember Toby Nixon, Councilmember Penny Sweet, and Mayor Amy Walen.

Members Absent: None.

3. STUDY SESSION

Motion to Convene an additional executive session at the end of the regular Council meeting to discuss pending litigation.

Moved by Councilmember Penny Sweet, seconded by Councilmember Dave Asher

Vote: Motion carried 7-0

Yes: Deputy Mayor Jay Arnold, Councilmember Dave Asher, Councilmember Shelley Kloba, Councilmember Doreen Marchione, Councilmember Toby Nixon, Councilmember Penny Sweet, and Mayor Amy Walen.

a. Police Strategic Plan Update

Joining Councilmembers for this discussion were City Manager Kurt Triplett, Deputy Director Marilynne Beard, Police Chief Cherie Harris, and from BERK consulting: Project Manager Brian Murphy, Lead Analyst Kristin Mardt, Strategic Advisor Virginia Gleason and Police Consultant Thomas A. Gleason.

4. EXECUTIVE SESSION

a. Closed Session to Discuss Labor Negotiations

Mayor Walen announced that Council would enter into a closed session to discuss labor negotiations and would return to regular meeting at 7:30 p.m. At 7:30 p.m. City Clerk Kathi Anderson announced that the Council would require an additional ten minutes. Council returned to the regular meeting at 7:40 p.m. Also in attendance at the closed session were City Manager Kurt Triplett, Deputy City Managers Marilynne Beard and Tracey Dunlap, Human Resources and

Performance Management Director Jim Lopez, City Attorney Kevin Raymond,
Finance and Administration Director Michael Olson and Police Chief Cherie Harris.

5. HONORS AND PROCLAMATIONS

None.

6. COMMUNICATIONS

a. Announcements

b. Items from the Audience

Dede Renne
Frank Dennis
David Greschler
Wayne Seminoff
Jeff Anderson
Jerilyn Anderson
Christen Leeson
Scott Morris
Andy Honig
Shannon Scovil
Cindy Spangler

c. Petitions

7. SPECIAL PRESENTATIONS

None.

8. CONSENT CALENDAR

a. Approval of Minutes: August 16, 2016

b. Audit of Accounts:

Payroll \$3,166,220.66

Bills \$5,079,514.87

run #1547 checks #604334 - 604335

run #1548 checks #604338 - 604451

run #1549 checks #604479 - 604497

run #1550 checks #604498 - 604683

run #1551 check #604684

run #1552 checks #604685 - 604861

run #1553 checks #604864 - 604865

c. General Correspondence

d. Claims

Claims received from Ian McCauley, Adam Mickelson, Matt and Sheryl Nelson, and Ionel Patilea were acknowledged via approval of the consent calendar.

e. Award of Bids

f. Acceptance of Public Improvements and Establishing Lien Period

g. Approval of Agreements

h. Other Items of Business

(1) Ordinance O-4529, entitled "AN ORDINANCE OF THE CITY OF KIRKLAND PROHIBITING PARKING IN BICYCLE LANES."

(2) Ordinance O-4530, entitled "AN ORDINANCE OF THE CITY OF KIRKLAND ESTABLISHING THE AMOUNT OF PROPERTY TAXES TO BE LEVIED FOR THE YEAR 2016, THE SECOND YEAR OF THE CITY OF KIRKLAND'S 2015-2016 FISCAL BIENNIUM AND REPEALING ORDINANCE 4500."

(3) New Position for Parks and Community Services

Funding for a new temporary FTE Customer Service Supervisor from October to December 2016 in the amount of \$27,211.00 for implementation of a new recreation registration system was authorized via approval of the consent calendar.

(4) Resolution R-5206, entitled "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KIRKLAND APPROVING AMENDMENTS TO SECTION 3.24 OF THE KIRKLAND CITY COUNCIL POLICIES AND PROCEDURES, AND READOPTING ALL OF THE COUNCIL POLICIES AND PROCEDURES."

(5) Report on Procurement Activities

Motion to Approve the Consent Calendar.

Moved by Councilmember Dave Asher, seconded by Councilmember Penny Sweet

Vote: Motion carried 7-0

Yes: Deputy Mayor Jay Arnold, Councilmember Dave Asher, Councilmember Shelley Kloba, Councilmember Doreen Marchione, Councilmember Toby Nixon, Councilmember Penny Sweet, and Mayor Amy Walen.

9. PUBLIC HEARINGS

a. Resolution R-5205, Supporting Initiative Measure No. 735, Concerning a Proposed Amendment to the Federal Constitution.

Mayor Walen reviewed the parameters and opened the public hearing. Intergovernmental Relations Manager Lorrie McKay provided background on the Initiative, including the effect of the proposed measure. Also addressing the Council was "Yes on I-735" Campaign representative Jonathan Tong. A written statement from "No on I-735" Campaign representative Kelly Houghton was submitted as part of the hearing record. No further testimony was offered and the Mayor closed the hearing.

Deputy Mayor Arnold disclosed that he does contract information technology work for Fuse Washington, an organization that has endorsed Initiative 735 and further stated that Fuse Washington's endorsement would not impact his ability to consider the public input received this evening or to deliberate and vote on the Resolution before the Council. Councilmember Asher disclosed that he had worked to gather signatures to place the initiative on the ballot.

Motion to Approve Resolution R-5205, entitled "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KIRKLAND SUPPORTING INITIATIVE MEASURE NO. 735, CONCERNING A PROPOSED AMENDMENT TO THE FEDERAL CONSTITUTION."

Moved by Councilmember Dave Asher, seconded by Councilmember Shelley Kloba

Vote: Motion carried 6-1

Yes: Deputy Mayor Jay Arnold, Councilmember Dave Asher, Councilmember Shelley Kloba, Councilmember Doreen Marchione, Councilmember Penny Sweet, and Mayor Amy Walen.

No: Councilmember Toby Nixon.

10. UNFINISHED BUSINESS

a. Kirkland Cemetery Policy and Procedure Review

Graduate Intern Lindsay Mumm provided a summary of the results of policy and procedure review actions to date, recommendations, and next steps. Ms. Mumm and Finance and Administration Director Michael Olson responded to Council questions and comment.

b. Ordinance O-4528, Relating to Land Use and Zoning and Amending Kirkland Zoning Code Chapter 115. (marijuana buffer requirements)

Planning and Building Director Eric Shields responded to Council questions.

Motion to Remove the matter of Ordinance O-4528 from the table.

Moved by Councilmember Doreen Marchione, seconded by Councilmember Dave Asher

Vote: Motion carried 7-0

Yes: Deputy Mayor Jay Arnold, Councilmember Dave Asher, Councilmember Shelley Kloba, Councilmember Doreen Marchione, Councilmember Toby Nixon, Councilmember Penny Sweet, and Mayor Amy Walen.

Motion to Approve Ordinance O-4528, entitled "AN ORDINANCE OF THE CITY OF KIRKLAND RELATING TO LAND USE AND ZONING AND AMENDING KIRKLAND ZONING CODE CHAPTER 115, as amended."

Moved by Councilmember Dave Asher, seconded by Councilmember Penny Sweet

Vote: Motion carried 4-3

Yes: Deputy Mayor Jay Arnold, Councilmember Shelley Kloba, Councilmember Doreen Marchione, and Councilmember Toby Nixon.

No: Councilmember Dave Asher, Councilmember Penny Sweet, and Mayor Amy Walen.

Motion to Amend Ordinance O-4528, by changing the proposed distance requirement from 600 feet to 100 feet of the perimeter of the grounds of a child care center.

Moved by Councilmember Toby Nixon, seconded by Councilmember Doreen Marchione

Vote: Motion carried 4-3

Yes: Deputy Mayor Jay Arnold, Councilmember Shelley Kloba, Councilmember Doreen Marchione, and Councilmember Toby Nixon.

No: Councilmember Dave Asher, Councilmember Penny Sweet, and Mayor Amy Walen.

11. NEW BUSINESS

a. 2015-2016 Urban Forestry Annual Report

Urban Forester Deb Powers provided an overview on progress towards urban forest strategic management plan goals and received confirmation/direction from Council on proposed initiatives, objectives, priorities and timing established in the citywide urban forest six-year work plan proposed for the upcoming 2016-2017 year.

12. REPORTS

a. City Council Regional and Committee Reports

Councilmembers shared information regarding a recent Economic Development Council of Seattle and King County luncheon; and an upcoming Sound Cities Association event recognizing Representative Joan McBride.

b. City Manager Reports

(1) Calendar Update

City Manager Kurt Triplett reminded the Council of the upcoming All City Dinner on September 22, and the postponement of the Everest Neighborhood meeting.

Motion to Direct the City Manager to prepare resolutions both for and against the Sound Transit ST3 ballot measure and schedule a public hearing for those to be considered.

Moved by Councilmember Toby Nixon, seconded by Councilmember Dave Asher

Vote: Motion failed 3 - 4

Yes: Deputy Mayor Jay Arnold, Councilmember Dave Asher, and Councilmember Toby Nixon.

No: Councilmember Shelley Kloba, Councilmember Doreen Marchione, Councilmember Penny Sweet, and Mayor Amy Walen.

Councilmember Nixon made a request to refer the issue of virtual games that induce people to trespass on private and public property to the Public Safety Committee for discussion.

13. ITEMS FROM THE AUDIENCE

None.

14. EXECUTIVE SESSION

a. To Discuss Pending Litigation

At 9:30 p.m. Mayor Walen announced that Council would enter into an executive session to discuss pending litigation and estimated the length of the session to be thirty minutes. Council returned to regular meeting at 9:58 p.m. Also in attendance were City Manager Kurt Triplett, City Attorney Kevin Raymond, Finance and Administration Director Michael Olson, and Chief Information Officer Brenda Cooper.

15. ADJOURNMENT

The Kirkland City Council regular meeting of September 6, 2016 was adjourned at 10:00 p.m.

City Clerk

Mayor



CITY OF KIRKLAND
Department of Finance and Administration
123 Fifth Avenue, Kirkland, WA 98033 425.587.3100
www.kirklandwa.gov

MEMORANDUM

To: Kurt Triplett, City Manager
From: Kathi Anderson, City Clerk
Date: September 8, 2016
Subject: CLAIM(S) FOR DAMAGES

RECOMMENDATION

It is recommended that the City Council acknowledges receipt of the following Claim(s) for Damages and refers each claim to the proper department (risk management section) for disposition.

POLICY IMPLICATIONS

This is consistent with City policy and procedure and is in accordance with the requirements of state law (RCW 35.31.040).

BACKGROUND DISCUSSION

The City has received the following Claim(s) for Damages from:

- (1) Jenny H. Li
225 164th Avenue SE
Bellevue, WA 98009

Amount: \$649.93

Nature of Claim: Claimant states damage to a rental property occurred as a result of a Kirkland Police operations incident.

- (2) Krista Prevedel
19 213th St SW
Bothell, WA 98021

Amount: Unspecified amount

Nature of Claim: Claimant states damage resulted from City owned tree limbs falling on vehicle parked at Juanita Beach Park.

- (3) Puget Sound Energy
10885 N.E. 4th Street
P.O. Box 97034
Kirkland, WA 98009

Amount: \$390.85

Nature of Claim: Claimant states damage to gas equipment at 11643 NE 75th Street resulted from digging by City work crew.

Note: Names of claimants are no longer listed on the Agenda since names are listed in the memo.



CITY OF KIRKLAND
City Manager's Office
123 Fifth Avenue, Kirkland, WA 98033 425.587.3001
www.kirklandwa.gov

MEMORANDUM

To: Kurt Triplett, City Manager

From: Tracey Dunlap, Deputy City Manager
Kevin Raymond, City Attorney
Chris Dodd, Facilities Services Manager

Date: September 8, 2016

Subject: SURPLUSING AND SALE OF 505 MARKET STREET PROPERTY

RECOMMENDATION:

Council declares the City-owned property at 505 Market Street, Kirkland, WA 98033 surplus and authorizes the City Manager to execute all documents necessary to complete the sale. By approving this item as part of the consent calendar the Council surpluses the property and authorized the City Manager to complete the sale.

BACKGROUND DISCUSSION:

In 2001, the City of Kirkland ("City") purchased the building located at 505 Market Street, Kirkland, WA 98033 for \$1.7 million. The property was purchased as a temporary space for the Human Resources and Parks departments. The Council has received numerous updates on the City Hall Renovation Project over the past two years which have identified that the sale of the 505 Market Street Building is a key component of the City Hall project financing, as the Parks and Human Resources Departments will be permanently relocated to City Hall. This financing plan has been reviewed and approved by the Council. With the City Hall Renovation Project now more than 50% complete, the sale of the 505 Market Street property is an integral part of the financing plan for the City Hall project and other facility investments required to serve the larger City population and boundaries following annexation. With the soon-to-be-accomplished vacation of the building by the existing tenants, the property is now surplus to the City's needs.

The City has received many inquiries about the property for over a year, and in February of 2016 the City's Facilities Services Manager received an unsolicited offer of \$1.9 million for the property. With a very competitive real estate climate, staff decided it would be prudent to hire a commercial real estate professional to introduce the property to as many potential buyers as possible.

On June 22, 2016, the City entered into an exclusive sales listing agreement with C. B. Richard Ellis (CBRE) to list the property. The listing agreement was structured to include milestones for listing agent compensation. Because the City had already received an unsolicited offer of \$1.9 million, listing agent compensation of 2.5% would only be realized if the final sale price exceeded \$1.95 million and would increase to 5% of the sales price only if the final sale price exceeded \$2 million.

The property was publicly listed in July of 2016, with a call for offers on August 23, 2016 and best and final offers due on August 20, 2016. Nine offers were received with offer prices varying between \$1.5 million to \$3 million.

Purchase price was only one of many important proposed terms including:

- Escalation clause
- Earnest money
- Feasibility period
- Closing date
- Financing
- Leaseback terms

By way of example, proposed closing periods ranged from 2 days to 120 days and leaseback terms varied from operating expenses only to rental charges of \$15,000 per month.

After evaluating the offers with CBRE, the offer submitted by Lincoln Popp of Kirkland was deemed to be the strongest offer and terms: \$2.8 million, no financing contingencies, \$75K in earnest money, a maximum of 60 days to close, and market rate leaseback terms. The preliminary purchase and sale agreement for Lincoln Popp is included as Attachment A to the enclosed Resolution. The purchase and sale agreement might change slightly but staff is seeking approval as long as the final agreement is "substantially similar" to the attached document. In the unlikely event that this deal does not close, staff recommends that a back-up offer of \$2.55 Million, all cash with a 2 day close, be accepted.

The attached resolution declares the property surplus and authorizes the City Manager to execute all documents necessary to complete the sale. The resolution also authorizes the City Manager to enter into a lease-back agreement with the relevant property purchaser on terms satisfactory to the City as the 505 space may be needed until renovation of City Hall is complete. From the net proceeds of the sale, \$1.5 Million will go to funding part of the City Hall Renovation Project with the balance (net of the broker's commission of \$140,000) to be placed in the Building and Property Reserves for future facility capital needs.

RESOLUTION R-5209

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KIRKLAND DECLARING THE PROPERTY AT 505 MARKET STREET, KIRKLAND, WASHINGTON TO BE SURPLUS TO THE NEEDS OF THE CITY FOR OWNERSHIP OF REAL PROPERTY AND AUTHORIZING THE SALE OF SAID PROPERTY.

1 WHEREAS, the City Council finds that the property located at 505
2 Market Street, Kirkland, Washington, is not needed for current or future
3 City purposes and is therefore surplus to its needs; and

4
5 WHEREAS, the City retained the commercial real estate sales
6 firm of C. B. Richard Ellis (CBRE) to market the property on behalf of
7 the City; and

8
9 WHEREAS, in response to a public listing of the property by
10 CBRE, a total of nine purchase offers was received with proposed sales
11 prices ranging from \$1.5 million to \$3.0 million together with other
12 substantive and varying terms, including those related to escalation
13 clauses, earnest money, feasibility periods, closing dates, financing and
14 leaseback terms; and

15
16 WHEREAS, City staff has evaluated the purchase offers and has
17 recommended that the property be sold by the City to Lincoln Popp of
18 Kirkland for a purchase price of \$2.8 million, with no financing
19 contingencies, a \$75,000 earnest money deposit, a maximum of 60 days
20 to closing, and market leaseback terms satisfactory to the City; and

21
22 WHEREAS, it is in the public interest for the City to enter into a
23 purchase and sale agreement with Lincoln Popp of Kirkland at this time
24 to secure terms which the City desires; and

25
26 WHEREAS, City staff has identified a preferred back-up offer
27 from Spike and Carrol Anderson of \$2.55 million, with no financing
28 contingencies, a \$500,000 earnest money deposit, a maximum of 2 days
29 to closing, and market leaseback terms satisfactory to the City, in the
30 event the anticipated transaction with Lincoln Popp of Kirkland is not
31 timely closed,

32
33 NOW, THEREFORE, be it resolved by the City Council of the City
34 of Kirkland as follows:

35
36 Section 1. Ownership of the property located at 505 Market
37 Street, Kirkland, Washington, is declared surplus to the needs of the
38 City.

39
40 Section 2. The City Manager is hereby authorized and directed
41 to sell the above described property to Lincoln Popp of Kirkland on terms
42 which are substantially similar to those included purchase and sale
43 agreement attached hereto as Exhibit A.
44

45 Section 3. In the event the agreement contemplated by Section
 46 2 hereof is not timely executed, in the judgment of the City Manager,
 47 the City Manager is authorized to enter into a purchase and sale and
 48 agreement with Spike and Carrol Anderson on behalf of the City in a
 49 form substantially similar to Exhibit A and consistent with the terms set
 50 forth above in the final recital.

51
 52 Section 4. Concurrent with the execution of a purchase and sale
 53 agreement as provided for in Section 2 or Section 3 hereof, the City
 54 Manager is authorized to enter into a lease-back agreement with the
 55 relevant property purchaser on terms satisfactory to the City and
 56 otherwise considered standard in the industry.

57
 58 Passed by majority vote of the Kirkland City Council in open
 59 meeting this ____ day of _____, 2016.

60
 61 Signed in authentication thereof this ____ day of _____,
 62 2016.

MAYOR

Attest:

 City Clerk

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**COMMERCIAL & INVESTMENT REAL ESTATE
PURCHASE & SALE AGREEMENT**

This has been prepared for submission to your attorney for review and approval prior to signing. No representation is made by licensee as to its sufficiency or tax consequences

Reference Date: August 16, 2016

Lincoln Popp and/or Assigns

("Buyer") agrees to buy and
City of Kirkland

("Seller") agrees to sell, on the following terms, the commercial real estate and all improvements thereon (collectively, the "Property") commonly known as tpn: 388580-0190; 505 Market Street in the City of Kirkland, King County, Washington, 98033, legally described on attached Exhibit A. The Reference Date above is intended to be used to reference this Agreement, and is not the date of "Mutual Acceptance." Mutual Acceptance is defined in Section 23 below.

1. **PURCHASE PRICE.** The total purchase price is Two Million, Eight Hundred Thousand Dollars (\$2,800,000.00) payable as follows (check only one):

- All cash at closing with no financing contingency.
- All cash at closing contingent on new financing in accordance with the Financing Addendum (attach CBA Form PS_FIN).
- \$ _____ OR _____% of the purchase price in cash at closing with the balance of the purchase price paid as follows (check one or both, as applicable): Buyer's assumption of the outstanding principal balance as of the Closing Date of a first lien note and deed of trust (or mortgage), or real estate contract, in accordance with the Financing Addendum (attach CBA Form PS_FIN); Buyer's delivery at closing of a promissory note for the balance of the purchase price, secured by a deed of trust encumbering the Property, in accordance with the Financing Addendum (attach CBA Form PS_FIN).
- Other: _____.

2. **EARNEST MONEY.** The earnest money in the amount of \$75,000.00 shall be in the form of Cash Personal check Promissory note (attached CBA Form EMN) Other: _____

The earnest money shall be held by Selling Firm Closing Agent. Selling Broker may, however, transfer the earnest money to Closing Agent.

Buyer shall deliver the earnest money no later than:

- 3 days after Mutual Acceptance.
- On the last day of the Feasibility Period defined in Section 5 below.
- Other: _____.

If the earnest money is to be held by Selling Firm and is over \$10,000, it shall be deposited to: Selling Firm's pooled trust account (with interest paid to the State Treasurer) A separate interest bearing trust account in Selling Firm's name. The interest, if any, shall be credited at closing to Buyer. If this sale fails to close, whoever is entitled to the earnest money is entitled to interest.

Selling Firm shall deposit any check to be held by Selling Firm within 3 days after receipt or Mutual Acceptance, whichever occurs later. Buyer agrees to pay financing and purchase costs incurred by Buyer. Unless otherwise provided in this Agreement, the earnest money shall be applicable to the purchase price.

3. **EXHIBITS AND ADDENDA.** The following Exhibits and Addenda are made a part of this Agreement:

- Exhibit A - Legal Description
- Earnest Money Promissory Note, CBA Form EMN

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BUYER _____ DATE _____ SELLER _____ DATE _____

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- Promissory Note, LPB Form No. 28A
- Short Form Deed of Trust, LPB Form No. 20
- Deed of Trust Rider, CBA Form DTR
- Utility Charges Addendum, CBA Form UA
- FIRPTA Certification, CBA Form 22E
- Assignment and Assumption, CBA Form PS-AS
- Addendum/Amendment, CBA Form PSA
- Back-Up Addendum, CBA Form BUA
- Vacant Land Addendum, CBA Form VLA
- Financing Addendum, CBA Form PS_FIN
- Tenant Estoppel Certificate, CBA Form PS_TEC
- Defeasance Addendum, CBA Form PS_D
- Other Form 17 Comm; Lease Agreement (CBA Form ST-NW) + Rent Rider (CBA Form RR)

4. **SELLER'S UNDERLYING FINANCING.** Unless Buyer is assuming Seller's underlying financing, Seller shall be responsible for confirming the existing underlying financing is not subject to any "lock out" or similar covenant which would prevent the lender's lien from being released at closing. In addition, Seller shall provide Buyer notice prior to the end of the Feasibility Period if Seller is required to substitute securities for the Property as collateral for the underlying financing (known as "defeasance"). If Seller provides this notice of defeasance to Buyer, then the parties shall close the transaction in accordance with the process described in CBA Form PS_D or any different process identified in Seller's defeasance notice to Buyer.

5. **FEASIBILITY CONTINGENCY.** Buyer's obligations under this Agreement are conditioned upon Buyer's satisfaction in Buyer's sole discretion, concerning all aspects of the Property, including its physical condition; the presence of or absence of any hazardous substances; the contracts and leases affecting the property; the potential financial performance of the Property; the availability of government permits and approvals; and the feasibility of the Property for Buyer's intended purpose. This Agreement shall terminate and Buyer shall receive a refund of the earnest money unless Buyer gives written notice to Seller within 30 days (30 days if not filled in) (the "Feasibility Period") of Mutual Acceptance stating that this condition is satisfied. If such notice is timely given, the feasibility contingency stated in this Section 5 shall be deemed to be satisfied.

a. **Books, Records, Leases, Agreements.** Seller shall make available for inspection by Buyer and its agents within 2 days (2 days if not filled in) after Mutual Acceptance all documents in Seller's possession or control relating to the ownership, operation, renovation or development of the Property, excluding appraisals or other statements of value, and including: statements for real estate taxes, assessments, and utilities for the last three years and year to date; property management agreements and any other agreements with professionals or consultants; leases or other agreements relating to occupancy of all or a portion of the Property and a suite-by-suite schedule of tenants, rents, prepaid rents, deposits and fees; plans, specifications, permits, applications, drawings, surveys, and studies; maintenance records, accounting records and audit reports for the last three years and year to date; and "Vendor Contracts" which shall include maintenance or service contracts, and installments purchase contracts or leases of personal property or fixtures used in connection with the Property. Buyer shall determine within the Feasibility Period: (i) whether Seller will agree to terminate any objectionable Vendor Contracts; and (ii) whether Seller will agree to pay any damages or penalties resulting from the termination of objectionable Vendor Contracts. Buyer's waiver of the Feasibility Contingency shall be deemed Buyer's acceptance of all Vendor Contracts which Seller has not agreed in writing to terminate. Buyer shall be solely responsible for obtaining any required consents to such assumption

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and the payment of any assumption fees. Seller shall cooperate with Buyer's efforts to receive any such consents but shall not be required to incur any out-of-pocket expenses or liability in doing so. Seller shall transfer the Vendor Contracts as provided in Section 17.

b. Access. Seller shall permit Buyer and its agents, at Buyer's sole expense and risk to enter the Property at reasonable times subject to the rights of and after legal notice to tenants, to conduct inspections concerning the Property and improvements, including without limitation, the structural condition of improvements, hazardous materials, pest infestation, soils conditions, sensitive areas, wetlands, or other matters affecting the feasibility of the Property for Buyer's intended use. Buyer shall schedule any entry onto the Property with Seller in advance and shall comply with Seller's reasonable requirements including those relating to security, confidentiality, and disruption of Seller's tenants. Buyer shall not perform any invasive testing including environmental inspections beyond a phase I assessment or contact the tenants or property management personnel without obtaining the Seller's prior written consent, which shall not be unreasonably withheld. Buyer shall restore the Property and improvements to the same condition they were in prior to inspection. Buyer shall be solely responsible for all costs of its inspections and feasibility analysis and has no authority to bind the Property for purposes of statutory liens. Buyer agrees to indemnify and defend Seller from all liens, costs, claims, and expenses, including attorneys' and experts' fees, arising from or relating to entry onto or inspection of the Property by Buyer and its agents. This agreement to indemnify and defend Seller shall survive closing. Buyer may continue to enter the Property in accordance with the foregoing terms and conditions after removal or satisfaction of the feasibility contingency only for the purpose of leasing or to satisfy conditions of financing.

c. Buyer waives the right to receive a seller disclosure statement ("Form 17-Commercial") if required by RCW 64.06. However, if Seller would otherwise be required to provide Buyer with a Form 17-Commercial, and if the answer to any of the questions in the section of the Form 17-Commercial entitled "Environmental" would be "yes," then Buyer does not waive the receipt of the "Environmental" section of the Form 17-Commercial which shall be provided by Seller.

6. TITLE INSURANCE.

a. Title Report. Seller authorizes Buyer, its Lender, Listing Broker, Selling Broker or Closing Agent, at Seller's expense, to apply for and deliver to Buyer a standard extended (standard, if not completed) coverage owner's policy of title insurance. Buyer shall pay the increased costs associated with an extended policy including the excess premium over that charged for a standard coverage policy, and the cost of any survey required by the title insurer. The title report shall be issued by First American Title, Laura Lau 206 728 0400 (a title company of Seller's choice, if not completed). If Seller previously received a preliminary commitment from a title insurer that Buyer declines to use, Buyer shall pay any cancellation fee owing to the original title insurer. Otherwise, the party applying for title insurance shall pay any title cancellation fee, in the event such a fee is assessed.

b. Permitted Exceptions. Buyer shall notify Seller of any objectionable matters in the title report or any supplemental report within the earlier of: (1) twenty (20) days after Mutual Acceptance of this Agreement; or (2) the expiration of the Feasibility Period. This Agreement shall terminate and Buyer shall receive a refund of the earnest money, less any costs advanced or committed for Buyer, unless within five (5) days of Buyer's notice of such objections (1) Seller agrees, in writing, to remove all objectionable provisions or (2) Buyer notifies Seller that Buyer waives any objections which Seller does not agree to remove. If any new title matters are disclosed in a supplemental title report, then the preceding termination, objection and waiver provisions shall apply to the new title matters except that Buyer's notice of objections must be delivered within five (5) days of delivery of the supplemental report and Seller's response or Buyer's waiver must be delivered within two (2) days of Buyer's notice of objections. The closing date shall be extended to the extent necessary to

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permit time for these notices. Buyer shall not be required to object to any mortgage or deed of trust liens, or the statutory lien for real property taxes, and the same shall not be deemed to be Permitted Exceptions; provided, however, that the lien securing any financing which Buyer has agreed to assume shall be a Permitted Exception. Except for the foregoing, those provisions not objected to or for which Buyer waived its objections shall be referred to collectively as the "Permitted Exceptions." Seller shall cooperate with Buyer and the title company to clear objectionable title matters but shall not be required to incur any out-of-pocket expenses or liability other than payment of monetary encumbrances not assumed by Buyer and proration of real property taxes, and Seller shall provide an owner's affidavit containing the information and reasonable covenants requested by the title company. The title policy shall contain no exceptions other than the General Exclusions and Exceptions common to such form of policy and the Permitted Exceptions.

7. **CLOSING OF SALE.** This sale shall be closed on or before 30 days following end of feasibility period ("Closing") by First American Title, Laura Lau (206) 728-0400 ("Closing Agent") (Seller shall select the Closing Agent, if not completed). Buyer and Seller shall deposit with Closing Agent by 12:00 p.m. on the scheduled Closing date all instruments and monies required to complete the purchase in accordance with this Agreement. "Closing" shall be deemed to have occurred when the deed is recorded and the sale proceeds are available to Seller. Time is of the essence in the performance of this Agreement. Sale proceeds shall be considered available to Seller, even though they cannot be disbursed to Seller until the next business day after Closing. Notwithstanding the foregoing, if Seller informed Buyer during the Feasibility Period that Seller's underlying financing requires that it be defeased and may not be paid off, then Closing shall be conducted in accordance with the three-day closing process described in CBA Form PS_D. This Agreement is intended to constitute escrow instructions to Closing Agent. Buyer and Seller will provide any supplemental instructions requested by Closing Agent provided the same are consistent with this Agreement.

8. **CLOSING COSTS AND PRORATIONS.** Seller shall deliver an updated rent roll to Closing Agent not later than two (2) days before the scheduled Closing date in the form required by Section 5(a) and any other information reasonably requested by Closing Agent to allow Closing Agent to prepare a settlement statement for Closing. Seller certifies that the information contained in the rent roll is correct as of the date submitted. Seller shall pay the premium for the owner's standard coverage title policy. Buyer shall pay the excess premium attributable to any extended coverage or endorsements requested by Buyer, and the cost of any survey required in connection with the same. Seller and Buyer shall each pay one-half of the escrow fees. Any real estate excise taxes shall be paid by the party who bears primary responsibility for payment under the applicable statute or code. Real and personal property taxes and assessments payable in the year of closing; collected rents on any existing tenancies; interest; utilities; and other operating expenses shall be pro-rated as of Closing. If tenants pay any of the foregoing expenses directly, then Closing Agent shall only pro rate those expenses paid by Seller. Buyer shall pay to Seller at Closing an additional sum equal to any utility deposits or mortgage reserves for assumed financing for which Buyer receives the benefit after Closing. Buyer shall pay all costs of financing including the premium for the lender's title policy. If the Property was taxed under a deferred classification prior to Closing, then Seller shall pay all taxes, interest, penalties, deferred taxes or similar items which result from removal of the Property from the deferred classification. At Closing, all refundable deposits on tenancies shall be credited to Buyer or delivered to Buyer for deposit in a trust account if required by state or local law. Buyer shall pay any sales or use tax applicable to the transfer of personal property included in the sale.

a. **Unpaid Utility Charges.** Buyer and Seller WAIVE DO NOT WAIVE (do not waive if neither box checked) the right to have the Closing Agent disburse closing funds necessary to satisfy unpaid utility charges affecting the Property pursuant to RCW 60.80. If "do not waive" is checked, then attach CBA Form UA ("Utility Charges" Addendum) to this Agreement.

