C I T Y O F K I R K L A N D

CITY COUNCIL

Jim Lauinger, Mayor • Joan McBride, Deputy Mayor • Dave Asher • Mary-Alyce Burleigh
Jessica Greenway • Tom Hodgson • James Lauinger • Bob Sternoff • David Ramsay, City Manager

123 Fifth Avenue • Kirkland, Washington 98033-6189 • 425.587.3000 • TTY 425.587.3111 • www.ci.kirkland.wa.us

CITY OF KIRKLAND
2006 CITY COUNCIL RETREAT
MARCH 24 AND 25, 2006

La Conner Country Inn
107 S. Second Street
La Conner, Washington

AGENDA

FRIDAY, MARCH 24

9:00 – 10:00 a.m.	Financial Status Update
10:15 – 12:00	Community Survey
12:00 – 1:00 p.m.	Lunch
1:00 – 5:00 p.m.	Council Goal Setting – Facilitated by Dee Endelman
6:30 p.m.	Social and Dinner Nell Thorn Restaurant 205 Washington Street

SATURDAY, MARCH 25

9:00 – 10:00 a.m.	Outside Agency Funding
10:15 – 12:00	Economic Development
12:00	Lunch

Please note the following Special Reports are also included in this packet:

1. Annexation
2. Emergency Management

CITY OF KIRKLAND
City Manager's Office
123 Fifth Avenue, Kirkland, WA 98033 425.587.3001
www.ci.kirkland.wa.us

MEMORANDUM

To: Dave Ramsay, City Manager

From: Marilynne Beard, Assistant City Manager
Sandi Miller, Financial Planning Manager

Date: March 12, 2006

Subject: FINANCIAL UPDATE

The purpose of this memo is to provide a report on the 2005 year-end financial results, an update of the financial forecast and a discussion of issues impacting the City's financial condition in the near term. This information is provided as one consideration for Council to use in establishing goals and work programs for the coming year.

2005 Year-End Results

The 2005-2006 Budget was the first biennial budget prepared by the City. This report will focus on the annual results for 2005. The Financial Management Report (FMR) for 2005 is included as Attachment A. The 2005 year end results were important in that the 2006 portion of the biennium was balanced assuming that we could achieve a certain amount of expenditure savings in 2005. In fact, about $1.3 million was needed in one-time funding to balance the second half of the biennium. Most of the $1.3 million was estimated to come from revenue in excess of what was budgeted (primarily in sales tax reflecting the one-year lag) and the balance was to come from expenditure savings generally realized from position vacancies that occur throughout the year.

Revenue Performance

By the end of 2005, General Fund actual revenue was $2.86 million over the amount budgeted, with sales tax making up $1.75 million of the total. Development services revenue was the second largest source over budget at about $920,000. The booming construction trade in Kirkland is clearly driving revenue collections but the increased revenue should be viewed as a cyclical phenomenon with the expectation that when the current contracting cycle slows down, development-related revenue will decrease.

Sales Tax

At the end of 2005, total sales tax revenue had increased by $1.6 million or 12.6% above 2004 receipts. Although contracting and related wholesale receipts are a significant part of that increase, the overall sales tax base consistently outperformed 2004. Sales tax from contracting averaged 13.66% from the period 2000 to 2004 compared to the 2005 year-end revenue which constituted 16.2% of total sales tax revenue. The difference between the average and 2005 represents about $364,000 of the total sales tax increase. Two other areas also include construction-related sales tax – wholesale and services. Although we have no way to be certain, we estimate that as much as $400,000 in wholesale and services sales tax were related to large installations occurring with new

construction (based on the abnormal spikes in two or three vendors' returns). Between the three areas, as much as $764,000 of the $1.6 million sales tax increase might be considered cyclical. Factoring out the amount, total sales tax for 2005 still increased by 6.6% over 2004.

Development Fees and Permits

Last year, staff reported that development fees continued to perform well, reflecting the busy construction cycle. Earlier in 2005, it appeared as though Planning Fees and Plan Check Fees would come in lower than expected. It was believed that this potentially signaled a slight slowing of the development cycle and Evergreen Hospital Planning and Plan Check fees were received in 2004, while the building permit was issued in 2005. By the end of 2005, both Plan Check and Planning Fees were over the budgeted amount. The continuing construction boom not only signals revenue but also indicates workload levels of the development departments. Council approved the conversion of six temporary development staff to regular status as part of the mid-biennial budget review and set aside $920,000 in a new Development Services Reserve to assure staffing continuity when revenues begin to decline but the inspection workload remains.

Business License Fees

Business license fees outperformed the budgeted amount by $47,000 primarily due to the licensing of new businesses based outside the City of Kirkland but doing business in Kirkland. The Revenue Generating Regulatory License (RGRL), which is the surcharge portion of the business license fee, generated $929,000 in revenue in 2005 ($29,500 over budget). Revenue fluctuations in this category occur largely as a result of licensing new businesses because the business license surcharge rate does not change from year to year for a business unless the business grows and it moves to the next category of surcharge.

The net number of businesses within the City of Kirkland (total businesses plus new businesses less closed businesses) does not change much from year to year. In 2005, there was a net increase of 40 businesses registered in Kirkland which would indicate a fairly stable business base. A summary of 2005 business licensing activity is shown below:

New Businesses (in Kirkland)	496
Closed Businesses (in Kirkland)	456
Net New Businesses	40
New Businesses (Outside Kirkland)	440
Closed Businesses (Outside Kirkland)	160
Net New Businesses (Outside Kirkland)	280
Total Businesses in Kirkland	3,415
Total Businesses Outside Kirkland	1,214
Total Licensed Businesses	4,629

By way of comparison, when the new business license fee was first implemented, the City had 3,263 licensed businesses within the City of Kirkland.

When the City Council implemented the new business license fee structure in 2003, they agreed to review the surcharge portion of the fee from time to time to determine if it could be reduced based on growth in other revenue sources (i.e. sales tax resulting from increased economic development efforts). A portion of the new business license revenue ($170,000) was dedicated on an ongoing basis to economic development. Staff will present an analysis of the City's financial condition relative to our ability to reduce the surcharge as part of the 2007-2008

Biennial Budget process and, at the same time, provide a recommendation as to the sufficiency of the current allocation of $170,000 for the economic development program. That review will include an analysis of revenue and expenditure trends since 2003 and looking forward as well as a discussion of the relative tax burden. In the interim, we have looked at two pieces of data relative to this issue.

First, we looked at sales tax revenue growth occurring since the recession began in 2002. Sales tax did not surpass actual 2000 sales tax revenue until 2005. Sales tax is still below what it would have been had it continued to grow at an annual rate of 5% per year. The table below shows actual sales tax receipts since 2000 compared to a scenario where sales tax continued to grow:

	2000	**2001**	**2002**	**2003**	**2004**	**2005**
Actual	12,745,495	11,837,426	11,220,760	12,672,451	12,703,975	14,309,798
5% Growth	12,745,495	13,382,770	14,051,908	14,754,504	15,492,229	16,266,840
Difference		(1,545,344)	(2,831,148)	(2,082,053)	(2,788,254)	(1,957,042)

At this time we are still nearly $2 million below where we would have been assuming normal growth. This is just looking at sales tax alone. To do a complete analysis, it will be important to consider the mix of all revenues and expenditures impacting financial condition.

The second factor we looked at was the shift in tax burden. At the request of the Chamber of Commerce, we completed an update of the tax burden study first released in 2001. At that time, the study indicated that the residential tax burden in Kirkland was relatively higher than in other surrounding communities and the commercial tax burden was lower. Over time, taxation policies and disproportionate increases in residential assessed valuations had shifted the tax burden towards residences. This was one of the underlying rationales behind implementing the RGRL.

Not surprisingly, total taxes paid increased in the past five years for both the commercial and residential sectors. However, the overall tax burden has shifted away from commercial and toward residential and external taxpayers. The table below compares the tax burden study results from 2000 to 2005.

	Kirkland 2005	**Kirkland 2000**
Residential Taxes	**$24,948,211**	**$18,592,292**
Commercial Taxes	**$13,296,812**	**$10,923,777**
External Taxes	**$468,096**	**$175,683**
Residential Share	64.44%	62.62%
Commercial Share	34.35%	36.79%
External Share	1.21%	0.59%
Population	45,740	45,090
Employees	30,245	30,245
Population Plus Employees	75,985	75,335
Population Share	60.20%	59.85%
Employee Share	39.80%	40.15%
Employees per Resident	0.66	0.67

The external increase is primarily related to the implementation of the lodging tax which is assumed to be entirely paid from external sources. The most likely reason that the tax burden shifted toward residential (again) is due to the relative impact of home valuations rising faster than commercial properties and the fact that utility rate increases fell more heavily on the residential sector than on the commercial sector. Assessed valuation shifted from a ratio of 74.43% residential and 25.57% commercial to 81.26% residential and 18.74% commercial. Utility tax rates increased from 5% on all residential utilities up to the commercial rate of 6% or higher (7.5% on City utilities). The combined impact of these two items more than offset the increase in business taxes that resulted from the new business license fee program.

Other Revenue

Property tax is a very stable source of revenue and not subject to great fluctuations between the budgeted amount (the levy) and the actual (collections). The amount of collections varies each year depending on the delinquency rate but ranges between 98% and 99%. In 2005, the City had a 98.8% collection rate.

Interest income has improved, finishing 2005 $488,000 over 2004. With interest rates back in a more normal range, we should be able to continue to meet our CIP and debt obligations funded with interest income without having to backfill from General Fund year-end resources.

Expenditures

General Fund expenditures were $2.14 million under budget at the end of 2005. After taking into consideration unfinished projects that will carry over into 2006, the unspent balance decreases to $1.1 million or 2.3% below budget. Year-end expenditure savings typically result from position vacancies and show up in the wage and benefit line-items. Of the $1.1 million in expenditure savings, $838,000 was attributable to wages and benefits.

Looking Ahead – Updated Financial Forecast

Staff presented Council with an updated financial forecast at the mid-biennial budget review that indicated a slight improvement in the projected financial position. The improvement was based on increased sales tax revenue and savings in wages (lower than anticipated CPI-W) and benefits (lower than anticipated increases in retirement rates). Nevertheless, the projected deficit going into the 2007-2008 biennium was still in excess of $1.2 million for 2007, growing to $2.1 million in 2008. The fundamental problem continues to be the rate at which expenditures grow relative to revenue growth.

Expenditures will continue to increase overall 6.5% per year considering that inflation is projected to increase slightly and stabilize at about 3%, the City's policy of paying at the mid-point of the market for wages, and benefit increases of 12% to 14%. On the revenue side, sales tax is projected to grow by 6%, but property tax only increases by 3% per year (1% optional increase plus 2% new construction) and utility tax increases by 4%. Together, these sources of revenue comprise about 60% of the General Fund ongoing resources while wages and benefits comprise about 76.5% of the General Fund.

Staff has prepared an updated forecast based on 2005 actual year-end results, which is shown following a brief discussion of the assumptions used in the updated forecast. Once again, we are projecting a slight improvement based on 2005 revenue performance. At this time, we project a deficit of $584,000 for 2007 and a $1.7 million deficit for 2008. If revenue continues to outperform the forecasted increases and we can contain the increase in expenditures, we may be able to balance the upcoming biennial budget. It may be necessary to once again use reserves to balance the budget with the hope that we won't have to actually tap reserves by the end of the biennium.

The updated forecast on the next page incorporates the following additions to ongoing service levels:

Sales tax revenue, beginning in 2007, was updated to reflect the 2005 actual receipts. Based on the City's one-year lag policy, 2007 sales tax revenue would be equal to the 2006 estimate. This was achieved by increasing the 2005 actual receipts by 6% to create the base 2007 sales tax projection. Sales tax is then assumed to increase at a rate of 6% per year.

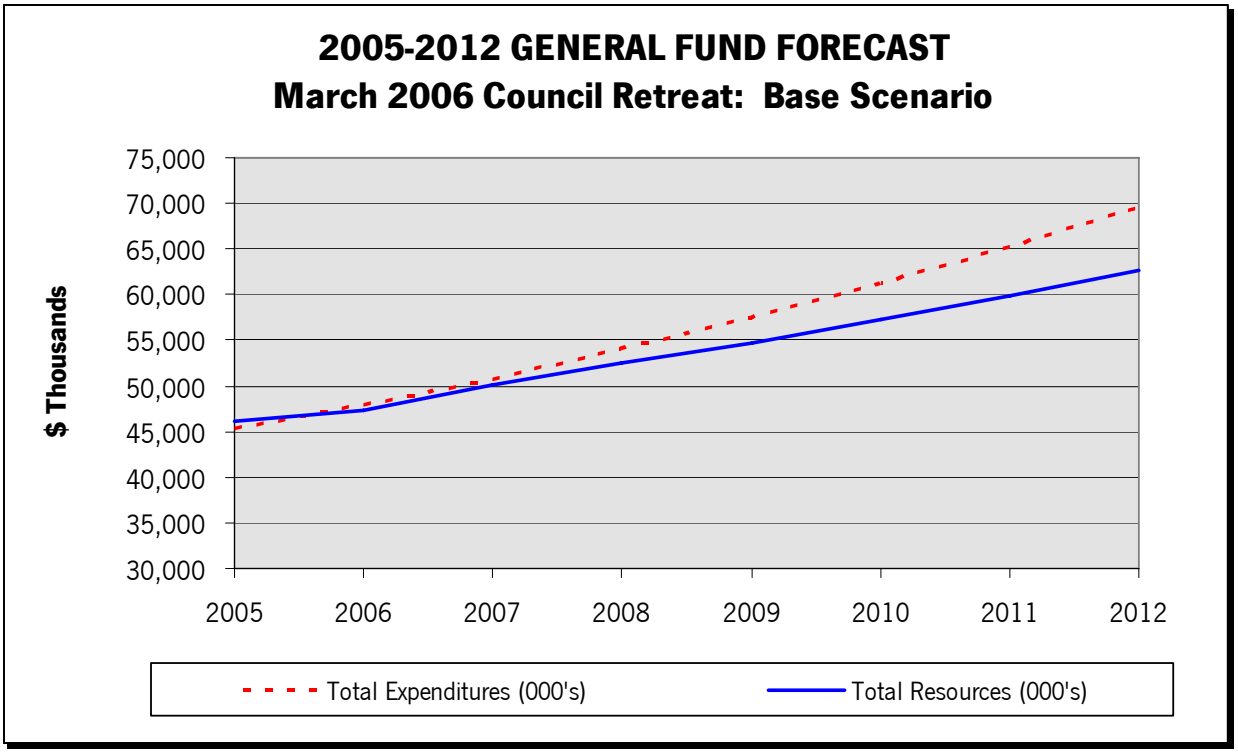
Property tax revenue was updated to reflect the Council's use of 8.86% of the banked capacity for the public safety staffing additions in Police and Fire. Likewise, the Police and Fire department expenditure estimates were increased by the cost of the additional staffing. Although the additional positions were approved during the 2005-2006 Biennium, the cost is reflected in the forecast beginning in 2007 in order to maintain a balanced picture for 2005-2006.