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- 9. **POST-CLOSING ADJUSTMENTS, COLLECTIONS, AND PAYMENTS.** After Closing, Buyer and Seller shall reconcile the actual amount of revenues or liabilities upon receipt or payment thereof to the extent those items were prorated or credited at Closing based upon estimates. Any bills or invoices received by Buyer after Closing which relate to services rendered or goods delivered to the Seller or the Property prior to Closing shall be paid by Seller upon presentation of such bill or invoice. At Buyer's option, Buyer may pay such bill or invoice and be reimbursed the amount paid plus interest at the rate of 12% per annum beginning fifteen (15) days from the date of Buyer's written demand to Seller for reimbursement until such reimbursement is made. Notwithstanding the foregoing, if tenants pay certain expenses based on estimates subject to a post-closing reconciliation to the actual amount of those expenses, then Buyer shall be entitled to any surplus and shall be liable for any credit resulting from the reconciliation. Rents collected from each tenant after Closing shall be applied first to rentals due most recently from such tenant for the period after closing, and the balance shall be applied for the benefit of Seller for delinquent rentals owed for a period prior to closing. The amounts applied for the benefit of Seller shall be turned over by Buyer to Seller promptly after receipt. Seller shall be entitled to pursue any lawful methods of collection of delinquent rents but shall have no right to evict tenants after Closing.
- 10. **OPERATIONS PRIOR TO CLOSING.** Prior to Closing, Seller shall continue to operate the Property in the ordinary course of its business and maintain the Property in the same or better condition than as existing on the date of Mutual Acceptance but shall not be required to repair material damage from casualty except as otherwise provided in this Agreement. After the Feasibility Period, Seller shall not enter into or modify existing rental agreements or leases (except that Seller may enter into, modify, extend, renew or terminate residential rental agreements or residential leases in the ordinary course of its business), service contracts, or other agreements affecting the Property which have terms extending beyond Closing without first obtaining Buyer's consent, which shall not be unreasonably withheld.
- 11. **POSSESSION.** Buyer shall be entitled to possession on closing _____ (on closing, if not completed). Buyer shall accept possession subject to all tenancies disclosed to Buyer during the Feasibility Period.
- 12. **SELLER'S REPRESENTATIONS.** Except as disclosed to or known by Buyer prior to the satisfaction or waiver of the feasibility contingency stated in Section 5 above, including in the books, records and documents made available to Buyer, or in the title report or any supplemental report or documents referenced therein, Seller represents to Buyer that, to the best of Seller's actual knowledge, each of the following is true as of the date hereof: (a) Seller is authorized to enter into the Agreement, to sell the Property, and to perform its obligations under the Agreement; (b) The books, records, leases, agreements and other items delivered to Buyer pursuant to this Agreement comprise all material documents in Seller's possession or control regarding the operation and condition of the Property; (c) Seller has not received any written notices that the Property or the business conducted thereon violate any applicable laws, regulations, codes and ordinances; (d) Seller has all certificates of occupancy, permits, and other governmental consents necessary to own and operate the Property for its current use; (e) There is no pending or threatened litigation which would adversely affect the Property or Buyer's ownership thereof after Closing; (f) There is no pending or threatened condemnation or similar proceedings affecting the Property, and the Property is not within the boundaries of any planned or authorized local improvement district; (g) Seller has paid (except to the extent prorated at Closing) all local, state and federal taxes (other than real and personal property taxes and assessments described in Section 8 above) attributable to the period prior to closing which, if not paid, could constitute a lien on Property (including any personal property), or for which Buyer may be held liable after Closing; (h) Seller is not aware of any ~~concealed~~ material defects in the Property except as disclosed to Buyer in writing during the Feasibility Period; (i) There are no Hazardous Substances (as defined below) currently located in, on, or under the Property in a manner or quantity that presently violates any Environmental Law (as defined below); there are no underground storage tanks located on the Property; and there is no pending or threatened investigation or

Known

Known

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remedial action by any governmental agency regarding the release of Hazardous Substances or the violation of Environmental Law at the Property. As used herein, the term "Hazardous Substances" shall mean any substance or material now or hereafter defined or regulated as a hazardous substance, hazardous waste, toxic substance, pollutant, or contaminant under any federal, state, or local law, regulation, or ordinance governing any substance that could cause actual or suspected harm to human health or the environment ("Environmental Law"). The term "Hazardous Substances" specifically includes, but is not limited to, petroleum, petroleum by-products, and asbestos.

If prior to Closing Seller or Buyer discovers any information which would cause any of the representations above to be false if the same were deemed made as of the date of such discovery, then the party discovering the same shall promptly notify the other party in writing. If the newly-discovered information will result in costs or liability to Buyer in excess of the lesser of \$100,000 or five percent (5%) of the purchase price stated in this Agreement, or will materially adversely affect Buyer's intended use of the Property, then Buyer shall have the right to terminate the Agreement and receive a refund of its earnest money. Buyer shall give notice of termination within five (5) days of discovering or receiving written notice of the new information. Nothing in this paragraph shall prevent Buyer from pursuing its remedies against Seller if Seller had actual knowledge of the newly-discovered information such that a representation provided for above was false.

13. AS-IS. Except for those representations and warranties specifically included in this Agreement: (i) Seller makes no representations or warranties regarding the Property; (ii) Seller hereby disclaims, and Buyer hereby waives, any and all representations or warranties of any kind, express or implied, concerning the Property or any portion thereof, as to its condition, value, compliance with laws, status of permits or approvals, existence or absence of hazardous material on site, occupancy rate or any other matter of similar or dissimilar nature relating in any way to the Property, including the warranties of fitness for a particular purpose, tenantability, habitability and use; (iii) Buyer otherwise takes the Property "AS IS;" and (iv) Buyer represents and warrants to Seller that Buyer has sufficient experience and expertise such that it is reasonable for Buyer to rely on its own pre-closing inspections and investigations.

14. PERSONAL PROPERTY.

a. This sale includes all right, title and interest of Seller to the following tangible personal property: None That portion of the personal property located on and used in connection with the Property, which Seller will itemize in an Exhibit to be attached to this Agreement within ten (10) days of Mutual Acceptance (None, if not completed). The value assigned to the personal property shall be \$_____ (if not completed, the County-assessed value if available, and if not available, the fair market value determined by an appraiser selected by the Listing Broker and Selling Broker). Seller warrants title to, but not the condition of, the personal property and shall convey it by bill of sale.

b. In addition to the leases and Vendor Contracts assumed by Buyer pursuant to Section 5(a) above, this sale includes all right, title and interest of Seller to the following intangible property now or hereafter existing with respect to the Property including without limitation: all rights-of-way, rights of ingress or egress or other interests in, on, or to, any land, highway, street, road, or avenue, open or proposed, in, on, or across, in front of, abutting or adjoining the Property; all rights to utilities serving the Property; all drawings, plans, specifications and other architectural or engineering work product; all governmental permits, certificates, licenses, authorizations and approvals; all rights, claims, causes of action, and warranties under contracts with contractors, engineers, architects, consultants or other parties associated with the Property; all utility, security and other deposits and reserve accounts made as security for the fulfillment of any of Seller's obligations; any name of or telephone numbers for the Property and related trademarks, service marks or trade dress; and guaranties, warranties or other assurances of performance received.

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15. CONDEMNATION AND CASUALTY. Seller bears all risk of loss until Closing, and thereafter Buyer shall bear the risk of loss. Buyer may terminate this Agreement and obtain a refund of the earnest money if improvements on the Property are destroyed or materially damaged by casualty before Closing, or if condemnation proceedings are commenced against all or a portion of the Property before Closing. Damage will be considered material if the cost of repair exceeds the lesser of \$100,000 or five percent (5%) of the purchase price stated in this Agreement. Alternatively, Buyer may elect to proceed with closing, in which case, at Closing, Seller shall assign to Buyer all claims and right to proceeds under any property insurance policy and shall credit to Buyer at Closing the amount of any deductible provided for in the policy.

16. FIRPTA - TAX WITHHOLDING AT CLOSING. Closing Agent is instructed to prepare a certification (CBA or NWMLS Form 22E, or equivalent) that Seller is not a "foreign person" within the meaning of the Foreign Investment in Real Property Tax Act, and Seller shall sign it on or before Closing. If Seller is a foreign person, and this transaction is not otherwise exempt from FIRPTA, Closing Agent is instructed to withhold and pay the required amount to the Internal Revenue Service.

17. CONVEYANCE. Title shall be conveyed by a Statutory Warranty Deed subject only to the Permitted Exceptions. If this Agreement is for conveyance of Seller's vendee's interest in a Real Estate Contract, the Statutory Warranty Deed shall include a contract vendee's assignment sufficient to convey after acquired title. At Closing, Seller and Buyer shall execute and deliver to Closing Agent CBA Form No. PS-AS Assignment and Assumption Agreement transferring all leases and Vendor Contracts assumed by Buyer pursuant to Section 5(a) and all intangible property transferred pursuant to Section 14(b).

18. NOTICES AND COMPUTATION OF TIME. Unless otherwise specified, any notice required or permitted in, or related to, this Agreement (including revocations of offers and counteroffers) must be in writing. Notices to Seller must be signed by at least one Buyer and must be delivered to Seller and Listing Broker with a courtesy copy to any other party identified as a recipient of notices in Section 28. A notice to Seller shall be deemed delivered only when received by Seller, Listing Broker, or the licensed office of Listing Broker. Notices to Buyer must be signed by at least one Seller and must be delivered to Buyer, with a copy to Selling Broker and with a courtesy copy to any other party identified as a recipient of notices in Section 28. A notice to Buyer shall be deemed delivered only when received by Buyer, Selling Broker, or the licensed office of Selling Broker. Selling Broker and Listing Broker have no responsibility to advise of receipt of a notice beyond either phoning the represented party or causing a copy of the notice to be delivered to the party's address provided in this Agreement. Buyer and Seller shall keep Selling Broker and Listing Broker advised of their whereabouts in order to receive prompt notification of receipt of a notice. If any party is not represented by a licensee, then notices must be delivered to and shall be effective when received by that party at the address, fax number, or email indicated in Section 28.

Unless otherwise specified in this Agreement, any period of time in this Agreement shall mean Pacific Time and shall begin the day after the event starting the period and shall expire at 5:00 p.m. of the last calendar day of the specified period of time, unless the last day is a Saturday, Sunday or legal holiday as defined in RCW 1.16.050, in which case the specified period of time shall expire on the next day that is not a Saturday, Sunday or legal holiday. Any specified period of five (5) days or less shall not include Saturdays, Sundays or legal holidays. Notwithstanding the foregoing, references to specific dates or times or number of hours shall mean those dates, times or number of hours; provided, however, that if the Closing Date falls on a Saturday, Sunday, or legal holiday as defined in RCW 1.16.050, or a date when the county recording office is closed, then the Closing Date shall be the next regular business day.

INITIALS: BUYER _____ DATE _____ SELLER _____ DATE _____
BUYER _____ DATE _____ SELLER _____ DATE _____

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**COMMERCIAL & INVESTMENT REAL ESTATE
PURCHASE & SALE AGREEMENT
(CONTINUED)**

19. AGENCY DISCLOSURE. At the signing of this Agreement,

Selling Broker CBRE

Represented **Seller**

and the Listing Broker Hansen Real Estate, LLC

represented **Buyer**

Selling Firm, Selling Firm's Designated Broker, Selling Broker's Branch Manager (if any) and Selling Broker's Managing Broker (if any) represent the same party that Selling Broker represents. Listing Firm, Listing Firm's Designated Broker, Listing Broker's Branch Manager (if any), and Listing Broker's Managing Broker (if any) represent the same party that the Listing Broker represents. If Selling Broker and Listing Broker are different persons affiliated with the same Firm, then both Buyer and Seller confirm their consent to the Brokers' Designated Broker, Branch Manager (if any), and Managing Broker (if any) representing both parties as a dual agent. If Selling Broker and Listing Broker are the same person representing both parties, then both Buyer and Seller confirm their consent to that person and his/her Designated Broker, Branch Manager (if any), and Managing Broker (if any) representing both parties as dual agents. All parties acknowledge receipt of the pamphlet entitled "The Law of Real Estate Agency."

20. ASSIGNMENT. Buyer may may not (may not, if not completed) assign this Agreement, or Buyer's rights hereunder, without Seller's prior written consent, unless provided otherwise herein. If the "may not" option is selected and the words "and/or assigns" or similar words are used to identify the Buyer, then this Agreement may be assigned with notice to Seller but without Seller's consent only to an entity which is controlled by or under common control with the Buyer identified in this Agreement. Any other assignment requires Seller's consent. The party identified as the initial Buyer shall remain responsible for those obligations of Buyer stated in this Agreement notwithstanding any assignment and, if this Agreement provides for Seller to finance a portion of the purchase price, then the party identified as the initial Buyer shall guarantee payment of the Seller financing.

21. DEFAULT AND ATTORNEY'S FEE.

(a) Buyer's default. In the event Buyer fails, without legal excuse, to complete the purchase of the Property, then (*check one*):

Seller may terminate this Agreement and keep the earnest money as liquidated damages as the sole and exclusive remedy available to Seller for such failure; or

Seller may, at its option, (a) terminate this Agreement and keep as liquidated damages the earnest money as the sole and exclusive remedy available to Seller for such failure, (b) bring suit against Buyer for Seller's actual damages, (c) bring suit to specifically enforce this Agreement and recover any incidental damages, or (d) pursue any other rights or remedies available at law or equity.

(b) Seller's default. In the event Seller fails, without legal excuse, to complete the sale of the Property, then (*check one*):

As Buyer's sole remedy, Buyer may either (a) terminate this Agreement and recover all earnest money or fees paid by Buyer whether or not the same are identified as refundable or applicable to the purchase price; or (b) bring suit to specifically enforce this Agreement and recover incidental damages, provided, however, Buyer must file suit within sixty (60) days from the scheduled date of closing or from the date Seller has informed Buyer in writing that Seller will not proceed with closing, whichever is earlier; or

Buyer may, at its option, (a) bring suit against Seller for Buyer's actual damages, (b) bring suit to specifically enforce this Agreement and recover any incidental damages, or (c) pursue any other rights or remedies available at law or equity.

INITIALS: BUYER _____ DATE _____ SELLER _____ DATE _____

BUYER _____ DATE _____ SELLER _____ DATE _____

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**COMMERCIAL & INVESTMENT REAL ESTATE
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(CONTINUED)**

Neither Buyer nor Seller may recover consequential damages such as lost profits. If Buyer or Seller institutes suit against the other concerning this Agreement, the prevailing party is entitled to reasonable attorneys' fees and expenses. In the event of trial, the amount of the attorney's fee shall be fixed by the court. The venue of any suit shall be the county in which the Property is located, and this Agreement shall be governed by the laws of the state where the Property is located.

22. MISCELLANEOUS PROVISIONS.

a. Complete Agreement. This Agreement and any addenda and exhibits thereto state the entire understanding of Buyer and Seller regarding the sale of the Property. There are no verbal or other written agreements which modify or affect the Agreement.

b. Counterpart Signatures. This Agreement may be signed in counterpart, each signed counterpart shall be deemed an original, and all counterparts together shall constitute one and the same agreement.

c. Electronic Delivery. Electronic delivery of documents (e.g., transmission by facsimile or email) including signed offers or counteroffers and notices shall be legally sufficient to bind the party the same as delivery of an original. At the request of either party, or the Closing Agent, the parties will replace electronically delivered offers or counteroffers with original documents.

d. Section 1031 Like-Kind Exchange. If either Buyer or Seller intends for this transaction to be a part of a Section 1031 like-kind exchange, then the other party agrees to cooperate in the completion of the like-kind exchange so long as the cooperating party incurs no additional liability in doing so, and so long as any expenses (including attorneys fees and costs) incurred by the cooperating party that are related only to the exchange are paid or reimbursed to the cooperating party at or prior to Closing. Notwithstanding Section 20 above, any party completing a Section 1031 like-kind exchange may assign this Agreement to its qualified intermediary or any entity set up for the purposes of completing a reverse exchange.

23. ACCEPTANCE; COUNTEROFFERS. Seller has until midnight of _____ (if not filled in, the third business day) following the day Buyer delivers the offer to accept this offer, unless sooner withdrawn. If this offer is not timely accepted, it shall lapse and the earnest money shall be refunded to Buyer. If either party makes a future counteroffer, the other party shall have until 5:00 p.m. on the _____ business day (if not filled in, the second business day) following receipt to accept the counteroffer, unless sooner withdrawn. If the counteroffer is not timely accepted or countered, this Agreement shall lapse and the earnest money shall be refunded to the Buyer. No acceptance, offer or counteroffer from the Buyer is effective until a signed copy is received by the Seller, the Listing Broker or the licensed office of the Listing Broker. No acceptance, offer or counteroffer from the Seller is effective until a signed copy is received by the Buyer, the Selling Broker or the licensed office of the Selling Broker. "Mutual Acceptance" shall occur when the last counteroffer is signed by the offeree, and the fully-signed counteroffer has been received by the offeror, his or her broker, or the licensed office of the broker. If any party is not represented by a broker, then notices must be delivered to and shall be effective when received by that party.

24. INFORMATION TRANSFER. In the event this Agreement is terminated, Buyer agrees to deliver to Seller within ten (10) days of Seller's written request copies of all materials received from Seller and any non-privileged plans, studies, reports, inspections, appraisals, surveys, drawings, permits, applications or other development work product relating to the Property in Buyer's possession or control as of the date this Agreement is terminated.

INITIALS: BUYER _____ DATE _____ SELLER _____ DATE _____
BUYER _____ DATE _____ SELLER _____ DATE _____

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**COMMERCIAL & INVESTMENT REAL ESTATE
PURCHASE & SALE AGREEMENT
(CONTINUED)**

25. CONFIDENTIALITY. Until and unless closing has been consummated, Buyer and Seller shall follow reasonable measures to prevent unnecessary disclosure of information obtained in connection with the negotiation and performance of this Agreement. Neither party shall use or knowingly permit the use of any such information in any manner detrimental to the other party.

26. SELLER'S ACCEPTANCE AND BROKERAGE AGREEMENT. Seller agrees to sell the Property on the terms and conditions herein, and further agrees to pay a commission in a total amount computed in accordance with the listing or commission agreement. If there is no written listing or commission agreement, Seller agrees to pay a commission of 4.000 % of the sales price or \$. The commission shall be apportioned between Listing Firm and Selling Firm as specified in the listing or any co-brokerage agreement. If there is no listing or written co-brokerage agreement, then Listing Firm shall pay to Selling Firm a commission of 2.000 % of the sales price or \$. Seller assigns to Listing Firm and Selling Firm a portion of the sales proceeds equal to the commission. If the earnest money is retained as liquidated damages, any costs advanced or committed by Listing Firm or Selling Firm for Buyer or Seller shall be reimbursed or paid therefrom, and the balance shall be paid one-half to Seller and one-half to Listing Firm and Selling Firm according to the listing agreement and any co-brokerage agreement. In any action by Listing Firm or Selling Firm to enforce this Section, the prevailing party is entitled to reasonable attorneys' fees and expenses. Neither Listing Firm nor Selling Firm are receiving compensation from more than one party to this transaction unless disclosed on an attached addendum, in which case Buyer and Seller consent to such compensation. The Property described in attached Exhibit A is commercial real estate. Notwithstanding Section 25 above, the pages containing this Section, the parties' signatures and an attachment describing the Property may be recorded.

27. LISTING BROKER AND SELLING BROKER DISCLOSURE. EXCEPT AS OTHERWISE DISCLOSED IN WRITING TO BUYER OR SELLER, THE SELLING BROKER, LISTING BROKER, AND FIRMS HAVE NOT MADE ANY REPRESENTATIONS OR WARRANTIES OR CONDUCTED ANY INDEPENDENT INVESTIGATION CONCERNING THE LEGAL EFFECT OF THIS AGREEMENT, BUYER'S OR SELLER'S FINANCIAL STRENGTH, BOOKS, RECORDS, REPORTS, STUDIES, OR OPERATING STATEMENTS; THE CONDITION OF THE PROPERTY OR ITS IMPROVEMENTS; THE FITNESS OF THE PROPERTY FOR BUYER'S INTENDED USE; OR OTHER MATTERS RELATING TO THE PROPERTY, INCLUDING WITHOUT LIMITATION, THE PROPERTY'S ZONING, BOUNDARIES, AREA, COMPLIANCE WITH APPLICABLE LAWS (INCLUDING LAWS REGARDING ACCESSIBILITY FOR DISABLED PERSONS), OR HAZARDOUS OR TOXIC MATERIALS INCLUDING MOLD OR OTHER ALLERGENS. SELLER AND BUYER ARE EACH ADVISED TO ENGAGE QUALIFIED EXPERTS TO ASSIST WITH THESE DUE DILIGENCE AND FEASIBILITY MATTERS, AND ARE FURTHER ADVISED TO SEEK INDEPENDENT LEGAL AND TAX ADVICE RELATED TO THIS AGREEMENT.

INITIALS: BUYER _____ DATE _____ SELLER _____ DATE _____
BUYER _____ DATE _____ SELLER _____ DATE _____

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**COMMERCIAL & INVESTMENT REAL ESTATE
PURCHASE & SALE AGREEMENT**

28. IDENTIFICATION OF THE PARTIES. The following is the contact information for the parties involved in this Agreement:

Buyer

Contact: Lincoln Popp and/or Assigns
Address: _____
Business Phone: _____
Mobile Phone: (425)445-2535
Fax: _____
Email: lincolnpopp@hotmail.com

Selling Firm

Name: Hansen Real Estate, LLC
Assumed Name (if applicable): _____
Selling Broker: Eric Hansen
Address: 5712 E. Lk Samm Pkwy SE, #100
Issaquah, WA 98029
Business Phone: _____
Mobile Phone: (206)604-7941
Email: eric@hansencre.com
Fax: (206)284-2733
CBA Office No.: 904300

Licensed Office of Selling Broker

Address: same as above
Business Phone: _____
Fax: _____
Email: _____
CBA Office No.: _____

Courtesy Copy of Notices to Buyer to:

Name: _____
Address: _____
Business Phone: _____
Mobile Phone: _____
Fax: _____
Email: _____

Seller

Contact: _____
Address: _____
Business Phone: _____
Mobile Phone: _____
Fax: _____
Email: _____

Listing Firm

Name: _____
Assumed Name (if applicable): _____
Listing Broker: _____
Address: _____
Business Phone: _____
Mobile Phone: _____
Email: _____
Fax: _____
CBA Office No.: _____

Licensed Office of Listing Broker

Address: _____
Business Phone: _____
Fax: _____
Email: _____
CBA Office No.: _____

Courtesy Copy of Notices to Seller to:

Name: _____
Address: _____
Business Phone: _____
Mobile Phone: _____
Fax: _____
Email: _____

INITIALS: BUYER _____ DATE _____ SELLER _____ DATE _____
BUYER _____ DATE _____ SELLER _____ DATE _____

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**COMMERCIAL & INVESTMENT REAL ESTATE
PURCHASE & SALE AGREEMENT
(CONTINUED)**

IN WITNESS WHEREOF, the parties have signed this Agreement intending to be bound.

Buyer _____
Printed name and type of entity

Buyer _____
Printed name and type of entity

Buyer _____
Signature and title

Buyer _____
Signature and title

Date signed _____

Date signed _____

Seller _____
Printed name and type of entity

Seller _____
Printed name and type of entity

Seller _____
Signature and title

Seller _____
Signature and title

Date signed _____

Date signed _____

INITIALS: BUYER _____ DATE _____ SELLER _____ DATE _____

BUYER _____ DATE _____ SELLER _____ DATE _____

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**COMMERCIAL & INVESTMENT REAL ESTATE
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(CONTINUED)**

EXHIBIT A*
[Legal Description]

[Lined area for legal description]

* To ensure accuracy in the legal description, consider substituting the legal description contained in the preliminary commitment for title insurance or a copy of the Property's last vesting deed for this page. Do not neglect to label the substitution "Exhibit A." You should avoid transcribing the legal description because any error in transcription may render the legal description inaccurate and this Agreement void and unenforceable.

INITIALS: BUYER _____ DATE _____ SELLER _____ DATE _____
BUYER _____ DATE _____ SELLER _____ DATE _____



CBRE, Inc.
10885 NE 4th Street, Suite 500
Bellevue, WA 98004
Phone: (425) 455-8500
Fax: (425) 462-6966

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**COMMERCIAL & INVESTMENT REAL ESTATE
PURCHASE & SALE AGREEMENT
(CONTINUED)**

EXHIBIT A *

[Legal Description]

**LOTS 8, 9, 10 AND 11, BLOCK 7, TOWN OF KIRKLAND, ACCORDING TO THE PLAT
THEREOF RECORDED IN VOLUME 6 OF PLATS, PAGE(S) 53, RECORDS OF KING
COUNTY, WASHINGTON,**

EXCEPT THE SOUTH 1 8 FEET OF LOT 8

SUBJECT TO: MATTERS OF PUBLIC RECORD

Assessor's Property Tax Parcel/Account Number 388580-0190-07

* To ensure accuracy in the legal description, consider substituting the legal description contained in the preliminary commitment for title insurance or a copy of the Property's last vesting deed for this page. Do not neglect to label the substitution "Exhibit A." You should avoid transcribing the legal description because any error in transcription may render the legal description inaccurate and this Agreement unenforceable.

INITIALS: Buyer _____ Date _____ Seller _____ Date _____
Buyer _____ Date _____ Seller _____ Date _____

*Also need
- Legal description
- Form 19
- FICA
- other disclosures*

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CBA Form No. LA
Addendum/Amendment to Leases
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1st ADDENDUM/AMENDMENT TO
CBA LEASES *PSA*

The following is part of the Commercial Lease Agreement dated September 6, 2016,
Between City of Kirkland ("Landlord")
And Lincoln Popp and/or Assigns ("Tenant")
regarding the lease of the property known as tpn: 388580-0190; 505 Market Street, Kirkland, 98033
(the "Premises").

IT IS AGREED BETWEEN THE LANDLORD AND TENANT AS FOLLOWS:

Landlord and Tenant agree that the lease shall commence on the closing date of the Purchase and Sale Agreement dated between City of Kirkland as Seller and Lincoln Popp and/or Assigns as Buyer.

The lease term shall continue on a month to month basis. Tenant shall have the right to terminate this lease prior to 2/28/17 by providing Landlord with 30 days prior written notice. Landlord and Tenant will have the right to terminate with 30 days prior written notice with termination being effective on or after 2/28/17.

AGENT (COMPANY): _____ By: _____

ALL OTHER TERMS AND CONDITIONS of said Agreement remain unchanged.

INITIALS:
Tenant/Lessee _____ DATE _____ Landlord/Lessor _____ DATE _____
Tenant/Lessee _____ DATE _____ Landlord/Lessor _____ DATE _____

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CBA Form ST-NNN
Single Tenant NNN Lease
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LEASE AGREEMENT
(Single Tenant for Entire Parcel - NNN)

THIS LEASE AGREEMENT (the "Lease") is entered into and effective as of September 6, 2016 (date),
between City of Kirkland ("Landlord"),
and Lincoln Popp and/or Assigns (Tenant).
Landlord and Tenant agree as follows:

1. LEASE SUMMARY.

a. **Leased Premises.** The leased commercial real estate (the "Premises") consists of the real property legally described on attached Exhibit A, and all improvements thereon, and commonly described as 6354sf located at 505 Market Street, Kirkland, WA 98033

b. **Lease Commencement Date.** The term of this Lease shall be for a period of mo/mo months and shall commence on see addendum or such earlier or later date as provided in Section 3 (the "Commencement Date").

c. **Lease Termination Date.** The term of this Lease shall terminate at midnight on see addendum or such earlier or later date as provided in Section 3 (the "Termination Date"). Tenant shall have no right or option to extend this Lease, unless otherwise set forth in a rider attached to this Lease (e.g., Option to Extend Rider, CBA Form OR).

d. **Base Rent.** The base monthly rent shall be (check one): \$ _____, or according to the Rent Rider attached hereto ("Base Rent"). Rent shall be payable at Landlord's address shown in Section 1(h) below, or such other place designated in writing by Landlord.

e. **Prepaid Rent.** Upon execution of this Lease, Tenant shall deliver to Landlord the sum of \$ _____ as prepaid rent, to be applied to the Rent due for the months _____ through _____ of the Lease.

f. **Security Deposit.** Upon execution of this Lease, Tenant shall deliver to Landlord the sum of \$ _____ to be held as a security deposit pursuant to Section 5 below. The security deposit shall be in the form of (check one): cash, or letter of credit according to the Letter of Credit Rider (CBA Form LCR) attached hereto.

g. **Permitted Use.** The Premises shall be used only for professional office

and for no other purpose without the prior written consent of Landlord (the "Permitted Use").

h. Notice and Payment Addresses.

Landlord: City of Kirkland

Fax No.: _____
Email: _____

Tenant: Lincoln Popp and/or Assigns

Fax No.: _____
Email: _____

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LEASE AGREEMENT
(Single Tenant for Entire Parcel - NNN)
(Continued)

2. PREMISES.

a. **Lease of Premises.** Landlord leases to Tenant, and Tenant leases from Landlord the Premises upon the terms specified in this Lease.

b. **Acceptance of Premises.** ~~Except as specified elsewhere in this Lease, Landlord makes no representations or warranties to Tenant regarding the Premises, including the structural condition of the Premises or the condition of all mechanical, electrical, and other systems on the Premises. Except for any tenant improvements to be completed by Landlord as described on attached Exhibit B (the "Landlord's Work"), Tenant shall be responsible for performing any work necessary to bring the Premises into a condition satisfactory to Tenant. By signing this Lease, Tenant acknowledges that it has had an adequate opportunity to investigate the Premises; acknowledges responsibility for making any corrections, alterations and repairs to the Premises (other than the Landlord's Work); and acknowledges that the time needed to complete any such items shall not delay the Commencement Date.~~

c. **Tenant Improvements.** ~~Attached Exhibit B sets forth all Tenant's Work, if any, and all tenant improvements to be completed by Tenant (the "Tenant's Work"), if any, that will be performed on the Premises. Responsibility for design, payment and performance of all such work shall be as set forth on attached Exhibit B. If Tenant fails to notify Landlord of any defects in the Landlord's Work within thirty (30) days of delivery of possession to Tenant, Tenant shall be deemed to have accepted the Premises in their then condition. If Tenant discovers any major defects in the Landlord's Work during this 30-day period that would prevent Tenant from using the Premises for the Permitted Use, Tenant shall notify Landlord in writing and the Commencement Date shall be delayed until after Landlord has notified Tenant that Landlord has corrected the major defects and Tenant has had five (5) days to inspect and approve the Premises. The Commencement Date shall not be delayed if Tenant's inspection reveals minor defects in the Landlord's Work that will not prevent Tenant from using the Premises for the Permitted Use. Tenant shall prepare a punch list of all minor defects in Landlord's Work and provide the punch list to Landlord, which Landlord shall promptly correct.~~

3. **TERM.** The term of this Lease shall commence on the Commencement Date specified in Section 1, ~~or on such earlier or later date as may be specified by notice delivered by Landlord to Tenant advising Tenant that the Premises are ready for possession and specifying the Commencement Date, which shall not be less than _____ days (thirty (30) days if not filled in) following the date of such notice.~~

a. **Early Possession.** If Landlord permits Tenant to possess or occupy the Premises prior to the Commencement Date specified in Section 1, then such early occupancy shall not advance the Commencement Date or the Termination Date set forth in Section 1, but otherwise all terms and conditions of this Lease shall nevertheless apply during the period of early occupancy before the Commencement Date.

b. **Delayed Possession.** Landlord shall act diligently to make the Premises available to Tenant; provided, however, neither Landlord nor any agent or employee of Landlord shall be liable for any damage or loss due to Landlord's inability or failure to deliver possession of the Premises to Tenant as provided in this Lease. If possession is delayed, the Commencement Date set forth in Section 1 shall also be delayed. In addition, the Termination Date set forth in Section 1 shall be modified so that the length of the Lease term remains the same. If Landlord does not deliver possession of the Premises to Tenant within _____ days (sixty (60) days if not filled in) after the Commencement Date specified in Section 1, Tenant may elect to cancel this Lease by giving written notice to Landlord within ten (10) days after such time period ends. If Tenant gives such notice of cancellation, the Lease shall be cancelled, all prepaid rent and security deposits shall be refunded to Tenant, and neither Landlord nor Tenant shall have any further obligations to the other.

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CBA Form ST-NNN
Single Tenant NNN Lease
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LEASE AGREEMENT
(Single Tenant for Entire Parcel - NNN)

The first "lease year" shall commence on the Commencement Date and shall end on the date which is twelve (12) months from the end of the month in which the Commencement Date occurs. Each successive lease year during the initial term and any extension terms shall be twelve (12) months, commencing on the first day following the end of the preceding Lease Year. To the extent that the tenant improvements are not completed in time for the Tenant to occupy or take possession of the Premises on the Commencement Date due to the failure of Tenant to fulfill any of its obligations under this Lease, the Lease shall nevertheless commence on the Commencement Date set forth in Section 1.

4. RENT.

a. Payment of Rent. Tenant shall pay Landlord without notice, demand, deduction, or offset, in lawful money of the United States, the monthly Base Rent stated in Section 1 in advance on or before the first day of each month during the Lease term beginning on (check one): the Commencement Date, or _____ (if no date specified, then on the Commencement Date), and shall also pay any other additional payments due to Landlord ("Additional Rent"), including Operating Costs (collectively the "Rent") when required under this Lease. Payments for any partial month at the beginning or end of the Lease shall be prorated. All payments due to Landlord under this Lease, including late fees and interest, shall also constitute Additional Rent, and upon failure of Tenant to pay any such costs, charges or expenses, Landlord shall have the same rights and remedies as otherwise provided in this Lease for the failure of Tenant to pay rent.

b. Triple Net Lease. This Lease is what is commonly called a "Net, Net, Net" or "triple-net" Lease, which means that, except as otherwise expressly provided herein, Landlord shall receive all Base Rent free and clear of any and all other impositions, taxes, liens, charges or expenses of any nature whatsoever in connection with the ownership and operation of the Premises. In addition to Base Rent, Tenant shall pay to the parties respectively entitled thereto, or satisfy directly, all Additional Rent and other impositions, insurance premiums, repair and maintenance charges, and any other charges, costs, obligations, liabilities, requirements, and expenses,, which arise with regard to the Premises or may be contemplated under any other provision of the Lease during its term, except for costs and expenses expressly made the obligation of Landlord in this Lease.

c. Late Charges; Default Interest. If any sums payable by Tenant to Landlord under this Lease are not received within five (5) business days after their due date, Tenant shall pay Landlord an amount equal to the greater of \$100 or five percent (5%) of the delinquent amount for the cost of collecting and handling such late payment in addition to the amount due and as Additional Rent. All delinquent sums payable by Tenant to Landlord and not paid within five (5) business days after their due date shall, at Landlord's option, bear interest at the rate of fifteen percent (15%) per annum, or the highest rate of interest allowable by law, whichever is less (the "Default Rate"). Interest on all delinquent amounts shall be calculated from the original due date to the date of payment.

d. Less Than Full Payment. Landlord's acceptance of less than the full amount of any payment due from Tenant shall not be deemed an accord and satisfaction or compromise of such payment unless Landlord specifically consents in writing to payment of such lesser sum as an accord and satisfaction or compromise of the amount which Landlord claims. Any portion that remains to be paid by Tenant shall be subject to the late charges and default interest provisions of this Section 4.