Also related to public safety staffing, **utility tax revenue** was adjusted to reflect the rate increase on City utilities from 6% to 7.5% (i.e. water, sewer, surface water and garbage). The additional revenue funds a portion of the public safety staffing additions.

Development Services revenue and expenditures were updated to reflect the conversion of 6 temporary development positions to FTE's, as approved by the Council during the Mid-Biennial review. These positions were funded through 2006 with one-time funding and remain as part of the base budget beginning in 2007 being funded by additional development-related revenue.

The **Municipal Court Judge was converted from a contract to a .85 FTE position**, funded by the additional sales tax. This position is maintained in the base budget beginning in 2007.

The **Receptionist position** at the front desk was approved at the Mid-Biennial review to become 1.0 FTE with the continuation of the passport acceptance program. The additional .5 FTE secured is entirely funded by passport revenue.



	2005	2006	2007	2008	2009	2010	2011	2012
Total Expenditures (000's)	45,410	47,952	50,737	54,113	57,565	61,305	65,335	69,706
Total Resources (000's)	46,064	47,298	50,153	52,402	54,763	57,243	59,846	62,581
Net Resources (000's)	**654**	**(654)**	**(584)**	**(1,711)**	**(2,802)**	**(4,062)**	**(5,489)**	**(7,125)**

Key Revenue Assumptions:

- No additional diversion of current revenue sources to CIP
- No use of reserves in 2007-2012
- 1% optional property tax in 2005-2012
- 2% annual growth in new construction
- 1 year sales tax lag in 2005-2012
- 6% annual growth in sales tax in 2005-2011 reflected in 2007-2012 projections
- 4% annual growth in utility tax in 2007-2012
- 2% annual growth in other taxes (RGRL fee, gambling & leasehold excise) in 2007-2012
- EMS levy maintained
- 5% annual growth in other revenue in 2007-2012
- Excludes one-time outside agency funding beginning in 2006 and one-time service package funding beginning in 2007 (i.e. no one-time Forbes Creek F.S. funding in 2007)

Key Expenditure Assumptions:

- Based on 2005-2006 Final Budget
- New, ongoing service levels for:
  - Police strategic plan (Admin Lt. and ProAct Unit)
  - Fire & Building strategic plan (St. 27 Medical Aid Unit)
  - Development Services - convert temp positions to FTE's
  - Judge - convert from contract to FTE
  - Full time Reception Desk Staffing
- 6% annual growth in wages in 2007-2012:
  - 3.5% COLA + 1.1% steps + 1.4% market adj/reclass
- 14% annual increase in total benefits in 2007-2008 and 12% annual increase in 2009-2012
- 2% annual growth in supplies, services & capital in 2007-2012

Downside Risks

As always, we are aware of a number of contingencies that potentially impact the financial forecast as presented.

- Uncertainty with regard to future **jail costs** continues to be an issue. Long term, local misdemeanant jail solutions are needed to provide a predictable and controllable supply of jail beds. Jail costs in 2005 continued to increase, with a growing number of detainees and increasing daily rates driving costs. Police staff are in the process of analyzing data and preparing recommendations for how the City can mitigate the increasing costs.

- **Inflation** is expected to moderate at about 3% to 3.5%, but we don't have control over inflation which drives the majority of our expenditures for wages. Each .5% of CPI-W translates to about $300,000 in wage costs, so the difference between 3% and 3.5% is significant.

- The City Council is being asked to consider **funding for outside agencies** that will potentially add another $140,000 of ongoing expenses to the base budget.

- The City Council made significant progress in funding the **Police Strategic Plan and the Fire and Emergency Services Strategic Plan** with the addition of fourteen new positions this past year. However, additional positions are still needed to meet the long term needs of the public safety departments.

- The Public Safety Committee received a briefing from our new Municipal Court Judge, Michael Lambo, regarding **Kirkland Municipal Court caseload trends and judicial time**. The daily calendars have become so full that the morning court calendars run through lunch and right up to the start of the afternoon calendar. Judge Lambo is requesting that the Council consider increasing his .85 FTE to 1.00 FTE and adding one additional court commissioner calendar to relieve his caseload. Staff is preparing a background memo for Council on costs and possible funding sources.

- Other program needs that were previously identified but not yet funded include a **Communications Specialist**, **Emergency Management Coordinator** and the potential for additional funding for **Economic Development.**

- **Streamlined sales tax** did not receive approval from the state legislature. Although streamlined sales tax was estimated to be mostly a "break even" proposition for Kirkland, the failure of legislation means that voluntary compliance that would have resulted in increased sales tax from internet sales won't be realized soon.

- **Annexation** may become a reality with the new legislation that provides State funding for up to ten years. The level of State funding closes much of the $4.8 million gap identified last year. Our most current estimates show a remaining deficit position of about $634,000 which we will most likely have to address through expenditure reductions in the proposed annexation budget. Aside from the ongoing financial challenges, there will be significant planning and start up costs that will need to be borne by the City. We will work with King County to obtain as much one-time funding as possible; however, the annexation will still be a financial strain on the City.

Upside Opportunities

Continued economic growth seems to be the most likely scenario for 2006 and 2007, with a slow and steady pace of growth more likely than any great surges as those seen in the 1990's. This is positive for the City's finances, providing likely stability in retail sales tax, continuation of new development and moderate inflation. Clearly, the upside opportunities lie in new retail growth primarily in Totem Lake, although that growth will not be fully realized until 2010. Continued focus on economic development efforts will be important to sustaining our revenue base (retaining businesses) and increasing our revenue base beyond normal growth (attraction of new significant retail). In the meantime, maintenance of services should continue to be the first priority, with the understanding that new service levels will most likely require additional revenue.

Status of Reserves

As part of the 2005-2006 mid-biennial review, staff provided a report on the status of reserves and recommended that Council make a deliberate effort to replenish reserves that are currently below target. Based on the positive 2005 year-end results, staff has recommended to the Finance Committee that a total of $1,865,837 be transferred to the General Capital Contingency (the reserve farthest from the adopted target). The 2005 year-end transfer will also establish a Development Services Reserve of $920,000 and replenish the Council Special Projects Reserve back to the target amount of $250,000. The table below shows the status of reserves compared to target after the 2005 year-end transfer is taken into account.

Reserves	2005-06 Estimated End Balance	2005 Authorized Uses	2005 Authorized Additions	Revised 2005-06 End Balance*	2005-06 Target	Over (Under) Target
GENERAL PURPOSE RESERVES						
Contingency	2,115,677	66,293		2,049,384	2,952,182	(902,798)
General Capital Contingency	2,979,056	1,110,000	1,868,281	3,737,337	5,900,568	(2,163,231)
Park & Municipal Reserve:						
General Oper. Reserve (Rainy Day)	2,712,836			2,712,836	2,676,890	35,946
Revenue Stabilization Reserve	1,493,480			1,493,480	2,082,380	(588,900)
Building & Property Reserve	1,817,461			1,817,461	N/A	N/A
Council Special Projects Reserve	254,760	96,200	91,440	250,000	250,000	0
Development Services Reserve	0	0	920,000	920,000	N/A	N/A
Total General Purpose Reserves	**11,373,270**	**1,272,493**	**2,879,721**	**12,980,498**	**13,862,020**	**(3,618,983)**

We should continue to focus on replenishing Council policy reserves in addition to trying to set aside capital funds for large projects.

- We will soon be faced with identifying $3 million for the City's cash contribution to the Totem Lake Mall infrastructure improvements.

- The balloon payment on the 505 Market Building ($1.7 million) comes due in 2007. We will either need to refinance the building or pay off the debt.

- Utility undergrounding on NE 85th Street is still under consideration and may require as much as $3 million of additional funding.

- Regardless of annexation, the City will need to expand its space for City Hall and/or a Public Safety Building which will be a considerable investment.

CITY OF KIRKLAND
FINANCIAL MANAGEMENT REPORT

AS OF DECEMBER 31, 2005

FOREWORD

The Financial Management Report (FMR) is a high-level status report on the City's financial condition that is produced three times a year (as of April 30th, September 30th, and December 31st). It is comprised of five sections:

- Economic Environment Update
- Budget to Actual Comparison
- Sales Tax Revenue Analysis
- Investment Summary
- Reserve Summary

The **Economic Environment Update** provides a brief look at the key economic indicators for the Eastside and Kirkland such as inflation, unemployment, office vacancies, residential housing prices, sales tax revenue, development activity, and lodging tax receipts.

The **Budget to Actual Comparison** report provides a summary look at year-to-date revenues and expenditures for all operating funds. Also included are more detailed reviews of the City's General Fund, Other General Government Operating funds, Water/Sewer Operating Fund, Surface Water Management Fund, and Solid Waste Fund.

The **Sales Tax Revenue Analysis** report takes a close look at the City's largest and most economically sensitive revenue source. Comparisons are made with the prior year's sales tax receipts on a year-to-date, monthly, business sector, and business district basis.

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.

Tables and graphs are provided with brief narratives to explain or highlight significant trends, issues, and anomalies. Our objective in preparing this report is to provide a brief overview of the City's financial condition and to highlight those areas of greatest significance to Kirkland's citizens, elected officials, and City staff.

Respectfully submitted,

Michael Olson
Interim Director of Finance & Administration

Sandi Miller
Financial Planning Manager

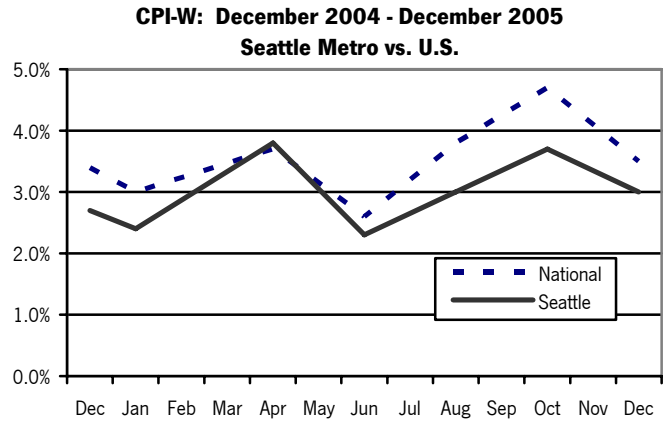
At a glance:

ECONOMIC ENVIRONMENT UPDATE

The Puget Sound region experienced strong economic growth in 2005. The Seattle-Tacoma metropolitan area added more than 45,000 jobs over the year and the unemployment rate in King County dropped to 4.4 percent as of December 2005. The revenue forecast from the Washington State Economic and Revenue Forecast Council predicts continued employment growth due to improvements in the aerospace and software industries. Additionally, Washington's construction employment, bolstered by a hot housing market, has now erased the losses experienced during the recession.[1] Two local economic confidence indexes reflect this solid economic performance. (It should be noted that a score of more than 50 points signals an expanding economy, while a score of less than 50 points indicates a shrinking economy.) The Hebert Research-Business Journal Business Confidence Index rose to 62.4 for the fourth quarter of 2005, after three quarters of decline. However, the index fell short of the six-year high of 63.3 achieved last December.[2] Another local index conducted by the Western Washington chapter of the National Association of Purchasing Managers jumped 8.1 points in December to 75.9, which follows the 5.2 point gain in November. The strong local picture contrasts to the national index, which dropped over the past two months to 54.2 points in December.[3]

Selected economic indicators are reviewed below. They include inflation, unemployment, office vacancies, residential housing prices, development activity, sales tax revenue, and lodging tax revenue.

As measured by the **Consumer Price Index** for Wage Earners and Clerical Workers (CPI-W), the following chart and table track inflation for the U.S. and the Seattle metropolitan area from December 2004 through December 2005 on a bi-monthly basis. For each month, the annual change in inflation with respect to the same month of the prior year is noted. What stands out is that inflation in the Seattle metropolitan area has been generally lower than the national average. The table also includes the cumulative change in the Seattle metropolitan area's inflation rate since December 2004.



Month	U.S.	Seattle Metro	Compared to Dec 2004*
Dec 2004	3.4%	2.7%	N/A
Feb 2005	3.0%	2.4%	1.1%
Apr 2005	3.7%	3.8%	3.1%
Jun 2005	2.6%	2.3%	2.4%
Aug 2005	3.8%	3.0%	2.6%
Oct 2005	4.7%	3.7%	4.4%
Dec 2005	3.5%	3.0%	3.0%

Source: Bureau of Labor Statistics

* Bi-monthly growth in Seattle Metro CPI-W only.

All of the City's labor contracts are tied to the CPI-W for the Seattle metropolitan area. More specifically, "cost of living allowances" (or COLAs) in these contracts are set at 90 percent of either the prior year's June CPI-W or the prior year's average for the first six months, with varying "floors" (i.e. minimums) established. Given a June 2005

[1] Washington Economic and Revenue Forecast Council, February 2006

[2] Eric Engleman, *Confidence hits high for '05,* Puget Sound Business Journal, February 3, 2006

[3] *Purchasing index for last month jumps,* Puget Sound Business Journal, January 4, 2006

CPI-W (Seattle) of 2.3 percent and a First Half 2004 CPI-W (Seattle) of 2.9 percent, the 2006 COLA will be 2.08 percent and 2.58 percent respectively depending on the bargaining unit. Seattle area inflation is expected to remain below the U.S. city average this year at 2.6 percent compared to 3.4 percent for the U.S. The stronger local economy should eventually cause Seattle inflation to rise above the U.S. rate by 2007.[4]

Unemployment rates for King County, Washington State, and the U.S. from December 2004 through December 2005 are noted in the table below:

Month	King County	Washington	U.S.
December 2004	4.6%	5.9%	5.1%
January 2005	4.9%	6.4%	5.7%
February 2005	5.1%	6.4%	5.8%
March 2005	4.6%	5.6%	5.4%
April 2005	4.2%	5.4%	4.9%
May 2005	4.8%	5.4%	4.9%
June 2005	4.7%	5.4%	5.2%
July 2005	4.6%	5.3%	5.2%
August 2005	4.5%	5.5%	4.9%
September 2005	4.9%	5.2%	4.8%
October 2005	4.7%	5.1%	4.6%
November 2005	4.8%	5.5%	4.8%
December 2005	4.4%	5.2%	4.6%
2005 Average	**4.7%**	**5.5%**	**5.1%**
2004 Average	**5.1%**	**6.2%**	**5.5%**

Source: Washington Department of Employment Security

In 2003, the average statewide unemployment rate of 7.6 percent was significantly higher than the average U.S. unemployment rate of 6.0 percent. This gap has significantly narrowed over the last two years, with the Washington State 2005 average rate at 5.5 percent compared to the national rate of 5.1 percent. Employment levels in King County have also improved considerably, ending 2005 with a lower average unemployment rate than the national average. As mentioned earlier, the Puget Sound region has added more than 45,000 jobs in 2005.

As a sign of an improving economy, Eastside **office vacancy rates** have continued to drop significantly this year, down to 9.65 percent at the end of the fourth quarter compared to a high of 24 percent in the first quarter of 2003. The Eastside office market is the second largest in the region and "absorbed" over 250,000 square feet of vacant space in the fourth quarter of 2005 alone. The market is responding to the positive economic growth with office investments surpassing a record $1.7 billion in the Puget Sound area in 2005. The Kirkland market has improved significantly, with vacancy rates down to 4.35 percent as of the fourth quarter of 2005 compared to 10.2 percent for the same period last year.[5] For comparison purposes, office vacancy rates for Kirkland and the Eastside were 3.7 percent and 4.3 percent respectively five years ago.

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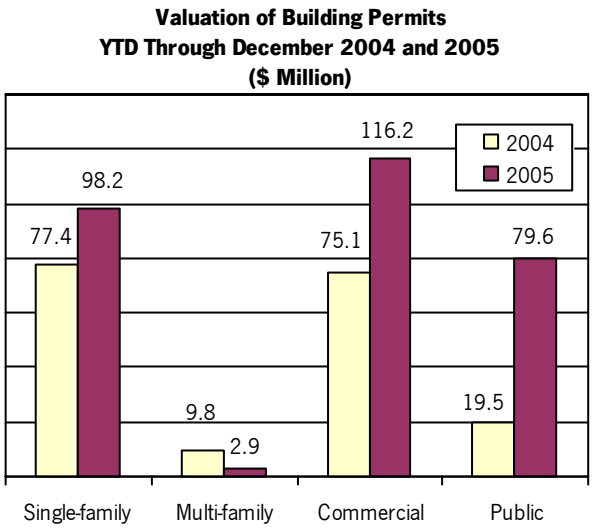
[4] Washington Economic and Revenue Forecast Council, February 2006

[5] CB Richard Ellis Real Estate Services, Market View Puget Sound Office, Fourth Quarter 2005

According to the Northwest Multiple Listing Services, the median **residential housing price** on the Eastside rose 17.1 percent from $379,950 in December 2004 to $444,975 in December 2005. Additionally, for the second year in a row, a record number of homes and condominiums were sold in King County in 2005 (41,923 versus 40,547 in 2004). Local and national housing experts expect home prices to rise in 2006, but not as fast as they did in the record-breaking year of 2005 and number of home sales to moderate as interest rates increase.[6]

Development activity through December 2004 and 2005, as measured by the valuation of new construction, alterations, and additions, is illustrated in the chart on the right. Development-related revenues have remained strong since the second half of 2002. Through December 2005, **building permit-related revenue** is up 45.0 percent and **other development-related fees** are up 12.8 percent compared to the same period in 2004. Public activity was up dramatically in 2005 reflecting the major construction projects at Evergreen Hospital and various school renovations and replacements. Commercial activity was up in 2005 due to the construction of the second phase of Juanita Village, several tenant improvements, as well as the mixed-used developments in the downtown area that are classified as commercial rather than multi-family. Single family activity was also strong in 2005. Multi-family activity decreased significantly, partly because a surge of permit activity happened at the end of 2004 in anticipation of building code changes that took effect in 2005 and partly because of the previously mentioned mixed-used complexes that are classified as commercial.



The upward trend in **sales tax** revenue that started in 2003 continued through 2005, increasing by 12.6 percent compared to the same period in 2004. Much of this gain relates to strong performance in the contracting and some retail sectors. A more detailed analysis of sales tax revenue is included later in this report.

Apparently the economic upswing has finally benefited the local lodging industry, which experienced virtually no growth between 2003 and 2004. **Lodging tax** revenue through December 2005 is up 8.2 percent compared to 2004.

[6] Clayton Park, *Eastside home prices set record...,* King County Journal, March 7, 2006

BUDGET TO ACTUAL COMPARISON
As of December 31, 2005

SUMMARY OF ALL OPERATING FUNDS

All of the City's operating funds are grouped into the following two categories:

1. **General Government Operating Funds**, which account for tax and fee supported services and include the General Fund.
2. **Utility Funds**, which account for water, sewer, surface water, and solid waste operations and maintenance services.

Resources: Summary

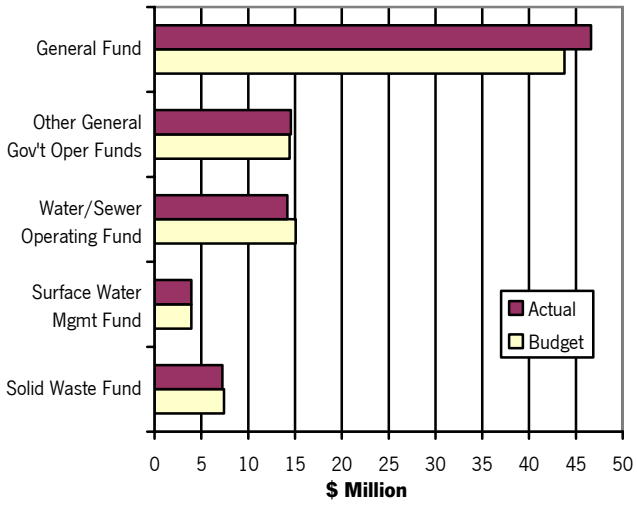
Resource Category	2005 Budgeted Revenues*	2005 Actual Revenues*	Amount Over/(Under) Budget	% of Budget
General Gov't Operating:				
General Fund	43,790,211	46,628,550	2,838,339	106.5%
Other General Gov't Operating Funds	14,409,400	14,568,735	159,335	101.1%
Total General Gov't Operating	**58,199,611**	**61,197,285**	**2,997,674**	**105.2%**
Utilities:				
Water/Sewer Operating Fund	15,076,094	14,184,002	(892,092)	94.1%
Surface Water Management Fund	3,916,785	3,913,748	(3,037)	99.9%
Solid Waste Fund	7,423,598	7,257,413	(166,185)	97.8%
Total Utilities	**26,416,477**	**25,355,163**	**(1,061,314)**	**96.0%**
Total All Operating Funds	**84,616,088**	**86,552,448**	**1,936,360**	**102.3%**

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

Comparing actual to budgeted revenues, each operating fund or fund type ended 2005 as follows (see chart on the right):

- The **General Fund** was 6.5 percent ahead of budget, primarily due to strong sales tax and development-related fee growth.
- The **Other General Government Operating Funds** were 1.1 percent ahead of budget primarily due to strong cable tax growth and higher than expected recreation class fees.
- The **Water/Sewer Operating Fund** was 5.9 percent behind budget due to lower than normal water sales because of voluntary water restrictions as a result of an unusually dry winter and a cool summer.

TOTAL REVENUES BY OPERATING FUND TYPE OR FUND
Actual to Budget as of 12/31/2005
Summary of All Operating Funds



- The **Surface Water Management Fund** was right on budget (only .1 percent behind budget). Surface Water fees are collected with the payment of property taxes.
- The **Solid Waste Fund** was 2.2 percent behind budget primarily due to lower than expected commercial collection revenue.

Expenditures: Summary

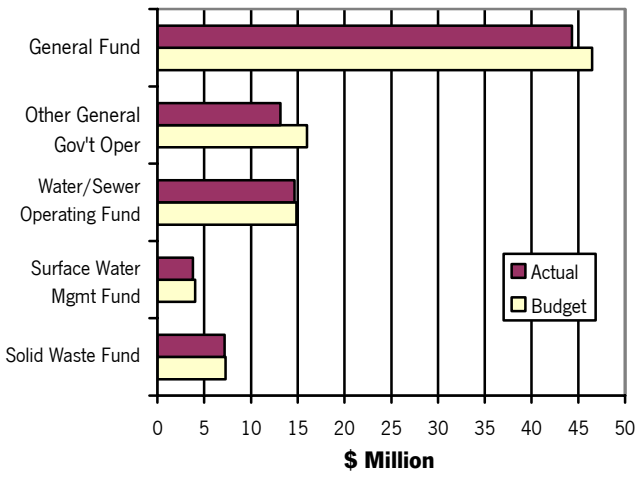
Expenditure Category	2005 Budgeted Expenditures*	2005 Actual Expenditures*	Amount (Over)/Under Budget	% of Budget
General Gov't Operating:				
General Fund	46,466,578	44,325,497	2,141,081	95.4%
Other General Gov't Operating Funds	15,993,211	13,146,746	2,846,465	82.2%
Total General Gov't Operating	**62,459,789**	**57,472,243**	**4,987,546**	**92.0%**
Utilities:				
Water/Sewer Operating Fund	14,852,575	14,660,055	192,520	98.7%
Surface Water Management Fund	4,019,429	3,787,355	232,074	94.2%
Solid Waste Fund	7,285,527	7,181,827	103,700	98.6%
Total Utilities	**26,157,531**	**25,629,237**	**528,294**	**98.0%**
Total All Operating Funds	**88,617,320**	**83,101,480**	**5,515,840**	**93.8%**

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

Comparing actual to budgeted expenditures, each operating fund or fund type ended 2005 as follows (see chart on the right):

- The **General Fund** was 4.6 percent under budget primarily due to position vacancies, uncompleted projects (i.e. Economic Development and Downtown Strategic Plan), and the timing of service contract payments (e.g. human service contracts).
- The **Other General Government Operating Funds** were 17.8 percent under budget primarily due to uncompleted projects such as neighborhood traffic calming and parking facility improvements in the Street Operating Fund, GIS mapping and web interfaces in the Information Technology Fund, and the postponement of vehicle purchases in the Equipment Rental Fund where it was determined the vehicle life could be extended.

TOTAL EXPENDITURES BY OPERATING FUND TYPE OR FUND
Actual to Budget as of 12/31/2005
Summary of All Operating Funds



- The **Water/Sewer Operating Fund** was 1.3 percent under budget due to a position vacancy, uncompleted projects such as the Water Comp Plan, and lower than expected internal engineering charges.
- The **Surface Water Operating Fund** was 5.8 percent under budget primarily due to position vacancies and uncompleted projects relating to Shoreline Inventory and ESA regulations.
- The **Solid Waste Fund** was 1.4 percent under budget primarily due to lower than expected payments to Waste Management for commercial collection, lower taxes based on lower than expected revenue collection, and savings in recycling programs.

It should be noted that the end of 2005 is the halfway point of the 2005-2006 Biennial Budget. What appears as "expenditure savings" at the end of 2005 is largely related to uncompleted projects that will be completed during 2006. No carryover process is necessary to allow for this expenditure in 2006 because of the 2 year budget appropriation.

GENERAL FUND

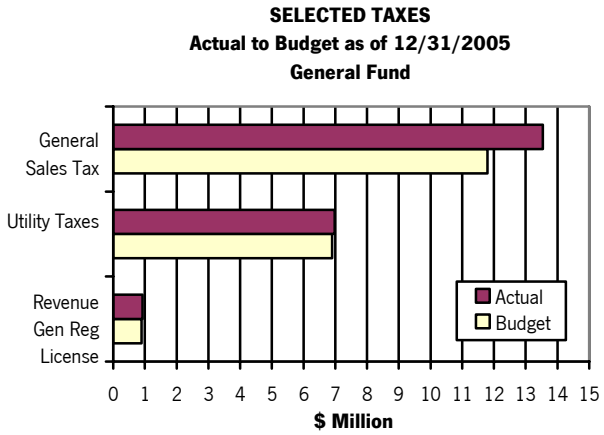
The General Fund is the largest of the General Government Operating funds. It is primarily tax supported and accounts for basic services such as public safety, parks and recreation, and community development. About 341 of the City's 429 employees are budgeted within this fund.

Resources: General Fund

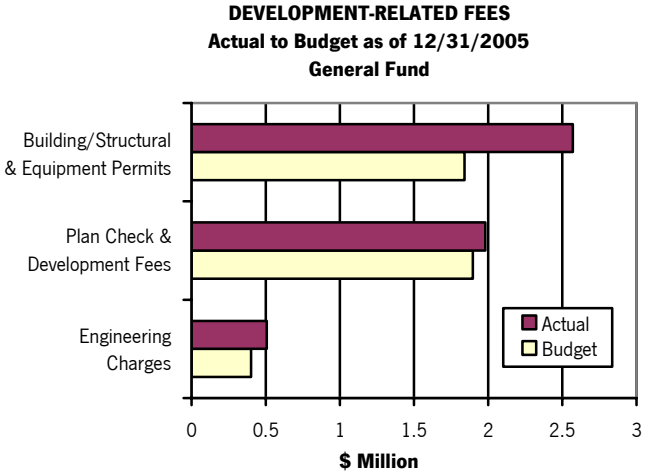
Resource Category	2005 Budgeted Resources	2005 Actual Resources	Amount Over/(Under) Budget	% of Budget
Taxes:				
Retail Sales Tax: General	11,791,604	13,539,797	1,748,193	114.8%
Retail Sales Tax: Criminal Justice	875,000	965,661	90,661	110.4%
Property Tax	6,988,283	6,906,932	(81,351)	98.8%
Utility Taxes	6,904,711	6,978,378	73,667	101.1%
Rev Generating Regulatory License	900,000	929,498	29,498	103.3%
Other Taxes	475,262	465,564	(9,698)	98.0%
Total Taxes	**27,934,860**	**29,785,830**	**1,850,970**	**106.6%**
Licenses & Permits:				
Building, Structural & Equipment Permits	1,840,401	2,571,320	730,919	139.7%
Business Licenses/Franchise Fees	1,166,775	1,242,376	75,601	106.5%
Other Licenses & Permits	106,020	166,274	60,254	156.8%
Total Licenses & Permits	**3,113,196**	**3,979,970**	**866,774**	**127.8%**
Intergovernmental:				
Grants	216,806	94,442	(122,364)	43.6%
State Shared Revenues & Entitlements	564,170	562,221	(1,949)	99.7%
Fire District #41	2,870,209	3,038,576	168,367	105.9%
EMS	475,422	475,422	-	100.0%
Other Intergovernmental Services	586,655	568,511	(18,144)	96.9%
Total Intergovernmental	**4,713,262**	**4,739,172**	**25,910**	**100.5%**
Charges for Services:				
Internal Charges	3,389,184	3,044,667	(344,517)	89.8%
Engineering Services	400,000	505,700	105,700	126.4%
Plan Check & Development Fees	1,895,761	1,980,163	84,402	104.5%
Recreation	74,000	78,577	4,577	106.2%
Other Charges for Services	595,341	666,334	70,993	111.9%
Total Charges for Services	**6,354,286**	**6,275,441**	**(78,845)**	**98.8%**
Fines & Forfeits	1,092,150	1,117,030	24,880	102.3%
Miscellaneous	392,214	540,864	148,650	137.9%
Total Revenues	**43,599,968**	**46,438,307**	**2,838,339**	**106.5%**
Other Financing Sources:				
Interfund Transfers	190,243	190,243	-	100.0%
Total Other Financing Sources	**190,243**	**190,243**	**-**	**100.0%**
Total Resources	**43,790,211**	**46,628,550**	**2,838,339**	**106.5%**

Comparing actual to budgeted revenues, the General Fund ended 2005 6.5 percent ahead of budget, which represents about $2.8 million. Looking at specific revenues, the following are particularly noteworthy:

- **Sales tax** revenue was 14.8 percent ahead of budget due to continued improvement in the economy, particularly in the contracting and retail sectors (see "Selected Taxes" chart on the right). A more detailed analysis of general sales tax revenue follows in the Sales Tax Revenue Analysis report. As a note, the overall sales tax increase is 12.6 percent when taking into account the General Fund and the capital funds.