5. SECURITY DEPOSIT. Upon execution of this Lease, Tenant shall deliver to Landlord the security deposit specified in Section 1 above. Landlord's obligations with respect to the security deposit are those of a debtor and not of a trustee, and Landlord may commingle the security deposit with its other funds. If Tenant breaches any covenant or condition of this Lease, including but not limited to the payment of Rent, Landlord may apply all or any part of the security deposit to the payment of any sum in default and any damage suffered

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by Landlord as a result of Tenant's breach. Tenant acknowledges, however, that the security deposit shall not be considered as a measure of Tenant's damages in case of default by Tenant, and any payment to Landlord from the security deposit shall not be construed as a payment of liquidated damages for Tenant's default. If Landlord applies the security deposit as contemplated by this Section, Tenant shall, within five (5) days after written demand therefore by Landlord, deposit with Landlord the amount so applied. If Tenant complies with all of the covenants and conditions of this Lease throughout the Lease term, the security deposit shall be repaid to Tenant without interest within thirty (30) days after the surrender of the Premises by Tenant in the condition required hereunder by Section 11 of this Lease.

6. **USES.** The Premises shall be used only for the Permitted Use specified in Section 1 above, and for no other business or purpose without the prior written consent of Landlord. No act shall be done on or around the Premises that is unlawful or that will increase the existing rate of insurance on the Premises, or cause the cancellation of any insurance on the Premises. Tenant shall not commit or allow to be committed any waste upon the Premises, or any public or private nuisance. Tenant shall not do or permit anything to be done on the Premises which will obstruct or interfere with the rights of other tenants or occupants of the Premises, or their employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees or to injure or annoy such persons.
7. **COMPLIANCE WITH LAWS.** Tenant shall not cause or permit the Premises to be used in any way which violates any law, ordinance, or governmental regulation or order. Landlord represents to Tenant that, as of the Commencement Date, to Landlord's knowledge, but without duty of investigation, and with the exception of any Tenant's Work, the Premises comply with all applicable laws, rules, regulations, or orders, including without limitation, the Americans With Disabilities Act, if applicable, and Landlord shall be responsible to promptly cure at its sole cost any noncompliance which existed on the Commencement Date. Tenant shall be responsible for complying with all laws applicable to the Premises as a result of the Permitted Use, and Tenant shall be responsible for making any changes or alterations as may be required by law, rule, regulation, or order for Tenant's Permitted Use at its sole cost and expense. Otherwise, if changes or alterations are required by rule, law, regulation, or order unrelated to the Permitted Use, Landlord shall make changes and alterations at its expense.
8. **UTILITIES.** Landlord shall not be responsible for providing any utilities to the Premises and shall not be liable for any loss, injury or damage to person or property caused by or resulting from any variation, interruption, or failure of utilities due to any cause whatsoever, and rent shall not abate as a result thereof, except to the extent due to the intentional misconduct or gross negligence of Landlord. Tenant shall be responsible for determining whether available utilities and their capacities will meet Tenant's needs. Tenant shall install and connect, if necessary, and directly pay for all water, sewer, gas, janitorial, electricity, garbage removal, heat, telephone, and other utilities and services used by Tenant on the Premises during the term, whether or not such services are billed directly to Tenant. Tenant will also procure, or cause to be procured, without cost to Landlord, all necessary permits, licenses or other authorizations required for the lawful and proper installation, maintenance, replacement, and removal on or from the Premises of wires, pipes, conduits, tubes, and other equipment and appliances for use in supplying all utilities or services to the Premises. Landlord, upon request of Tenant, and at the sole expense and liability of Tenant, shall join with Tenant in any reasonable applications required for obtaining or continuing such utilities or services.
9. **TAXES.** Tenant shall pay all Taxes (defined below) applicable to the Premises during the Lease term. All payments for Taxes shall be made at least ten (10) days prior to their due date. Tenant shall promptly furnish Landlord with satisfactory evidence that Taxes have been paid. If any Taxes paid by Tenant cover any period of time before or after the expiration of the term, Tenant's share of those Taxes paid will be prorated to cover only the period of time within the tax fiscal year during which this Lease was in effect, and Landlord shall

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promptly reimburse or credit Tenant to the extent required. If Tenant fails to timely pay any Taxes, Landlord may pay them, and Tenant shall repay such amount to Landlord upon demand. Landlord may also elect to pay all such Taxes directly to the appropriate taxing authority/ies and receive reimbursement thereof from Tenant within ten (10) days after invoice, either of the full amount paid or at Landlord's election in equal monthly installments.

The term "Taxes" shall mean: (i) any form of tax or assessment imposed on the Premises by any authority, including any city, county, state or federal government, or any improvement district, as against any legal or equitable interest of Landlord or Tenant in the Premises or in the real property of which the Premises are a part, or against rent paid for leasing the Premises; and (ii) any form of personal property tax or assessment imposed on any personal property, fixtures, furniture, tenant improvements, equipment, inventory, or other items, and all replacements, improvements, and additions to them, located on the Premises, whether owned by Landlord or Tenant. "Taxes" shall exclude any net income tax imposed on Landlord for income that Landlord receives under this Lease.

Tenant may, upon reasonable prior notice to Landlord, contest the amount or validity, in whole or in part, of any Taxes at its sole expense, only after paying such Taxes or posting such security as Landlord may reasonably require in order to protect the Premises against loss or forfeiture. Upon the termination of any such proceedings, Tenant shall pay the amount of such Taxes or part of such Taxes as finally determined, together with any costs, fees, interest penalties, or other related liabilities. Landlord shall reasonably cooperate with Tenant in contesting any Taxes, provided Landlord incurs no expense or liability in doing so.

10. ALTERATIONS. Tenant may make alterations, additions or improvements to the Premises, including any Tenant Work identified on attached Exhibit C (the "Alterations"), only with the prior written consent of Landlord, which, with respect to Alterations not affecting the structural components of the Premises or utility systems therein, shall not be unreasonably withheld, conditioned, or delayed. Landlord shall have thirty (30) days in which to respond to Tenant's request for any Alterations so long as such request includes the name of Tenant's contractors and reasonably detailed plans and specifications therefore. The term "Alterations" shall not include the installation of shelves, movable partitions, Tenant's equipment, and trade fixtures that may be performed without damaging existing improvements or the structural integrity of the Premises and Landlord's consent shall not be required for Tenant's installation or removal of those items. Tenant shall perform all work at Tenant's expense and in compliance with all applicable laws and shall complete all Alterations in accordance with plans and specifications approved by Landlord, using contractors approved by Landlord. Tenant shall pay, when due, or furnish a bond for payment (as set forth in Section 18) all claims for labor or materials furnished to or for Tenant at or for use in the Premises, which claims are or may be secured by any mechanics' or materialmen's liens against the Premises or any interest therein. Tenant shall remove all Alterations at the end of the Lease term unless Landlord conditioned its consent upon Tenant leaving a specified Alteration at the Premises, in which case Tenant shall not remove such Alteration, and it shall become Landlord's property. Tenant shall immediately repair any damage to the Premises caused by removal of Alterations.

11. REPAIRS AND MAINTENANCE; SURRENDER. Tenant shall, at its sole expense, maintain the entire Premises including without limitation the roof surface and normal repairs and maintenance to all heating, ventilation, and air conditioning ("HVAC") equipment at the Premises, in good condition and promptly make all repairs and replacements, whether structural or non-structural, necessary to keep the Premises in safe operating condition, including all utilities and other systems serving the Premises, ~~but excluding the roof structure, subfloor, foundation, exterior walls, and capital repairs and replacements to the HVAC system (collectively, "Landlord's Repair Items"), which Landlord shall maintain in good condition and repair at Landlord's expense, provided that Tenant shall not damage any Landlord's Repair Items and shall promptly repair any damage or injury done thereto caused by Tenant or its employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees.~~ Notwithstanding anything in

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this Section to the contrary, Tenant shall not be responsible for any repairs to the Premises made necessary by the negligence or willful misconduct of Landlord or its employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees therein. If Tenant fails to perform Tenant's obligations under this Section, Landlord may at Landlord's option enter upon the Premises after ten (10) days' prior notice to Tenant and put the same in good order, condition and repair and the cost thereof together with interest thereon at the default rate set forth in Section 4 shall be due and payable as Additional Rent to Landlord together with Tenant's next installment of Base Rent. Upon expiration of the Lease term, whether by lapse of time or otherwise, Tenant shall promptly and peacefully surrender the Premises, together with all keys, to Landlord in as good condition as when received by Tenant from Landlord or as thereafter improved, reasonable wear and tear and insured casualty excepted.

12. ACCESS AND RIGHT OF ENTRY. After twenty-four (24) hours' notice from Landlord (except in cases of emergency, when no notice shall be required), Tenant shall permit Landlord and its agents, employees and contractors to enter the Premises at all reasonable times to make repairs, inspections, alterations or improvements, provided that Landlord shall use reasonable efforts to minimize interference with Tenant's use and enjoyment of the Premises. This Section shall not impose any repair or other obligation upon Landlord not expressly stated elsewhere in this Lease. After reasonable notice to Tenant, Landlord shall have the right to enter the Premises for the purpose of (a) showing the Premises to prospective purchasers or lenders at any time, and to prospective tenants within one hundred eighty (180) days prior to the expiration or sooner termination of the Lease term; and, (b) for posting "for lease" signs within one hundred eighty (180) days prior to the expiration or sooner termination of the Lease term.

13. SIGNAGE. Tenant shall obtain Landlord's written consent as to size, location, materials, method of attachment, and appearance, before installing any signs upon the Premises. Tenant shall install any approved signage at Tenant's sole expense and in compliance with all applicable laws. Tenant shall not damage or deface the Premises in installing or removing signage and shall repair any injury or damage to the Premises caused by such installation or removal.

14. DESTRUCTION OR CONDEMNATION.

a. Damage and Repair. ~~If the Premises are partially damaged but not rendered untenable, by fire or other insured casualty, then Landlord shall diligently restore the Premises to the extent required below and this Lease shall not terminate. The Premises shall not be deemed untenable if twenty five percent (25%) or less of the Premises are damaged. Landlord shall have no obligation to restore the Premises if insurance proceeds are not available to pay the entire cost of such restoration. If insurance proceeds are available to Landlord but are not sufficient to pay the entire cost of restoring the Premises, or if Landlord's lender shall not permit all or any part of the insurance proceeds to be applied toward restoration, then Landlord may elect to terminate this Lease and keep the insurance proceeds, by notifying Tenant within sixty (60) days of the date of such casualty.~~

If the Premises are entirely destroyed, or partially damaged and rendered untenable, by fire or other casualty, Landlord may, at its option: (a) terminate this Lease as provided herein, or (b) restore the Premises to their previous condition to the extent required below; provided, however, if such casualty event occurs during the last six (6) months of the Lease term (after considering any option to extend the term timely exercised by Tenant) then either Tenant or Landlord may elect to terminate the Lease. ~~If, within sixty (60) days after receipt by Landlord from Tenant of written notice that Tenant deems the Premises untenable, Landlord fails to notify Tenant of its election to restore the Premises, or if Landlord is unable to restore the Premises within six (6) months of the date of the casualty event, then Tenant may elect to terminate the Lease upon twenty (20) days' written notice to Landlord unless Landlord, within such twenty (20) day period, notifies Tenant that it will in fact restore the Premises or actually completes such restoration work to the extent required below, as applicable.~~

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~~If Landlord restores the Premises under this Section 14, Landlord shall proceed with reasonable diligence to complete the work, and the base monthly rent shall be abated in the same proportion as the untenable portion of the Premises bears to the whole Premises, provided that there shall be a rent abatement only if the damage or destruction of the Premises did not result from, or was not contributed to directly or indirectly by the act, fault or neglect of Tenant, or Tenant's employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees. No damages, compensation or claim shall be payable by Landlord for inconvenience, loss of business or annoyance directly, incidentally or consequentially arising from any repair or restoration of any portion of the Premises. Landlord shall have no obligation to carry insurance of any kind for the protection of Tenant or any alterations or improvements paid for by Tenant; any Tenant Improvements identified in Exhibit B (regardless of who may have completed them); Tenant's furniture; or on any fixtures, equipment, improvements or appurtenances of Tenant under this Lease; and Landlord's restoration obligations hereunder shall not include any obligation to repair any damage thereto or replace the same.~~

b. Condemnation. If the Premises are made untenable by eminent domain, or conveyed under a threat of condemnation, this Lease shall automatically terminate as of the earlier of the date title vests in the condemning authority or the condemning authority first has possession of the Premises and all Rents and other payments shall be paid to that date. If the condemning authority takes a portion of the Premises that does not render the Premises untenable, then this Lease shall continue in full force and effect and the base monthly rent shall be equitably reduced based on the proportion by which the floor area of any structures is reduced. The reduction in Rent shall be effective on the earlier of the date the condemning authority first has possession of such portion or title vests in the condemning authority. Landlord shall be entitled to the entire award from the condemning authority attributable to the value of the Premises and Tenant shall make no claim for the value of its leasehold. Tenant shall be permitted to make a separate claim against the condemning authority for moving expenses, provided that in no event shall Tenant's claim reduce Landlord's award.

15. INSURANCE.

a. Tenant's Liability Insurance. During the Lease term, Tenant shall pay for and maintain commercial general liability insurance with broad form property damage and contractual liability endorsements. This policy shall name Landlord, its property manager (if any), and other parties designated by Landlord as additional insureds using an endorsement form acceptable to Landlord, and shall insure Tenant's activities and those of Tenant's employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees with respect to the Premises against loss, damage or liability for personal injury or bodily injury (including death) or loss or damage to property with a combined single limit of not less than \$2,000,000, and a deductible of not more than \$10,000. Tenant's insurance will be primary and noncontributory with any liability insurance carried by Landlord. Landlord may also require Tenant to obtain and maintain business income coverage for at least six (6) months, business auto liability coverage, and, if applicable to Tenant's Permitted Use, liquor liability insurance and/or warehouseman's coverage.

b. Tenant's Property Insurance. During the Lease term, Tenant shall pay for and maintain special form clauses of loss coverage property insurance (with coverage for earthquake if required by Landlord's lender and, if the Premises are situated in a flood plain, flood damage) for all of Tenant's personal property, fixtures and equipment in the amount of their full replacement value, with a deductible of not more than \$10,000.

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c. Miscellaneous. Tenant's insurance required under this Section shall be with companies rated A-/VII or better in Best's Insurance Guide, and which are admitted in the state in which the Premises are located. No insurance policy shall be cancelled or reduced in coverage and each such policy shall provide that it is not subject to cancellation or a reduction in coverage except after thirty (30) days prior written notice to Landlord. Tenant shall deliver to Landlord upon commencement of the Lease and from time to time thereafter, copies of the insurance policies or evidence of insurance and copies of endorsements required by this Section. In no event shall the limits of such policies be considered as limiting the liability of Tenant under this Lease. If Tenant fails to acquire or maintain any insurance or provide any policy or evidence of insurance required by this Section, and such failure continues for three (3) days after notice from Landlord, Landlord may, but shall not be required to, obtain such insurance for Landlord's benefit and Tenant shall reimburse Landlord for the costs of such insurance upon demand. Such amounts shall be Additional Rent payable by Tenant hereunder and in the event of non-payment thereof, Landlord shall have the same rights and remedies with respect to such non-payment as it has with respect to any other non-payment of rent hereunder.

d. Waiver of Subrogation. Landlord and Tenant hereby release each other and any other tenant, their agents or employees, from responsibility for, and waive their entire claim of recovery for any loss or damage arising from any cause covered by property insurance required to be carried or otherwise carried by each of them. Each party shall provide notice to the property insurance carrier or carriers of this mutual waiver of subrogation, and shall cause its respective property insurance carriers to waive all rights of subrogation against the other. This waiver shall not apply to the extent of the deductible amounts to any such property policies or to the extent of liabilities exceeding the limits of such policies.

16. INDEMNIFICATION.

a. Indemnification by Tenant. Tenant shall defend, indemnify, and hold Landlord and its property manager, if any, harmless against all liabilities, damages, costs, and expenses, including attorneys' fees, for personal injury, bodily injury (including death) or property damage arising from any negligent or wrongful act or omission of Tenant or Tenant's employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees on or around the Premises, or arising from any breach of this Lease by Tenant. Tenant shall use legal counsel reasonably acceptable to Landlord in defense of any action within Tenant's defense obligation.

b. Indemnification by Landlord. Landlord shall defend, indemnify and hold Tenant harmless against all liabilities, damages, costs, and expenses, including attorneys' fees, for personal injury, bodily injury (including death) or property damage arising from any negligent or wrongful act or omission of Landlord or Landlord's employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees on or around the Premises, or arising from any breach of this Lease by Landlord. Landlord shall use legal counsel reasonably acceptable to Tenant in defense of any action within Landlord's defense obligation.

c. Waiver of Immunity. Landlord and Tenant each specifically and expressly waive any immunity that each may be granted under the Washington State Industrial Insurance Act, Title 51 RCW. Neither party's indemnity obligations under this Lease shall be limited by any limitation on the amount or type of damages, compensation, or benefits payable to or for any third party under the Worker Compensation Acts, Disability Benefit Acts or other employee benefit acts.

d. Exemption of Landlord from Liability. Except to the extent of claims arising out of Landlord's gross negligence or intentional misconduct, Landlord shall not be liable for injury to Tenant's business or assets or any loss of income therefrom or for damage to any property of Tenant or of its employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees, or any other person in or about the Premises.

e. Survival. The provisions of this Section 16 shall survive expiration or termination of this Lease.

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17. ASSIGNMENT AND SUBLETTING. Tenant shall not assign, sublet, mortgage, encumber or otherwise transfer any interest in this Lease (collectively referred to as a "Transfer") or any part of the Premises, without first obtaining Landlord's written consent ~~which shall not be unreasonably withheld, conditioned, or delayed. No Transfer shall relieve Tenant of any liability under this Lease notwithstanding Landlord's consent to such Transfer. Consent to any Transfer shall not operate as a waiver of the necessity for Landlord's consent to any subsequent Transfer. In connection with each request for consent to a Transfer, Tenant shall pay the reasonable cost of processing same, including attorneys' fees, upon demand of Landlord, up to a maximum of \$1,250.~~

~~If Tenant is a partnership, limited liability company, corporation, or other entity, any transfer of this Lease by merger, consolidation, redemption or liquidation, or any change in the ownership of, or power to vote, which singularly or collectively represents a majority of the beneficial interest in Tenant, shall constitute a Transfer under this Section.~~

~~As a condition to Landlord's approval, if given, any potential assignee or sublessee otherwise approved by Landlord shall assume all obligations of Tenant under this Lease and shall be jointly and severally liable with Tenant and any guarantor, if required, for the payment of Rent and performance of all terms of this Lease. In connection with any Transfer, Tenant shall provide Landlord with copies of all assignments, subleases and assumption agreement or documents.~~

18. LIENS. Tenant is not authorized to subject the Landlord's assets to any liens or claims of lien. Tenant shall keep the Premises free from any liens created by or through Tenant. Tenant shall indemnify and hold Landlord harmless from liability for any such liens including, without limitation, liens arising from any Alterations. If a lien is filed against the Premises by any person claiming by, through or under Tenant, Tenant shall, within 10 days after Landlord's demand, at Tenant's expense, either remove the lien or furnish to Landlord a bond in form and amount and issued by a surety satisfactory to Landlord, indemnifying Landlord and the Premises against all liabilities, costs and expenses, including attorneys' fees, which Landlord could reasonably incur as a result of such lien.

19. DEFAULT. The following occurrences shall each constitute a default by Tenant (an "Event of Default):

a. Failure To Pay. Failure by Tenant to pay any sum, including Rent, due under this Lease following five (5) days' notice from Landlord of the failure to pay.

b. Vacation/Abandonment. Vacation by Tenant of the Premises (defined as an absence for at least fifteen (15) consecutive days without prior notice to Landlord), or abandonment of the Premises (defined as an absence of five (5) days or more while Tenant is in breach of some other term of this Lease). Tenant's vacation or abandonment of the Premises shall not be subject to any notice or right to cure.

c. Insolvency. Tenant's insolvency or bankruptcy (whether voluntary or involuntary), or appointment of a receiver, assignee or other liquidating officer for Tenant's business; provided, however, that in the event of any involuntary bankruptcy or other insolvency proceeding, the existence of such proceeding shall constitute an Event of Default only if such proceeding is not dismissed or vacated within sixty (60) days after its institution or commencement.

d. Levy or Execution. The taking of Tenant's interest in this Lease or the Premises, or any part thereof, by execution or other process of law directed against Tenant, or attachment of Tenant's interest in this Lease by any creditor of Tenant, if such attachment is not discharged within fifteen (15) days after being levied.

e. Other Non-Monetary Defaults. The breach by Tenant of any agreement, term or covenant of this Lease other than one requiring the payment of money and not otherwise enumerated in this Section or elsewhere in this Lease, which breach continues for a period of thirty (30) days after notice by Landlord to Tenant of the breach.

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f. Failure to Take Possession. Failure by Tenant to take possession of the Premises on the Commencement Date or failure by Tenant to commence any Tenant's Work in a timely fashion.

Landlord shall not be in default unless Landlord fails to perform obligations required of Landlord within a reasonable time, but in no event less than thirty (30) days after notice by Tenant to Landlord. If Landlord fails to cure any such default within the allotted time, Tenant's sole remedy shall be to seek actual money damages (but not consequential or punitive damages) for loss arising from Landlord's failure to discharge its obligations under this Lease. Nothing herein contained shall relieve Landlord from its duty to perform of any of its obligations to the standard prescribed in this Lease.

Any notice periods granted herein shall be deemed to run concurrently with and not in addition to any default notice periods required by law.

20. REMEDIES. Landlord shall have the following remedies upon an Event of Default. Landlord's rights and remedies under this Lease shall be cumulative, and none shall exclude any other right or remedy allowed by law.

a. Termination of Lease. Landlord may terminate Tenant's interest under the Lease, but no act by Landlord other than notice of termination from Landlord to Tenant shall terminate this Lease. The Lease shall terminate on the date specified in the notice of termination. Upon termination of this Lease, Tenant will remain liable to Landlord for damages in an amount equal to the Rent and other sums that would have been owing by Tenant under this Lease for the balance of the Lease term, less the net proceeds, if any, of any reletting of the Premises by Landlord subsequent to the termination, after deducting all of Landlord's Reletting Expenses (as defined below). Landlord shall be entitled to either collect damages from Tenant monthly on the days on which rent or other amounts would have been payable under the Lease, or alternatively, Landlord may accelerate Tenant's obligations under the Lease and recover from Tenant: (i) unpaid rent which had been earned at the time of termination; (ii) the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of rent loss that Tenant proves could reasonably have been avoided; (iii) the amount by which the unpaid rent for the balance of the term of the Lease after the time of award exceeds the amount of rent loss that Tenant proves could reasonably be avoided (discounting such amount by the discount rate of the Federal Reserve Bank of San Francisco at the time of the award, plus 1%); and (iv) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under the Lease, or which in the ordinary course would be likely to result from the Event of Default, including without limitation Reletting Expenses described in Section 20(b) below.

b. Re-Entry and Reletting. Landlord may continue this Lease in full force and effect, and without demand or notice, re-enter and take possession of the Premises or any part thereof, expel the Tenant from the Premises and anyone claiming through or under the Tenant, and remove the personal property of either. Landlord may relet the Premises, or any part of them, in Landlord's or Tenant's name for the account of Tenant, for such period of time and at such other terms and conditions as Landlord, in its discretion, may determine. Landlord may collect and receive the rents for the Premises. To the fullest extent permitted by law, the proceeds of any reletting shall be applied: first, to pay Landlord all Reletting Expenses (defined below); second, to pay any indebtedness of Tenant to Landlord other than rent; third, to the rent due and unpaid hereunder; and fourth, the residue, if any, shall be held by Landlord and applied in payment of other or future obligations of Tenant to Landlord as the same may become due and payable, and Tenant shall not be entitled to receive any portion of such revenue. Re-entry or taking possession of the Premises by Landlord under this Section shall not be construed as an election on Landlord's part to terminate this Lease, unless a notice of termination is given to

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Tenant. Landlord reserves the right following any re-entry or reletting, or both, under this Section to exercise its right to terminate the Lease. Tenant will pay Landlord the Rent and other sums which would be payable under this Lease if repossession had not occurred, less the net proceeds, if any, after reletting the Premises and after deducting Landlord's Reletting Expenses. "Reletting Expenses" is defined to include all expenses incurred by Landlord in connection with reletting the Premises, including without limitation, all repossession costs, brokerage commissions and costs for securing new tenants, attorneys' fees, remodeling and repair costs, costs for removing persons or property, costs for storing Tenant's property and equipment, and costs of tenant improvements and rent concessions granted by Landlord to any new Tenant, prorated over the life of the new lease.

c. Waiver of Redemption Rights. Tenant, for itself, and on behalf of any and all persons claiming through or under Tenant, including creditors of all kinds, hereby waives and surrenders all rights and privileges which they may have under any present or future law, to redeem the Premises or to have a continuance of this Lease for the Lease term, or any extension thereof.

d. Nonpayment of Additional Rent. All costs which Tenant is obligated to pay to Landlord pursuant to this Lease shall in the event of nonpayment be treated as if they were payments of Rent, and Landlord shall have the same rights it has with respect to nonpayment of Rent.

e. Failure to Remove Property. If Tenant fails to remove any of its property from the Premises at Landlord's request following an uncured Event of Default, Landlord may, at its option, remove and store the property at Tenant's expense and risk. If Tenant does not pay the storage cost within five (5) days of Landlord's request, Landlord may, at its option, have any or all of such property sold at public or private sale (and Landlord may become a purchaser at such sale), in such manner as Landlord deems proper, without notice to Tenant. Landlord shall apply the proceeds of such sale: (i) to the expense of such sale, including reasonable attorneys' fees actually incurred; (ii) to the payment of the costs or charges for storing such property; (iii) to the payment of any other sums of money which may then be or thereafter become due Landlord from Tenant under any of the terms hereof; and (iv) the balance, if any, to Tenant. Nothing in this Section shall limit Landlord's right to sell Tenant's personal property as permitted by law or to foreclose Landlord's lien for unpaid rent.

21. MORTGAGE SUBORDINATION AND ATTORNMENT. This Lease shall automatically be subordinate to any mortgage or deed of trust created by Landlord which is now existing or hereafter placed upon the Premises including any advances, interest, modifications, renewals, replacements or extensions ("Landlord's Mortgage"). Tenant shall attorn to the holder of any Landlord's Mortgage or any party acquiring the Premises at any sale or other proceeding under any Landlord's Mortgage provided the acquiring party assumes the obligations of Landlord under this Lease. Tenant shall promptly and in no event later than fifteen (15) days after request execute, acknowledge and deliver documents which the holder of any Landlord's Mortgage may reasonably require as further evidence of this subordination and attornment. Notwithstanding the foregoing, Tenant's obligations under this Section to subordinate in the future are conditioned on the holder of each Landlord's Mortgage and each party acquiring the Premises at any sale or other proceeding under any such Landlord's Mortgage not disturbing Tenant's occupancy and other rights under this Lease, so long as no uncured Event of Default by Tenant exists.

22. NON-WAIVER. Landlord's waiver of any breach of any provision contained in this Lease shall not be deemed to be a waiver of the same provision for subsequent acts of Tenant. The acceptance by Landlord of Rent or other amounts due by Tenant hereunder shall not be deemed to be a waiver of any previous breach by Tenant.

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- 23. HOLDOVER.** If Tenant shall, without the written consent of Landlord, remain in possession of the Premises and fail to return them to Landlord after the expiration or termination of the term, the tenancy shall be a holdover tenancy and shall be on a month-to-month basis, which may be terminated according to Washington law. During such tenancy, Tenant agrees to pay to Landlord 150% of the rate of rental last payable under this Lease, unless a different rate is agreed upon by Landlord. All other terms of the Lease shall remain in effect. Tenant acknowledges and agrees that this Section does not grant any right to Tenant to holdover, and that Tenant may also be liable to Landlord for any and all damages or expenses which Landlord may have to incur as a result of Tenant's holdover.
- 24. NOTICES.** All notices under this Lease shall be in writing and effective (i) when delivered in person or via overnight courier to the other party, (ii) three (3) days after being sent by registered or certified mail to the other party at the address set forth in Section 1; or (iii) upon confirmed transmission by facsimile to the other party at the facsimile numbers set forth in Section 1. The addresses for notices and payment of rent set forth in Section 1 may be modified by either party only by written notice delivered in conformance with this Section.
- 25. COSTS AND ATTORNEYS' FEES.** If Tenant or Landlord engage the services of an attorney to collect monies due or to bring any action for any relief against the other, declaratory or otherwise, arising out of this Lease, including any suit by Landlord for the recovery of Rent or other payments, or possession of the Premises, the losing party shall pay the prevailing party a reasonable sum for attorneys' fees in such action, whether in mediation or arbitration, at trial, on appeal, and in any bankruptcy proceeding.
- 26. ESTOPPEL CERTIFICATES.** Tenant shall, from time to time, upon written request of Landlord, execute, acknowledge and deliver to Landlord or its designee a written statement specifying the following, subject to any modifications necessary to make such statements true and complete: (i) the total rentable square footage of the Premises; (ii) the date the Lease term commenced and the date it expires; (iii) the amount of minimum monthly Rent and the date to which such Rent has been paid; (iv) that this Lease is in full force and effect and has not been assigned, modified, supplemented or amended in any way; (v) that this Lease represents the entire agreement between the parties; (vi) that all obligations under this Lease to be performed by either party have been satisfied; (vii) that there are no existing claims, defenses or offsets which the Tenant has against the enforcement of this Lease by Landlord; (viii) the amount of Rent, if any, that Tenant paid in advance; (ix) the amount of security that Tenant deposited with Landlord; (x) if Tenant has sublet all or a portion of the Premises or assigned its interest in the Lease and to whom; (xi) if Tenant has any option to extend the Lease or option to purchase the Premises; and (xii) such other factual matters concerning the Lease or the Premises as Landlord may reasonably request. Tenant acknowledges and agrees that any statement delivered pursuant to this Section may be relied upon by a prospective purchaser of Landlord's interest or assignee of any mortgage or new mortgagee of Landlord's interest in the Premises. If Tenant shall fail to respond within ten (10) days to Landlord's request for the statement required by this Section, Landlord may provide the statement and Tenant shall be deemed to have admitted the accuracy of the information provided by Landlord.
- 27. TRANSFER OF LANDLORD'S INTEREST.** This Lease shall be assignable by Landlord without the consent of Tenant. In the event of any transfer or transfers of Landlord's interest in the Premises, other than a transfer for collateral purposes only, upon the assumption of this Lease by the transferee, Landlord shall be automatically relieved of obligations and liabilities accruing from and after the date of such transfer, including any liability for any retained security deposit or prepaid rent, for which the transferee shall be liable, and Tenant shall attorn to the transferee.
- 28. LANDLORD'S LIABILITY.** Anything in this Lease to the contrary notwithstanding, covenants, undertakings and agreements herein made on the part of Landlord are made and intended not as personal covenants, undertakings and agreements for the purpose of binding Landlord personally or the assets of Landlord but are made and intended for the purpose of binding only the Landlord's interest in the Premises, as the same may from time to time be encumbered. In no event shall Landlord or its partners, shareholders, or members, as the case may be, ever be personally liable hereunder.

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29. RIGHT TO PERFORM. If Tenant shall fail to timely pay any sum or perform any other act on its part to be performed hereunder, Landlord may make any such payment or perform any such other act on Tenant's behalf. Tenant shall, within ten (10) days of demand, reimburse Landlord for its expenses incurred in making such payment or performance. Landlord shall (in addition to any other right or remedy of Landlord provided by law) have the same rights and remedies in the event of the nonpayment of sums due under this Section as in the case of default by Tenant in the payment of Rent.

30. HAZARDOUS MATERIAL. As used herein, the term "Hazardous Material" means any hazardous, dangerous, toxic or harmful substance, material or waste including biomedical waste which is or becomes regulated by any local governmental authority, the State of Washington or the United States Government, due to its potential harm to the health, safety or welfare of humans or the environment. Landlord represents and warrants to Tenant that, to Landlord's knowledge without duty of investigation, there is no Hazardous Material on, in, or under the Premises as of the Commencement Date except as may otherwise have been disclosed to Tenant in writing before the execution of this Lease. If there is any Hazardous Material on, in, or under the Premises as of the Commencement Date which has been or thereafter becomes unlawfully released through no fault of Tenant, then Landlord shall indemnify, defend and hold Tenant harmless from any and all claims, judgments, damages, penalties, fines, costs, liabilities or losses including without limitation sums paid in settlement of claims, attorneys' fees, consultant fees and expert fees, incurred or suffered by Tenant either during or after the Lease term as the result of such contamination.