- **Revenue generating regulatory license** revenue was 3.3 percent ahead of budget primarily due to higher than expected licensing of businesses located outside the City's limits.
- **Business licenses/franchise fees** were 6.5 percent ahead of budget due to higher than expected franchise fee revenues and strong performance in business licenses.
- **Development-related fees,** taken together, were 22.3 percent ahead of budget (see "Development-Related Fees" chart on the right). **Building, structural and equipment permit fees** were 39.7 percent ahead of budget and **engineering development fees** were 26.4 percent ahead of budget due to the high level of building activity in public sector, commercial and single-family residential projects. **Plan check and development fees** were also ahead of budget at 4.5 percent ahead of budget. Due to the timing of when plan check and development fees are received, they are not as significantly ahead of budget as the other development related fees at year end.



- **Internal Charges** were 10.2 percent behind budget due to lower than expected revenue from internal engineering services being charged to the other operating and capital funds. The budget was slightly overstated based on a historical charge model that will be addressed in the next budget process.
- **Grant** revenue was 56.4 percent behind budget due to the timing of FEMA reimbursement for our firefighters working during the Hurricane Katrina relief efforts. The grant reimbursement will be received in the first quarter of 2006.
- **Miscellaneous** revenue was 37.9 percent ahead of budget primarily due to higher than expected interest income.

Expenditures: General Fund

Department	2005 Budgeted Expenditures*	2005 Actual Expenditures*	Amount (Over)/Under Budget	% of Budget
Non-Departmental	1,096,843	806,505	290,338	73.5%
City Council	327,091	312,886	14,205	95.7%
City Manager's Office	1,094,133	958,731	135,402	87.6%
Human Resources	945,254	826,950	118,304	87.5%
City Attorney's Office	916,310	870,749	45,561	95.0%
Parks & Community Services	5,097,229	4,796,470	300,759	94.1%
Public Works (Engineering)	2,886,290	2,690,376	195,914	93.2%
Finance and Administration	4,377,517	4,159,325	218,192	95.0%
Planning & Community Development	3,590,432	3,021,111	569,321	84.1%
Police	12,013,776	11,874,879	138,897	98.8%
Fire & Building	13,212,924	13,046,112	166,812	98.7%
Total Expenditures	**45,557,799**	**43,364,094**	**2,193,705**	**95.2%**
Other Financing Uses:				
Interfund Transfers	908,779	961,403	(52,624)	105.8%
Total Other Financing Uses	**908,779**	**961,403**	**(52,624)**	**105.8%**
Total Expenditures & Other Uses	**46,466,578**	**44,325,497**	**2,141,081**	**95.4%**

* Budgeted and actual expenditures exclude working capital, operating reserves, capital reserves and the year-end transfer.

Comparing actual to budgeted expenditures, the General Fund ended the year 4.6 percent under budget, which represents about $2.1 million in expenditure savings. Of note are the following departments:

- The **Non-Departmental Division** was 26.5 percent under budget, primarily due to unspent COLA (Cost of Living Adjustment) reserves and savings in LEOFF 1 retiree medical costs.
- The **City Manager's Office** was 12.4 percent under budget primarily due to the timing of professional services reimbursements received for regional projects and savings in benefit expenses.
- The **Human Resources Department** was 12.5 percent under budget primarily due to position vacancies.
- The **Parks & Community Services Department** was 5.9 percent under budget primarily due to position vacancies and the timing of human service contract payments.
- The **Public Works Department** was 6.8 percent under budget primarily due to position vacancies and uncompleted projects such as traffic counts.
- The **Planning & Community Development Department** was 15.9 percent under budget due to uncompleted projects such as the Shoreline Master Plan, Downtown Strategic Plan and the tree planting program.

As noted previously, the end of 2005 is the halfway point of the 2005-2006 Biennial Budget. "Expenditure savings" in the General Fund of $1.1 million at the end of 2005 related to uncompleted projects will be spent during 2006. No carryover process is necessary to allow for this expenditure in 2006 because of the 2 year budget appropriation.

OTHER GENERAL GOVERNMENT OPERATING FUNDS

The Other General Government Operating Funds (which exclude the General Fund) account for two types of services: 1) those that have external revenue sources that are restricted for specific uses (i.e. tourism, street maintenance, cemetery operations, parks maintenance, and recreation programs); and 2) those that assess internal user charges to support other City departments (i.e. facilities maintenance, fleet services, and technology services). Approximately 53 of the City's 429 employees are budgeted within this group of funds.

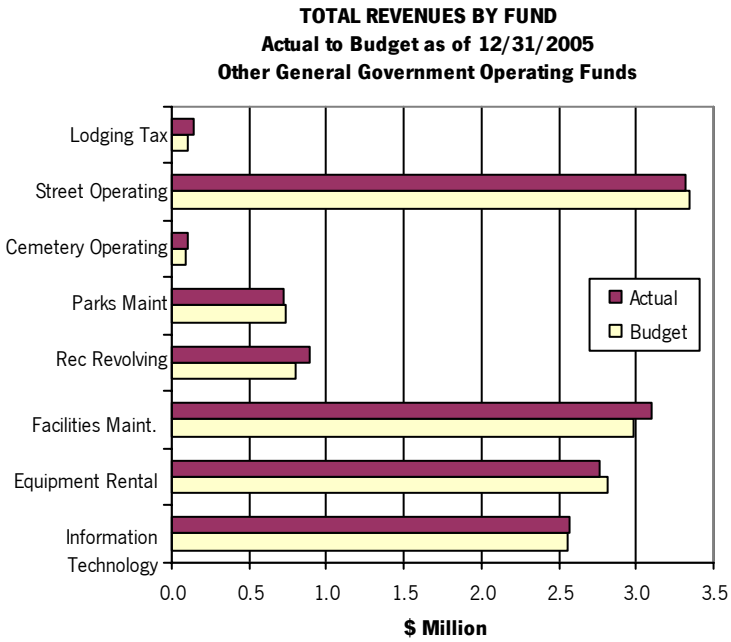
Resources: Other General Government Operating Funds

Fund	2005 Budgeted Revenues*	2005 Actual Revenues*	Amount Over/(Under) Budget	% of Budget
Lodging Tax	105,000	135,592	30,592	129.1%
Street Operating	3,340,016	3,322,033	(17,983)	99.5%
Cemetery Operating	90,000	106,682	16,682	118.5%
Parks Maintenance	730,415	726,658	(3,757)	99.5%
Recreation Revolving	795,075	893,310	98,235	112.4%
Facilities Maintenance	2,979,972	3,103,206	123,234	104.1%
Equipment Rental	2,810,885	2,763,547	(47,338)	98.3%
Information Technology	2,555,675	2,566,298	10,623	100.4%
Total Revenues	**13,407,038**	**13,617,326**	**210,288**	**101.6%**
Other Financing Sources:				
Interfund Transfers	1,002,362	951,409	(50,953)	94.9%
Total Other Financing Sources	**1,002,362**	**951,409**	**(50,953)**	**94.9%**
Total Resources	**14,409,400**	**14,568,735**	**159,335**	**101.1%**

* Budgeted and actual revenues exclude resources forward.

Comparing actual to budgeted revenues, the Other General Government Funds collectively ended the year 1.1 percent ahead of budget, representing about $160,000. Reviewing individual funds, the following are worth noting (see chart on the next page):

- The **Lodging Tax Fund** was 29.1 percent ahead of budget due to higher than expected lodging tax revenues.
- The **Recreation Revolving Fund** was 12.4 percent ahead of budget primarily due to higher than expected enrollment in recreation and aquatic classes and daycamps.



- The **Facilities Maintenance Fund** was 4.1 percent ahead of budget primarily due to higher than expected cable utility tax revenue.
- The **Equipment Rental Fund** was 1.7 percent behind budget due to lower than expected revenue from the sales of surplus vehicles and lower than budgeted replacement charges due to an operational delay in the purchase of several vehicles.

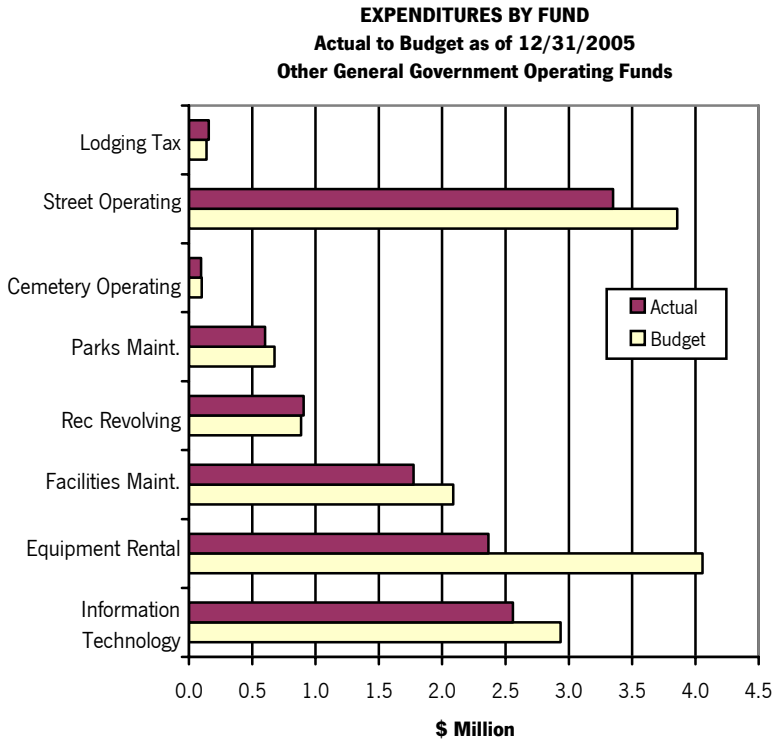
Expenditures: Other General Government Operating Funds

Fund	2005 Budgeted Expenditures*	2005 Actual Expenditures*	Amount (Over)/Under Budget	% of Budget
Lodging Tax	140,220	157,441	(17,221)	112.3%
Street Operating	3,856,005	3,348,711	507,294	86.8%
Cemetery Operating	100,208	95,935	4,273	95.7%
Parks Maintenance	676,967	600,090	76,877	88.6%
Recreation Revolving	885,438	906,487	(21,049)	102.4%
Facilities Maintenance	2,087,313	1,773,558	313,755	85.0%
Equipment Rental	4,055,895	2,363,922	1,691,973	58.3%
Information Technology	2,935,721	2,559,948	375,773	87.2%
Total Expenditures	**14,737,767**	**11,806,092**	**2,931,675**	**80.1%**
Other Financing Uses:				
Interfund Transfers	1,255,444	1,340,654	(85,210)	106.8%
Total Other Financing Uses	**1,255,444**	**1,340,654**	**(85,210)**	**106.8%**
Total Expenditures & Other Uses	**15,993,211**	**13,146,746**	**2,846,465**	**82.2%**

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

Comparing actual to budgeted expenditures, the Other General Government Operating Funds collectively ended the year 17.8 percent under budget. Looking at each individual fund, the following are noteworthy (see chart on the next page):

- The **Lodging Tax Fund** was 12.3 percent over budget primarily due to greater than expected tourism expenditures, which are offset by increased revenue.
- The **Street Operating Fund** was 13.2 percent under budget primarily due to uncompleted projects such as neighborhood traffic calming and parking facility improvements.
- The **Parks Maintenance Fund** was 11.4 percent under budget due to expenditure savings related to maintenance supplies, utility services and repairs and maintenance services.
- The **Facilities Maintenance Fund** was 15.0 percent under



budget primarily due to position vacancies, savings related to repairs and maintenance services, and lower than expected utility costs.

- The **Equipment Rental Fund** was 41.7 percent under budget primarily due to repairs and maintenance cost savings and the postponement of scheduled vehicle replacements where it was determined the vehicle life could be extended.
- The **Information Technology Fund** was 12.8 percent under budget due to savings in maintenance support contracts, uncompleted projects such as GIS web mapping, and lower than expected costs for computer replacement purchases.