Tenant shall not cause or permit any Hazardous Material to be brought upon, kept, or used in or about, or disposed of on the Premises by Tenant, its employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees, except with Landlord's prior consent and then only upon strict compliance with all applicable federal, state and local laws, regulations, codes and ordinances. If Tenant breaches the obligations stated in the preceding sentence, then Tenant shall indemnify, defend and hold Landlord harmless from any and all claims, judgments, damages, penalties, fines, costs, liabilities or losses including, without limitation, diminution in the value of the Premises; damages for the loss or restriction on use of rentable or usable space or of any amenity of the Premises, or elsewhere; damages arising from any adverse impact on marketing of space at the Premises; and sums paid in settlement of claims, attorneys' fees, consultant fees and expert fees incurred or suffered by Landlord either during or after the Lease term. These indemnifications by Landlord and Tenant include, without limitation, costs incurred in connection with any investigation of site conditions or any clean-up, remedial, removal or restoration work, whether or not required by any federal, state or local governmental agency or political subdivision, because of Hazardous Material present in the Premises, or in soil or ground water on or under the Premises. Tenant shall immediately notify Landlord of any inquiry, investigation or notice that Tenant may receive from any third party regarding the actual or suspected presence of Hazardous Material on the Premises.

Without limiting the foregoing, if the presence of any Hazardous Material brought upon, kept or used in or about the Premises by Tenant, its employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees, results in any unlawful release of any Hazardous Materials on the Premises or any other property, Tenant shall promptly take all actions, at its sole expense, as are necessary to return the Premises or any other property to the condition existing prior to the release of any such Hazardous Material; provided that Landlord's approval of such actions shall first be obtained, which approval may be withheld at Landlord's sole discretion. The provisions of this Section shall survive expiration or termination of this Lease.

31. QUIET ENJOYMENT. So long as Tenant pays the Rent and performs all of its obligations in this Lease, Tenant's possession of the Premises will not be disturbed by Landlord or anyone claiming by, through or under Landlord.

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- 32. MERGER.** The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereof, shall not work a merger and shall, at the option of Landlord, terminate all or any existing subtenancies or may, at the option of Landlord, operate as an assignment to Landlord of any or all of such subtenancies.
- 33. GENERAL.**
- a. **Heirs and Assigns.** This Lease shall apply to and be binding upon Landlord and Tenant and their respective heirs, executors, administrators, successors and assigns.
- b. **Brokers' Fees.** Tenant represents and warrants to Landlord that except for Tenant's Broker, if any, described or disclosed in Section 35 of this Lease, it has not engaged any broker, finder or other person who would be entitled to any commission or fees for the negotiation, execution or delivery of this Lease and shall indemnify and hold harmless Landlord against any loss, cost, liability or expense incurred by Landlord as a result of any claim asserted by any such broker, finder or other person on the basis of any arrangements or agreements made or alleged to have been made by or on behalf of Tenant. Landlord represents and warrants to Tenant that except for Landlord's Broker, if any, described and disclosed in Section 35 of this Lease, it has not engaged any broker, finder or other person who would be entitled to any commission or fees for the negotiation, execution or delivery of this Lease and shall indemnify and hold harmless Tenant against any loss, cost, liability or expense incurred by Tenant as a result of any claim asserted by any such broker, finder or other person on the basis of any arrangements or agreements made or alleged to have been made by or on behalf of Landlord.
- c. **Entire Agreement.** This Lease contains all of the covenants and agreements between Landlord and Tenant relating to the Premises. No prior or contemporaneous agreements or understandings pertaining to the Lease shall be valid or of any force or effect and the covenants and agreements of this Lease shall not be altered, modified or amended to except in writing signed by Landlord and Tenant.
- d. **Severability.** Any provision of this Lease which shall prove to be invalid, void or illegal shall in no way affect, impair or invalidate any other provision of this Lease.
- e. **Force Majeure.** Time periods for either party's performance under any provisions of this Lease (excluding payment of Rent) shall be extended for periods of time during which the party's performance is prevented due to circumstances beyond such party's control, including without limitation, fires, floods, earthquakes, lockouts, strikes, embargoes, governmental regulations, acts of God, public enemy, war or other strife.
- f. **Governing Law.** This Lease shall be governed by and construed in accordance with the laws of the State of Washington.
- g. **Memorandum of Lease.** Neither this Lease nor any memorandum or "short form" thereof shall be recorded without Landlord's prior consent.
- h. **Submission of Lease Form Not an Offer.** One party's submission of this Lease to the other for review shall not constitute an offer to lease the Premises. This Lease shall not become effective and binding upon Landlord and Tenant until it has been fully signed by both of them.
- i. **No Light, Air or View Easement.** Tenant has not been granted an easement or other right for light, air or view to or from the Premises. Any diminution or shutting off of light, air or view by any structure which may be erected on or adjacent to the Premises shall in no way effect this Lease or the obligations of Tenant hereunder or impose any liability on Landlord.
- j. **Authority of Parties.** Each party signing this Lease represents and warrants to the other that it has the authority to enter into this Lease, that the execution and delivery of this Lease has been duly authorized, and that upon such execution and delivery, this Lease shall be binding upon and enforceable against the party on signing.

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k. **Time.** "Day" as used herein means a calendar day and "business day" means any day on which commercial banks are generally open for business in the state where the Premises are situated. Any period of time which would otherwise end on a non-business day shall be extended to the next following business day. Time is of the essence of this Lease.

34. EXHIBITS AND RIDERS. The following exhibits and riders are made a part of this Lease, and the terms thereof shall control over any inconsistent provision in the sections of this Lease:

- Exhibit A Legal Description of the Premises
- Exhibit B Tenant Improvement Schedule

CHECK THE BOX FOR ANY OF THE FOLLOWING THAT WILL APPLY. CAPITALIZED TERMS USED IN THE RIDERS SHALL HAVE THE MEANING GIVEN TO THEM IN THE LEASE.

- Rent Rider
- Arbitration Rider
- Letter of Credit Rider
- Guaranty of Tenant's Lease Obligations Rider
- Option to Extend Rider

35. AGENCY DISCLOSURE. At the signing of this Lease, Landlord is represented by **CBRE**

(insert both the name of the Broker and the Firm as licensed) (the "Landlord's Broker"), and Tenant is represented by **Hansen Real Estate, LLC**
(insert both the name of the Broker and the Firm as licensed) (the "Tenant's Broker").

This Agency Disclosure creates an agency relationship between Landlord, Landlord's Broker (if any such person is disclosed), and any managing brokers who supervise Landlord's Broker's performance (collectively the "Supervising Brokers"). In addition, this Agency Disclosure creates an agency relationship between Tenant, Tenant's Broker (if any such person is disclosed), and any managing brokers who supervise Tenant's Broker's performance (also collectively the "Supervising Brokers"). If Tenant's Broker and Landlord's Broker are different real estate licensees affiliated with the same Firm, then both Tenant and Landlord confirm their consent to that Firm and both Tenant's and Landlord's Supervising Brokers acting as dual agents. If Tenant's Broker and Landlord's Broker are the same real estate licensee who represents both parties, then both Landlord and Tenant acknowledge that the Broker, his or her Supervising Brokers, and his or her Firm are acting as dual agents and hereby consent to such dual agency. If Tenants' Broker, Landlord's Broker, their Supervising Brokers, or their Firm are dual agents, Landlord and Tenant consent to Tenant's Broker, Landlord's Broker and their Firm being compensated based on a percentage of the rent or as otherwise disclosed on the attached addendum. Neither Tenant's Broker, Landlord's Broker nor either of their Firms are receiving compensation from more than one party to this transaction unless otherwise disclosed on an attached addendum, in which case Landlord and Tenant consent to such compensation. Landlord and Tenant confirm receipt of the pamphlet entitled "The Law of Real Estate Agency."

36. COMMISSION AGREEMENT. If Landlord has not entered into a listing agreement (or other compensation agreement with Landlord's Broker), Landlord agrees to pay a commission to Landlord's Broker (as identified in the Agency Disclosure paragraph above) as follows:

- \$ _____
- _____% of the gross rent payable pursuant to the Lease
- \$ _____ per square foot of the Premises
- Other none

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Landlord's Broker shall shall not (shall not if not filled in) be entitled to a commission upon the extension by Tenant of the Lease term pursuant to any right reserved to Tenant under the Lease calculated as provided above or as follows _____ (if no box is checked, as provided above). Landlord's Broker shall shall not (shall not if not filled in) be entitled to a commission upon any expansion of the Premises pursuant to any right reserved to Tenant under the Lease, calculated as provided above or as follows _____ (if no box is checked, as provided above).

Any commission shall be earned upon execution of this Lease, and paid one-half upon execution of the Lease and one-half upon occupancy of the Premises by Tenant. Landlord's Broker shall pay to Tenant's Broker (as identified in the Agency Disclosure paragraph above) the amount stated in a separate agreement between them or, if there is no agreement, \$ _____ or _____ % (complete only one) of any commission paid to Landlord's Broker, within five (5) days after receipt by Landlord's Broker.

If any other lease or sale is entered into between Landlord and Tenant pursuant to a right reserved to Tenant under the Lease, Landlord shall shall not (shall not if not filled in) pay an additional commission according to any commission agreement or, in the absence of one, according to the commission schedule of Landlord's Broker in effect as of the execution of this Lease. Landlord's successor shall be obligated to pay any unpaid commissions upon any transfer of this Lease and any such transfer shall not release the transferor from liability to pay such commissions.

37. BROKER PROVISIONS.

LANDLORD'S BROKER, TENANT'S BROKER AND THEIR FIRMS HAVE MADE NO REPRESENTATIONS OR WARRANTIES CONCERNING THE PREMISES; THE MEANING OF THE TERMS AND CONDITIONS OF THIS LEASE; LANDLORD'S OR TENANT'S FINANCIAL STANDING; ZONING OR COMPLIANCE OF THE PREMISES WITH APPLICABLE LAWS; SERVICE OR CAPACITY OF UTILITIES; OPERATING COSTS; OR HAZARDOUS MATERIALS. LANDLORD AND TENANT ARE EACH ADVISED TO SEEK INDEPENDENT LEGAL ADVICE ON THESE AND OTHER MATTERS ARISING UNDER THIS LEASE.

IN WITNESS WHEREOF, this Lease has been executed the date and year first above written.

LANDLORD

TENANT Lincoln Popp and/or Assigns

LANDLORD

TENANT

BY

BY

ITS:

ITS:

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STATE OF WASHINGTON

COUNTY OF King

ss.

I certify that I know or have satisfactory evidence that _____ is the person who appeared before me and said person acknowledged that _____ signed this instrument, on oath stated that _____ was authorized to execute the instrument and acknowledged it as the _____ of _____ to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated this _____ day of _____,

(Signature of Notary)

(Legibly Print or Stamp Name of Notary)

Notary public in and for the state of Washington

Residing at _____

My appointment expires _____

STATE OF WASHINGTON

COUNTY OF King

ss.

I certify that I know or have satisfactory evidence that _____ is the person who appeared before me and said person acknowledged that _____ signed this instrument, on oath stated that _____ was authorized to execute the instrument and acknowledged it as the _____ of _____ to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated this _____ day of _____,

(Signature of Notary)

(Legibly Print or Stamp Name of Notary)

Notary public in and for the state of Washington

Residing at _____

My appointment expires _____

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STATE OF WASHINGTON

COUNTY OF King

ss.

I certify that I know or have satisfactory evidence that _____ is the person who appeared before me and said person acknowledged that _____ signed this instrument, on oath stated that _____ was authorized to execute the instrument and acknowledged it as the _____ of _____ to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated this _____ day of _____, _____,

(Signature of Notary)

(Legibly Print or Stamp Name of Notary)

Notary public in and for the state of Washington

Residing at _____

My appointment expires _____

STATE OF WASHINGTON

COUNTY OF King

ss.

I certify that I know or have satisfactory evidence that _____ is the person who appeared before me and said person acknowledged that _____ signed this instrument, on oath stated that _____ was authorized to execute the instrument and acknowledged it as the _____ of _____ to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated this _____ day of _____, _____,

(Signature of Notary)

(Legibly Print or Stamp Name of Notary)

Notary public in and for the state of Washington

Residing at _____

My appointment expires _____

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CBA Form RR
Rent Rider
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RENT RIDER

This Rent Rider ("Rider") is made part of the Lease Agreement dated September 6, 2016, (the "Lease") between City of Kirkland ("Landlord") and Lincoln Popp and/or Assigns ("Tenant") concerning the space commonly known as _____ (the "Premises"), located at the property commonly known as tpn: 388580-0190; 505 Market Street, Kirkland, 98033 (the "Property").

1. **BASE MONTHLY RENT SCHEDULE.** Tenant shall pay Landlord base monthly rent during the Lease Term according to the following schedule:

Lease Year (Stated in Years or Months)	Base Monthly Rent Amount
<u>Commencement through 12/31/16</u>	<u>\$ Free of base rent, tenant pays NNN only</u>
<u>January 1, 2017 - February 28, 2017</u>	<u>\$ 12,178.50 per month + NNN</u>
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____

2. **CONSUMER PRICE INDEX ADJUSTMENT ON BASE MONTHLY RENT.** The base monthly rent shall be increased on the first day of the second year of the Lease and on the first day of each year of the Lease thereafter (each, an "Adjustment Date") during the term of this Lease (but not during any extension term(s) unless specifically set forth elsewhere in the Lease or another Rider attached thereto). The increase shall be determined in accordance with the increase in the United States Department of Labor, Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers (all items for the geographical statistical area in which the Premises is located on the basis of 1982-1984 equals 100) (the "Index"). The base monthly rent payable immediately prior to the applicable adjustment date shall be increased by the percentage that the Index published for the date nearest preceding the applicable Adjustment Date has increased over the Index published for the date nearest preceding the first day of the Lease Year from which the adjustment is being measured. Upon the calculation of each increase, Landlord shall notify Tenant of the new base monthly rent payable hereunder. Within twenty (20) days of the date of Landlord's notice, Tenant shall pay to Landlord the amount of any deficiency in Rent paid by Tenant for the period following the subject Adjustment Date, and shall thereafter pay the increased Rent until receiving the next notice of increase from Landlord. If the components of the Index are materially changed after the Commencement Date, or if the Index is discontinued during the Lease term, Landlord shall notify Tenant of a substitute published index which, in Landlord's reasonable discretion, approximates the Index, and shall use the substitute index to make subsequent adjustments in base monthly rent. In no event shall base monthly rent be decreased pursuant to this Rider.

INITIALS: LANDLORD _____ DATE _____ TENANT _____ DATE _____
LANDLORD _____ DATE _____ TENANT _____ DATE _____



CITY OF KIRKLAND

Department of Finance & Administration
123 Fifth Avenue, Kirkland, WA 98033 425.587.3100
www.kirklandwa.gov

MEMORANDUM

To: Kurt Triplett, City Manager

From: Barry Scott, Purchasing Agent

Date: September 9, 2016

Subject: REPORT ON PROCUREMENT ACTIVITIES FOR COUNCIL MEETING OF SEPTEMBER 20, 2016.

This report is provided to apprise the Council of recent and upcoming procurement activities where the cost is estimated or known to be in excess of \$50,000. The "Process" column on the table indicates the process being used to determine the award of the contract.

The City's major procurement activities initiated since the last report, August 26, 2016, are as follows:

	Project	Process	Estimate/Price	Status
1.	FARO Laser Scanner for Police Investigations	Cooperative Purchase	\$79,775.48	Ordered from FARO Technologies of Atlanta, GA using GSA contract
2.	Windsor Vista Drainage Extension Project	Small Works Roster Process	\$150,000 - \$170,000	Contractors notified on 8/30 with bids due on 9/14.

Please contact me if you have any questions regarding this report.



CITY OF KIRKLAND
Department of Finance & Administration
123 Fifth Avenue, Kirkland, WA 98033 425.587.3100
www.kirklandwa.gov

MEMORANDUM

To: Kurt Triplett, City Manager

From: Michael Olson, Director of Finance and Administration
Tom Mikesell, Financial Planning Manager

Date: September 9, 2016

Subject: PUBLIC HEARING ON REVENUE SOURCES FOR THE 2017-2018 BUDGET

RECOMMENDATION:

City Council hold a public hearing on revenue sources for the 2017-2018 Budget.

BACKGROUND:

This is the first of three scheduled public hearings on the 2017-2018 budget (two of which are required by statute). This first public hearing addresses revenue sources. The second and third public hearings on the 2017-2018 Preliminary Budget are scheduled to be held on Tuesday, November 1st and Tuesday, November 15th.

General Fund Projections

The City Council's last full briefing on the City's financial outlook was at its May 24, 2016 retreat. At that time, the forecast projected a \$79 thousand gap between ongoing revenues and expenditures in 2017-18, assuming the discontinuation of one-time service packages approved in the 2015-16 biennial and mid-biennial budget processes. An alternate forecast scenario was also discussed in which three items on the one-time list would be funded with ongoing resources as part of the June 21 mid-year budget adjustments, bringing the revised deficit projection to \$0.5 million. This list included:

- Enhanced Human Services Grant: \$45,262 per year;
- Public Disclosure Analyst: \$107,114 per year;
- Station 25 4th Firefighter (5 FTEs total): approximately \$636,800 in 2017 and \$556,806 in 2018, funded on an ongoing basis with annual revenues from the Emergency Transport Fee, which also funds ongoing administrative components of the transport program that total approximately \$263,000 per year. To help offset this change in use of general fund revenues, the annual transfer of \$375,000 to the Fire Public Safety Sinking Fund, will shift from ongoing to one-time funding. **(Note that if the final budget reconciliation results in sufficient additional on-going revenues, the City**

Manager will prioritize restoring the Fire Public Safety Sinking Fund contribution as on-going in the Preliminary 2017-2018 budget.)

At its June 21st Regular Meeting, Council approved the last two items as ongoing adjustments to the operating 2016 budget and they are now rolled into the base for 2017-2018. The Council also gave conceptual approval to the enhanced level of grant funding which was fully funded as one time money in 2015 and 2016. The Enhanced Human Services Grant will be included as an ongoing funding item in the Preliminary 2017-2018 Operating Budget. Together with these approved changes to the base budget, projections for 2017 and 2018 have been updated to reflect current information, including:

- An estimation of ongoing Salary and Wage budget reflecting settled collective bargaining agreements;
- An assessment of revenue collections under current economic conditions, based on departmental input;
- New information on contractually and/or statutorily derived rates; and,
- Basic budget information supporting current service levels as submitted by departments in August.

This updated financial projection provides the basis for budget meetings with the City Manager's Office, which are currently in progress. The 2017-2018 budget is being developed under the following principles:

- Stay steady given the long-term revenue outlook:
 - The rules for using REET flexibility have changed since the last budget cycle. As provided in RCW 82.46.010(7) and 82.46.035(7), selective REET use for maintenance of existing REET eligible capital facilities, defined by state law as follows:
 - "Labor and materials that will preserve, prevent the decline of, or extend the useful life of a capital project. Maintenance *does not* include labor or material costs for routine operations of a capital project (emphasis added)."
 - Prepare for the end of the State annexation sales tax credit in 2021;
 - Continue to budget sales tax on a modified two-year lag and set aside a portion of sales tax revenue growth toward one time uses.
- Service packages (program additions) will be viewed in the context of reprioritizing or trade-offs. Said another way, proposed additions will be evaluated in the context of whether they can be supported by new revenues or through reductions in lower priority programs. The list of currently one-time funded positions and programs will be evaluated in this context as well.
- Setting aside funds towards:
 - Unfunded capital needs rather than spending available General Funds solely on operations.
 - Temporary resources to address workload backlogs

- Keep non-personnel expenditure cost growth to zero, with the exception of known external contractual obligations or other expected cost increases (e.g., fuel, utilities) that cannot be offset by savings elsewhere.
- Resource needs to meet the demands of increased development activity continue to be evaluated and short and long-term adjustments will be reviewed and proposed as part of the budget process.

Staff is currently developing the revenue and expenditure projections for the Preliminary 2017-2018 Budget. Main factors that we are reviewing in this process include:

- The 2017 and 2018 Salaries and Wages budget realizes two years of attrition savings that was not reflected in the May forecast. The May forecast was based on 2016 budget levels, which were established using the staffing roster in effect in the fall of 2014. As long tenured employees retire, often paid at the top salary step and longevity rate, they are replaced by new employees at the bottom step, resulting in natural turnover savings. Kirkland has seen a significant number of retirements in 2015 and 2016 and will be realizing substantial savings on a position by position basis;
- Higher than forecast revenues from Punch Board and Card Games, based on strong 2015 and 2016 collections activity raising the baseline for 2017 and 2018;
- Higher than forecast revenues from development licensing and permitting are projected for 2017 and 2018 which will either be used for resources to meet workload or set aside in reserve;
- Higher than forecasted revenues from CIP Engineering charges, largely due to the impact of additional billed hours by the 5 CIP Project Engineering staff added in fall 2015; and,
- Lower than forecasted expenditures for NORCOM services.

Below is a more detailed discussion of current revenue and expenditure assumptions and a calendar of next steps in the budget process.

Revenue Assumptions

The current 2017-2018 projection is based on a number of revenue assumptions, including:

- **Reserves** - No use of general purpose reserves in 2017-2018;
- **Property Tax** – 1.0% optional increase each year and 1.0% annual growth in new construction property tax. The new construction estimate for 2017 will be updated when information becomes available from the King County Assessor;
- **Sales Tax**
 - General Fund 2016 sales tax revenue is projected at over 5.0 percent ahead of 2015 actual results. Year-to-date total sales tax collections through July are 6.9

percent ahead of 2015 as detailed in the August Sales Tax Revenue report (Attachment A); and,

- No increase in sales tax is projected for 2017 and 2018, reflecting the policy-based modified two-year lag.
- **Annexation Sales Tax Credit** – Support from tax credit is projected to remain at 2016 levels in 2017 and 2018;
- **Utility Tax**
 - No growth in Private utility tax collections is projected in 2017 and 2018, reflecting uncertainty in future utility rate trends and weather-related consumption patterns;
- **Revenue Generating Regulatory License** –This fee has remained unchanged since implementation in 2009. Revenues are expected to grow 1% in 2017 and 2018; The City Manager is proposing to increase the RGRL fee by \$5 dollars (from \$100 to \$105) per employee or FTE to provide revenue to help support the public safety investments that are proposed for Police and Fire.
- **Development-related revenues** are estimated to remain at or above near their 2016 levels into 2017 and drop moderately in 2018, reflecting continuing strength in development in the near term but acknowledging the likely maturation of the development cycle in the second year of the biennium; and,
- **Interest earnings** have been adjusted to reflect the impact of investment advisor services, including active portfolio management on interest earnings rates.

These assumptions are based on the revenue trends through June 30, 2016 as noted in the second quarter 2016 Financial Management Report (see Attachment B), collections experience through July, and current economic projections. Further refinements in revenue estimates may occur throughout the budget deliberation process as new data becomes available.

Expenditure Assumptions

The updated projections also reflect the following expenditure assumptions, including:

- **Full Staffing** - All the ongoing positions budgeted in 2016 are budgeted in 2017-2018;
- **Excludes One-time Service Packages** - There are one-time expenditures budgeted in 2015-2016 that likely will be considered for continuation in the 2017-18 budget process. As mentioned in the May forecast memo, the continuation of all of the current services would cost about \$1.3 million per year. These costs are not included in this forecast, and are detailed in the following table:

One Time Items Likely to Continue	2015			2016		
	Wages & Benefits	Other Costs	Annual Costs	Wages & Benefits	Other Costs	Annual Costs
Public Safety Sinking Fund Transfer		375,000	375,000		375,000	375,000
Subtotal	-	375,000	375,000	-	375,000	375,000
Previously Funded with Resources Forward (or) Surplus						
2016 Community Survey	-	-	-	-	30,000	30,000
ARCH Housing Trust Fund	-	315,000	315,000	-	315,000	315,000
City Match Events Funding	-	32,000	32,000	-	32,000	32,000
Cultural Organizations Grant Matching one-time	-	5,000	5,000	-	5,000	5,000
Human Services Option #3	-	58,113	58,113	-	58,113	58,113
Inmate Medical	-	108,332	108,332	-	113,862	113,862
KAN additional grants	-	5,101	5,101	-	5,101	5,101
Kirkland Heritage Society preservation efforts	-	2,000	2,000	-	2,000	2,000
Leadership Eastside Scholarships	-	12,000	12,000	-	12,000	12,000
Municipal Court Security	67,176	-	67,176	67,176	-	67,176
Neighborhood Traffic Control Coordinator	57,002	281	57,283	59,790	281	60,071
Office Tech - Training Division	34,325	(12,401)	21,924	35,776	(13,127)	22,649
Public Records Request Assistance	13,173	-	13,173	13,296	-	13,296
KPC Operating Support	-	50,000	50,000	-	50,000	50,000
Social Worker at John Muir Elementary one-time	-	11,752	11,752	-	11,752	11,752
State Legislative Advocacy Services Mid Biennial	-	3,000	3,000	-	12,000	12,000
State Legislative Advocacy Services Service Package	-	48,000	48,000	-	48,000	48,000
Time Bank	-	3,000	3,000	-	3,000	3,000
Subtotal	171,676	648,178	819,854	176,038	684,982	861,020
Total	171,676	1,023,178	1,194,854	176,038	1,059,982	1,236,020

- **COLA Reserve** – Collective bargaining agreements with AFSCME and Teamsters are in effect through 2017, and will be open in 2018. Agreements with all other bargaining groups are open in both 2017 and 2018. A reserve has been set-aside for potential annual raises of 2% per year in anticipation of settling those contracts;
- **Debt** - Approximately \$0.4 million per year is budgeted to pay for City hall debt issued in 2015 and \$2.1 million is budgeted to repay debt for the Kirkland Justice Center;
- **Benefit Inflation – For 2017** the budget assumes no increase in health benefits costs for the prime and high deductible plans, and increases based on the rates given by the providers are included for the Group Health, vision and dental plans. For 2018, a 2% increase is assumed for all health benefits. Increases to retirement contribution rates are included as determined by the Department of Retirement Services;
- **Reserve Replenishment** - Continuing planned reserve replenishment of one-percent of General Fund revenue results in a total of \$1.8 million of the projected 2017-2018 operating revenues being set aside toward the reserve target level based on the Council's reserve replenishment principles as adopted by resolution (R-4900);
- **Current Services Levels** - No new one-time or ongoing service packages are reflected. The City Manager is currently reviewing services package requests submitted by departments and his recommendations will be reflected in the preliminary budget; and,
- **General Fund Capital Contribution** – Assumes transfer of \$1.7 million of 2015 year end cash to the Capital Improvements Fund to pay a portion of Fire Station 24 construction costs, and amounts for ongoing contributions for GIS capital projects and emergency generators every other year in the biennium.

As with the revenue assumptions, these will be subject to refinement during the budget process. In addition, an updated forecast will be included as part of the budget process.

Budget Process

A balanced preliminary budget, reflecting the City Manager's recommendations, will be available to the City Council and the public on October 21. The following list includes this and other significant dates in the 2017-18 budget process.

- October 21 – 2017-2018 Preliminary Budget provided to the City Council/public
- October 25 - Finance & Administration Committee budget update
- October 27 – Council Budget Work Session (3-9 pm)
- November 1 – Additional budget study session and public hearing
- November 7 – Additional budget study session (if needed)
- November 15 – Public hearing on the Preliminary 2017-2018 Budget and preliminary 2017 property tax levy
- December 13 – Adoption of 2017-2022 CIP, 2017-2018 Budget, and final 2017 property tax levy



CITY OF KIRKLAND
Department of Finance & Administration
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 www.kirklandwa.gov

MEMORANDUM

To: Kurt Triplett, City Manager

From: Michael Olson, Director of Finance & Administration
 Tom Mikesell, Financial Planning Manager
 Elijah Panci, Budget Analyst

Date: September 13, 2016

Subject: August Sales Tax Revenue

August results reflect sales activity in June, due to the two month lag in reporting sales tax data. Sales tax revenue is **up 3.1 percent** compared to August 2015. Month-over-month growth continued for an eighth consecutive month this year. Despite continued growth, the outlook is not encouraging as several sectors declined, most notably Auto/Gas Retail. Contracting continues to be the one sector compensating for underperformance in other sectors.

The year-to-date growth, which had been steadily declining over the past few months, fell more significantly in August, and is now down to **6.9 percent**.

The following sections discuss the highlights by business sector details of both the month-to-month and year-to-date results. Also included are observations of sales tax collections in our neighboring cities, as well as a discussion of key economic variables that impact sales taxes.

Comparing August 2016 to August 2015

Comparing collections from the month of August this year and last provides insight into business sector performance controlling for seasonal cycles in sales.

2016 Sales Tax Receipts by Business Sector-Monthly Actuals

Business Sector Group	August		Dollar Change	Percent Change	Percent of Total	
	2015	2016			2015	2016
Services	235,609	233,390	(2,219)	-0.9%	13.7%	13.2%
Contracting	292,273	350,370	58,097	19.9%	17.0%	19.8%
Communications	40,187	49,329	9,142	22.7%	2.3%	2.8%
Retail:						
Auto/Gas Retail	401,122	374,018	(27,104)	-6.8%	23.4%	21.1%
Gen Merch/Misc Retail	171,547	165,465	(6,082)	-3.5%	10.0%	9.4%
Retail Eating/Drinking	148,341	144,822	(3,519)	-2.4%	8.6%	8.2%
Other Retail	234,433	253,890	19,457	8.3%	13.7%	14.4%
Wholesale	95,168	83,984	(11,184)	-11.8%	5.5%	4.7%
Miscellaneous	96,663	113,939	17,276	17.9%	5.6%	6.4%
Total	1,715,342	1,769,207	53,864	3.1%	100%	100%

Comparing month-to-month, August sales tax collections this year are **\$53,864 (3.1 percent)** higher than August 2015.

In terms of dollar growth, **Contracting** performed best compared to August 2015, increasing by **\$58,000 (19.9 percent)**. The top three improving sectors were rounded out by **Other Retail**, which was up **\$19,000 (8.3 percent)** and **Miscellaneous**, which grew **\$17,000 (17.9 percent)**.

Though month-over-month growth is positive, most groups declined, and a strong month from Contracting is yet again the main reason for month-to-month growth. Growth in Miscellaneous was driven by Real Estate, which had another strong month, up \$12,000 (41.7 percent) from August 2015. Furniture sales, up \$12,000 (43.2 percent), was the main reason for growth in Other Retail. Food & Beverage sales also contributed to growth, increasing \$6,000 (17.5 percent) month-to-month.

Several groups fell this month, led by **Auto/Gas Retail, which fell \$27,000 (6.8 percent)**. Rounding out the top three were **Wholesale, which was down \$11,000 (11.8 percent)**, and **General Merchandise/Misc Retail, which was down \$6,000 (3.5 percent)**.

Auto/Gas Retail has now declined three out of the past four months. This is a concern because this group is the largest source of sales tax revenue for the City and is a leading indicator of economic conditions. Though the decreases in other groups were not excessively large nor individually indicative of negative trends, the fact that five out of the nine groups decreased is not encouraging.

Though the growth rate remains positive this month, the outlook is concerning. Contracting growth, which usually does not follow other economic trends, has inflated otherwise pedestrian growth rates for much of the year.

Year-to-Date Review

Year-to-date sales tax totals are useful for comparing revenues received so far this year with last year's totals through the same period. This information gives context on each sector's longer term performance and allows developing trends to be identified.

City of Kirkland Actual Sales Tax Receipts

Business Sector Group	YTD		Dollar Change	Percent Change	Percent of Total	
	2015	2016			2015	2016
Services	1,631,786	1,758,927	127,141	7.8%	13.3%	13.4%
Contracting	1,877,605	2,174,751	297,146	15.8%	15.3%	16.6%
Communications	275,333	355,926	80,593	29.3%	2.2%	2.7%
Retail:						
Auto/Gas Retail	3,093,215	3,112,618	19,403	0.6%	25.2%	23.7%
Gen Merch/Misc Retail	1,404,772	1,354,715	(50,057)	-3.6%	11.4%	10.3%
Retail Eating/Drinking	1,015,391	1,047,615	32,224	3.2%	8.3%	8.0%
Other Retail	1,650,536	1,839,713	189,177	11.5%	13.4%	14.0%
Wholesale	625,230	661,602	36,372	5.8%	5.1%	5.0%
Miscellaneous	701,731	818,968	117,237	16.7%	5.7%	6.2%
Total	12,275,600	13,124,833	849,233	6.9%	100%	100%

Through the end of August, year-to-date sales tax revenues are up **6.9 percent**. This is 0.7 percentage points lower than the year-to-date growth rate reported in July.

By dollar amount, the largest growth is in **Contracting**, which is up **\$297,000 (15.8 percent)** from last year. **Other Retail** and **Services** are the next two leading sectors, up **\$189,000 (11.5 percent)** and **\$127,000 (7.8 percent)** respectively. Contracting has consistently performed well on the year despite being a volatile group, and accounts for 35 percent of year-to-date growth. Other Retail has

consistently been one of the top growth groups in 2016, while Services remains in the top three despite seeing a slight month-over-month decline in August.

Despite a slow month for many groups, **General Merchandise/Misc Retail** is the only group down on the year, **50,000 (3.6 percent)** below 2015 revenues. Receipts are down marginally for most major retailers in the Misc Retail category, which accounts for \$41,000 of the decrease. Though it is the only sector to decline, it is one of the largest sectors and an important contributor to the City's sales tax revenue.

Also worth noting is the falling year-to-date growth of **Auto/Gas Retail**, which is now down to 0.6 percent. The growth rate was up to 6.4 percent in April, before a four month slide in which the year-to-date growth rate fell 5.6 percentage points.

Neighboring City Performance

Though neighboring cities are performing well this year, August was a down month for most of the surrounding cities. Year-to-date growth decreased for Bothell, Bellevue, Renton, and Seattle by 0.9, 1.5, 0.1, and 0.5 percentage points respectively. Each city's month-over-month growth rate was positive, but most of them were at least 5 percentage points lower than the previous month, except for Renton which was down just 0.8 percent. Sales tax revenue was low throughout the entire region in August. Even Redmond had a relatively down month in comparison to the rest of the year, as month-over-month growth was 33.0 percent, the third smallest growth rate of 2016 for the city. However, the year-to-date growth rate remained high at 46.6 percent.

National and Regional Economic Context:

Information about wider trends in the economy provides a mechanism to help understand current results in Kirkland, as well as predict future performance. The combination of consumer confidence, unemployment levels, housing data and auto sales provide the broader economic context for key factors in sales tax revenues. The following table includes the most recently available data and prior month's readings, for some of the most relevant indicators.

2016 Wider Economic Indicators					
Indicator	Most Recent Month of Data	Unit	Month		
			Current	Previous	Change
Consumer Confidence					
Consumer Confidence Index	August	Index	101.1	97.3	3.8
Unemployment Rate					
National	August	%	4.9	4.9	0.0
King County	July	%	4.4	4.3	0.1
Housing					
New House Permits	July	Thousands	39.8	47.7	(7.9)
Seattle Area Home Prices	June	Index	202.6	199.9	2.7
Inflation (CPI-W)					
National	July	% Change	1.0	0.6	0.4
Seattle	June	% Change	2.0	2.6	(0.6)
Car Sales					
New Vehicle Registrations	August	Thousands	25.2	25.3	(0.1)

The Conference Board reported an increase for the **Consumer Confidence Index** in August, as the Index jumped 3.8 points to 101.1. The Board reports that consumers feel more positive about current conditions and the near-term outlook.

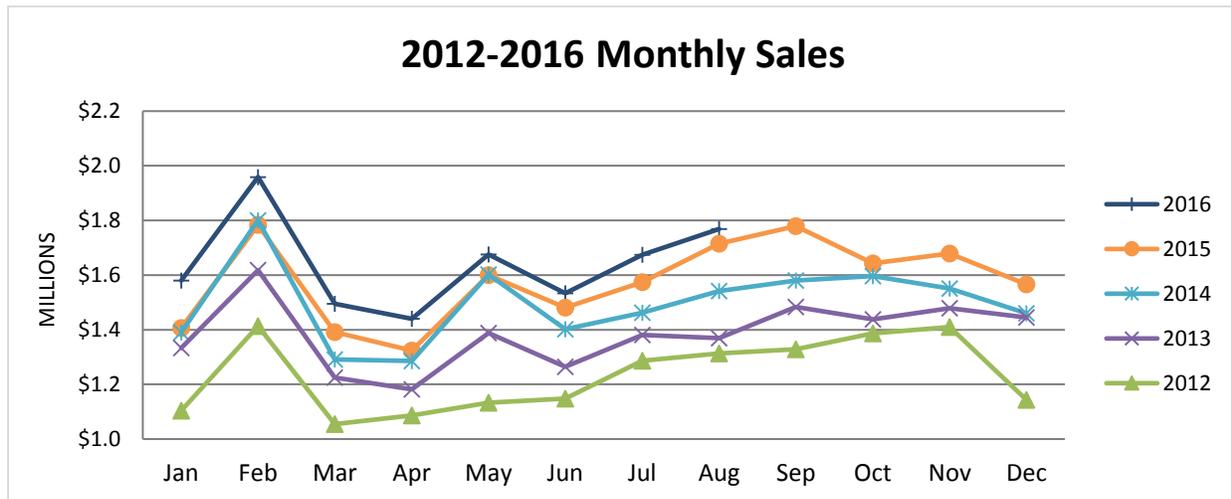
Unemployment Rates were static at the National level, remaining at 4.9 percent from July to August. The unemployment rates in Washington State, King County, and Kirkland each increased 0.1 percentage points, but remain close to the yearly low points for each respective jurisdiction.

The latest data on statewide **New House Permits** shows a significant decrease, down to 39,800 permits in July from 47,700 permits in June. The number of new permits has been volatile from month to month in 2016, but the average remains similar to 2015, which was a strong year for housing permits. The latest data for the **Seattle Area Home Price Index** shows another increase, up to 202.6 in June from 199.9 in May. Seattle area housing prices continue to grow at a rapid pace, increasing 8.4 percent since January.

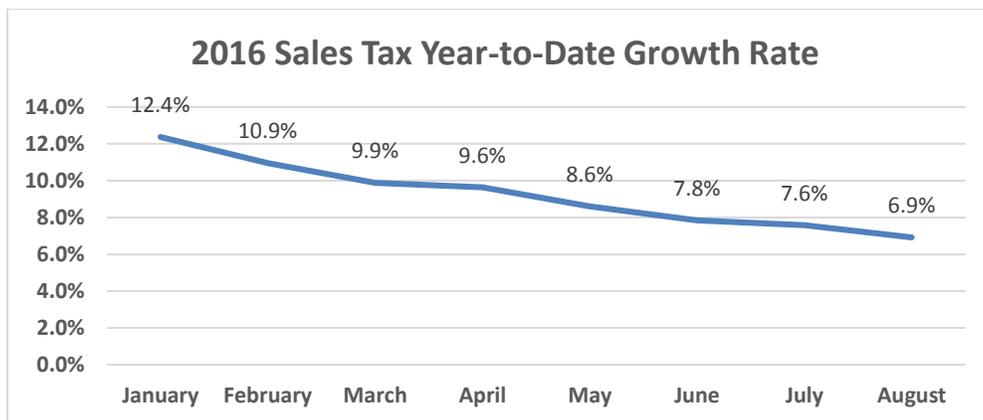
New Vehicle Registrations decreased slightly again in August, down by 100 to 25,200. While registration levels remain relatively high, they have slowly decreased since the two year high water mark of 28,400 in January.

Conclusion

The following chart shows Kirkland’s monthly sales tax revenues through June.



Sales tax revenue in 2016 continues to outperform revenue in 2015, but by a diminishing margin. The year-to-date growth rate has declined every month since January. Current indicators and trends do not suggest that pattern will change. The strong start to 2016 has worn off, and low or negative month-over-month growth rates may be in store for the last few months of 2016.





Financial Management Report as of June 30, 2016

AT A GLANCE:

Solarize Kirkland program encourages community buying power (page 2)

2016 second quarter general fund revenues increased 8.2% over 2015 (page 3)

Sales tax revenue grew 7.8% in the second quarter (page 5)

Unemployment is static, Seattle inflation grows, and the housing market continues to improve (pages 7-8)

The City's portfolio outperformed both the 90 day T Bill and the 2 year rolling average of the 2 year Treasury note (page 8)

Inside this issue:

Expenditure Summary	2
General Fund Revenue	3
General Fund Expenditures	4
Sales Tax Revenue	5-6
Economic Environment	7-8
Investment Report	8-9
Reserve Summary	10-11

Summary of All Operating Funds: *Revenue*

- General Fund** revenue ended June **8.2 percent ahead** of 2015, an increase of \$3,610,349. The increase is largely the result of higher Planning Check Fees, Sales Taxes and Revenue Generating Regulatory Licenses. Actual revenues finished the quarter at 53.7 percent of budget, 50 percent of the way through the year. A more detailed analysis of General Fund revenue can be found on page 3, and details on sales tax revenue begin on page 5.
- Other General Government Funds** revenue finished the quarter **5.2 percent higher** than 2015, up \$695,164. **The Information Technology Fund and Street Operating Fund** accounted for the majority of the growth, up **7.2 and 5.4 percent** respectively. Information Technology Fund revenue grew largely due to charges received for temporary GIS services provided in support of the Lucity Enterprise Asset Management project, while the Street operating Fund revenue grew largely due to two factors, including higher gas tax revenue as a result of state legislative increases in fall 2015 and an insurance recovery for a traffic signal that was knocked down on Willows Road.
- Actual revenue for total Other Government revenues, excluding interfund transfers, was at 52.2 percent of budget. All funds, with the exception of Lodging Tax, were at or above 50%; Lodging tax was 40% of budget due to seasonality of Hotel and Motel Tax receipts, the majority of which are collected in the late summer and early fall.**
- Water/Sewer Operating Fund** second quarter revenue is **up 1.4 percent** from 2015. Actual revenue for the quarter was **45.3 percent of budget**. Growth over 2015 is largely due to higher collections from commercial and residential sewer usage charges.
- Surface Water Management Fund** revenues finished June at **53.9 percent of budget**. Revenues through the second quarter of 2016 were **2.1 percent lower** than they were during the same period in 2015. The decrease is due to lower grant revenue in 2016. In 2015, the City received grant revenue from the Department of Ecology for local source control and the Environmental Protection Agency for Totem Lake/Juanita Creek Basin storm water control design. Excluding the impacts of these grants, revenue would otherwise be 1.8 percent higher than in 2015, led by growth in Storm drainage fees.
- Solid Waste Fund** finished the first half of the year with **49.5 percent of budgeted revenues**. Actual revenues were 1.8 percent higher than in 2015. Commercial collection led the way, with 4.2 percent higher collections in 2016.
- Overall, utility fund revenues through the second quarter were up 0.8 percent compared to 2015, and finished the first half of 2016 at 48.2 percent of budget.**

Resources by Fund	Year-to-Date Actual			Budget			% of Budget	
	6/30/2015	6/30/2016	% Change	2015	2016	% Change	2015	2016
General Gov't Operating:								
General Fund	43,965,832	47,576,181	8.2%	86,443,318	88,658,144	2.6%	50.9%	53.7%
Other General Gov't Operating Funds	13,421,895	14,117,059	5.2%	26,531,966	27,050,873	2.0%	50.6%	52.2%
Total General Gov't Operating	57,387,727	61,693,240	7.5%	112,975,284	115,709,017	2.4%	50.8%	53.3%
Utilities:								
Water/Sewer Operating Fund	12,018,020	12,185,914	1.4%	26,451,995	26,905,563	1.7%	45.4%	45.3%
Surface Water Management Fund	5,530,845	5,414,122	-2.1%	9,939,650	10,047,501	1.1%	55.6%	53.9%
Solid Waste Fund	8,149,159	8,318,464	2.1%	16,445,443	16,853,760	2.5%	49.6%	49.4%
Total Utilities	25,698,024	25,918,500	0.9%	52,837,088	53,806,824	1.8%	48.6%	48.2%
Total All Operating Funds	83,085,751	87,611,740	5.4%	165,812,372	169,515,841	2.2%	50.1%	51.7%

*Budgeted and actual revenues exclude resources forward and interfund transfers.

Kirkland Paves the Way for Online Commerce

Thanks to a grant awarded by the Washington State Department of Commerce, the City of Kirkland, in partnership with Pacific Northwest Pollution Prevention Resource Center (PPRC), will be conducting outreach to neighborhoods and businesses about a solar purchasing program. Solarize Kirkland is designed to encourage a group purchase, or "bulk buy," of solar arrays and the campaign aims to help Kirkland residents and businesses achieve an affordable and successful solar installation. The program provides a reduced cost and easy installation of solar panels on homes, businesses, and multi-family units. The City will host two informational workshops for home and business owners and property managers: July 16 and August 11, from 7 to 9 p.m., at Kirkland City Hall, Council Chambers, 123 Fifth Avenue. Two other workshops will be held in September, but are not yet scheduled.

This type of program has been widely successful in many locations including Seattle, Snohomish County, and more broadly on a national scale, from Portland to New York – with savings as much as 20% on average when compared to acquiring solar systems independently.

Summary of All Operating Funds: *Expenditures*

- **General Fund** expenditures (excluding transfers) finished the second quarter of 2016 **up 3.5 percent** from the year before. Actual expenditures finished at **48.9 percent of budget**. Intergovernmental Professional Services led the growth with a \$656,278, or 40 percent, increase over last year. This is because of a one-time pass through payment made to Bellevue related to the 'A Regional Coalition for Housing' project. Personnel services grew 2.8 percent above last year, due to movement through salary steps and collective bargaining contract increases. An analysis of General Fund expenditures by department can be found on pages 4 and 5.

Other General Government Operating Funds actual expenditures were **9.5 percent higher** than 2015, largely due to increases in the Street Operating Fund. Street Operating Fund expenditures **increased 35.7 percent** due to the hiring of temp employees, increased Utility Services charges for a full year of street light funding in the annexed area, and Capital Outlays. Capital Outlays expenditures in 2016 were for median landscaping improvements, originally budgeted in 2015. The Parks Levy Fund spent less than in 2015, **falling 10.7 percent**, due to the Green Kirkland program. In aggregate, other general government operating funds finished the first half of 2016 at **44.2 percent** of budgeted funds.

- **Water/Sewer Operating Fund** actual expenditures through the first half of the year were **4.1 percent higher** than in 2015. This was largely because of an increase in the Metro Sewer Charge, as well as expenditures on Other Services. Increases in Other Services were mostly for Professional Services related to the update of the Sewer Master Plan, which was originally budgeted for 2015. In total, the Water/Sewer fund finished June at **48.6 percent of budget**.

- **Surface Water Management Fund** expenditures at the end of the first quarter were **4.3 percent higher** than 2015. This increase is from salaries and benefits. Expenditures for labor were up through the second quarter due to acceleration of the work load for the Cochran Springs project. Surface Water Management's non personnel services spending was lower by comparison, due largely to higher one-time professional services spending in 2015 on grant funded work, including the Totem Lake/Juanita Creek basin design project and the Local Source Control program. Expenditures through the end of June were **lower than budgeted, at 45.6 percent** of budget.

- **Solid Waste Fund** expenditures through June were **1.4 percent higher** in 2016 than in 2015. Small increases in expenditures for the waste disposal contract (which was planned), personnel, and external taxes were the cause of the overall increase. Expenditures in the fund finished the second quarter at **49.9 percent of budget** which is in line with expected budget expenditures.

Expenditures by Fund	Year-to-Date Actual			Budget			% of Budget	
	6/30/2015	6/30/2016	% Change	2015	2016	% Change	2015	2016
General Gov't Operating:								
General Fund	39,323,443	40,706,873	3.5%	83,534,621	83,209,548	-0.4%	47.1%	48.9%
Other General Gov't Operating Funds	9,509,722	10,412,748	9.5%	25,071,855	23,561,956	-6.0%	37.9%	44.2%
Total General Gov't Operating	48,833,164	51,119,621	4.7%	108,606,476	106,771,504	-1.7%	45.0%	47.9%
Utilities:								
Water/Sewer Operating Fund	10,698,547	11,132,137	4.1%	22,929,938	22,912,557	-0.1%	46.7%	48.6%
Surface Water Management Fund	3,194,984	3,333,006	4.3%	7,877,204	7,305,840	-7.3%	40.6%	45.6%
Solid Waste Fund	7,975,613	8,084,646	1.4%	16,065,707	16,210,048	0.9%	49.6%	49.9%
Total Utilities	21,869,144	22,549,789	3.1%	46,872,849	46,428,445	-0.9%	46.7%	48.6%
Total All Operating Funds	70,702,308	73,669,409	4.2%	155,479,325	153,199,949	-1.5%	45.5%	48.1%

*Budgeted and actual expenditures exclude working capital, operating reserves, capital reserves, and interfund transfers.

General Fund Revenue

- **Sales tax** revenue allocated to the General Fund through the second quarter of 2016 was **7.8 percent higher** than it was in 2015. The bulk of this increase is in the Contracting, Other Retail, and Miscellaneous sectors. A detailed analysis of total sales tax revenue can be found starting on page 5.
- **Property taxes** through June were **2.9 percent higher** than 2015, **at 53.2 percent of budget**. This increase is slightly higher than budgeted growth expectations for the year, though this difference is likely due to the timing of payments.
- **Utility tax** collections finished June **flat** compared to results through June 2015. Growth in electric utility taxes were offset by declines in gas and telecommunications. Collections through June were at **49.6 percent** of budget.
- **Other taxes** actual revenues were **6.6 percent higher** than in 2015, and finished at **69.3 percent of budget**. This increase is the result of higher revenues from Punch Board, Pull Tabs, and Card Games.
- The **business licenses (base fee) and franchise fees** were **4.4 percent** higher than in 2015 and finished June **at 52.5 percent** of budget.
- Collections from the **revenue generating regulatory license fee** were **35.8 percent higher** than in 2015. Revenues were at **70.8 percent of budget**. A portion of this growth is one-time revenue, as the City identified businesses operating without licenses, some of them owing up to three years of back payments.
- **Plan check fees and planning fees** finished the quarter **up 86 percent** and **81.5 percent** respectively. **Building, Structural and Equipment permits** were **up 5.7 percent** and **Engineering Services charges** were **down 5.6 percent** compared to 2015. Much of the Planning Fee increases are due to activity at Totem Lake and Kirkland Urban, while the Building permit increase stems from a rush in activity in advance of a building code change in July. The drop in Engineering Services is related to abnormally high revenues in 2015 from Google Campus Phase 2 Expansion.
- **Fines and Forfeitures** were **down 15.8 percent from 2015** due to a decrease in both Traffic and Parking Infraction Penalties. However, an increase in Business License Penalties offset much of the lost revenue elsewhere. This revenue source finished June **at 34.5 percent of budget**. Traffic infraction penalties are not receipted in January, so the budget is collected in 11 months from February to December. Therefore, this category will be closer to budget by year end if past trends hold for the current year.
- **Miscellaneous** revenue finished March **15.7 percent up** from 2015 due to higher interest earnings and increased revenue from rental properties, most notably from the Yuppie Pawn Shop property. This category was **above budget projections at 87.9 percent of budget**.

General Fund revenues ended the second quarter \$3,610,348 higher than in 2015 largely due to growth in taxes and charges for services.

The General Fund is the largest of the General Government Operating funds. It is primarily tax supported and accounts for basic services such as public safety, parks and recreation, and community development.

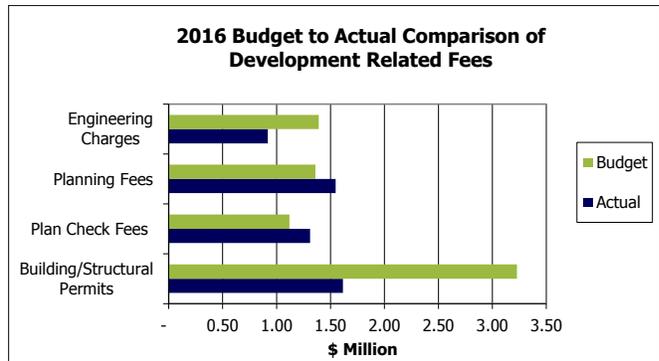
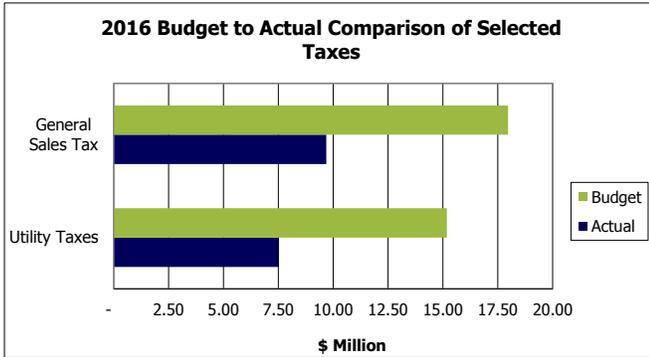
Many significant General Fund revenue sources are economically sensitive, such as sales tax and development-related fees.

About 441 of the City's 580 regular employees are budgeted within the general fund this year.

General Fund Resource Category	Year-to-Date Actual			Budget			% of Budget	
	6/30/2015	6/30/2016	% Change	2015	2016	% Change	2015	2016
Taxes:								
Retail Sales Tax: General	8,986,333	9,684,732	7.8%	17,963,747	17,963,747	0.0%	50.0%	53.9%
Retail Sales Tax Credit: Annexation	1,503,302	1,574,244	4.7%	3,792,500	3,935,000	3.8%	39.6%	40.0%
Retail Sales Tax: Criminal Justice	1,001,583	1,099,881	9.8%	2,036,370	2,097,461	3.0%	49.2%	52.4%
Property Tax	9,243,806	9,515,458	2.9%	17,456,855	17,886,952	2.5%	53.0%	53.2%
Utility Taxes	7,526,842	7,525,779	0.0%	15,015,081	15,175,950	1.1%	50.1%	49.6%
Rev Generating Regulatory License	1,233,338	1,674,558	35.8%	2,338,315	2,364,399	1.1%	52.7%	70.8%
Other Taxes	697,199	742,893	6.6%	1,063,075	1,072,758	0.9%	65.6%	69.3%
Total Taxes	30,192,403	31,817,546	5.4%	59,665,943	60,496,267	1.4%	50.6%	52.6%
Licenses & Permits:								
Building, Structural & Equipment Permits	1,528,627	1,615,401	5.7%	3,219,731	3,227,201	0.2%	47.5%	50.1%
Business Licenses/Franchise Fees	2,300,740	2,402,699	4.4%	4,532,649	4,580,520	1.1%	50.8%	52.5%
Other Licenses & Permits	301,407	306,677	1.7%	444,563	519,801	16.9%	67.8%	59.0%
Total Licenses & Permits	4,130,774	4,324,777	4.7%	8,196,943	8,327,522	1.6%	50.4%	51.9%
Intergovernmental:								
Grants and Federal Entitlements	103,993	90,229	-13.2%	162,125	132,000	-18.6%	64.1%	68.4%
State Shared Revenues & Entitlements	569,308	671,527	18.0%	1,098,514	1,339,360	21.9%	51.8%	50.1%
EMS	0	0	N/A	902,338	920,385	2.0%	N/A	N/A
Total Intergovernmental	673,301	761,756	13.1%	2,162,977	2,391,745	10.6%	31.1%	31.8%
Charges for Services:								
Internal Charges	2,924,575	3,397,643	16.2%	6,159,409	7,116,620	15.5%	47.5%	47.7%
Engineering Services	972,401	917,678	-5.6%	1,400,887	1,391,146	-0.7%	69.4%	66.0%
Plan Check Fee	704,823	1,311,062	86.0%	951,346	1,118,880	17.6%	74.1%	117.2%
Planning Fees	851,957	1,546,363	81.5%	1,457,383	1,359,493	-6.7%	58.5%	113.7%
Recreation	931,978	954,786	2.4%	1,215,100	1,215,200	0.0%	76.7%	78.6%
Other Charges for Services	958,846	948,049	-1.1%	1,980,204	2,093,739	5.7%	48.4%	45.3%
Total Charges for Services	7,344,579	9,075,580	23.6%	13,164,329	14,295,078	8.6%	55.8%	63.5%
Fines & Forfeits	898,008	755,977	-15.8%	2,189,359	2,191,067	0.1%	41.0%	34.5%
Miscellaneous	726,768	840,543	15.7%	1,063,767	956,465	-10.1%	68.3%	87.9%
Total Revenues	43,965,832	47,576,181	8.2%	86,443,318	88,658,144	2.6%	50.9%	53.7%
Other Financing Sources:								
Interfund Transfers	0	0	N/A	437,228	334,266	-23.5%	N/A	N/A
Total Other Financing Sources	0	0	N/A	437,228	334,266	-23.5%	N/A	N/A
Total Resources	43,965,832	47,576,181	8.2%	86,880,546	88,992,410	2.4%	50.6%	53.5%

*Budgeted and actual revenues exclude resources forward.

General Fund Revenue *continued*



General Fund Expenditures

General Fund Department Expenditures	Year-to-Date Actual			Budget			% of Budget	
	6/30/2015	6/30/2016	% Change	2015	2016	% Change	2015	2016
Non-Departmental	1,052,974	919,054	-12.7%	2,943,258	2,372,324	-19.4%	35.8%	38.7%
City Council	288,481	319,729	10.8%	473,818	497,615	5.0%	60.9%	64.3%
City Manager's Office	855,295	1,170,405	36.8%	2,438,154	2,172,715	-10.9%	35.1%	53.9%
Municipal Court	1,187,391	1,224,459	3.1%	2,445,952	2,456,641	0.4%	48.5%	49.8%
Human Resources	706,357	730,527	3.4%	1,492,619	1,541,006	3.2%	47.3%	47.4%
City Attorney's Office	673,491	623,066	-7.5%	1,246,620	1,173,872	-5.8%	54.0%	53.1%
Parks & Community Services	3,473,586	3,442,923	-0.9%	8,423,620	7,973,050	-5.3%	41.2%	43.2%
Public Works (Engineering)	2,479,240	2,635,893	6.3%	5,421,184	5,770,952	6.5%	45.7%	45.7%
Finance and Administration	2,301,712	2,278,706	-1.0%	4,715,638	4,725,388	0.2%	48.8%	48.2%
Planning & Building	3,837,719	4,670,842	21.7%	8,492,888	8,477,058	-0.2%	45.2%	55.1%
Police	12,048,871	11,989,487	-0.5%	25,154,856	25,115,979	-0.2%	47.9%	47.7%
Fire	10,418,327	10,701,781	2.7%	20,286,014	20,932,948	3.2%	51.4%	51.1%
Total Expenditures	39,323,443	40,706,873	3.5%	83,534,621	83,209,548	-0.4%	47.1%	48.9%
Other Financing Uses:								
Interfund Transfers	2,039,391	2,024,568	-0.7%	8,480,717	5,430,801	-36.0%	24.0%	37.3%
Total Other Financing Uses	2,039,391	2,024,568	-0.7%	8,480,717	5,430,801	-36.0%	24.0%	37.3%
Total Expenditures & Other Uses	41,362,834	42,731,441	3.3%	92,015,338	88,640,349	-3.7%	45.0%	48.2%

*Budgeted and actual expenditures exclude working capital, operating reserves, and capital reserves.

Comparing 2016 and 2015 expenditures:

In 2016, excluding interfund transfers, General Fund expenditures were **3.5 percent higher** than 2015, and finished the second quarter at **48.9 percent of budget**. Specific reasons for increased expenditures are highlighted below:

- Expenditures for **Non-departmental** were **down 12.7 percent** due to the AT&T Mobility legal settlement payment early in 2015. Public Defender expenditures, which are newly charged to Non-departmental, offset a portion of the decrease. Non-departmental finished the second quarter at **38.7 percent of budget** spent.
- Actual 2016 expenditures for the **City Council increased 10.8 percent** from 2015. The increase is due to expenditures for the Community Survey, which is conducted in even-numbered years. City Council finished the quarter at **64.3 percent of budget**, which is normal as Membership Dues paid at the beginning of the year comprise a large portion of the overall budget.
- The **City Manager's Office** finished the second quarter **up 36.8 percent** from 2015 with **53.9 percent of budget** expended. The increase reflects the Deputy City Manager Reorganization, which occurred after the 1st quarter of 2015, and expenditures for the Police Strategic Plan.
- Second quarter expenditures for the **Parks & Community Services Department** were **down 0.9 percent** from 2015 due to an invoice for the Human Service Pooled Program, usually paid to Bellevue in the first quarter, which was paid early at the very end of 2015. Parks and Community Services finished the second quarter at **43.2 percent of budget**.

2016 General Fund actual expenditures (excluding "other financing uses") were 3.5 percent higher than they were in 2015.

Continued on page 5

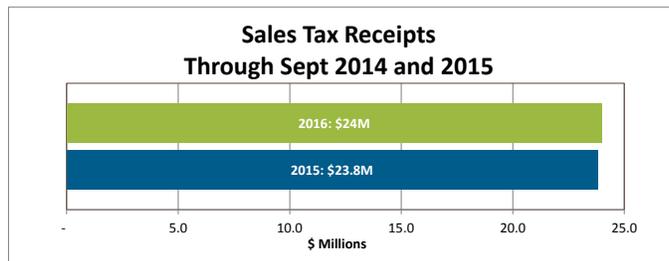
Financial Management Report as of June 30, 2016

- **Public Works - General Fund** expenditures were **6.3 percent above 2015**. Growth in expenditures in Wages and Benefits due to the addition of 4 positions for Capital Project Engineering was partially offset by decreased spending on Professional Services. Overall, Public Works - General Fund finished the first half of the year at **45.7 percent of budget**.
- **Planning and Building** finished the quarter **21.7 percent above 2015**, with **55.1 percent of the budget** expended. This is largely due to the addition of one-time and ongoing resources to meet workload demands associated with the high levels of development activity in Kirkland.
- **Police** expenditures ended the quarter **0.5 percent below 2015**, at **47.7 percent of budget**. This is consistent with performance in 2015.
- Expenditures for the **Fire Department** finished the first quarter **2.7 percent above 2015**. Fire finished the first half of 2016 at **51.1 percent of budget**. Expenses are within expected ranges, and similar to 2015 budget to actual performance. A greater proportion of fire overtime expenses come early in the year, as overtime expenditures to maintain minimum staffing over the winter holidays inflates these costs in January.
- Actual **Interfund Transfers** finished the second quarter **down 0.7 percent** from 2015 due to the offsetting impacts of a one time transfer from the Building and Property Reserve in 2015 more than offsetting the transfers for city hall construction debt service, which began in 2016.

Summary of Fire District 41 Funds	
Revenues & Expenditures	
Beginning Balance	5,230,000
Investment Interest	90,970
Expenditures:	114,893
Current Balance	\$ 5,206,077

Sales Tax Revenue Analysis

Sales tax revenue through the second quarter was **7.8 percent** higher in 2016 than 2015. This represents a slight deceleration in the growth rate from the 9.9 mark set in the first quarter. Increased activity in contracting, other retail, and services composed the bulk of the revenue gains. Sales tax revenue received through June is from sales activity between November 2015 and April 2016.



Review by business sectors:

- **Contracting** was **up 14.7 percent** through June compared to 2015. Construction collections continue to be strong this year, and lead overall sales tax growth. However, this is a very volatile revenue category.
- Sales tax from the retail sectors was collectively **up 4.6 percent** compared to 2015.
- **Auto/gas retail** sector was **up 3.6 percent** compared to 2015.
- **General merchandise/miscellaneous retail** sector was **down 3.0 percent** in 2016 compared to 2015 due to reduced revenue from major retailers.
- **Retail eating/drinking** sector performance was **up 4.5 percent** compared to 2015.
- **Other retail** was **up 13.3 percent** compared to 2015. Non store retail, which is the largest subcategory of this group, lead the growth in the first half of the year.
- The **services** sector was **up 6.8 percent** compared to 2015, largely due to growth in administrative support, health care and other services
- **Wholesale** revenues were **up 11.6 percent** in the first half of 2016. This sector is broken into durable and non-durable goods, both of which grew substantially.
- The **Miscellaneous** sector was **up 10.5 percent** through the first half of the year 2016, largely due to real estate and manufacturing growth.
- **Communications** grew 35.7 percent on the year. This is due to a one time refund that was paid to selected taxpayers in May of 2015.

Regional Sales Tax
Bellevue was up 8.7 percent, Redmond was up 51.2 percent through June 2016 compared to June 2015.

King County
King County's sales tax receipts were up 11.8 percent through the end of the quarter compared to 2015.

Business Sector Group	YTD		Dollar Change	Percent Change	Percent of Total	
	2015	2016			2015	2016
Services	1,225,077	1,308,548	83,471	6.8%	13.6%	13.5%
Contracting	1,333,581	1,529,295	195,714	14.7%	14.8%	15.8%
Communications	194,659	264,085	69,426	35.7%	2.2%	2.7%
Auto/Gas Retail	2,257,986	2,338,500	80,514	3.6%	25.1%	24.1%
Gen Merch/Misc Retail	1,060,691	1,029,243	(31,448)	-3.0%	11.8%	10.6%
Retail Eating/Drinking	731,752	764,561	32,809	4.5%	8.1%	7.9%
Other Retail	1,202,614	1,363,003	160,389	13.3%	13.4%	14.1%
Wholesale	458,127	511,243	53,116	11.6%	5.1%	5.3%
Miscellaneous	521,848	576,614	54,766	10.5%	5.8%	6.0%
Total	8,986,333	9,685,091	698,758	7.8%	100%	100%

Kirkland's sales tax base is comprised of a variety of businesses which are grouped and analyzed by business sector (according to "North American Industry Classification System" or NAICS).

Nine business sector groupings are used to compare 2015 and 2016 sales tax receipts in the table to the left.

Month	Sales Tax Receipts		Dollar Change	Percent Change
	2015	2016		
Jan	1,406,663	1,580,669	174,006	12.4%
Feb	1,783,689	1,958,877	175,188	9.8%
Apr	1,323,936	1,440,078	116,142	8.8%
May	1,599,980	1,675,944	75,964	4.7%
Jun	1,480,647	1,533,895	53,248	3.6%
Total	8,986,333	9,685,091	698,758	7.8%

- Sales tax revenues through the second quarter of 2016 were 7.8 percent higher than the secondquarter of 2015.
- Growth has slowed as the year has progressed. The first quarter was up 9.9 percent over 2015; April was up 9.6 percent, May was up 8.6 percent and June was up 7.8 percent. Though growth has slowed the outlook is still positive going forward.
- Aside from General Merchandise/Miscellaneous Retail, every sector grew in the second quarter. Contracting performed particularly well, followed by Other Retail and Services. These growth sectors, particularly Contracting, tend to be volatile and will fluctuate with changing economic conditions.
- General Merchandise is down 3.0 percent after the second quarter. General Merchandise decreased slightly from last year, though it is generally less volatile than other categories. This category is the most likely to contain impacts from the ongoing construction at Totem Lake and Kirkland Urban.