WATER/SEWER OPERATING FUND

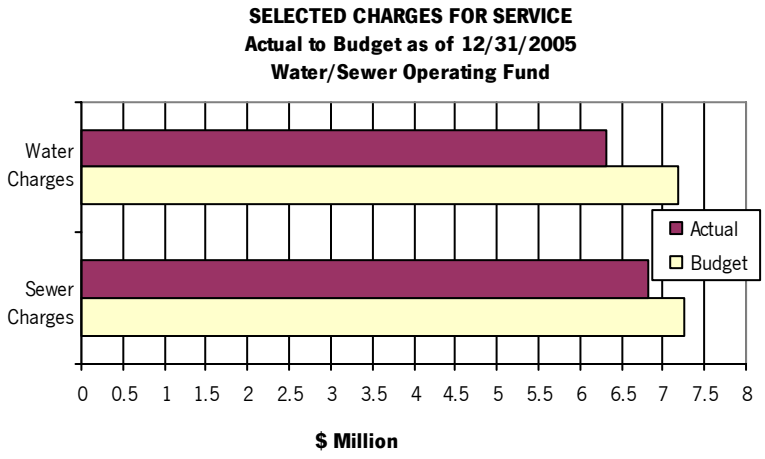
The Water/Sewer Operating Fund accounts for all administrative, operating, and maintenance costs of the City's Water/Sewer Utility. The infrastructure operated and maintained includes water and sewer mains, sewer lift stations, water reservoirs, pressure-reducing stations, and fire hydrants. Also included are the purchase of water from Cascade Water Alliance (CWA) and the contracting of sewage treatment services with METRO. The water and sewer systems serve approximately 11,000 and 9,000 customers respectively. This fund is managed like a business with customer charges fully supporting all costs. About 20 of the City's 429 employees are budgeted within this fund.

Resources: Water/Sewer Operating Fund

Resource Category	2005 Budgeted Revenues*	2005 Actual Revenues*	Amount Over/(Under) Budget	% of Budget
Intergovernmental	50,000	67,353	17,353	134.7%
Charges for Services:				
Water Charges	7,178,559	6,328,072	(850,487)	88.2%
Sewer Charges	7,261,941	6,825,021	(436,920)	94.0%
Other Charges for Services	55,000	69,109	14,109	125.7%
Total Charges for Services	**14,495,500**	**13,222,202**	**(1,273,298)**	**91.2%**
Miscellaneous	130,700	219,966	89,266	168.3%
Total Revenues	**14,676,200**	**13,509,521**	**(1,166,679)**	**92.1%**
Other Financing Sources:				
Interfund Transfers	399,894	674,481	274,587	168.7%
Total Other Financing Sources	**399,894**	**674,481**	**274,587**	**168.7%**
Total Resources	**15,076,094**	**14,184,002**	**(892,092)**	**94.1%**

* Budgeted and actual revenues exclude resources forward.

Comparing actual to budgeted revenues, the Water/Sewer Operating Fund ended the year 5.9 percent behind budget due to lower than normal water sales because of voluntary water restrictions as a result of an unusually dry winter and a cool summer (see chart to the right).

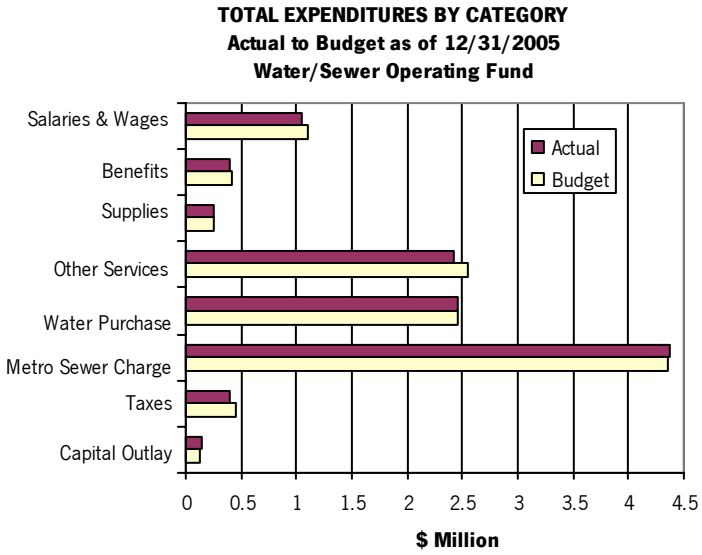


Expenditures: Water/Sewer Operating Fund

Expenditure Category	2005 Budgeted Expenditures*	2005 Actual Expenditures*	Amount (Over)/Under Budget	% of Budget
Salaries & Wages	1,098,995	1,056,187	42,808	96.1%
Benefits	408,199	394,785	13,414	96.7%
Supplies	249,150	251,140	(1,990)	100.8%
Other Services	2,551,085	2,425,762	125,323	95.1%
Water Purchase (CWA)	2,453,192	2,455,454	(2,262)	100.1%
Metro Sewer Charge	4,352,916	4,373,175	(20,259)	100.5%
Taxes	445,996	392,246	53,750	87.9%
Capital Outlay	127,594	138,631	(11,037)	108.7%
Total Expenditures	**11,687,127**	**11,487,380**	**199,747**	**98.3%**
Other Financing Uses:				
Interfund Transfers	3,165,448	3,172,675	(7,227)	100.2%
Total Other Financing Uses	**3,165,448**	**3,172,675**	**(7,227)**	**100.2%**
Total Expenditures & Other Uses	**14,852,575**	**14,660,055**	**192,520**	**98.7%**

* Budgeted expenditures exclude working capital and an operating reserve.

Comparing actual to budgeted expenditures, the Water/Sewer Operating Fund ended the year 1.3 percent under budget primarily due to a position vacancy, uncompleted projects such as the Water Comp Plan, and lower than expected internal engineering charges (see chart to the right). It should be noted that payments to CWA are at an average fixed level month to month while the revenues received from water sales continue to vary with consumption. This affects the comparison of water revenues to water expenditures at any one point in time. Over time, the effect will be normalized.



SURFACE WATER MANAGEMENT FUND

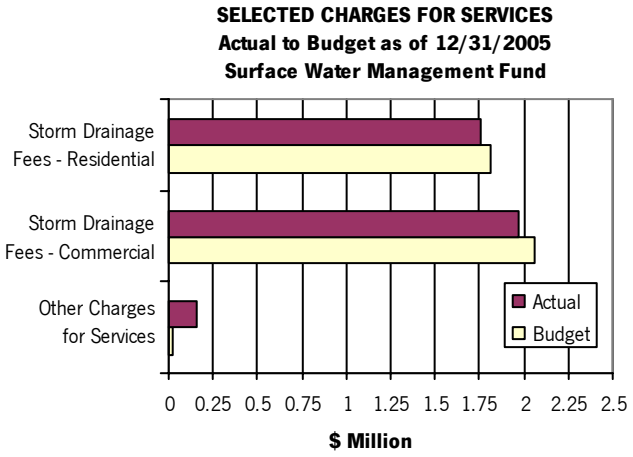
The Surface Water Management Fund accounts for all administrative, operating, and maintenance costs of the City's Surface Water Utility. The infrastructure operated and maintained includes storm drain mains, manholes, and catch basins. This utility serves all residential, multi-family, and commercial customers within the City. Like the Water/Sewer Operating Fund, this fund is managed like a business with customer charges fully supporting all costs. About 14 of the City's 429 employees are budgeted within this fund.

Resources: Surface Water Management Fund

Resource Category	2005 Budgeted Revenues*	2005 Actual Revenues*	Amount Over/(Under) Budget	% of Budget
Charges for Services:				
Storm Drainage Fees - Residential	1,816,035	1,756,144	(59,891)	96.7%
Storm Drainage Fees - Commercial	2,060,250	1,968,306	(91,944)	95.5%
Other Charges for Services	21,000	156,936	135,936	747.3%
Total Charges for Services	**3,897,285**	**3,881,386**	**(15,899)**	**99.6%**
Miscellaneous	19,500	24,390	4,890	125.1%
Total Revenues	**3,916,785**	**3,905,776**	**(11,009)**	**99.7%**
Other Financing Sources:				
Interfund Transfers	0	7,972	7,972	N/A
Total Other Financing Sources	**0**	**7,972**	**7,972**	**N/A**
Total Resources	**3,916,785**	**3,913,748**	**(3,037)**	**99.9%**

* Budgeted and actual revenues exclude resources forward.

Comparing actual to budgeted revenues, the Surface Water Management Fund ended the year almost equal to budget at 0.1 percent behind budget (see chart to the right). Surface Water fees are collected with property taxes.

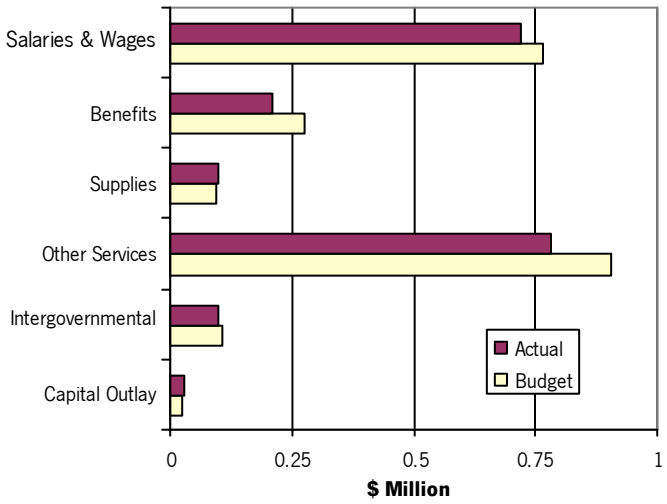


Expenditures: Surface Water Management Fund

Expenditure Category	2005 Budgeted Expenditures*	2005 Actual Expenditures	Amount (Over)/Under Budget	% of Budget
Salaries & Wages	766,336	720,204	46,132	94.0%
Benefits	273,906	210,104	63,802	76.7%
Supplies	96,350	99,740	(3,390)	103.5%
Other Services	905,047	782,220	122,827	86.4%
Intergovernmental Services & Taxes	108,000	100,327	7,673	92.9%
Capital Outlays	23,310	28,280	(4,970)	121.3%
Total Expenditures	**2,172,949**	**1,940,875**	**232,074**	**89.3%**
Other Financing Uses:				
Interfund Transfers	1,846,480	1,846,480	0	100.0%
Total Other Financing Uses	**1,846,480**	**1,846,480**	**0**	**100.0%**
Total Expenditures & Other Uses	**4,019,429**	**3,787,355**	**232,074**	**94.2%**

* Budgeted expenditures exclude working capital and an operating reserve.

Comparing actual to budgeted expenditures, the Surface Water Management Fund ended the year 5.8 percent under budget primarily due to benefits savings and uncompleted projects relating to Shoreline Inventory and ESA regulations (see chart to the right). Benefits are budgeted using a city-wide average demographic for all employees, but the average demographic for the employees in the Surface Water Management Fund have typically been lower than the city-wide average demographic.



SOLID WASTE FUND

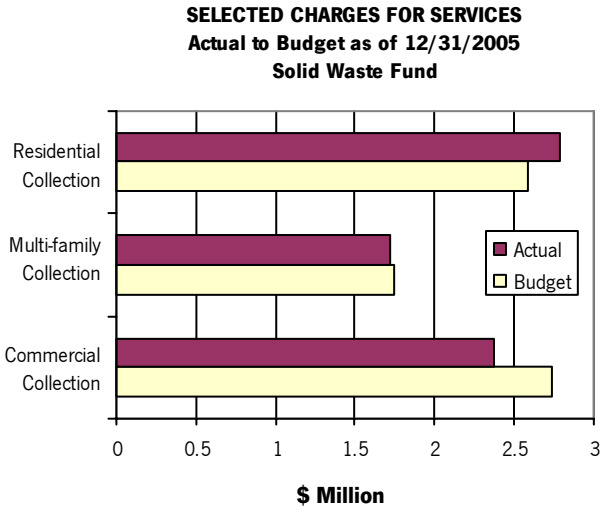
The Solid Waste Fund accounts for all administrative and operating costs of the City's Solid Waste Utility. The collection and recycling service is currently provided through a contract with Waste Management and serves approximately 11,600 customers. Of the City's 429 employees, 1 employee is budgeted in this fund.

Resources: Solid Waste Fund

Resource Category	2005 Budgeted Revenues*	2005 Actual Revenues*	Amount Over/(Under) Budget	% of Budget
Intergovernmental	112,098	128,345	16,247	114.5%
Charges for Services:				
Residential Collection	2,586,000	2,789,218	203,218	107.9%
Multi-family Collection	1,744,500	1,714,552	(29,948)	98.3%
Commercial Collection	2,735,500	2,377,361	(358,139)	86.9%
Other Charges for Services	227,000	218,216	(8,784)	96.1%
Total Charges for Services	**7,293,000**	**7,099,347**	**(193,653)**	**97.3%**
Miscellaneous	18,500	29,721	11,221	N/A
Total Revenues	**7,423,598**	**7,257,413**	**(166,185)**	**97.8%**
Other Financing Sources:				
Interfund Transfers	0	0	0	0.0%
Total Other Financing Sources	**0**	**0**	**0**	**N/A**
Total Resources	**7,423,598**	**7,257,413**	**(166,185)**	**97.8%**

* Budgeted and actual revenues exclude resources forward.

Comparing actual to budgeted revenues, the Solid Waste Fund ended the year 2.2 percent behind budget due to lower than expected commercial collection revenue (see chart to the right).

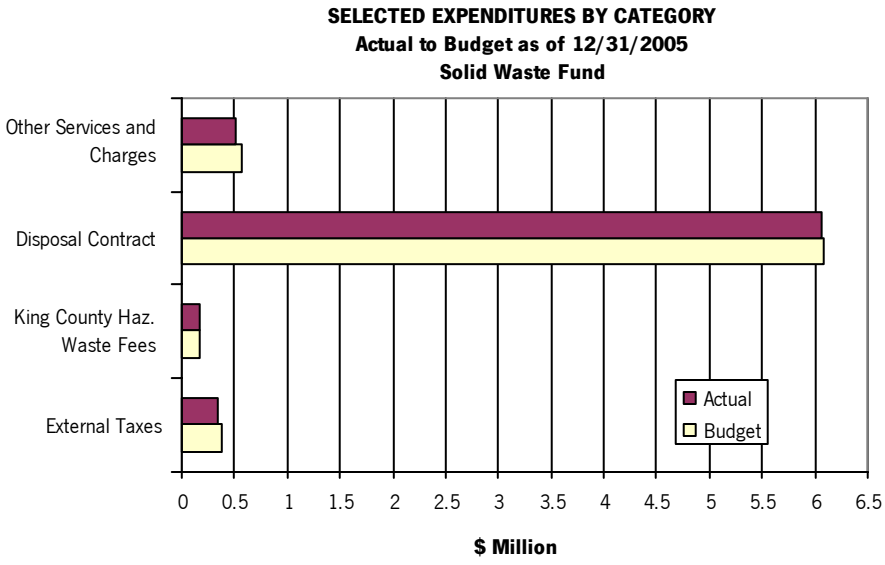


Expenditures: Solid Waste Fund

Expenditure Category	2005 Budgeted Expenditures*	2005 Actual Expenditures	Amount (Over)/Under Budget	% of Budget
Salaries & Wages	59,432	60,930	(1,498)	102.5%
Benefits	18,430	19,899	(1,469)	108.0%
Supplies	3,000	13,812	(10,812)	460.4%
Other Services and Charges	577,172	502,705	74,467	87.1%
Disposal Contract	6,087,493	6,066,844	20,649	99.7%
King County Hazardous Waste Fee	170,000	171,968	(1,968)	101.2%
External Taxes	370,000	345,669	24,331	93.4%
Total Expenditures	**7,285,527**	**7,181,827**	**103,700**	**98.6%**
Other Financing Uses:				
Interfund Transfers	0	0	0	N/A
Total Other Financing Uses	**0**	**0**	**0**	**0.0%**
Total Expenditures & Other Uses	**7,285,527**	**7,181,827**	**103,700**	**98.6%**

* Budgeted expenditures exclude working capital and an operating reserve.