When analyzing monthly sales tax receipts, there are two items of special note: First, most businesses remit their sales tax collections to the Washington State Department of Revenue on a monthly basis. Small businesses only have to remit their sales tax collections either quarterly or annually, which can create anomalies when comparing the same month between two years. Second, for those businesses which remit sales tax monthly, there is a two month lag from the time that sales tax is collected to the time it is distributed to the City.

Kirkland's sales tax base is further broken down by business district (according to geographic area), as well as "unassigned or no district" for small businesses and businesses with no physical presence in Kirkland.

Comparing to the same period last year:

Totem Lake, which accounted for 28.7 percent of the total sales tax receipts in the second quarter, was **up 4.3 percent** from 2015 due to the continued sales growth in the automotive/gas retail sector and repairs & maintenance with mostly positive results in other sectors. Sixty percent of this business district's revenue comes from the auto/gas retail sector.

NE 85th Street, which made up 13.2 percent of the total sales tax receipts in 2016, was **up 3.8 percent** compared to 2015. This area's sales grew due to improving auto retail and retail eating/drinking sales. General retail, which is the second largest sector, fell 0.5 percent on the year. Auto and general retail contribute 81.7 percent of this business district's revenue.

Downtown, which accounted for 5.3 percent sales tax receipts through the second quarter, was **down 12.5 percent**. This is due to abnormally high revenues from the information category in 2015. If it wasn't for that anomaly, downtown revenues

would have fallen just 2.3 percent.

Carillon Point & Yarrow Bay, which account for 1.7 percent of the total sales tax receipts, were **up 0.2 percent** compared to 2015. About 62.1 percent of this business district's revenue came from retail eating/drinking and accommodations.

Houghton & Bridle Trails, which has produced 2.3 percent of the total sales tax receipts in 2016, were **up 3.8 percent** due to an increase in retail food stores and other retail, which offset a decrease in several other categories.

Juanita, which generated 1.4 percent of the total 2016 sales tax receipts, was **up 1.9 percent** compared to 2015. Increases in retail eating/drinking offset declines in several other sectors.

North Juanita, Kingsgate, & Finn Hill accounted for 2.6 percent of the total sales tax receipts in 2016 and were **up 1.1 percent** from 2015, with growth in North Juanita and Kingsgate offsetting a decline in Finn Hill. The former two grew by 1.9 and 3.6 percent, respectively, while the latter one declined by 5.3 percent. Finn Hill revenues declined across several sectors, however, the percentage decline only represents \$2,556.

Year-to-date tax receipts by business district for 2015 and 2016 are compared in the table on the next page.

Financial Management Report as of June 30, 2016

When reviewing sales tax receipts by business district, it's important to be aware that 48.8 percent of the revenues received in the second half of 2016 were in the "unassigned or no district" category largely due to contracting and other revenue, which includes revenue from internet, catalog sales and other businesses located outside of the City. This percentage has grown in recent years as internet sales have grown in volume.

Business District	YTD		Dollar Change	Percent Change	Percent of Total	
	2015	2016			2015	2016
Totem Lake	2,665,021	2,778,558	113,537	4.3%	29.7%	28.7%
NE 85th St	1,227,260	1,274,378	47,118	3.8%	13.7%	13.2%
Downtown	582,775	509,721	(73,054)	-12.5%	6.5%	5.3%
Carillon Pt/Yarrow Bay	166,926	167,253	327	0.2%	1.9%	1.7%
Houghton & Bridle Trails	212,468	220,610	8,142	3.8%	2.4%	2.3%
Juanita	128,363	130,858	2,495	1.9%	1.4%	1.4%
Kingsgate	78,360	81,215	2,855	3.6%	0.9%	0.8%
North Juanita	123,905	126,240	2,335	1.9%	1.4%	1.3%
Finn Hill	48,244	45,688	(2,556)	-5.3%	0.5%	0.5%
Unassigned or No District:						
Contracting	1,321,493	1,517,379	195,886	14.8%	14.7%	15.7%
Other	2,431,518	2,833,191	401,673	16.5%	31.1%	33.1%
Total	8,986,333	9,685,091	698,758	7.8%	100.0%	100.0%

Sales Tax Revenue Outlook After a fast start to 2016, revenue growth has steadily slowed through the second quarter. Year to date growth over the first half of the year has downshifted from a 9.9 percent pace in January to a 7.9 percent rate in June. The first quarter of 2015 was weak, so this is at least partially due to comparatively stronger prior year comparisons in the second quarter last year. Staff will continue to monitor and report on emerging trends in the monthly Sales Tax Report.

OFFICE VACANCIES:

According to the latest report from CB Richard Ellis Real Estate Services, Kirkland's office vacancy rate in the second quarter of 2016 was 3.6 percent, significantly lower than the Puget Sound total vacancy rate of 11.3 percent, though slightly higher than the first quarter's vacancy rate of 1.5 percent. Overall the Eastside is one of the stronger office markets in the Puget Sound region, with an office vacancy rate of 10.7 percent, just above downtown Seattle's vacancy rate of 9.5 percent.

The region currently has 6.5 million square feet of office space under construction, over 3.5 times more than this time last year. This includes projects on the Eastside, with over 1 million square feet planned in Bellevue.

LODGING TAX REVENUE:

Lodging tax revenue grew compared to 2015, finishing the quarter up 2.3 percent, an increase of \$2,653. This meant revenues finished the first quarter at 39.85 percent of budget.

Economic Environment Update The Washington State economy continued to expand, adding 20,200 nonfarm jobs since the February 2016 update, according to the Washington State Economic and Revenue Forecast Council. This was 2,8000 more than expected, lead by growth in the Construction sector.

The Conference Board's **Consumer Confidence Index** increased from 92.6 in May to 98.0 in June. A rating of 100 equals the 1985 consumer confidence level. This change was due to fewer negative feelings about current conditions relative to the past couple months, and a cautiously optimistic outlook for the near-term.

Unemployment Rates increased at the National level, up to 4.9 percent in June, from 4.7 percent in May. The unemployment rate in King County decreased from 4.4 percent in May to 4.3 percent in June, which is the latest available data point. King County unemployment rates fell from 5.1 percent in January and have remained between 4.1 and 4.6 percent since March.

The Western Washington Purchasing Manager Index indicated stalled growth in economic activity in June 2016. The index was at 49.2 in June; an index reading greater than 50 signals an expanding economy. While the index shows stagnation, it is an improvement of 1.1 points over May's reading.

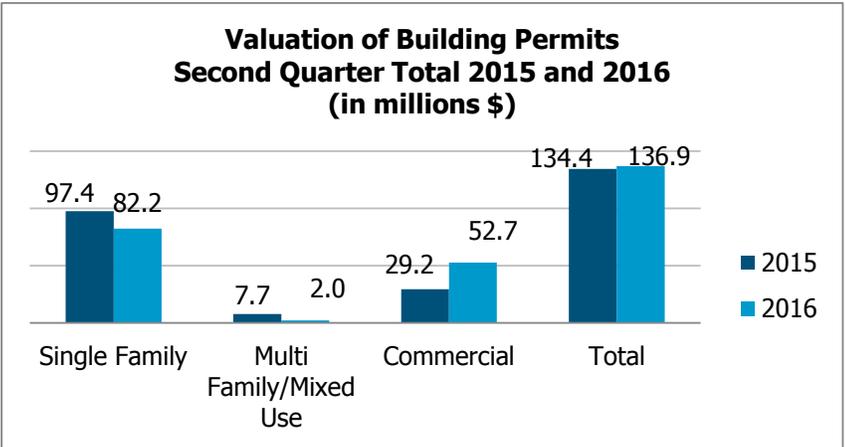
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Economic Environment Update *continued*

Local **building permitting activity** has increased 1.8 percent compared to June 2015. The increase is due entirely to commercial development, which is up 80.2 percent from this time last year. Totem Lake and Kirkland Urban development are driving this increase. For as much as commercial development increased, single family and multi-family/mixed use development fell almost as much, declining 15.7 and 74.2 percent respectively. The net effect is a year-to-date growth of just \$2.5 million in development valuation.

Prices in the **housing market** continued to increase in the second quarter of 2016 with the Case-Shiller housing index for the Seattle metro area up to 202.58, increasing the gap above the pre-recession peak index score of 192.3 set in July 2007. There were 42,600 new housing permits issued in the second quarter of 2016 according to the Washington State Economic and Revenue Council.

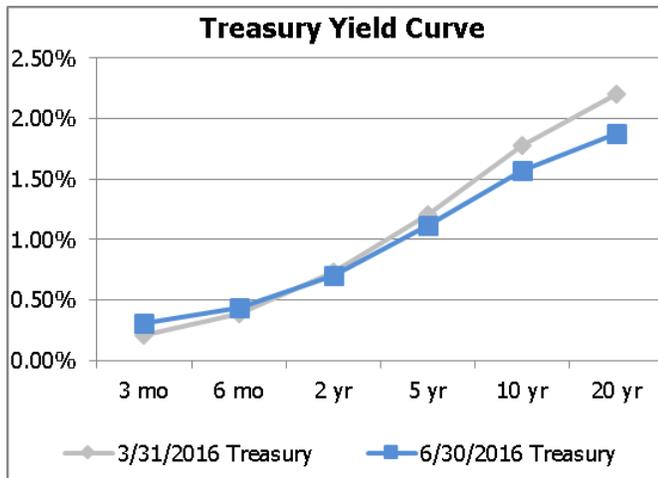
Inflation in the Seattle area is high relative to the national rate. In June 2016, the Seattle core CPI increased 2.0 percent compared to the previous year, while the national CPI was at 0.6 percent year-to-year growth.



Investment Report

MARKET OVERVIEW

The mild economic growth continued to slow down into the 2nd quarter of 2016. The Fed Funds rate increase expectations which started the year with four expected ¼ percent increases are now at one expected ¼ percent increase in 2016. The more likely scenario is that there will be no rate increases for the remainder of this year. The yield curve rose on the short end of the curve and fell at the long end, flattening the curve slightly, as seen in the graph below.

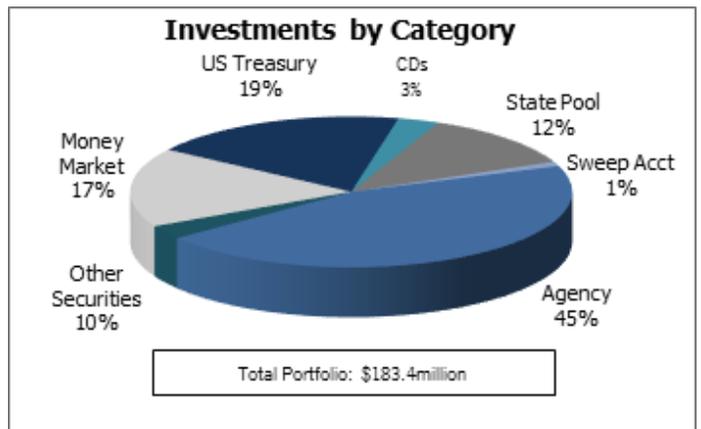


CITY PORTFOLIO

The primary objectives for the City of Kirkland’s investment activities are: legality, safety, liquidity and yield. Additionally, the City diversifies its investments according to established maximum allowable exposure limits so that reliance on any one issuer will not

place an undue financial burden on the City.

The City’s portfolio increased \$15.8 million in the 2nd quarter of 2016, moving from \$167.6 million on March 31, 2016 to \$183.4 million on June 30, 2016. The increase in the portfolio is related, in part, to the normal cash flows of the 2nd quarter, as the first half of property taxes is received at the end of April and early May.



Diversification

The City’s current investment portfolio is composed of Government Sponsored Enterprises (GSEs) bonds, US Government Obligations, State and Local Government bonds, Bank CDs, Money Market Account and the State Investment Pool. City investment procedures allow for 100% of the portfolio to be invested in U.S. Treasury or Federal Government obligations.

Financial Management Report as of June 30, 2016

**2016 ECONOMIC
OUTLOOK and
INVESTMENT STRATEGY**

While the outlook for growth in the U.S. economy looks weaker now than it did three months ago, it is projected to continue growing at the slower pace. The U.S. economy is expected to grow at an annual rate of 1.5 percent in 2016 and 2.3 percent in 2017. CPI inflation is expected to average 1.6 percent in 2016 and 2.3 percent in 2017. The unemployment rate is expected to average 4.8 percent in 2016 and fall to 4.6 percent in 2017. The Fed Funds rate, currently at 0.50%, is expected to rise one time in late 2016 to 0.75%.

The City's investment advisor, Government Portfolio Advisors (GPA) is currently recommending that the duration of the portfolio be increased slightly in relation to the benchmark. They believe that the Fed may be slow to raise Fed Funds and will recommend security purchases when opportunities to capture higher returns are available.

The State Pool is currently at 0.51%, slowly rising each month as shorter term rates increase. However, rates will continue to remain low as the Fed Funds rate remains at 0.25 to 0.50 percent. Total estimated investment income for 2016 is \$1,200,000.

Investment Report *continued*

Liquidity

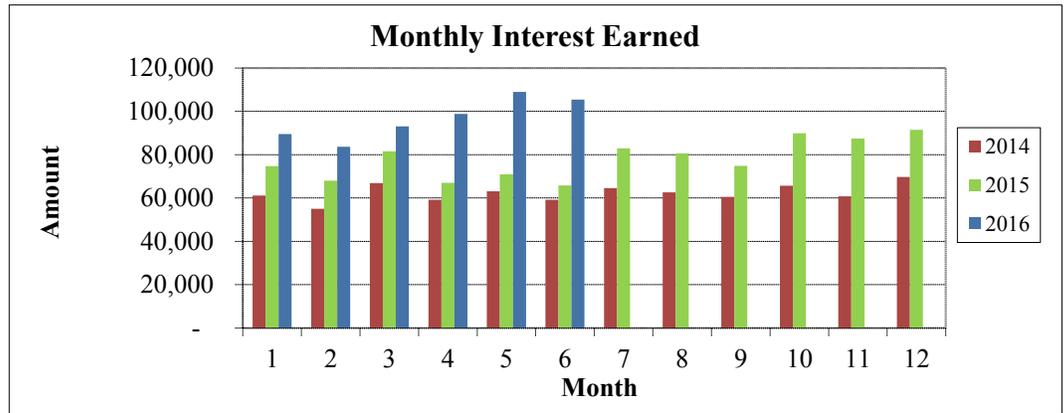
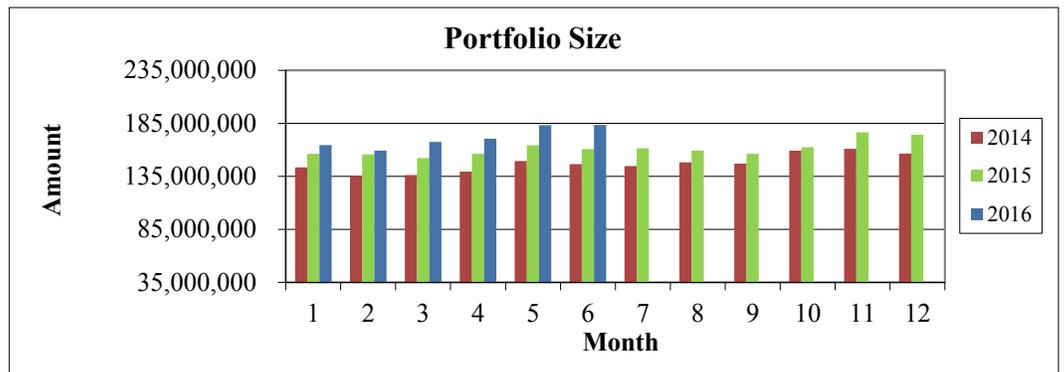
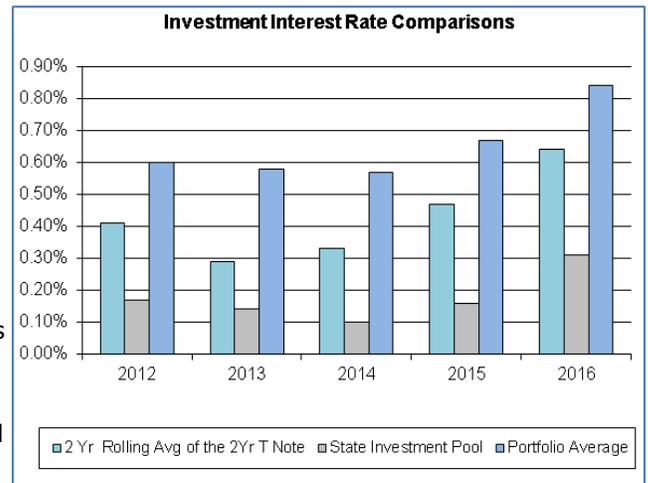
The target duration for the City's portfolio is based on the 0-5 year U.S. Treasury. The average maturity of the City's investment portfolio decreased from 1.42 years on March 31, 2016 to 1.38 years on June 30, 2016 as securities were called.

Yield

The City Portfolio yield to maturity increased from 0.85 percent on March 31, 2016 to 0.91 percent on June 30, 2016. Through June 30, 2016, the City's annual average yield to maturity also increased to 0.84 percent. The City's portfolio benchmark is the range between the 90 day Treasury Bill and the 2 year rolling average of the 2 year Treasury Note. This benchmark is used as it is reflective of the maturity guidelines required in the Investment Policy adopted by City Council.

The City's portfolio outperformed both the 90 day T Bill and the 2 year rolling average of the 2 year Treasury note, which was 0.67 percent on June 30, 2016.

The City's implementation of a more active investment strategy due to contracting with an investment advisor has resulted in increasing portfolio yields. The City's portfolio's rate of return is rising with the rise in interest rates and is keeping ahead of the benchmark rates as seen in the adjacent graph.



RESERVES are an important indicator of the City's fiscal health and effectively represent "savings accounts" that are established to meet unforeseen budgetary needs (general purpose reserves) or are dedicated to a specific purpose. Ending balances in the table below are based on budget. Actual balances in some reserves may vary based on revenue performance (e.g., Excise Tax and Impact Fees).

Reserve Analysis

- Positive General Fund performance in 2013-2014, along with planned contributions to reserves in 2015-2016 has allowed the City to plan to replenish many of the general purpose reserves to target levels by the end of 2016 as indicated in the table below. The City's fiscal policy is to set at least 1 percent of the General Fund adopted budget toward reserve replenishment toward 80 percent of the target level (100 percent for the Revenue Stabilization Reserve). Unplanned amounts available at the end of a biennium should help replenish to target faster, which is what happened at the end of 2014. Adequate fund balance and reserve levels are a necessary component of financial management strategy and a key factor in the external agencies' measurement of the City's financial strength (Standard and Poor's: AAA and Moody's Aa2).

General Capital Reserves

- Real estate activity has been growing significantly over the last few years and 2015 reached an all-time high in **Real Estate Excise Tax (REET)** collections. However, **2016 is 19.2 percent ahead of second quarter 2015**. The current ending balances do not reflect this revenue performance, however they do incorporate 2015-2016 uses in the 2015-2020 Capital Improvement Plan as adopted in December 2015.
- **Impact fees (Parks and Transportation)** are a reflection of development activity, which remains strong. However, 2016 Park revenue is 55.8% behind 2015 due to revenue received from a single large development in the first quarter of 2015. Normalizing for this event, revenue is only slightly down from last year. Transportation is 3.1 percent ahead. There are large developments underway which are expected to generate significant fees in 2016 that likely will bring these revenues in line with last year. The balances below were adjusted during the 2015-2020 CIP adoption in December to fund capital projects that are budgeted during this biennium.
- The City adopted a new Capital Improvement Program (CIP) for 2015-2020, which made significant uses of REET and Impact Fees in the current budget period, as well as future years in response to projects identified in several long-range master plans that were adopted in 2015.

General Government & Utility Reserves Targets Summary

Reserves	Actual 2015 Beginning Balance	Adopted 2016 Ending Balance	Revised 2016 Ending Balance	2015-16 Target	Revised Over (Under) Target
GENERAL PURPOSE RESERVES WITH TARGETS					
General Fund Reserves:					
General Fund Contingency	50,000	50,000	50,000	50,000	-
General Oper. Reserve (Rainy Day)	2,806,513	4,803,388	4,803,388	4,803,388	-
Revenue Stabilization Reserve	2,570,090	2,848,220	2,848,220	2,848,220	-
Building & Property Reserve	571,579	600,000	533,000	600,000	(67,000)
Council Special Projects Reserve	250,000	250,000	134,000	250,000	(116,000)
Contingency	2,426,425	4,036,425	4,036,425	5,512,218	(1,475,793)
General Capital Contingency	3,768,012	4,961,855	4,961,855	5,701,001	(739,146)
General Purpose Reserves with Targets	12,442,619	17,549,888	17,366,888	19,764,827	(2,397,939)
ALL OTHER RESERVES WITH TARGETS					
General Fund Reserves:					
Litigation Reserve	150,000	150,000	150,000	150,000	-
Firefighter's Pension Reserve	1,493,687	1,225,835	1,225,835	933,405	292,430
Health Benefits Fund:					
Claims Reserve	2,058,311	2,058,311	2,058,311	2,058,311	-
Rate Stabilization Reserve	1,000,000	1,000,000	1,000,000	1,000,000	-
Excise Tax Capital Improvement:					
REET 1	5,843,876	8,697,813	5,213,854	1,732,329	3,481,525
REET 2	4,888,788	7,146,044	6,000,344	2,436,255	3,564,089
Water/Sewer Operating Reserve:					
Water/Sewer Operating Reserve:	2,414,471	2,659,932	2,659,932	2,659,932	-
Water/Sewer Capital Contingency:	1,107,600	613,300	613,300	613,300	-
Surface Water Operating Reserve:	706,364	893,306	893,306	893,306	-
Surface Water Capital Contingency:	845,163	391,380	391,380	391,380	-
Other Reserves with Targets	20,508,260	24,835,921	20,206,262	12,868,218	7,338,044
Reserves without Targets	44,926,198	58,197,292	48,308,247	n/a	n/a
Total Reserves	77,877,077	100,583,101	85,881,397	n/a	n/a

The target comparison reflects revised ending balances to the targets established in the budget process for those reserves with targets.

General Purpose reserves are funded from general revenue and may be used for any general government function.

All Other Reserves with Targets have restrictions for use either from the funding source or by Council-directed policy (such as the Litigation Reserve).

The summary to the right details all Council authorized uses and additions in the 2015-16 biennium.

USES AND ADDITIONS HIGHLIGHTS

RESERVE	AMOUNT	DESCRIPTION
2015-16 Council Authorized Uses		
Prior 2015-2016 Uses	\$14,679,281	
Building & Property Reserve	\$67,000	CKC Property Acquisition from BNSF
Council Special Projects	\$30,000	Kirkland Community Foundation
Tour Dock Reserve	\$21,500	Port of Seattle Economic Development Partnership
2015-16 Council Authorized Additions		
Prior 2015 Additions	\$96,077	

General Fund and Contingency reserves are funded from general purpose revenue and are governed by Council-adopted policies.

Special Purpose reserves reflect both restricted and dedicated revenue for specific purpose, as well as general revenue set aside for specific purposes.

General Capital Reserves provide the City the ability to respond to unexpected changes in costs and accumulate funds for future projects. It is funded from both general revenue and restricted revenue.

Utility reserves are funded from utility rates and provide the utilities with the ability to respond to unexpected costs and accumulate funds for future replacement projects.

Internal service funds are funded by charges to operating departments. They provide for the accumulation of funds for replacement of equipment, as well as the ability to respond to unexpected costs.

Reserves	Description	Est. 2015	Adopted	Additional	Revised
		Beginning Balance	2016 Ending Balance*	Authorized Uses/Additions	2016 Ending Balance
GENERAL FUND/CONTINGENCY					
General Fund Reserves:					
General Fund Contingency	Unexpected General Fund expenditures	50,000	50,000		50,000
General Oper. (Rainy Day)	Unforeseen revenues/temporary events	2,806,513	4,803,388		4,803,388
Revenue Stabilization	Temporary revenue shortfalls	2,570,090	2,848,220		2,848,220
Building & Property	Property-related transactions	571,579	600,000	(67,000)	533,000
Council Special Projects	One-time special projects	250,000	250,000	(116,000)	134,000
Contingency	Unforeseen expenditures	2,426,425	4,036,425		4,036,425
Total General Fund/Contingency		8,674,607	12,588,033	(183,000)	12,405,033
SPECIAL PURPOSE RESERVES					
General Fund Reserves:					
Litigation	Outside counsel costs contingency	150,000	150,000		150,000
Labor Relations	Labor negotiation costs contingency	74,928	55,312		55,312
Police Equipment	Equipment funded from seized property	50,284	75,969		75,969
Fire OT & Equipment	Contingency for overtime and equipment	200,000	200,000		200,000
LEOFF 1 Police	Police long-term care benefits	618,079	618,079		618,079
Facilities Expansion	Special facilities expansions	150,982	50,663		50,663
Development Services	Revenue and staffing stabilization	2,572,520	2,612,670		2,612,670
Development Svcs. Technology	Permit system replacement	1,040,324	1,356,175		1,356,175
Tour Dock	Dock repairs	206,271	273,095	(21,500)	251,595
Tree Ordinance	Replacement trees program	56,267	65,488		65,488
Revolving/Donation Accounts	Fees/Donations for specific purposes	940,331	943,300	(25,000)	918,300
Lodging Tax Fund	Tourism program and facilities	310,420	190,548	(119,549)	70,999
Cemetery Improvement	Cemetery improvements/debt service	736,215	767,040	2,568	769,608
Off-Street Parking	Downtown parking improvements	259,161	391,613	(285,500)	106,113
Fire Equipment Life Cycle	20-year fire equipment costs	418,326	896,704		896,704
Police Equipment Life Cycle	20-year police equipment costs	343,114	806,243		806,243
Technology Equipment Life Cycle	20-year technology equipment costs	663,600	1,265,117		1,265,117
Firefighter's Pension	Long-term care/pension benefits	1,493,687	1,225,835		1,225,835
Total Special Purpose Reserves		10,284,509	11,943,851	(448,981)	11,494,870
GENERAL CAPITAL RESERVES					
Excise Tax Capital Improvement:					
REET 1	Parks/transportation/facilities projects, parks debt service	5,843,876	8,697,813	(3,483,959)	5,213,854
REET 2	Transportation and other capital projects	4,888,788	7,146,044	(1,145,700)	6,000,344
Impact Fees					
Transportation	Transportation capacity projects	3,663,839	4,227,671	(2,300,900)	1,926,771
Parks	Parks capacity projects	1,727,746	2,007,936	(484,599)	1,523,337
Street Improvement	Street improvements	995,958	995,958	(995,958)	0
General Capital Contingency	Changes to General capital projects	3,768,012	4,961,855		4,961,855
Total General Capital Reserves		20,888,219	28,037,277	(8,411,116)	19,626,161
UTILITY RESERVES					
Water/Sewer Utility:					
Water/Sewer Operating	Operating contingency	2,414,471	2,659,932		2,659,932
Water/Sewer Debt Service	Debt service	498,591	495,390	(460,000)	35,390
Water/Sewer Capital Contingency	Changes to Water/Sewer capital projects	1,107,600	613,300		613,300
Water/Sewer Construction	Replacement/re-prioritized/new projects	10,051,937	17,664,869	(4,127,036)	13,537,833
Surface Water Utility:					
Surface Water Operating	Operating contingency	706,364	893,306		893,306
Surface Water Capital Contingency	Changes to Surface Water capital projects	845,163	391,380		391,380
Surface Water Construction	Trans. related surface water projects	5,656,579	7,597,175	(759,300)	6,837,875
Total Utility Reserves		21,280,705	30,315,352	(5,346,336)	24,969,016
INTERNAL SERVICE FUND RESERVES					
Health Benefits:					
Claims	Health benefits self insurance claims	2,058,311	2,058,311		2,058,311
Rate Stabilization	Rate stabilization	1,000,000	1,000,000		1,000,000
Equipment Rental:					
Vehicle	Vehicle replacements	10,068,738	8,583,511	22,829	8,606,340
Radio	Radio replacements	59,463	74,764		74,764
Information Technology:					
PC Replacement	PC equipment replacements	459,063	518,292		518,292
Major Systems Replacement	Major technology systems replacement	656,200	1,165,089	135,200	1,300,289
Facilities Maintenance:					
Operating	Unforeseen operating costs	550,000	550,000		550,000
Facilities Sinking Fund	20-year facility life cycle costs	1,897,262	3,748,621	(470,300)	3,278,321
Total Internal Service Fund Reserves		16,749,037	17,698,588	(312,271)	17,386,317
Grand Total		77,877,077	100,583,101	(14,701,704)	85,881,397

*Adjusted for actual cash balances in April



The Financial Management Report (FMR) is a high-level status report on the City's financial condition that is produced quarterly.

- It provides a **summary budget to actual and year over year comparisons** for year-to-date revenues and expenditures for all operating funds.
 - The **Sales Tax Revenue Analysis** report takes a closer look at one of the City's larger and most economically sensitive revenue sources.
 - **Economic environment** information provides a brief outlook at the key economic indicators for the Eastside and Kirkland such as office vacancies, residential housing prices/sales, development activity, inflation and unemployment.
 - The **Investment Summary** report includes a brief market overview, a snapshot of the City's investment portfolio, and the City's year-to-date investment performance.
 - The **Reserve Summary** report highlights the uses of and additions to the City's reserves in the current year as well as the projected ending reserve balance relative to each reserve's target amount.
- Tracey Dunlap, Deputy City Manager
 - Michael Olson, Director of Finance & Administration
 - Tom Mikesell, Financial Planning Manager
 - Neil Kruse, Senior Financial Analyst
 - George Dugdale, Senior Financial Analyst
 - Kyle Butler, Budget Analyst
 - Elijah Panci, Budget Analyst



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Economic Environment Update References:

- The Conference Board Consumer Confidence Index Press Release June, 2016
- Carol A. Kujawa, MA, A.P.P., *ISM-Western Washington, Inc. Report On Business*, Institute for Supply Management-Western Washington, June, 2016
- Quarterly Economic & Revenue Forecast, June 2016—Washington State Economic & Revenue Forecast Council
- CB Richard Ellis Real Estate Services, Market View Puget Sound, Second Quarter 2016
- S&P/Case-Shiller Seattle Home Price Index
- U.S. Bureau of Labor Statistics
- Washington State Employment Security Department
- Washington State Department of Revenue
- Washington State Department of Labor & Industries
- City of Kirkland Building Division
- City of Kirkland Finance & Administration Department

**CITY OF KIRKLAND****Department of Public Works****123 Fifth Avenue, Kirkland, WA 98033 425.587.3800****www.kirklandwa.gov**

MEMORANDUM

To: Kurt Triplett, City Manager

From: Nancy Otterholt, Senior Accountant
John MacGillivray, Solid Waste Programs Supervisor
Kathy Brown, Public Works Director
Michael Olson, Director of Finance and Administration

Date: September 8, 2016

Subject: 2017-2018 Proposed Utility Rates Briefing

RECOMMENDATION

It is recommended that the City Council receive a second briefing on the proposed 2017-2018 Utility Rates at its September 20 meeting and provide direction to staff for final adoption.

BACKGROUND

At its [August 16 study session](#), the City Council received a briefing on the basics of utility rate development and an introduction to the range of wholesale rate drivers within each utility. On July 22, the City Council Finance and Administration subcommittee received a briefing on the proposed 2017-2018 Water, Sewer, Surface Water, and Solid Waste Rates. Committee members Mayor Walen and Councilmember Marchione were unable to attend but received individual briefings subsequent to the July 22 meeting.

In preparation for the budget process, staff updated its utility rate projections for the 2017-2018 biennium for all utilities using consultant assistance, as needed. As the City's utility rates are highly sensitive to, and informed by, the pass through rate increases from partner service providers (Cascade Water Alliance, King County Wastewater Treatment Division, and the King County Solid Waste Division), Kirkland's rate analyses run concurrent with these service provider's rate adoption processes. In the case of Solid Waste rates, per RCW 35.21.157 the City must notify rate payers of rate increases at least 45 days before the effective date of the increase which requires final adoption of a rate ordinance no later than the October 18 City Council meeting.

The process of developing the 2017-2018 proposed utility rates was based on a combination of the financial performance of each utility over the past several years, needs as identified in adopted master and system plans, and contractual obligations and requirements. All rates are designed to ensure the future financial integrity of each utility while bearing in mind the impacts on ratepayers.