Comparing actual to budgeted expenditures, the Solid Waste Fund ended the year 1.4 percent under budget primarily due to lower than expected payments to Waste Management for commercial collection, lower taxes based on lower than expected revenue collection, and savings in recycling programs (see chart to the right).



SALES TAX REVENUE ANALYSIS
Through December 31, 2004 and 2005

BACKGROUND

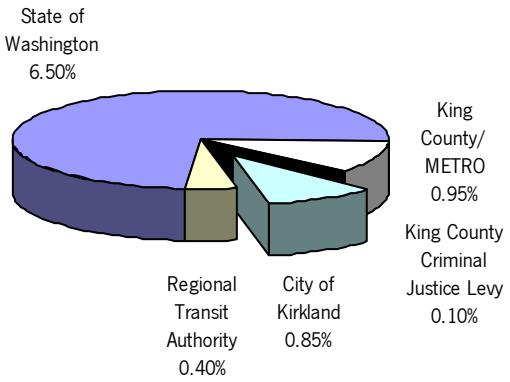
Sales tax is the single largest revenue source in the General Fund as well as the City's primary funding source for general government services. In addition, sales tax is a dedicated funding source for transportation capital projects ($270,000), neighborhood capital projects ($100,000), and technology capital projects ($400,000).

State law defines those transactions that are subject to retail sales tax. Most notably, the sale of most consumer goods (except most food products) is taxable. Also, certain types of services, such as recreational activities and the improvement of real or personal property, are taxable. Due to changes in the economy, buying habits of consumers, and construction activity within Kirkland, sales tax revenue received by the City fluctuates from year to year.

Kirkland's sales tax rate is 8.8 percent, with an additional 0.5 percent imposed by King County for food and beverages sold by restaurants, taverns, and bars and an additional 0.3 percent imposed on vehicle purchases or leases. Of the 8.8 percent collected from regular sales tax, the City receives 1 percent (less 0.15 percent remitted to King County). The remaining 7.8 percent is distributed to the State and other public agencies as depicted in the chart on the right.

This report analyzes sales tax revenues through December 31, 2005 and compares them to the same period in 2004. Year-to-date, monthly, business sector (according to standard industrial classification code), and business district (according to geographic area) comparisons follow.

Sales Tax Distribution (8.8%)

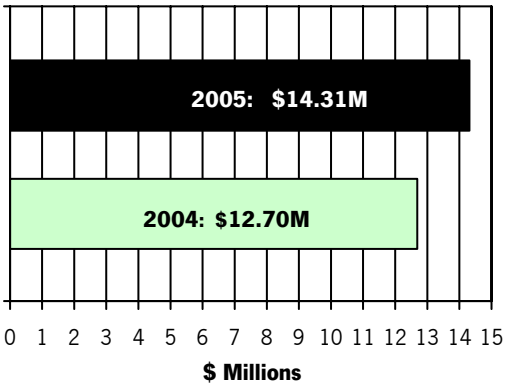


SUMMARY COMPARISON

Kirkland experienced an economic recession that lasted from October 2000 through early 2003. A moderate recovery began in February 2003, partially due to the opening or re-opening of two automobile dealerships and the Costco Home Store. Additionally, contracting activity and a general economic improvement contributed to positive performance in 2004 and greatly improved performance in 2005.

2005 sales tax receipts are up 12.6 percent compared to 2004 as illustrated in the chart to the right. The improvement in sales tax revenue in 2005 is due to significant contracting activity, an upswing in communications receipts, strong performance by electronics and internet retailers, and technology and software companies.

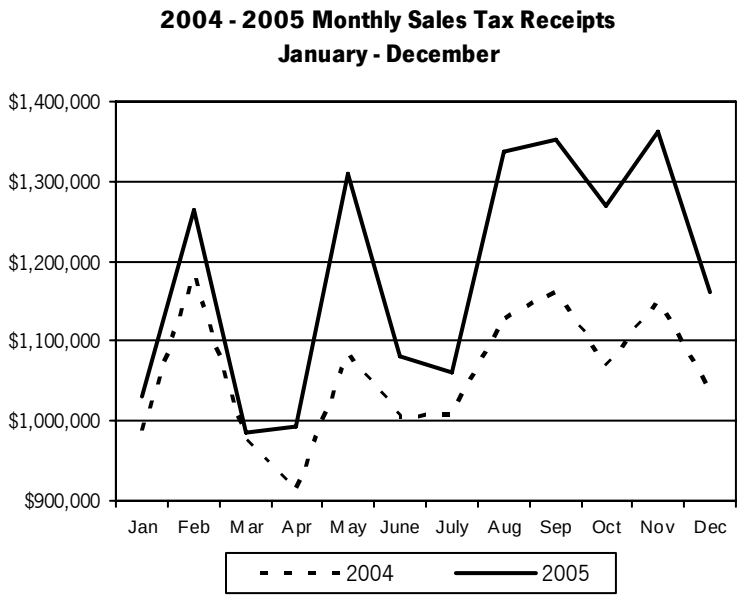
2004 - 2005 YTD Sales Tax Receipts



When analyzing monthly sales tax receipts, it is important to note two things. 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. For example, sales tax received by the City in December 2005 is for sales actually made in October 2005. Monthly sales tax receipts through December 2004 and 2005 are compared in the following table and chart.

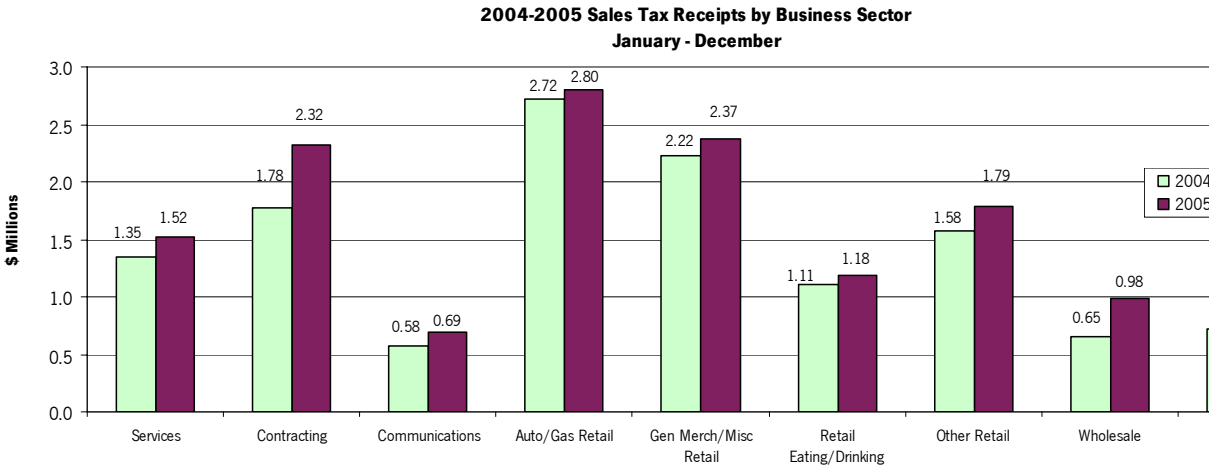
Month	Sales Tax Receipts 2004	Sales Tax Receipts 2005	Percent Change
January	989,173	1,074,628	8.6%
February	1,183,162	1,265,274	6.9%
March	975,804	1,036,353	6.2%
April	913,060	998,836	9.4%
May	1,082,572	1,309,116	20.9%
June	1,004,369	1,081,910	7.7%
July	1,008,151	1,059,853	5.1%
August	1,129,833	1,337,976	18.4%
September	1,160,908	1,351,158	16.4%
October	1,068,443	1,270,456	18.9%
November	1,149,143	1,362,604	18.6%
December	1,039,356	1,161,634	11.8%
Total	**12,703,974**	**14,309,798**	**12.6%**



Looking at both years, the seasonal pattern is the same, with a sales tax spike in February (for sales in December) followed by a decline in March and April. The monthly trend for 2005 follows 2004 but at a higher level. Note that the monthly percentage increase ranges from a low of 5.1 percent in July to a high of 20.9 percent in May and the last five months of 2005 posted consecutive increases greater than 11 percent.

BUSINESS SECTOR COMPARISON

Kirkland's sales tax base is comprised of a variety of businesses which are grouped and analyzed by business sector (according to SIC, or standard industrial classification, code). The following nine business sector groupings were used to compare 2004 and 2005 year-to-date sales tax receipts in the following table and chart: 1) Services, 2) Contracting, 3) Communications, 4) Automotive/Gas Retail, 5) General Merchandise/Miscellaneous Retail, 6) Retail Eating/Drinking, 7) Other Retail, 8) Wholesale, and 9) Miscellaneous.



Business Sector Group	Jan - Dec Receipts		Dollar Change	Percent Change	Percent of Total	
	2004	2005			2004	2005
Services	1,347,480	1,518,349	170,869	12.7%	10.6%	10.6%
Contracting	1,777,419	2,315,568	538,149	30.3%	14.0%	16.2%
Communications	576,840	689,090	112,250	19.5%	4.5%	4.8%
Auto/Gas Retail	2,721,983	2,797,473	75,490	2.8%	21.4%	19.5%
Gen Merch/Misc Retail	2,220,194	2,366,854	146,660	6.6%	17.5%	16.5%
Retail Eating/Drinking	1,109,576	1,181,884	72,308	6.5%	8.7%	8.3%
Other Retail	1,577,589	1,787,484	209,895	13.3%	12.4%	12.5%
Wholesale	652,515	984,837	332,322	50.9%	5.1%	6.9%
Miscellaneous	720,378	668,259	(52,119)	-7.2%	5.8%	4.7%
Total	**12,703,974**	**14,309,798**	**1,605,824**	**12.6%**	**100.0%**	**100.0%**

Most of the 12.6 percent increase in 2005 sales tax receipts can be traced to the following six business sectors comprising over 67 percent of the City's total sales tax receipts:

1. **Contracting**, which accounts for over 16 percent of the total sales tax receipts, **is up 30.3 percent** due to the continuing high level of construction activity in Kirkland. Activity at large commercial and public projects, such as Evergreen Hospital, Juanita Village (a mixed used retail/office/apartment complex), and Juanita Elementary, as well as the renovation or repair of several apartment and condominium complexes have contributed to the strong performance of this sector. Several new projects started in 2005, including two large condominium projects on Kirkland Avenue, the tower at Evergreen Hospital, a hotel in Totem Lake, and the Sound Transit 405 Transit Center/Access project.
2. **Wholesale**, which accounts for almost 7 percent of the total sales tax receipts, **is up 50.9 percent** primarily due to construction-related equipment installation, technology hardware/software companies and a fire apparatus and equipment company.
3. **Other Retail**, which accounts for over 12 percent of the total sales receipts, **is up 13.3 percent** due to an audio/visual equipment distributor, and catalog and Internet retailers.
4. **Services**, which accounts for over 10 percent of the total sales tax receipts, **is up 10.6 percent** primarily due to growth in business and health care services.
5. **General Merchandise/Miscellaneous Retail**, which accounts for over 16 percent of the total sales tax receipts, **is up 6.6 percent** due to the strong performance of key retailers.
6. **Communications**, which accounts for almost 5 percent of the total sales receipts, **is up 19.5 percent** due to a combination of one-time corrections and an overall improvement in this sector. Factoring out the one-time receipts of almost $55,000, this sector is up about 11 percent.

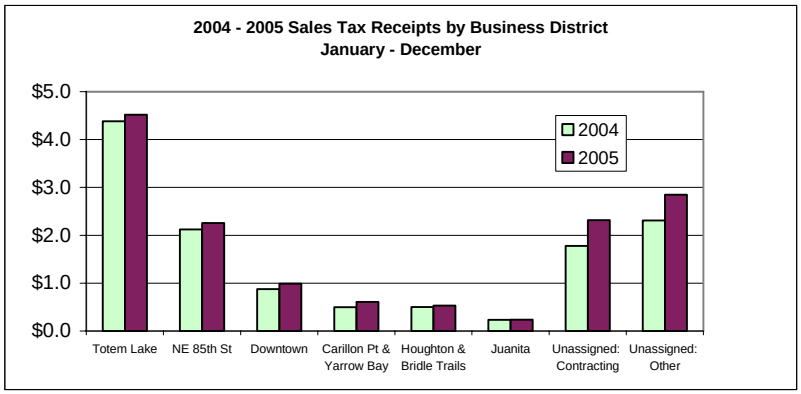
The important "automotive /gas retail" sector is noticeably absent from the list above. This sector performed poorly most of the year, recovering enough during the last quarter to post a 2.8 percent gain over 2004.

In looking at the proportion of total sales tax receipts generated by each business sector group, a few changes are worth noting. First, the long-term impact of the closure of Apple Computer and HomeBase is demonstrated by comparing the "wholesale" category share in 2005 to 2000. "Wholesale" declined from 11.3 percent in 2000 to only 6.9 percent in 2005. Second, the share of sales receipts from all "retail" categories increased from 53.0 percent in 2000 to 56.8 percent in 2005. Third, the "contracting" sector share has been particularly volatile over

the last few years, with a low of 12.3 percent in 2003 to a high of 16.2 percent in 2005, pointing out the vulnerability in depending on this sector to support ongoing services.

BUSINESS DISTRICT COMPARISON

Kirkland's sales tax base is further broken down by business district (according to geographic area) as follows: 1) Totem Lake, 2) NE 85th Street, 3) Downtown, 4) Carillon Point & Yarrow Bay, 5) Houghton & Bridle Trails, 6) Juanita, and 7) Unassigned or No District (comprised of the contracting sector, businesses with no physical presence in Kirkland, and unassigned small businesses in Kirkland). Year-to-date sales tax receipts through December 2004 and 2005 are compared in the chart to the right and the table below.