The rates developed reflect the following overarching principles:

- Fully fund ongoing operations
- Maintain or replenish cash reserves
- Maintain or enhance capital contributions to repair, replace and enhance capital assets
- Achieve regular, modest rate adjustments in lieu of infrequent large rate increases
- Reduce customer class cross subsidies over time

A summary of the proposed single family utility rates are shown below, followed by a description of each utility's financial and programmatic factors that were considered in the rate proposal. With the proposed utility rate adjustments describe below, the average single family customer would pay an additional \$6.04 per month in 2017 and \$3.66 per month in 2018. The average Kirkland single family customer is defined as having or using:

Water: 700 cubic feet of consumption and a 3/4" water meter service

Sewer: 600 cubic feet of consumption

Solid Waste: A 35 gallon weekly garbage service

Surface Water: A single family residence

Proposed Utility Rate Summary: Impact to Average Kirkland Customer							
Utility	2016		2017		2018		
	Monthly	Proposed	Monthly	%	Proposed	Monthly	%
	Rate	Rate	Impact \$	Increase	Rate	Impact \$	Increase
Water	\$43.28	\$44.02	\$0.74	1.7%	\$44.77	\$0.75	1.7%
Sewer	\$68.91	\$72.01	\$3.10	4.5%	\$73.48	\$1.47	2.0%
Solid Waste	\$23.73	\$25.02	\$1.29	5.4%	\$25.75	\$0.73	2.9%
Surface Water	\$16.87	\$17.21	\$0.34	2.0%	\$17.55	\$0.34	2.0%
Subtotal	\$152.79	\$158.26	\$5.47	3.6%	\$161.55	\$3.29	2.1%
Utility Taxes*	\$16.79	\$17.36	\$0.57	3.4%	\$17.73	\$0.37	2.1%
KC Haz Waste	\$1.46	\$1.46	\$0.00	0.0%	\$1.46	\$0.00	0.0%
Total	\$171.04	\$177.08	\$6.04	3.5%	\$180.74	\$3.66	2.1%

*The effective utility tax rate varies: Water 13.38%, Sewer and Solid Waste 10.5%, and Surface Water 7.5%. The combined 2016 utility tax budget for these utilities is about \$4,900,000. If the proposed rate increases are adopted, the utility tax budget would increase by about \$160,000 in 2017 and \$96,000 in 2018.

WATER UTILITY RATES

Overview

The water utility provides for construction, replacement, and rehabilitation of water distribution and storage facilities, funds the purchase of water from the Cascade Water Alliance (CWA), and ongoing maintenance and operations of water utility infrastructure. City participation in CWA allows Kirkland to have a voice and a vote over reliable and adequate drinking water supplies.

The current monthly water rate for single family residential is \$43.28; the effective utility tax is 13.38% (which includes a component for fire hydrant maintenance). The last rate increase was in 2016 and reflected CWA rate increase for the purchase of water and continued phase-in of funding for the City's annual capital reinvestment based on depreciation of assets.

Proposed Water Utility Rates

Staff is proposing a two year Water Utility rate increase of 1.0% in both 2017 and 2018. A Cost of Service Analysis (COSA) was completed as part of the rate update for the 2015-2016 rates. The COSA concluded there should be a shift in cost recovery from multifamily and commercial customers to residential and irrigation customers. In 2015 and 2016 residential and irrigation customers saw rate increases 4.9% and 3.3% and multifamily and commercial had no rate increases. The COSA recommended gradually reducing the subsidy over a 5-6 year period to reach full cost of service by sector. Accordingly, the 2017-2018 proposed rates again show increases for residential and irrigation and no increases for multifamily and commercial.

Proposed 2017-18 Water Rate Increase		
Sector	2017	2018
Single Family	1.7%	1.7%
Multifamily/Commercial	0.0%	0.0%
Average	1.0%	1.0%

The average customer would pay an additional \$0.84 per month in 2017 and \$0.85 per month in 2018.

Water Rate Increase Impact to Single Family Residential			
	2016	2017	2018
Base + 7 units	\$43.28	\$44.02	\$44.77
13.38% Utility Tax	\$5.79	\$5.89	\$5.99
Total	\$49.07	\$49.91	\$50.76
Increase/month		\$0.84	\$0.85
Increase/year		\$10.08	\$10.20

Water Utility Rate Assumptions

The following factors and drivers were influential in drafting the proposed 2017-2018 water utility rates:

- Reduce the commercial to single family cross subsidy over time.**
 Multifamily/commercial to single family residential and irrigation customer cross subsidies are not uncommon in utility rates. Similar to 2015-2016 rates, the 2017-2018 proposed rates will reduce this subsidy. Although this rate proposal does not eliminate the cross subsidy, it continues to gradually realign rates without too great of an impact to customers.
- Wholesale Rate Increase.**
 CWA proposed rate increases are 2.73% in 2017 and 2.5% in 2018. Payments to CWA represent about 40% of the budget and the pass through is 100% of the City's proposed rate increase. The key factor for CWA is an increase in rate-funded debt service primarily a consequence of the transition in use of regional capital facilities charges from debt repayment to direct capital funding.

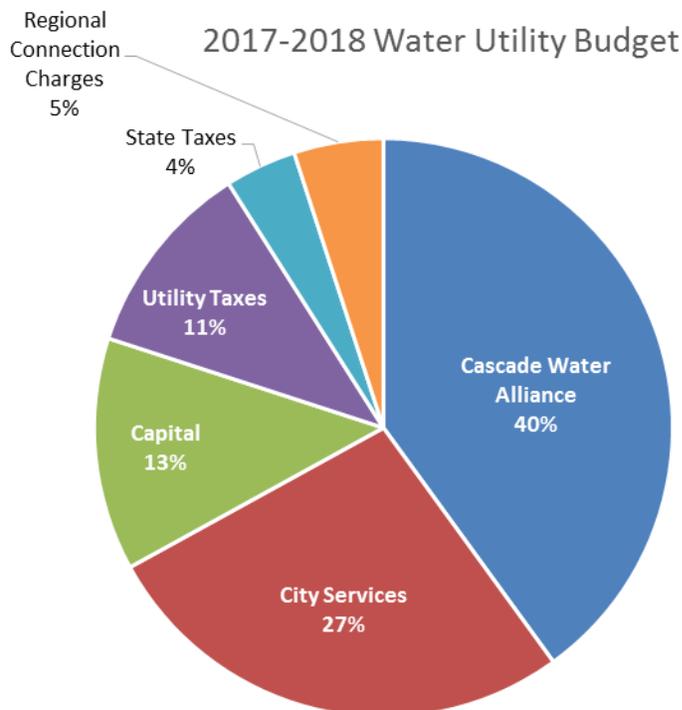
- **Increase in Rate Funded System Reinvestment.**

Increase from 1.2 times depreciation in 2016 to 1.25 in 2017 and 2018. If the Council concurs, the recommended goal of 1.25 will be reached. The 2016 level of funding is \$1.7 million and will increase to \$1.8 million in 2017.

Water Utility Budget

The annual Water Utility budget is approximately \$13.7 million. Approximately 40% of the annual expenditures are payments made to CWA for membership dues and the purchase of water. Another 5% is from the regional capital facility charges imposed by CWA for all new water connections, a fee which is collected by the City but passed through to CWA. Kirkland's direct costs for maintenance and operations account for 27% of the annual expenditures. The contribution to capital accounts for 13% of the budget. The remaining 15% is composed of taxes and fees collected and sent to the State of Washington and other City funds:

- The City collects a utility tax that is charged on the utility bill and then transferred from the utility fund to the General Fund; and
- The State of Washington imposes a B&O tax and public utility tax on the utility.



SEWER UTILITY RATES

Overview

The Sewer Utility provides for Kirkland's share of the regional wastewater collection, treatment, and disposal administered by the Wastewater Treatment Division of King County (KCWTD). In

addition, the utility allows for the construction, operation and maintenance of the City's local wastewater collection and transmission system.

The current monthly sewer rate for single family residential is \$68.91; the effective utility tax is 10.5%. The last rate increase was in 2016 and reflected the continued phase-in of capital reinvestment funding based on the annual depreciation of assets.

Proposed Sewer Utility Rates

Staff is proposing adoption of a two year rate with an overall average increase of 3.95% in 2017 and 1.6% in 2018. A Cost of Service Analysis (COSA) was completed as part of the 2017-2018 rate analysis, which concluded there should be a shift in cost recovery from multifamily and commercial customers to residential customers to reduce the cross subsidy, so the proposed rate increases are not the same by sector.

Proposed 2017-18 Sewer Rate Increase		
Sector	2017	2018
Single Family	4.8%	1.3%
Multifamily/Commercial	2.7%	1.4%
Average	3.95%	1.6%

The average customer would pay an additional \$3.42 per month in 2017 and \$1.63 per month in 2018.

Sewer Rate Increase Impact to Single Family Residential			
	2016	2017	2018
King County/Treatment	\$42.03	\$44.22	\$44.22
Kirkland/Collection	\$26.88	\$27.79	\$29.26
10.5% Utility Tax	\$7.24	\$7.56	\$7.72
Total	\$76.15	\$79.57	\$81.20
Increase/month		\$3.42	\$1.63
Increase/year		\$41.04	\$19.56

Sewer Utility Rate Assumptions

The following factors and drivers were influential in drafting the proposed 2017-2018 Sewer Utility rates:

- Reduce the commercial to single family cross subsidy over time.**
Multifamily/commercial to single family residential and irrigation customer cross subsidies are not uncommon in utility rates. The 2017-2018 proposed rates will reduce this subsidy. Although this rate proposal does not eliminate the cross subsidy, it begins to gradually realign rates without too great of an impact to customers.
- Wholesale Rate Increase.**
KCWTD adopted a rate of \$44.22 per residential customer equivalent per month for 2017 and 2018, a 5.21% increase from 2016. Payments to KCWTD for sewer treatment represent about 57% of the 2016 sewer budget. The key factor for KCWTD is the goal of reducing outstanding debt through 2030 using increased cash financing and moderate

rate increases. The pass through of this increase represents about three percentage points of the City's proposed rate increase.

- **Increase in Rate Funded System Reinvestment.**

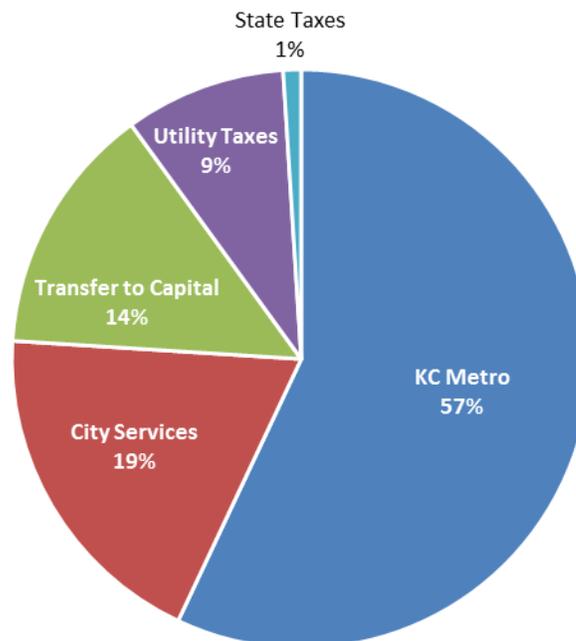
Increase from 1.3 times depreciation in 2016 to 1.4 in 2017 and 1.5 in 2018. If the Council concurs with the proposed schedule for increases, the goal of 1.65 will be reached in 2020. The 2016 level of funding is \$1.9 million and will increase to \$2.2 million in 2017. The multiplier applied to the depreciation expense recognizes that the cost to replace infrastructure over time will be higher than the original cost on which depreciation is based.

Sewer Utility Budget

The annual Sewer Utility budget is approximately \$14.7 million. Approximately 57% of the annual expenditures are payments made to KCWTD for regional wastewater services. Kirkland's direct costs for maintenance and operations account for 19% of the annual expenditures. The contribution to capital accounts for 14% of the budget. The remaining 10% is composed of taxes and fees collected and sent to the State of Washington and other City Funds:

- The City collects a utility tax that is charged on the utility bill and then transferred from the utility fund to the General Fund; and
- The State of Washington imposes a B&O tax and public utility tax on the utility.

2017-2018 Sewer Utility Budget



SOLID WASTE UTILITY RATES*Overview*

The Solid Waste Utility provides collection and disposal services for Kirkland residents and businesses through its contract with Waste Management, Inc. (WMI). Billing services are provided by the Utility Billing Division of the Finance and Administration Department. Program development and education and outreach activities are implemented by in-house City staff with the assistance of WMI. The solid waste rate modeling was completed under contract with consultant Sound Resource Management.

Proposed Solid Waste Rates

A two-year solid waste rate is being proposed, with an overall average increase of 3.0% in 2017 and 1.9% in 2018. The rates are "front loaded" in 2017, as the King County Solid Waste Division is proposing a stable two-year rate with no increase in 2018. In order to slightly reduce the subsidization of the single family residential sector by the multifamily/commercial sector, the rate increases are unequal with proposed 2017 and 2018 increases for single family of 5.4% and 2.9%, respectively. No increase is proposed for the multifamily/commercial sector in 2017 and a 0.5% increase is proposed for 2018. The 0.5% increase for multifamily/commercial is required to not increase the 2017 cross subsidy through 2018. The proposed rates for the roll-off sector (containers >10 yd³ in capacity) are "cost of service" with no cross subsidies.

Proposed 2017-18 Solid Waste Rate Increase		
Sector	2017	2018
Single Family	5.4%	2.9%
Multifamily/Commercial	0.0%	0.5%
Roll-off	2.0%	2.3%
Average	3.0%*	1.9%

** The proposed 14.6% King County disposal fee increase and the 1.99% 2017 CPI rate adjustment to WMI comprise 80% of the proposed rate increase. Other rate drivers in the proposed Kirkland solid waste rate include downsizing forecasts and administrative cost increases, which are offset in part by discontinuing the reserve replenishment contribution.*

The average residential customer would pay \$2.23 per month more than in 2016 by the end of 2018 or an average of about \$1.12 per month over the 2017-2018 biennium. The 35 gallon garbage cart is used as the benchmark of the typical customer as 55% of Kirkland's residents subscribe to the 35 gallon weekly service level. The table below illustrates the total customer cost billed to the customer including the base rate, the effective utility tax rate of 10.5%, and the hazardous waste fees collected and remitted to the Local Hazardous Waste Management Programs of King County.

Solid Waste Rate Increase Impact to Single Family Residential			
	2016	2017	2018
35 gallon/weekly	\$23.73	\$25.02	\$25.75
10.5% Utility Tax	\$2.49	\$2.62	\$2.70
KC Hazardous Waste Fee	\$1.46	\$1.46	\$1.46
Total	\$27.68	\$29.10	\$29.91
Increase/month		\$1.42	\$0.81
Increase/year		\$17.04	\$9.72

Solid Waste Rate Assumptions

The following factors and drivers were influential in drafting the proposed 2017-2018 solid waste rates:

- **King County Solid Waste Division Disposal Fee Increase**

On July 21, the King County Executive transmitted its proposed 2017/2018 disposal fee and budget to the King County Council. The proposal includes a 14.6% increase in the disposal fee from \$120.17/ton to \$137.75/ton. The KCC is expected to adopt its final rate in September. King County has not increased its disposal fee since 2013. The drivers in the proposed rate include:

- Debt service on bonds issued for the construction of the new Factoria Transfer Station in Bellevue
- Inflationary increases in cost centers (wages, taxes, insurance, rent)
- Equipment replacement and maintenance (Capital Equipment Recovery Program)
- Maintenance of post-closure landfill maintenance fund
- Improvements in service reliability (Landfill area development, regulatory compliance, operational changes)
- A transfer station demand management study for the NE County (\$2 million)

- **Consumer Price Index Rate Adjustment to WMI.**

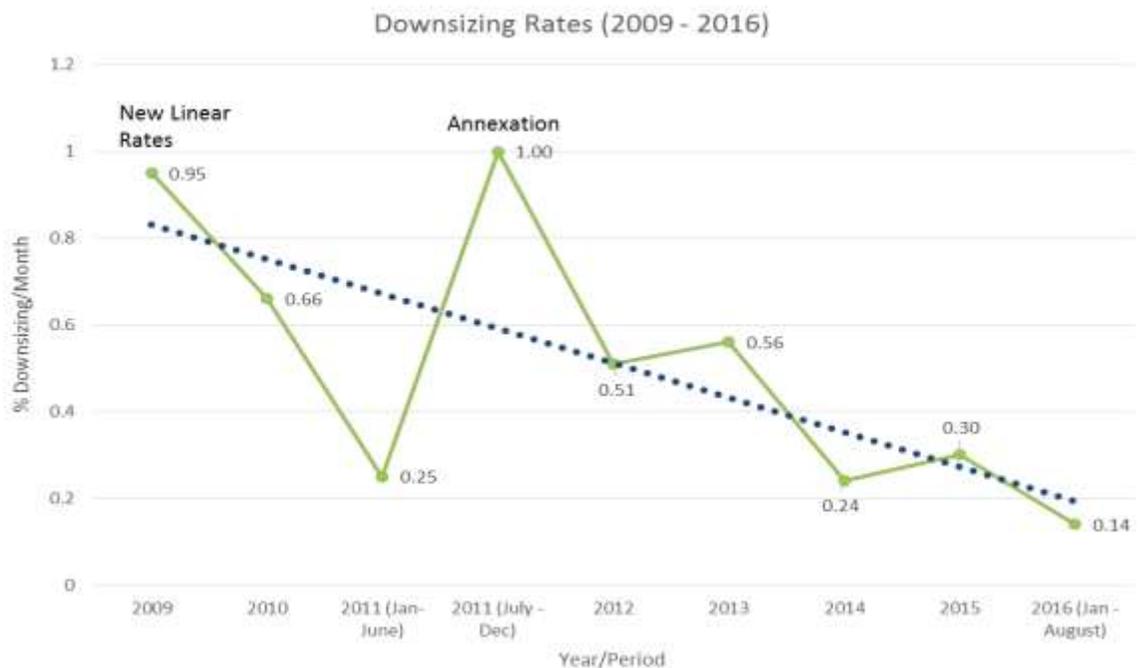
The City is contractually required to grant WMI an annual CPI adjustment to the collection/service component of its wholesale rates paid by the City by 100% of the Seattle-Tacoma-Bremerton Metropolitan Area for Urban Wage Earners and Clerical Workers (CPI-W 1982-1984) in the period ending in June of each year. The allowed rate adjustment for 2017 is 1.99%. The rate model conservatively forecasts a 2018 CPI increase of 2.46%.

- **Maintain the cash reserve.**

One of the goals in the 2015-2016 solid waste rates was to replenish the depleted solid waste cash reserve back to \$1,300,000. The cash reserve was drawn down to under \$508,000 in 2012 from a high in 2009 of approximately \$1,800,000. As the solid waste utility pays WMI monthly but bills its customers every two months, maintaining a sensible cash reserve allows the City to pay WMI monthly and bill its customers in arrears. Currently, the solid waste cash reserve stands at approximately \$1,338,200 and has been replenished at a slightly higher rate than expected due to the strong economy. Completing the cash reserve replenishment helps absorb the local cost increase in 2017-2018.

- **A steady but stable rate of downsizing.**

As has been discussed, Kirkland experienced an abnormally high rate of downsizing once linear rates were established in 2009 and for a two year period after annexation between June 2011 and 2013. The downsizing drew down the solid waste cash reserve to a dangerous level in 2012. Over the course of 2014-2016, the rate of downsizing has stabilized to predictable, pre-annexation levels so the rate can once again be forecasted in the rate modeling at 3/10 of one percent per month for the 2017-2018 biennium.



- **Reduce the commercial to single family cross subsidy over time.**

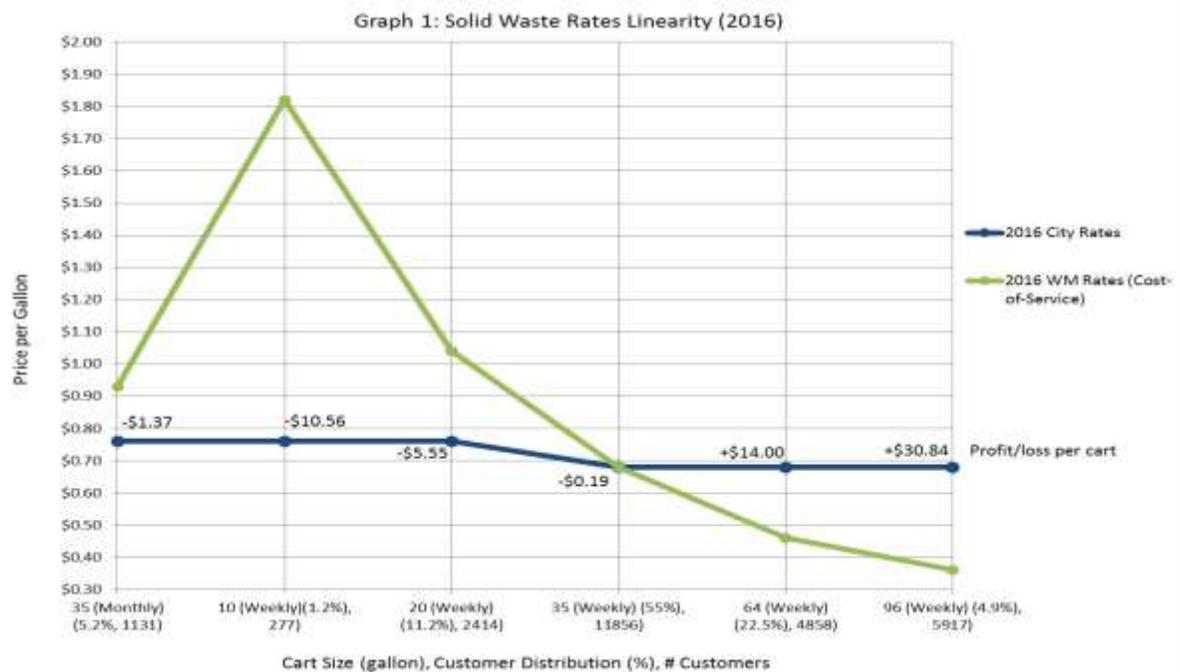
Multifamily/commercial to single family residential cross subsidies are not uncommon in utility rates. However, the cross subsidy has been gradually reduced: the proposed solid waste rates further reduce the annual cross subsidy to approximately \$237,000 per year from \$290,000 per year in 2015-2016 and \$390,000 per year in 2013-2014.

- **Maintain the “nearly linear” rate structure to encourage waste reduction and recycling.**

In 2009, the City Council adopted a linear rate structure in which the cost per gallon in Kirkland’s retail rates were equalized amongst all service offerings. This rate structure naturally encourages downsizing since customers do not receive a discount for having a larger cart size as is the case in a pure cost-of-service model. Linear rates encourage customers to reduce their waste and to recycle more which has been foundational in *maintaining or marginally increasing* Kirkland’s high annual recycling diversion rate, particularly after annexation when Kirkland added 10,000 households previously serviced under a cost-of-service rate structure. Kirkland’s linear rate structure is but one tool in a suite of tools used to reduce waste and increase recycling diversion and, historically, linear rates have served to reduce waste and increase diversion incrementally rather

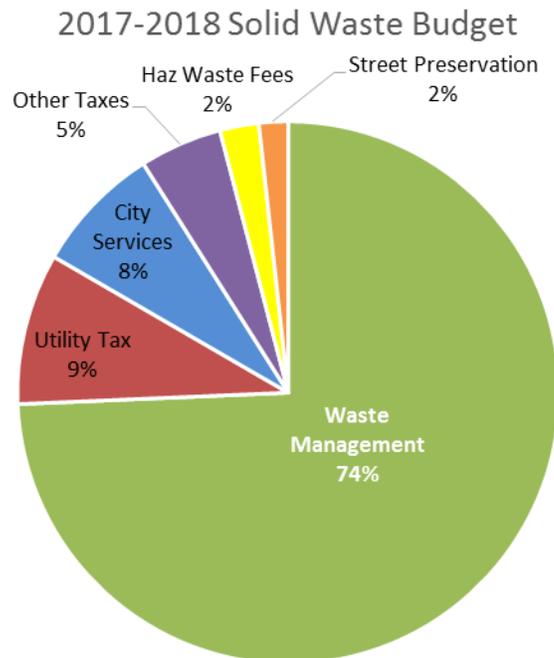
than acutely. Since 2012, the single family recycling diversion rate has increased by 1.5 percentage points from 67.9% to 69.3%; garbage tonnage has been reduced by 1.8%; and recycling tonnage collected and diverted has remained flat.

When Kirkland’s linear retail rate model is overlayed across the WMI wholesale rate cost-of-service model, the Solid Waste Utility loses revenue on the small service offerings but gains revenue on the larger carts. If an inordinate and unpredicted number of customers migrate from large to small service levels, the consequent impact on revenues and cash reserves can be alarming. For the 2013-2014 and 2015-2016 bienniums, the City Council adopted a revised “nearly linear” rate structure as shown in *Graph 1* where the price per gallon of the smaller service levels (10 and 20 gallon weekly and 35 gallon monthly) was increased slightly higher than the price per gallon for the larger carts (64 and 96 gallon) as a measure to hedge against continued downsizing.



Solid Waste Utility Budget

The annual Solid Waste budget is \$17,285,661. The majority of the budget (74%) is payments to WMI for the collection and disposal/recycling of trash, recyclables, and organics. Taxes (utility and State) and hazardous waste fees account for 16% of the budget. The remaining 10% is comprised of City services and an annual \$300,000 paid for the Capital Improvement Program for street preservation to account for the ongoing wear collection vehicles have on City streets.

**SURFACE WATER UTILITY RATES***Overview*

The Surface Water Utility rate recommendation reflects continuation of basic services, continued implementation of the recommendations contained in the Surface Water Master Plan, and implications of updated Surface Water Design Requirements which must be adopted by December 31, 2016.

The current monthly surface water rate for single family residential is \$16.87; the effective utility tax is 7.5%. The last rate increase was in 2016 and reflected the implementation of the Surface Water Master Plan (SWMP).

Proposed Surface Water Utility Rates

Staff is proposing adoption of rates for two years, with an increase of 2.0% in both 2017 and 2018. In 2014, consultants analyzed the financial condition of the Utility and the costs of implementing the Surface Water Master Plan recommendations. Based on available cash resources in the Utility capital fund and the most immediate operating needs, the consultants identified annual rate increases that range from 0% to 11% over the next ten years. As an alternative to fluctuating rate increases, the consultants proposed a "smoothing" policy that calls for steady but modest rate increases of 4% annually. The Council approved rate increases of 4% in both 2015 and 2016. However, analysis of the surface water utility rate as part of the Critical Areas Ordinance and Surface Water Drainage manual updates and the budget process has identified opportunities to reduce the rate of growth in the near term. Therefore staff is proposing only 2% increases in 2017 and 2018. The proposed rate is sufficient to fund additional expenses associated with update of the City's surface water design requirements and critical areas ordinance as described below.

Residential customers would pay an additional \$0.36 per month in 2017 and \$0.37 per month in 2018. Multifamily and commercial bills will increase by the same percentage.

Rate Impact to Single Family Residential			
	2016	2017	2018
Typical Monthly Bill	\$16.87	\$17.21	\$17.55
7.5% Utility Tax	\$1.27	\$1.29	\$1.32
Total	\$18.14	\$18.50	\$18.87
Increase/month		\$0.36	\$0.37
Percentage increase		2.0%	2.0%

Surface Water Utility Rate Assumptions

- System Reinvestment Funding.**
 The target annual system reinvestment funding is 1.0 times the annual depreciation expense. The City is currently meeting this target. The proposed rates assume the current reinvestment practice will continue. The purpose of a system reinvestment policy is to fund replacement of aging system facilities and ensure sustainability of the system for ongoing operations. Annual depreciation is intended to recognize the consumption of utility assets over their useful lives. In addition, \$500,000 is transferred to Capital for construction that is in conjunction with City street or transportation projects.
- Surface Water Master Plan.**
 Many program and capital project additions were recommended to reduce flooding, improve water quality, protect and maintain infrastructure, and improve aquatic habitat conditions. In addition to the system reinvestment above, the proposed rates include a transfer of \$262,500 per year to Capital to fund recommendations of the Surface Water Master Plan.
- Updated Surface Water Design and Critical Areas Requirements.**
 The City must adopt updated surface water design requirements by December 31, 2016 to maintain compliance with the Phase II NPDES Stormwater Permit. The updated requirements will result in significant environmental benefits, but will increase the cost

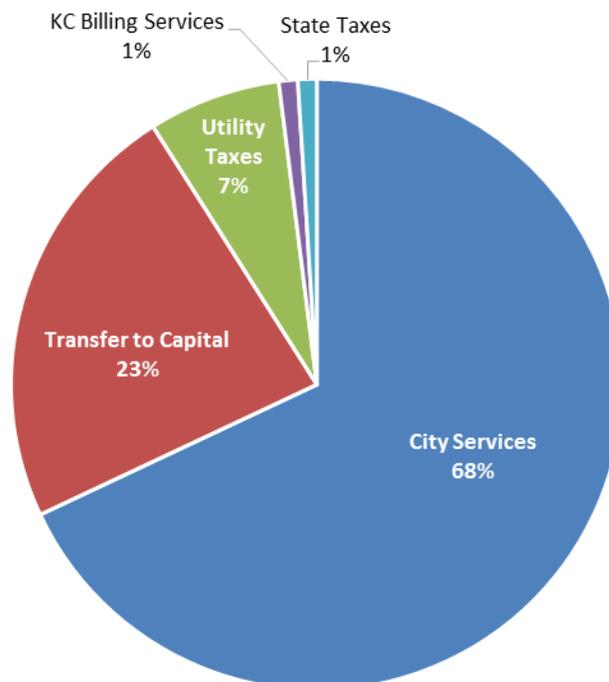
and complexity of design review, construction, and maintenance of stormwater facilities. The City must also adopt an updated Critical Areas Ordinance (CAO) to comply with the Growth Management Act. This ordinance will increase buffers widths and mitigation requirements associated with streams wetlands and lakes. These changes will provide increased environmental protection, but will result in increased costs to the CIP. The CAO update also includes mitigation timing and methods that may result in more cost-effective and environmentally beneficial projects. A contingency fund has been built into the CIP, and service packages have been submitted for staff and consultant services to accommodate these updates.

Surface Water Utility Budget

The annual Surface Water budget is approximately \$10 million with 68% going to operations including system maintenance and engineering and education and outreach programs. The surface water management fee is billed by King County on the property tax bill. The City pays King County a fee for this service. Another 23% is transferred to the surface water capital projects fund for surface water capital facilities. The remaining 8% is composed of taxes and fees collected and sent to the State of Washington and other City Funds:

- Fees collected by King County on our behalf include the utility tax. The tax is transferred from the utility fund to the General Fund; and
- The State of Washington imposes a B&O tax on the utility.

2017-2018 Surface Water Utility Budget



NEXT STEPS

Based on City Council feedback and direction, staff will prepare four rate ordinances for Council adoption at the October 4, 2016 meeting. Based on customer notification requirements established by state law, Council action must be taken on Solid Waste rates on or before the October 18 City Council meeting in order for the rates to be effective January 1, 2017.



CITY OF KIRKLAND
Department of Public Works
123 Fifth Avenue, Kirkland, WA 98033
425.587.3800 www.kirklandwa.gov

To: Kurt Triplett, City Manager

From: Joel Pfundt, AICP CTP Transportation Manager
Erin Devoto, Deputy Public Works Director

Date: September 8, 2016

Subject: UPDATE TRANSPORTATION COMMISSION MISSION STATEMENT AND
ADOPT 2016-2017 TRANSPORTATION COMMISSION WORK PLAN

RECOMMENDATION:

It is recommended that the City Council approve the attached ordinance updating the Transportation Commission Mission Statement, as set forth in Kirkland Municipal Code ("KMC") Section 3.45.040.

It is also recommended that the City Council approve the attached resolution adopting the 2016-2017 Transportation Commission Work Plan.

BACKGROUND DISCUSSION:

The City Council met with the Commission at a joint study session on April 19, 2016. Council reviewed a proposed update to the Commission Mission Statement at the meeting and a proposed 2016-2017 Transportation Commission Work Plan. The purpose of the study session was to provide an opportunity for Council and the Commission to discuss the two topics in more detail.

Mission Statement

The current mission of the Commission as described in the Powers and Duties section of the KMC is as follows:

3.45.040 Powers and duties of commission.

The commission shall advise the city council, city manager, and the public works department regarding those transportation issues referred to them by the city council. The commission shall have the power to advise regarding planning and development of those transportation issues given them by the city council. The commission shall submit to the city council through the city manager recommendations for other transportation issues of interest to the commission or associated with council-directed items as the commission feels is advisable.

The current Mission Statement is based on a model where Council refers transportation planning and development issues to the Commission for consideration. The Commission then advises Council on these items. The proposed alternative Mission Statement is meant to reflect how the Commission conducts business today.

A proposed alternative Mission Statement was presented at the joint study Session. Following the Study Session it has been revised to reflect Council's comments on the advisory role of the Commission and the need to develop an annual Work Plan in consultation with Council and prior to Council adoption. The revised language is as follows:

3.45.040 Powers and duties of commission.

The Transportation Commission is directed by the City Council to advise the Public Works Department, City Manager, and City Council in leading the City's efforts to create and maintain a transportation system that enhances the economic, social, and environmental quality-of-life in our city now and into the future. To fulfill its mission, the Commission will work with the Public Works Department to establish an annual Work Plan which proactively explores, investigates, analyzes, prioritizes, develops, and recommends solutions and actions to the City Manager and City Council. The City Council and Transportation Commission will meet annually to discuss the annual Work Plan for adoption by City Council.

This revised language is reflected in the attached ordinance.

2016-2017 Work Plan

The other item presented to Council at the March 15, 2016 regular Council meeting and the April 19, 2016 joint study session was the 2016-2017 Transportation Commission Work Plan. The attached Work Plan has been significantly revised based on Council's comments at the joint study session. These revisions include the following:

- The Work Plan format has been simplified and each Topic numbered for easier reference. The new format is similar to the one used for the Planning Work Program, which Council also approves. The Work Plan shows the topics the Commission will be addressing in rows and the timeline during which they will be addressed in columns. The new Work Plan format retains the five areas that describe the Commission's level of involvement in each Topic.
- The following Topics have been removed from the Work Plan
 - Parking – Removed based on Council direction
 - 405 HOT Lanes – Removed because the Commission's role in this topic has been completed
 - Measure Progress Towards Goals – This was integrated into Topic #2, TMP Implementation
- The following Topic was added to the Work Plan
 - 10-Work Plan – Added based on Council direction to annually update the Work Plan in consultation with Council

The revised Work Plan highlights the areas where the Commission will be advising the City Staff, City Manager, and City Council on transportation issues. During the remainder of 2016, the Commission will be focused on completing the following two major Topics:

- 2-TMP Implementation – Development of measures for tracking Transportation Master Plan (TMP) implementation based on the goals, policies and actions included in the document.
- 3-Transportation Planning for Major Development Projects – Updating Transportation Impact Analysis Guidelines (TIAG) to be consistent with the TMP and subsequently codify these guidelines in the KMC.

The adoption of the TMP provides an overall structure for the implementation of transportation related activities at the regional, citywide, subarea, corridor and project level. Because of its broad scope, there is significant additional detail necessary to transform the broad TMP goals, policies and actions into specific projects, programs and services. During 2017 the Commission will turn its focus towards the following two citywide planning efforts, which will help guide implementation of the City's multimodal transportation system:

- 8-City of Kirkland Transit Study – Create a Transit Plan for Kirkland that details policy implementation and creates a service concept that supports TMP Goal T-3 which states "Support and promote a transit system that is recognized as a high value option for many trips." (*TMP Action T-3.1.1*)
- 9-Active Transportation Plan (ATP) – Update the 2009 ATP to provide additional detail necessary to guide the implementation of the TMP policies for walking and biking. The TMP specifies that the goal is to update the ATP every five years. (*TMP Action T-1.2.1*)

In addition to these Topics, the Commission will continue to provide valuable advice on the many other items identified on the biennial Work Plan.

ORDINANCE O-4531

AN ORDINANCE OF THE CITY OF KIRKLAND UPDATING THE POWERS AND DUTIES OF THE TRANSPORTATION COMMISSION.

1 The City Council of the City of Kirkland do ordain as follows:
2

3 Section 1. Section 3.45.040 of the Kirkland Municipal Code is
4 amended to read as follows:
5

6 **3.45.040 Powers and duties of commission.**

7 The commission is directed by the city council to advise the public
8 works department, city manager, and city council in leading the
9 city's efforts to create and maintain a transportation system that
10 enhances the economic, social, and environmental quality-of-life in
11 our city now and into the future. To fulfill its mission, the commission
12 will work with the public works department to establish an annual
13 work plan which proactively explores, investigates, analyzes,
14 prioritizes, develops, and recommends solutions and actions to the
15 city manager and city council. The city council and commission will
16 meet annually to discuss the annual work plan for adoption by
17 Council. ~~The commission shall advise the city council, city manager,~~
18 ~~and the public works department regarding those transportation~~
19 ~~issues referred to them by the city council. The commission shall~~
20 ~~have the power to advise regarding planning and development of~~
21 ~~those transportation issues given them by the city council. The~~
22 ~~commission shall submit to the city council through the city manager~~
23 ~~recommendations for other transportation issues of interest to the~~
24 ~~commission or associated with council directed items as the~~
25 ~~commission feels is advisable.~~
26

27 Section 2. This ordinance shall be in force and effect five days
28 from and after its passage by the Kirkland City Council and publication,
29 as required by law.
30

31 Passed by majority vote of the Kirkland City Council in open
32 meeting this ____ day of _____, 2016.
33

34 Signed in authentication thereof this ____ day of
35 _____, 2016.

MAYOR

Attest:

City Clerk

Approved as to Form:

City Attorney

RESOLUTION R-5207

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KIRKLAND
PERTAINING TO THE ADOPTION OF THE 2016-2017
TRANSPORTATION COMMISSION WORK PLAN.

1 WHEREAS, the Kirkland City Council and the Kirkland
2 Transportation Commission met at a joint meeting on April 19, 2016 to
3 discuss the proposed 2016-2017 Transportation Commission Work Plan
4 tasks and to set priorities; and

5
6 WHEREAS, the Kirkland Transportation Commission met on May
7 25 and again on June 22, 2016 to revise the 2016-2017 Transportation
8 Work Plan tasks to reflect Kirkland City Council priorities;

9
10 NOW, THEREFORE, be it resolved by the City Council of the City
11 of Kirkland as follows:

12
13 Section 1. The 2016-2017 Transportation Commission Work
14 Plan attached hereto as Exhibit A to is hereby adopted.

15
16 Section 2. The adopted Work Plan shall be used by City staff
17 and Transportation Commission members in support of the timely
18 performance of Work Plan tasks and meetings.

19
20 Passed by majority vote of the Kirkland City Council in open
21 meeting this ____ day of _____, 2016.

22
23 Signed in authentication thereof this ____ day of _____,
24 2016.

MAYOR

Attest:

City Clerk



CITY OF KIRKLAND
Planning and Building Department
123 Fifth Avenue, Kirkland, WA 98033
425.587.3600 www.kirklandwa.gov

MEMORANDUM

To: Kurt Triplett, City Manager

From: Angela Ruggeri, AICP, Senior Planner
Paul Stewart, AICP, Deputy Director
Eric Shields, AICP, Director

Date: September 8, 2016

Subject: Amending the Timeline of Resolution R-5067 Relating to the Houghton/Everest Neighborhood Center & 6th Street Corridor Study

RECOMMENDATION

Approve the attached resolution amending Resolution R-5067 to provide more time for public input and stating that the Planning Commission shall make final recommendations to the City Council on the Houghton/Everest Neighborhood Center no later than January 31, 2017.

BACKGROUND DISCUSSION

On September 16, 2014, the City Council passed Resolution R-5067 relating to the Houghton/Everest Neighborhood Center (see Attachment 1). The resolution provides a timeline for completion of the Neighborhood Center update process. It states that the Planning Commission will hold a public hearing on the Comprehensive Plan amendments and zoning regulations and make final recommendations to the City Council by October 31, 2016.

Staff has been working with our consulting team to complete the Houghton/Everest Neighborhood Center update along with the 6th Street Corridor Study since the two projects are related. The additional study and extended public outreach will require more time to complete the project than was originally anticipated. Staff is asking that the City Council extend the Planning Commission's final recommendation date to the City Council to January 31, 2017 (see timeline in Attachment 2).

The Planning Commission and Houghton Community Council received a project overview from the consultant at the June 23, 2016 joint meeting and an additional update from staff at the September 8, 2016 joint meeting. The

extended timeline was explained at the September 8th meeting. The packets for those meetings can be found at:

http://www.kirklandwa.gov/depart/planning/Boards_and_Commissions/Planning_Commission.htm

The Planning Commission, the Houghton Community Council, and the leadership teams of the Everest and Central Houghton Neighborhood Associations all support extending the deadline to allow for further public input.

CONSULTING TEAM

Staff has been working with our consulting team on the public outreach and initial study of the area over the summer. The consulting team includes 3 Square Blocks, Berk, and Transpo. Their scope of work is included as Attachment 3. The following list outlines the public outreach that has already been accomplished and the plans for fall.

August 1

Walking tour of the area (staff and consultants)

August 21

Everest Picnic – table with project information

August 22

Webpage and survey live at: <http://www.Kirklandwa.gov/HE6th>

August 23

Kirkland NextDoor – post to all neighborhoods about webpage and survey
Email blast to Central Houghton about webpage & survey

August 24

PCC table – distribute project information on webpage and survey
Information cards to Peter Kirk Camp for kids to take home to parents

August 26

Kirkland listserv – Neighborhood Leaders about webpage and survey

August 27

Houghton Beach Park table – distribute project information

August 30

Kirkland listservs – Planning Commission, Comprehensive Plan, Design Review Board, and Houghton Community Council about webpage and survey

Email blast to Everest Neighborhood Association about webpage and survey

Post in KirklandViews Blog:

<http://www.kirklandviews.com/blog/2016/8/30/city-seeks-community-input-online-survey-will-help-identify-community-preferred-improvements>

August 31

Kirkland listserv - Transportation Commission about webpage and survey

Posters at various locations throughout the City – Starbucks, grocery stores, North Kirkland Community Center, Kirkland Library, Senior Center

CKC (near Google) – table with project information

September 1

Terrace Park soccer practice – table with project information

Week of September 6

Distribute information cards to employers along the 6th Street Corridor

September 10

Crestwoods Park – table with project information

September 11

Everest Park – table with project information

September 12

NW University – table with project information

Week of September 12 – 16

Posters and cards at Lakeview Elementary

September 19

Moss Bay Neighborhood meeting* (staff and consultants)

Week of September 19 -23

Public notice signs installed

September 27

Everest Neighborhood meeting* (staff and consultants)

October 5

Central Houghton Neighborhood meeting* (staff and consultants)

October 21

Resend to all Kirkland listservs – reminder to take the survey before it closes

Resend to Kirkland NextDoor – reminder to take the survey before it closes

October 28

Survey closes

**At each neighborhood meeting we will provide an overview of the project, what has been done so far, and a review of key findings of the survey. We will also be promoting the November workshop.*

Beginning of November

Community Workshop

November 2016 through February 2017

Staff and the consulting team will attend various Planning Commission, Transportation Commission, Houghton Community Council and City Council meetings.

The consulting team has also been doing phone interviews with key neighborhood representatives and property owners and doing research on the land use and transportation issues.

Attachments

1. Resolution R-5067
2. Project timeline
3. Consultants' Scope of Work

RESOLUTION R-5067

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KIRKLAND RELATING TO PLANNING AND LAND USE AND ACCEPTING THE RECOMMENDATION OF THE KIRKLAND PLANNING COMMISSION TO DEFER ACTION ON THE HOUGHTON/EVEREST NEIGHBORHOOD CENTER CITIZEN AMENDMENT REQUESTS UNTIL THE COMPLETION OF THE COMPREHENSIVE PLAN (FILE CAM13-00465, #14).

WHEREAS, the City is updating its Comprehensive Plan, the guiding policy document to direct growth and development in Kirkland over the next 20 years; and

WHEREAS, the City accepted Citizen Amendment Requests that proposed property-specific changes to the land use map/zoning map, existing Plan goals and policies and/or zoning regulations as part of the Plan update process; and

WHEREAS, the Kirkland Planning Commission reviewed the Citizen Amendment Requests at its July 10, 2014, meeting; and

WHEREAS, the City Council considered the Planning Commission recommendations at the July 15, 2014, Council meeting; and

WHEREAS, City Council agreed with the recommendations of the Planning Commission on the Citizen Amendment Requests, including a recommendation that staff return to the Planning Commission with options for handling the Houghton/Everest Neighborhood Center review including the two Citizen Amendment Requests within the Central Houghton Neighborhood; and

WHEREAS, following additional review at its August 14, 2014, meeting, the Planning Commission recommended that action be deferred on the Houghton/Everest Neighborhood Center Citizen Amendment Requests until the completion of the Comprehensive Plan update when the Everest Neighborhood Plan can be updated; and

WHEREAS, the Houghton Community Council met on August 25, 2014, to discuss the process options for the Houghton/Everest Neighborhood Center Citizen Amendment Requests and agreed with the recommendation of the Planning Commission; and

WHEREAS, the existing Central Houghton Neighborhood Plan establishes goals and policies for the Houghton/Everest Neighborhood Center and the Houghton Center which need to be harmonized and coordinated with the Everest Neighborhood Plan; and

WHEREAS, the Everest Neighborhood Plan, along with all other Neighborhood Plans in the City, is being updated as part of the Comprehensive Plan update process; and

WHEREAS, accepting the recommendations of the Houghton Community Council and the Planning Commission to defer the Central

Houghton Neighborhood Citizen Amendment Requests would allow for the update of the Everest Neighborhood Plan except for the areas of Everest that are included in the Houghton/Everest Neighborhood Center; and

WHEREAS, in order to provide certainty and predictability in land use, the City Council wishes to work with the Houghton Community Council, property owners and residents of Central Houghton and Everest to consider the entire Houghton/Everest Neighborhood Center following the completion of the Comprehensive Plan update.

NOW, THEREFORE, be it resolved by the City Council of the City of Kirkland as follows:

Section 1. Action will be deferred on the Houghton/Everest Neighborhood Center Citizen Amendment Requests until the completion of the Comprehensive Plan update.

Section 2. Immediately following the Plan update, and no later than January 15, 2016, the City Council and staff shall initiate a formal public review and update process for the Houghton/Everest Neighborhood Center in partnership with the Houghton Community Council, property owners and the residents of Everest and Central Houghton.

Section 3. The Houghton/Everest Neighborhood Center update process shall result in recommendations to the Planning Commission for Comprehensive Plan amendments and zoning regulations for the Houghton/Everest Neighborhood Center no later than July 15, 2016.

Section 4. The Planning Commission shall consider and hold a public hearing on the Comprehensive Plan amendments and zoning regulations and shall make final recommendations to the City Council no later than October 31, 2016.

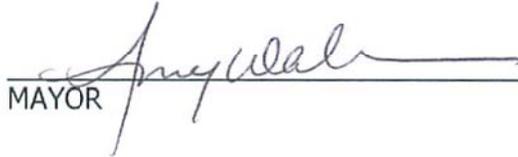
Section 5. The Council may accept, modify or reject the Comprehensive Plan amendments and zoning regulations. Both the Everest and Central Houghton Neighborhood Plans will be updated as necessary to reflect any final Council action on the Houghton/Everest Neighborhood Center.

Section 6. The existing Comprehensive Plan language and zoning regulations affecting the Houghton/Everest Neighborhood Center in both the Everest Neighborhood Plan and the Central Houghton Neighborhood Plan shall remain unchanged until the process outlined above is completed.

Section 7. The scope of the Comprehensive Plan Environmental Impact Statement will include an evaluation of business districts, but any Houghton/Everest Neighborhood Center-specific policies and zoning regulations will be deferred from the Comprehensive Plan to the process outlined above.

Passed by majority vote of the Kirkland City Council in open meeting this 16th day of September, 2014.

Signed in authentication thereof this 16th day of September, 2014.


MAYOR

Attest:


City Clerk

PROJECT SCHEDULE

as of June 3, 2016

 task duration
 public outreach

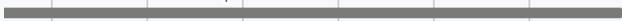
 project team meeting
 public/neighborhood meetings
 council + commission review

Jun Jul Aug Sep Oct Nov Dec Jan

Task 1: Project Initiation

1.1 Background Information Review								
1.2 Project Kick Off Meeting								

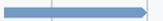
Task 2: Public Outreach + Facilitation

2.1 Public Outreach Plan								
2.2 Public Outreach Materials	 Preparation + Distribution							
2.3 Informal Outreach								
2.4 Small Meeting Series or Online Outreach								
2.5 Community Workshop	 Neighborhood Association Meetings  Community Workshop							
2.6 City Council + Commission Meetings	        							

Task 3: 6th Street Corridor Study

3.1 Stakeholder Outreach/Existing Conditions								
3.2 Data + Methods								
3.3 Define Baseline + Proposed Land Use Conditions								
3.4 Potential Solutions								
3.5 Refine + Document Solutions								

Task 4: Houghton/Everest Neighborhood Center Study

4.1 Physical Conditions Assessment								
4.2 No Action Scenario Assessment								
4.3 Scenario Development								
4.4 Scenario Graphics								
4.5 Scenario Summary								
4.6 Stakeholder Interviews								
4.7 Redevelopment Potential								
4.8 Future Development Analysis								
4.9 Summary Report								

City of Kirkland
Scope of Work
June 29, 2016

6th Street Corridor and Houghton/Everest Neighborhood Center Study

INTRODUCTION

Through development of an integrated land use/ transportation plan for the Houghton/Everest Neighborhood Center and the 6th Street Corridor, the City of Kirkland is striving to further enhance the livable, sustainable and connected character of the community. The plan for improvements to South 6th Street and identification of preferred land use and zoning designations in the Neighborhood Center should promote high quality design, economic and social sustainability, accessibility and a sense of community. To ensure that the plan recognizes the community's interests and needs, the City intends to work with community members and other stakeholders as active partners in the planning process and to pursue a robust and inclusive public outreach process.

TASKS

I. PROJECT INITIATION

- I.a. **Background information.** Consultant will review existing neighborhood plans, notes from prior meetings, GIS data and other available information. For the transportation analysis, data review will include existing and available data from the transportation master plan, travel demand model, City provided historic counts, collisions, and operations, INRIX speed, travel time and variability data, Metro passenger count/ridership and vehicle location/delays, park-and-ride occupancy and license plate travel sheds, pedestrian and bike counts and modal connectivity and walk times to define the existing transportation context as aligned to study goals.
- I.b. **Project kick-off meeting.** Consultant will facilitate a project kick-off meeting to confirm project priorities, roles, schedule, key stakeholders and other project topics identified by the Consultant and City. As part of this meeting, Consultant and City will also schedule a site visit to the corridor and neighborhood center.

Task I Work Products

- Project Kick-off meeting summary

II. PUBLIC OUTREACH AND FACILITATION

- II.a **Public outreach plan.** Consultant will prepare a draft public outreach plan draft that describes all outreach activities, including City team, stakeholders, community organizations, briefings, public events, contact lists, communication methods and City and Consultant roles. The Consultant will conduct early consultation with key neighborhood stakeholders to discuss history and context, proposed approach, and opportunities to leverage and expand community involvement. Consultant will review draft plan with the City, incorporate edits and finalize the plan for use by the team. It is anticipated that the final outreach plan will be posted to the project website.

II.b ***Project outreach materials.*** Consultant will prepare project informational materials, including:

- **Project identity.** Consultant will prepare two project identity concepts for City review and feedback. Based on City direction, Consultant will develop final project identity to be used for the webpage and all project information communication pieces.
- **Webpage.** Consultant will create a project webpage that describes the project, timeline, and opportunities to participate. Consultant will draft content, review with City, finalize, post and host site. Consultant will provide updates on a regular basis to announce meetings, promote public engagement and provide work products associated with the project.
- **Newsletter, signs, flyers, cards.** Consultant will create a draft and final project newsletter for electronic distribution and webpage posting at up to three project milestones. The newsletter or similar publication will inform community members about the project discussion, opportunities to participate and how to offer suggestions. Consultant will prepare a suite of related materials, such as flyers, signs and cards, to be used in raising awareness about the project and encouraging participation. These activities would support Task II.d, described below.

II.c ***Informal outreach.*** Consultant will support informal outreach at neighborhood gathering locations, such as neighborhood center grocery stores and coffee shops, Cross Kirkland trail, Google campus, Northwest University campus and/or other locations as identified by the project team and permitted by property owners. Simple exhibit materials, used to pose questions, will engage people in expressing their views and interests. Outreach to be conducted over a 6 week period and will support Task II.d, described below.

II.d ***Online survey or small meeting outreach.*** Working in collaboration with City staff, Consultant will develop and implement a small meeting series, prepare content for an online survey using MetroQuest software, or conduct a limited number of meetings to supplement the online survey. Under either approach, Consultant will conduct an active outreach campaign to promote participation. Examples of engagement methods include informal events identified in Tasks II.b and II.c, email distribution lists, blogs and other media outlets, banners, signs, social media, incentives, and other methods as identified by the City and Consultant. Outreach to be conducted over a 6 week period.

II.e ***Community meetings.*** Consultant will meet with the Houghton and Everest neighborhood associations in September to report back on informal outreach, survey findings, and plans for the community workshop, described below.

Consultant will plan and design an interactive community workshop that draws on information gathered from prior outreach activities, the 6th Street corridor study, the urban design analysis and the market analysis. The purpose of the workshop will be to identify areas of agreement, lack of consensus, options and potential recommendations for the neighborhood center and 6th Street corridor. Consultant will prepare information and interactive structure, such as instant polling, to shape the study outcomes. Consultant will notify community through a variety of methods, including electronic communication, postcards and signs. Consultant will facilitate a three-hour interactive workshop that will enable neighborhood members to discuss and identify

their shared priorities for the future of the neighborhood center and 6th Avenue Corridor. Consultant will prepare a meeting summary.

- II.f ***City Council and Commission meetings.*** Consultant will support meetings with the City Council, Houghton Community Council, Planning Commission and Transportation Commission as requested by City staff. A total of eight to ten meetings are assumed.

Task II Work Products

- Draft and final public outreach plan
- Public outreach materials, including project identity, project website, and communication materials, including a newsletter, signs, flyers, cards
- Findings from informal outreach events
- Findings from informal small meeting series and/or online survey
- Community meeting materials and meeting summary

III. 6TH STREET CORRIDOR STUDY

III.a ***Stakeholder outreach and existing conditions analysis.*** Consultant will supplement outreach described in Task II, with specific outreach to corridor constituents to identify transportation challenges and expectations in the corridor. Consultant will prepare maps, and graphics that reflect the current transportation context and potential future transportation influences such as new infrastructure such as new signals at Kirkland Way and 9th Street, new high capacity transit, and anticipate growth in households and jobs.

III.b ***Data and methods.*** Consultant will collect any additional data and confirm methodology for conducting this analysis. Pending discussion with community members, limited data around parking in neighborhoods can be collected for approximately two hours at up to four locations where/when stakeholders identify those needs. Methodology may include investigation of new land use and trip generation methods aligned with the land use and urban design analysis (such as applying EPA's mixed use trip generation model). A multi-modal approach will be used, consistent with adopted City policy in the Transportation Master Plan. Trip forecasts and modeling will consider options for cars, pedestrians, bicycles, and transit. Traffic management concepts (ridershare, partnerships, employer-based trip reduction concepts) will also be considered to the extent feasible. Methods will define application of the travel demand model and also confirm that the performance measures enlisted by the team align with the project goals. Data collection and methods will also help confirm study limits based on proposed performance measures and the anticipated area of influence. While analysis would focus on the 108th Avenue/6th Street corridor, methods will also define analysis of parallel and perpendicular facilities such as NE 68th Street, Lake Washington Boulevard, the Cross Kirkland Corridor, State Street and I-405.

III.c ***Define corridor baseline and proposed land use conditions along with opportunities and constraints.*** Using agreed upon methods and performance measures, Consultant will conduct an assessment of the existing and future baseline and proposed land use scenarios. Increased land use can tax the transportation system including exceeding level of service thresholds. To accommodate this density Consultant will look at solutions that reduce drive alone behavior, move people effectively and add capacity strategically. These solutions may be policies (such as

parking policies), projects (such as intersection improvements) and programs (such as bikeshare and parking operations).

Consultant will develop a tiered analysis to evaluate zoning options. The Tier 1 analysis would assess up to two rezone concepts to refine down to one preferred solution. This will consider comparative trip generation and distribution as well as screenline analyses for these two (2) scenarios. Tier 2 would take a preferred rezoning concept and compare to current zoning designations. Based on analyzed performance measures, Consultant will confirm areas where the transportation system is constrained. In Tier 3, Consultant will identify potential opportunities including but not limited to transit priority treatments, pedestrian and trail connectivity improvements, parcel reconfigurations and circulation network, signal timing improvements, time-of-day restrictions, parking management, shared use facilities (bike share, car share, shared parking), revision of existing channelization, and adding capacity. These opportunities and constraints can be developed for discussions with stakeholder groups.

III.d *Potential solutions.* Consultant will work with stakeholders to further refine and develop potential solutions scenarios and report operations and performance. These may be a mix of land use, network and operational improvements. Consultant will assess these potential improvements using the city travel demand model, analysis methods and performance measures. For the purposes of this study it is assumed that the travel demand model will be used to develop traffic volumes and that the analysis will focus on the PM peak period. Growth projections outside the immediate study area, but that will impact PM peak trips, will be factored into the analysis. Analysis will be conducted for up to two scenarios (current zoning and a high growth) and analyzed in the Synchro operational analysis tool, as a base. Analysis will be conducted to assess the proposed solutions, such as signal priority and channelization, using a variety of tools. For the purposes of this scope Consultant has assumed that VISSIM will be conducted for one land use and test up to two (2) options such as transit signal priority. Using the travel demand model and other analytical tools, the team will report potential performance for each scenario.

III.e *Refine and document solutions.* Consultant will test and refine sketch concepts solutions including impacts and concept level opinions of costs to help the team and stakeholders compare, prioritize and refine solutions as well as inform trade-offs of land use scenarios.

Task III Work Products

- Summary corridor draft goals/objectives and general transportation context using available performance measures reflective of these goals (Possibly a powerpoint presentation). A draft and final slide annotated presentation (with data source information).
- Draft and final technical memo with methods, data collection and proposed project study limits.
- Draft conditions for baseline and proposed land use scenarios, and listing of potential constraints and opportunities (possibly a powerpoint presentation)
- Updated conditions for baseline and proposed land use scenarios with potential solutions prepared in a draft presentation.
- Draft and final report that provides the foundation and supporting analysis to convey trade-offs and decision making for the lay public.

IV. HOUGHTON/EVEREST NEIGHBORHOOD CENTER STUDY

Land Use and Urban Design Analysis

IV.a **Physical condition assessment.** Based on the site visit in Task I.b, Consultant will document the physical condition of existing development, parking, streets, and parks and public spaces. The information will be summarized with photos, diagrams, metrics, and supporting text.

IV.b **No action scenario assessment.** Using photos, diagrams and 3D modeling, the Consultant will prepare visual representation of development potential under current zoning at key sites within the neighborhood center. Visual representations at key sites will include sufficient building and street features to establish street-level character; other views will emphasize height and mass.

IV.c **Scenario development.** Consultant will help develop up to two land use and urban design scenarios based on the existing conditions analysis, market analysis, public outreach, and the City's goals for the neighborhood center. The scenarios will also consider opportunities for improvements to streets, public spaces, and parking to support the land use scenarios and the community's vision for the neighborhood center.

IV.d **Scenario graphics.** Consultant will prepare graphics to demonstrate likely development at key sites in the neighborhood center under each scenario. Graphics may include diagrams, sites plans, 3D models, and photo simulations. Visual representations at key sites will include sufficient building and street features to establish street-level character; other views will emphasize height and mass.

IV.e **Scenario summary.** A detailed summary of the land use and urban design scenarios will be completed for public review and input.

Market Feasibility

IV.f **Stakeholder interviews.** To understand the long term interests and desires of major property owners in the neighborhood center, the Consultant will conduct up to 10 one-on-one stakeholder interviews. An interview summary will be provided that details the major themes and outcomes of the interviews.

IV.g **Redevelopment potential.** Using the City's land capacity analysis, together with other available market and development data, Consultant will work with City staff to identify key re-developable sites in the study area over 10-year and 20-year time horizons, together with assessment of FAR, density/intensity and parking requirements for identified sites.

IV.h **Future development analysis.** The Consultant will explore and summarize likely future development under each of the land use scenarios including economic and development feasibility based on the scale and intensity of allowed development and overall market conditions.

Neighborhood Center Recommendations

IV.i **Recommendations and summary report.** Consultant will prepare a summary report describing methodologies and findings from public outreach, the land use and urban design analysis, and the market analysis. The report will describe options considered during the planning process,

recommended action and rationale, and steps for implementation. Report recommendations will include specific recommendations for zoning code amendments, design guidelines and/or comprehensive plan policies, as applicable. Consultant will prepare a draft report for City staff review and comment and a final report based on City guidance.

Task IV Work Products

- Assessment of neighborhood center existing land use conditions
- Assessment of development potential under existing zoning regulations, including visual representations
- Description of scenarios and visual representations of each scenario
- Summary of demographic and market conditions
- Summary of stakeholder interviews
- Development feasibility of identified scenarios
- Recommendations and summary report documenting methods, findings and specific recommendations for potential zoning code amendments, design guidelines, and/or comprehensive plan policies, as applicable, for the neighborhood center

ASSUMPTIONS

Where appropriate, assumptions that have been incorporated into the preceding text. In addition, the following assumptions are provided.

1. Additional service requests or alterations beyond those described in this document will require supplemental contract modifications or explicit, pre-approved substitutions. The Consultant will not perform additional work without written authorization from the City.
2. City will provide the Consultant team available government documents and studies, alternative concept plans, and any relevant electronic GIS data and aerial photos of the project study area. All documents will be returned to the City as appropriate upon completion of this contract.
3. City will consolidate all internal staff review comments from the City for each round of draft review documents and provide a single, compiled set of comments to the Consultant for revisions.
4. Consultant is not responsible for delays in the schedule resulting from delays in the provision of critical information or in decision-making by City staff, commissions or citizen groups.
5. The scope does not include original data collection except as explicitly described in this scope. Research and data collection will be based on readily available secondary sources of information, including reports, inventories, maps and other similar literature from local government and other sources.
6. The budget presents cost estimates for each task. Time may be transferred from one task to another due to greater or lesser level of effort, provided that each task shall be completed and the total budget shall not be exceeded.
7. Unless specifically noted above, all Consultant deliverables will be limited to electronic file transfers. The City is responsible for document reproduction and distribution of all review and final drafts.

8. This Scope of Work does not include assistance with or representation by any member of the consultant team at legal and quasi-judicial appeals. The Scope of Work may be amended to include such assistance or representation if the City desires.

RESOLUTION R-5208

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KIRKLAND AMENDING THE TIMELINE OF RESOLUTION R-5067 RELATING TO PLANNING AND LAND USE AND ACCEPTING THE RECOMMENDATION OF THE KIRKLAND PLANNING COMMISSION TO DEFER ACTION ON THE HOUGHTON/EVEREST NEIGHBORHOOD CENTER CITIZEN AMENDMENT REQUESTS UNTIL THE COMPLETION OF THE COMPREHENSIVE PLAN (FILE CAM13-00465, #14).

1 WHEREAS, in December of 2015, the City completed the update
2 of its Comprehensive Plan, the guiding policy document to direct growth
3 and development in Kirkland over the next 20 years; and
4

5 WHEREAS, the City accepted Citizen Amendment Requests that
6 proposed property-specific changes to the land use map/zoning map,
7 existing Plan goals and policies and/or zoning regulations as part of the
8 Plan update process; and
9

10 WHEREAS, following additional review at its August 14, 2014,
11 meeting, the Planning Commission recommended that action be
12 deferred on the Houghton/Everest Neighborhood Center Citizen
13 Amendment Requests until the completion of the Comprehensive Plan
14 update when the Everest Neighborhood Plan could be updated; and

15 WHEREAS, The Houghton Community Council met on August 25,
16 2014, to discuss the process options for the Houghton/Everest
17 Neighborhood Center Citizen Amendment Requests and agreed with the
18 recommendation of the Planning Commission; and

19 WHEREAS, accepting the recommendations of the Houghton
20 Community Council and the Planning Commission to defer the Central
21 Houghton Neighborhood Citizen Amendment requests would allow for
22 the update of the Everest Neighborhood Plan except for the areas of
23 Everest that are included in the Houghton/Everest Neighborhood
24 Center; and

25 WHEREAS, in order to provide certainty and predictability in land
26 use, the City Council wished to work with the Houghton Community
27 Council, property owners and residents of Central Houghton and Everest
28 to consider the entire Houghton/Everest Neighborhood Center following
29 the completion of the Comprehensive Plan update; and

30 WHEREAS, action was deferred on the Houghton/Everest
31 Neighborhood Center Citizen Amendment Requests by Resolution R-
32 5067, and

33 WHEREAS, Resolution R-5067 also stated that the
34 Houghton/Everest update process would result in recommendations to
35 the Planning Commission for the Comprehensive Plan amendments and

36 zoning regulations for the Houghton/Everest Neighborhood Center no
37 later than July 15, 2016; and

38 WHEREAS, Resolution R-5067 also stated the Planning
39 Commission shall consider and hold a public hearing on the
40 Comprehensive Plan amendments and zoning regulations and shall
41 make final recommendations to the City Council no later than October
42 31, 2016; and

43 WHEREAS, additional time will be necessary to solicit further
44 public input and complete the Houghton/Everest Neighborhood Center
45 update process, but a fixed completion date is helpful to all
46 stakeholders.

47 NOW, THEREFORE, be it resolved by the City Council of the City
48 of Kirkland as follows:

49 Section 1. The Planning Commission shall consider and hold a
50 public hearing on the Comprehensive Plan amendments and zoning
51 regulations for the Houghton Everest Neighborhood Center and shall
52 make final recommendations to the City Council no later than January
53 31, 2017.

54 Section 2. The Kirkland City Council may accept, modify or
55 reject the Comprehensive Plan amendments and zoning regulations.
56 Both the Everest and Central Houghton Neighborhood Plans will be
57 updated as necessary to reflect any final Council action on the
58 Houghton/Everest Neighborhood Center.

59 Section 3. The existing Comprehensive Plan language and
60 zoning regulations affecting the Houghton/Everest Neighborhood Plan
61 and the Central Houghton Neighborhood Plan shall remain unchanged
62 until the process is completed.

63 Passed by majority vote of the Kirkland City Council in open
64 meeting on the _____ day of _____, 20__.

65
66 Signed in authentication thereof this _____ day of
67 _____, 20__.

MAYOR

Attest:

City Clerk