Business District	Jan - Dec Receipts		Dollar Change	Percent Change	Percent of Total	
	2004	2005			2004	2005
Totem Lake	4,384,825	4,517,513	132,688	3.0%	34.5%	31.6%
NE 85th St	2,121,133	2,256,705	135,572	6.4%	16.7%	15.8%
Downtown	876,875	989,822	112,947	12.9%	6.9%	6.9%
Carillon Pt & Yarrow Bay	498,656	608,365	109,709	22.0%	3.9%	4.3%
Houghton & Bridle Trails	500,737	532,597	31,860	6.4%	3.9%	3.7%
Juanita	235,198	239,825	4,627	2.0%	1.9%	1.7%
Unassigned or No District:						
Contracting	1,777,419	2,315,567	538,148	30.3%	14.0%	16.2%
Other	2,309,131	2,849,404	540,273	23.4%	20.1%	21.5%
Total	**12,703,974**	**14,309,798**	**1,605,824**	**12.6%**	**100.0%**	**100.0%**

When reviewing sales tax receipts by business district, it's important to point out that over two-thirds of the revenue gain achieved in 2005 is in the "unassigned or no district" category. This is a result of the significant growth in the "contracting" sector, as well as strong performance in "other retail" (mostly on-line and catalog retailers), "communications," and "business services" sectors.

Reviewing the performance of the City's business districts:

1. **Totem Lake**, which accounts for almost 32 percent of the total sales tax receipts, **is up 3.0 percent**, primarily due to strong performance in "wholesale," "general merchandise/miscellaneous retail," "other retail" and health-related "services" and despite the loss of a pharmaceutical technology equipment company.

2. **NE 85th Street**, which accounts for almost 16 percent of the total sales tax receipts, **is up 6.4 percent** primarily due to growth in the "general merchandise/miscellaneous retail," and "retail automotive/gas" sectors.
3. **Downtown**, which accounts for almost 7 percent of the total sales receipts, **is up 12.9 percent** due to the "miscellaneous retail," "retail eating/drinking," business-related "services" and finance/real estate in the "miscellaneous" sector.
4. **Carillon Point & Yarrow Bay**, which accounts for over 4 percent of the total sales tax receipts, **is up 22.0 percent** primarily due to the performance of three software/technology companies.
5. **Houghton & Bridle Trails**, which accounts for almost 4 percent of the total sales receipts, **is up 6.4 percent** almost entirely due to an audio visual distributor and despite the closure of a miscellaneous retailer.
6. **Juanita**, which accounts for almost 2 percent of the total sales receipts, **is up 2.0 percent** almost entirely due to the "miscellaneous retail" sector.

2005 OUTLOOK

2005 sales tax receipts beat the "benchmark" year of 2000 by 12.3 percent. This is largely due to the high level of construction activity in the city, as well as an upswing in the communications sector. A few large technology companies, as well as some key retailers, also contributed to the positive growth for this year.

On the downside, the automotive/gas retail sector cooled considerably. Additionally, Costco opened their new Woodinville area store at the end of August 2005. The opening of the Issaquah Costco ten years ago significantly impacted the Kirkland store. Since Costco is such a significant contributor of sales tax revenue for the City, this was a major concern. Due to the nature of the lag in timing of receipts, this impacted the last two months of 2005. So far this impact is much less than expected and hopefully this trend will continue in 2006.

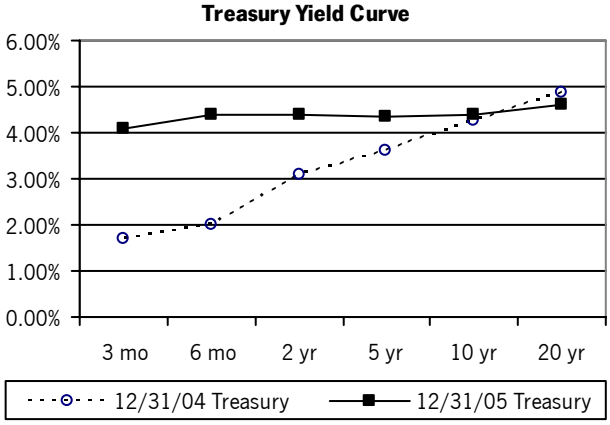
The economic recession a few years ago and the potential impact from the opening of the Woodinville Costco serve as reminders that sales tax is an economically sensitive revenue source. In good times, sales tax growth easily outpaces the rate of inflation and is an attractive funding source for service packages. However, when a downturn occurs, the City's financial ability to maintain existing services can be quickly threatened. Additional volatility is created by gaining or losing significant businesses, shifts in construction activity due to economic conditions, and one-time field audit recoveries.

2005 INVESTMENT REPORT

As of December 31, 2005

MARKET OVERVIEW

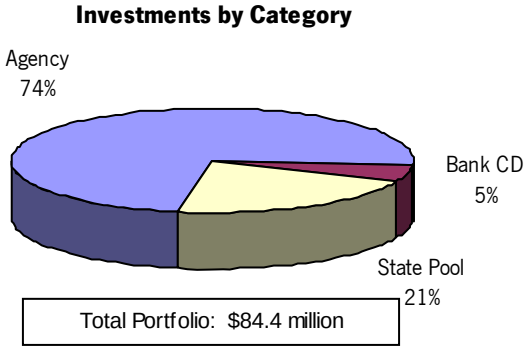
Gross domestic product GDP, the most widely used measure of economic activity, grew 3.5 percent in 2005. Growth in the 4th quarter of 2005 slowed to 1.6 percent after increasing 4.1 percent in the 3rd quarter. Inflation was approximately 3.3 percent and short term interest rates rose with the Fed Funds moving from 2.25 percent at the beginning of the year to 4.25 percent by year end. There was significant flattening of the yield curve in 2005 indicating expectations of low inflation in the future. Rates are expected to continue increasing slightly as the Fed Funds rate is forecast to reach 5 percent in 2006.



CITY PORTFOLIO

It is the policy of the City of Kirkland to invest public funds in a manner which provides the highest investment return with maximum security while meeting the City's daily cash flow requirements and conforming to all Washington state statutes governing the investment of public funds.

The primary objectives for the City of Kirkland's investment activities, in order of priority, 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 $3.3 million in 2005 finishing the year at $84.4 million compared to $81.1 million on December 31, 2004.



Diversification

The City's current investment portfolio is composed of Bank Certificates of Deposit, Federal Agencies, and the State Investment Pool. City investment procedures allow for 100% of the portfolio to be invested in US Treasury or Federal Agency obligations. The purchase of callable Federal Agency obligations is limited to 50% of the portfolio and 20% per issuer.

Agency Diversification		
Agency	Target Max %	Actual
FFCB	20%	18%
FHLB	20%	19%
FHLMC	20%	18%
FNMA	20%	19%

Liquidity

The target duration for the City's portfolios is based on the current 2 year treasury rate. As the 2 year treasury rate increased from 3.08 percent on December 31, 2004 to 4.41 percent on December 31, 2005, the average maturity of the City's investment portfolio increased from 1.05 years on December 31, 2004 to 1.24 years on December 31, 2005. The current maturity duration is within the acceptable target range when the 2 year Treasury note yield is between 4 and 5 percent.

Liquidity: Average Time to Maturity		
T Note Yield	Target	City
Under 3%	.75 – 1 yr	
3 – 4%	1.0 – 1.2 yrs	
4 – 5%	1.2 – 1.4 yrs	1.24
5 – 6%	1.4 – 1.7 yrs	
6 – 7%	1.7 – 1.9 yrs	
Over 7%	1.9 – 2.1 yrs	

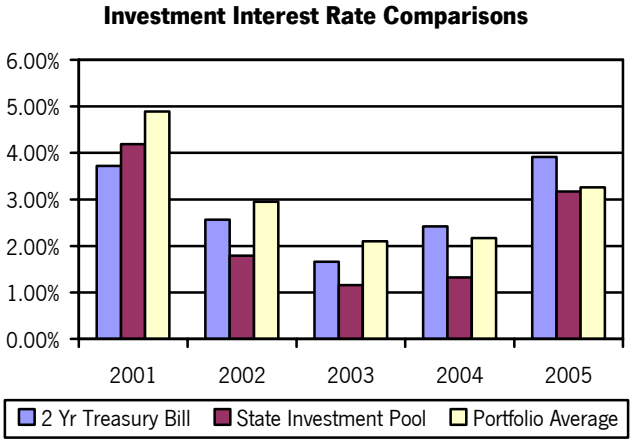
Yield

Rising interest rates due to improved economic improvement and the increased Fed Funds rate has helped increase the City's Portfolio yield in 2005. The City Portfolio yield to maturity increased from 2.58 percent on December 31, 2004 to 3.88 percent on December 31, 2005.

Benchmark Comparison	December 31, 2005	December 31, 2004
City Yield to Maturity (YTM)	3.88%	2.58%
City Average YTM	3.26%	2.17%
City Year to Date Yield	2.82%	2.00%
State Pool Average Yield	3.17%	1.32%
2 yr Treasury Note Avg YTM	3.91%	2.42%

Through December 31, 2005, the City's average yield to maturity was 3.26 percent, which outperformed the State Investment Pool average yield to maturity at 3.17 percent and was below the 2 Year Treasury note average for 2005 at 3.91 percent.

The City portfolio's cash yield for 2005 at 2.82 percent was an increase over the 2004 yield of 2.00 percent. Total interest earnings for 2005 were $2.34 million, $488 thousand over the $1.85 million budgeted.



2006 ECONOMIC OUTLOOK and INVESTMENT STRATEGY

According to the recent Federal Reserve Survey of Professional Forecasters the U.S. economy will grow strongly in the first quarter, following unexpectedly slow growth in last year's fourth quarter. The forecasters project first-quarter growth at an annual rate of 4.4 percent and project steady year-over-year growth at 3.2 percent in each of the next two years.

The unemployment rate is forecast to be constant at 4.8 percent over the four quarters of this year and rising just a bit, to 4.9 percent, in 2007. Beyond the very short term, the forecasters see little threat of accelerating inflation. CPI inflation is forecast at 2.4 percent in 2006 and 2.3 percent in 2007. Over the longer run, the forecasters see inflation averaging 2.5 percent over the next 10 years, the same rate they have been expecting since the surveys conducted in the late 1990s. The Fed Funds rate, currently at 4.5 percent as of February is expected to reach 5 percent by the end of 2006.

The City will continue to follow policy guidelines for portfolio duration in 2006 focusing on shorter term securities in the beginning of the year and extending the duration in the 2nd half of the year as interest rates level off. Total budgeted investment income for 2006 is $2.7 million. Investment revenue is estimated to be above budget at approximately $2.9 million for 2006 based on the City's current portfolio and State Investment Pool rates.

2005 RESERVE SUMMARY

As of December 31, 2005

Reserves are an important indicator of the City's fiscal health. They effectively represent "savings accounts" that are established to meet unforeseen budgetary needs (general purpose reserves) or are otherwise dedicated to a specific purpose (special purpose reserves).

Following this narrative is a summary schedule detailing all Council authorized uses and additions to each reserve through December 2005. Also provided is a separate schedule of all City reserves reflecting the 2005-06 ending balance and corresponding target for each reserve.

GENERAL PURPOSE RESERVES

General purpose reserves are available to meet a wide variety of contingencies. They are funded by excess general purpose revenues, which have no restrictions on the public purpose for which they are spent.

General Operating Reserve

For the City's "Rainy Day" fund, the target is established by fiscal policy at five percent of the operating budget (excluding utility and internal service funds). Each year, the target amount will change proportional to the change in the operating budget. To maintain full funding, the increment between five percent of the previous year's budget and the current budget would be added or subtracted utilizing interest income and year-end transfers from the General Fund. It is a reserve to be used for unforeseen revenue losses and other temporary events. If the reserve is utilized by the City Council, the authorization should be accompanied by a plan for replenishing the reserve within a two to three year period.

Revenue Stabilization Reserve

The Revenue Stabilization Reserve was approved by Council in July 2003 and was created by segregating a portion of the General Operating Reserve. The purpose of this reserve is to provide an easy mechanism to tap reserves to address temporary revenue shortfalls resulting from temporary circumstances (e.g. economic cycles, weather-related fluctuations in revenue). Council set the target at ten percent of selected General Fund revenue sources which are subject to volatility (e.g. sales tax, development fees and utility taxes). The Revenue Stabilization Reserve may be used in its entirety; however, replenishing the reserve will constitute the first priority for use of year-end transfers from the General Fund.

Contingency Fund

The Contingency Fund was established pursuant to RCW 35A.33.145 to "provide monies with which to meet any municipal expense, the necessity or extent of which could not have been foreseen or reasonably evaluated at the time of adopting the annual budget." State law sets the maximum balance in the fund at $.375 per $1,000 of assessed valuation. This reserve would be used to address unforeseen expenditures (as opposed to revenue shortfalls addressed by the Revenue Stabilization Reserve). The fund can be replenished through interest earnings up to the maximum balance or through the year-end transfer if needed.

General Capital Contingency

This reserve is available to fund general capital projects when the scope or cost of the project exceeds the budgeted amount. The target established by fiscal policy is ten percent of the funded six-year Capital Improvement Program (CIP) less utility projects. Funding is received from the General Fund year-end transfer and interest income. Use of the General Capital Contingency is secured through a request to Council. Typically, this reserve has covered

changes in project scope, unanticipated costs that arose out of the bid process, or unavoidable change orders. Council granted limited administrative authority to the City Manager to fund small project overruns (e.g. up to $100,000 per year each for the general and utility capital reserves and up to $25,000 for any single project).

Building and Property Reserve

This reserve is used for property purchases, building improvements and other property-related transactions. It has also been used as a general purpose reserve to fund Council-approved unanticipated expenditures.

Council Special Project Reserve

This reserve is available to the City Council to fund special one-time projects that were unforeseen at the time the budget was prepared. When the reserve is used, it is replenished from the General Fund year-end transfer.

SPECIAL PURPOSE RESERVES

Special purpose reserves are dedicated either by Council policy or by state or local laws that govern their use. Following are descriptions of a few of the larger and more important special purpose reserves.

Excise Tax Capital Improvement Reserve

There are two reserves in the Real Estate Excise Tax Capital Improvement Fund – one for the first quarter percent real estate excise tax (REET 1) and one for the second quarter percent real estate excise tax (REET 2). These cash balances must be kept separate due to the dedication of REET 2 to transportation capital projects. The REET 1 reserve is used primarily as a general CIP grant match reserve and/or for significant project scope changes. The target should be reviewed periodically against potential grants.

Equipment Rental Fund

The Equipment Rental Fund is one of two internal service funds. There are two capital reserves maintained in this fund. One relates to the replacement of vehicles and the other is for the replacement of 800 MHz radios. Vehicle replacement rates, based on the estimated useful life and replacement cost of each vehicle, are assessed monthly to each user department. The radio replacement reserve was funded previously via the year-end transfer from the General Fund; however, future funding will come from radio replacement rates which will be assessed in the year after a radio is replaced.

Information Technology Fund

The Information Technology Fund is the second internal service fund. There are two reserves within this fund. The Personal Computer (PC) replacement reserve in this fund is for the replacement of personal computers. PC replacement rates, based on the estimated useful life and replacement cost of each type of PC, are assessed monthly to each user department. The Technology Major Systems Replacement Reserve was initiated by Council in July 2003 by reallocating a portion of the General Capital Contingency. The reserve will be used to fund projected major system replacements that cannot be covered through the current CIP funding allocations. An initial amount of $1 million was reallocated from the General Capital Contingency to start the reserve which will be funded in future years by replacement charges to department users.

Facilities Maintenance Fund

The Facilities Maintenance Fund accounts for the costs of maintaining and repairing City buildings. The fund operates much like an internal service fund whereby revenue to the fund is derived primarily from user charges to other funds. Two types of reserves are budgeted in this fund – an operating reserve and a sinking fund reserve. The operating reserve is set at $550,000 ($50,000 for each of the City's eleven facilities), and is used to pay for major, unanticipated repairs. It is replenished, if necessary, from the General Fund year-end transfer.

The sinking fund reserve is used to pay for each City facility's twenty-year life cycle costs related to the repair or replacement of major architectural, mechanical, and electrical components. A facilities sinking fund charge is assessed to each operating fund and is in addition to the annual facilities rental charge, which covers the basic annual maintenance costs for each facility. In 2001, a 20-year facilities life cycle analysis was completed to determine what the annual sinking fund charges should be for each facility. A significant gap was identified, which the Council decided to bridge over five years from 2002 through 2006 by implementing an "additional sinking fund charge" in 20% increments, supplemented by the General Fund year-end transfer. To facilitate the phased implementation of the sinking fund charges, the sinking fund reserve received a transfer from the General Operating Reserve in an amount equivalent to the amount that should have been transferred at the end of 2002 and 2003. The full implementation of the additional sinking fund charge will be completed in 2007.

Street Improvement Fund

The Street Improvement Fund is dedicated to funding transportation CIP projects. Included in this fund is the restricted portion of the gas tax which is a legally dedicated revenue source for transportation capital projects. In addition, a portion of the sales tax received by the City is dedicated by Council policy to such projects. The reserve is built from revenue collected in excess of the annual amount dedicated to the CIP and from interest revenue.

USES AND ADDITIONS HIGHLIGHTS

RESERVE	AMOUNT	DESCRIPTION
2005 Council Authorized Uses		
Contingency Fund	$20,000	Funding for a sidewalk bond support survey.
	$6,000	Additional funding for the sidewalk bond support survey.
	$10,000	Funding for an architectural and structural assessment of the Kirkland Cannery Building.
	$30,293	Funding for a pension payout related to the municipal court.
General Capital Contingency	$60,000	Funding for undergrounding utilities on Central Way.
	$350,000	Additional funding for the final settlement payment for the Slater Avenue Roadway Improvements project.
	$640,000	Additional funding for Central Way Corridor improvements to cover higher than anticipated costs.
	$60,000	Additional funding for Phase II of the Maintenance Center Space Improvements project.
Council Special Projects Reserve	$17,000	Funding for equipment for the Park Smart program.
	$22,000	Funding for the Family Net program.
	$7,200	Funding for off-leash enforcement in City parks.
	$50,000	Funding for an art planning consultant related to the Totem Lake Mall development.
Street Improvement Reserve	$24,000	Additional funding for the Kirkland Avenue Sidewalk project due to unexpected utility conflicts and the addition of storm drain improvements.
	$513,536	Additional funding for the Slater Avenue Roadway Improvements project.
Water/Sewer Operating Reserve	$13,426	Additional funding for the purchase of a pipeline video truck.

RESERVE	AMOUNT	DESCRIPTION
2005 Council Authorized Uses (continued)		
Water/Sewer Capital Contingency	$116,000	Additional funding for the 18th Avenue Watermain Replacement project for additional engineering costs, higher railroad right-of-way expenses, and elevated construction costs.
	$111,500	Additional funding for 2005 Water System Improvement projects due to increased construction materials costs.
	$20,000	Additional funding for 2004 Surface Water Streambank Stabilization/Watermain Replacement project due to cost increases and overruns.
Water/Sewer Construction Reserve	$350,000	Funding for the encasement of a sewer line along the I-405 corridor due to the State's highway widening improvements project.
	$400,000	Additional funding for the 2005 Emergency Sewer Program to address additional septic system failures.
Surface Water Capital Contingency	$44,000	Additional funding for the NE 47th Street Surface Water Outfall project due to a change in the project scope.
Surface Water Construction Reserve	$10,000	Additional funding for the Surface Water Sediment Pond Reclamation project due to unanticipated pipe replacement.
	$50,000	Grant match funding for the Juanita Creek Channel Enhancements project at Juanita Beach Park.
2005 Council Authorized Additions		
General Capital Contingency	$2,444	2002 and 2004 Accessibility Improvement projects completed and closed; lower than anticipated construction costs resulted in savings.
Street Improvement Reserve	$16,836	Market/State Streets Bike Lanes project completed and closed; lower than anticipated construction costs resulted in savings.
	$15,731	Norkirk Neighborhood Traffic Control project completed and closed; lower than anticipated construction costs resulted in savings.
	$37,244	2003 Street Preservation Program project completed and closed; lower than anticipated construction costs resulted in savings.
	$77,954	128th Lane NE/BNSF Railroad Crossing project closed, but not completed. Project will be undertaken at a later date and funded through other means.
	$5,297	2002 Street Preservation Program completed and closed; additional private funding received resulted in savings.

RESERVE	AMOUNT	DESCRIPTION
2005 Council Authorized Additions (continued)		
Street Improvement Reserve (continued)	$110,496	School Walk Route Improvements (Phase I) completed and closed; lower than anticipated construction costs resulted in savings.
Excise Tax REET 2 Reserve	$60,000	NE 132nd Street/124th Ave NE Intersection Improvements project completed and closed; coordination with private development allowed for lower than anticipated construction costs.
	$251,528	NE 95th Street Sidewalk project completed and closed; lower than anticipated construction costs resulted in savings.
	$6,518	8th Street S/9th Ave S Sidewalk project completed and closed; lower than anticipated construction costs resulted in savings.
	$2,687	NE 68th Street/State Street Intersection Improvements project completed and closed; additional federal funding resulted in savings.
	$4,046	NE 124th St/100th Ave NE Intersection Improvements project completed and closed; additional federal funding and lower than anticipated construction costs resulted in savings.
Water/Sewer Construction Reserve	$4,128	7th Avenue Watermain Replacement project completed and closed; lower than anticipated construction costs resulted in savings.
	$9,036	2nd Street Watermain Replacement project completed and closed; lower than anticipated construction costs resulted in savings.
	$11,074	5th Avenue West Watermain Replacement project completed and closed; lower than anticipated construction costs resulted in savings.
Surface Water Construction Reserve	$9,345	Juanita Creek Culvert Replacement project completed and closed; additional government aid resulted in savings.

General Government & Utility Reserves Summary

Reserves	2005-06 Est End Balance	2005 Auth. Uses	2005 Auth. Additions	Revised 2005-06 End Balance*	2005-06 Target	Over (Under) Target
GENERAL PURPOSE RESERVES						
Contingency	2,115,677	66,293		2,049,384	2,952,182	(902,798)
General Capital Contingency	2,979,056	1,110,000	2,444	1,871,500	5,900,568	(4,029,068)
Park & Municipal Reserve:						
General Oper. Reserve (Rainy Day)	2,712,836			2,712,836	2,676,890	35,946
Revenue Stabilization Reserve	1,493,480			1,493,480	2,082,380	(588,900)
Building & Property Reserve	1,817,461			1,817,461	N/A	N/A
Council Special Projects Reserve	254,760	96,200		158,560	250,000	(91,440)
Total General Purpose Reserves	**11,373,270**	**1,272,493**	**2,444**	**10,103,221**	**13,862,020**	**(5,576,260)**
SPECIAL PURPOSE RESERVES						
Excise Tax Capital Improvement:						
REET 1	3,990,296			3,990,296	1,435,000	2,555,296
REET 2	2,033,112		324,779	2,357,891	6,033,700	(3,675,809)
Equipment Rental:						
Vehicle Reserve	6,187,826			6,187,826	6,187,826	0
Radio Reserve	36,000			36,000	N/A	N/A
Information Technology:						
PC Replacement Reserve	429,835			429,835	429,835	0
Major Systems Replacement Reserve	1,000,000			1,000,000	1,025,000	(25,000)
Facilities Maintenance:						
Operating Reserve	550,000			550,000	550,000	0
Facilities Sinking Fund	925,240			925,240	925,240	0
Impact Fees						
Roads					N/A	N/A
Parks					N/A	N/A
Park Bond Reserve					N/A	N/A
Cemetery Improvement	411,462			411,462	N/A	N/A
Off-Street Parking	69,564			69,564	N/A	N/A
Tour Dock	155,578			155,578	130,000	25,578
Street Improvement	1,901,759	537,536	263,558	1,627,781	N/A	N/A
Firefighter's Pension	1,117,566			1,117,566	1,052,000	65,566
Park & Municipal Reserve:						
Litigation Reserve	60,450			60,450	50,000	10,450
Police Equipment Reserve	43,883			43,883	N/A	N/A
LEOFF 1 Police Reserve	621,650			621,650	863,000	(241,350)
Public Safety Building Reserve	1,205,100			1,205,100	N/A	N/A
Fire Engine (Forbes Creek F.S.)	350,000			350,000	350,000	0
Labor Relations Reserve	199,700			199,700	N/A	N/A
Donation Accounts	113,207			113,207	N/A	N/A
Revolving Accounts	115,168			115,168	N/A	N/A
Water/Sewer Operating Reserve	1,436,674	13,426		1,423,248	1,436,674	(13,426)
Water/Sewer Debt Service Reserve	845,962			845,962	845,962	0
Water/Sewer Capital Contingency	1,766,520	247,500		1,519,020	1,766,520	(247,500)
Water/Sewer Construction Reserve	4,599,401	750,000	24,238	3,873,639	N/A	N/A
Surface Water Operating Reserve	252,187			252,187	252,187	0
Surface Water Capital Contingency	569,490	44,000		525,490	569,490	(44,000)
Surface Water Construction Reserve	1,008,603	60,000	9,345	957,948	N/A	N/A
Total Special Purpose Reserves	**31,996,233**	**1,652,462**	**621,920**	**30,965,691**	**23,902,434**	**(1,590,195)**

CITY OF KIRKLAND
City Manager's Office
123 Fifth Avenue, Kirkland, WA 98033 425.587.3001
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MEMORANDUM

To: Kirkland City Council

From: Tracy Burrows, Sr. Management Analyst

Date: March 9, 2006

Subject: Results of Community Survey

Elway Research Associates has prepared the attached report on citizen opinions of the city and city government services in Kirkland. The report documents the results of a citizen survey that was developed by a City Council subcommittee of Mayor Lauinger and Councilmembers Dave Asher and Jessica Greenway in coordination with staff and Elway Research Associates. The committee reviewed the overall themes of the survey with the full council and met twice with Stuart Elway to prepare the list of survey questions.

The random sample telephone survey was administered from February 9-12, 2006. Its respondents were 400 adult heads of household in Kirkland and the results have a 5% margin of error at the 95% confidence level.

The report summarizes key findings on pages 5-7. These findings show that residents overwhelmingly appreciate living in Kirkland. Respondents were positive about City government, though there was room for improvement. Their most pressing concerns relate to growth and traffic congestion. The report also includes a gap analysis that measures the City's performance in key service areas relative to the service's importance to residents of Kirkland. These results identify a number of services where performance rated lower than the citizen rating of the importance of the service or program, including zoning and land use and street maintenance.

Mr. Elway will present a comprehensive overview of the survey results at the City Council retreat.

City of Kirkland

CITIZEN OPINIONS OF CITY, CITY GOVERNMENT SERVICES

February 2006

City of Kirkland

CITIZEN OPINIONS OF CITY, CITY GOVERNMENT SERVICES

February 2006

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ELWAY RESEARCH, INC.

INTRODUCTION

The City of Kirkland commissioned this survey to assess citizens' thoughts and opinions about the quality of life in Kirkland, priorities for the future and the level of satisfaction with the city government and City services.

Specifically, the following subjects were addressed:

- Respondents' general sense of Kirkland, including the best and least desirable aspects of living there.
- Overall ratings of city government, including its focus, effectiveness, and efficiency.
- The importance and performance of specific city services and facilities, along with questions as to which should be the priorities in the future.
- Questions about growth issues, such as household lot sizes, desires for more business/commercial activity, and growth management in general.
- A profile of contacts residents may have had with city government.
- Other communications/involvement subjects, including how residents get information about the city, how they prefer to be informed, and specific queries into the use of the city's website and municipal television channels.
- Demographic information, to allow cross-tab analysis, and a profile of the respondents' experience in Kirkland (years in residence and neighborhood.)

This report begins with a demographic profile, and brief key points. These are followed by a detailed written description of findings and analysis. At the end, all results are summarized in charts, and a full set of cross-tabulations is appended.

The survey was designed, conducted and analyzed by Elway Research, Inc., with extensive collaboration with Kirkland city officials.

METHODS

SAMPLE: 400 adult heads of household in Kirkland.

TECHNIQUE: Telephone Survey

FIELD DATES: Feb. 9 - 12, 2006

MARGIN OF ERROR: ±5% at the 95% confidence interval. That is, in theory, had all Kirkland heads of household been interviewed, there is a 95% chance the results would be within ±5% of the results in this survey.

DATA COLLECTION: Calls were made during weekday evenings and weekend days. Trained, professional interviewers under supervision conducted all interviews. Up to four attempts were made to contact a head of household at each number in the sample before a substitute number was called. Questionnaires were edited for completeness, and a percentage of each interviewer's calls were re-called for verification.

OPEN-ENDED ITEMS A number of the questions were open-ended, allowing the respondent to express answers in his/her own words. Responses to open-ended questions were recorded as close to verbatim as possible, then categorized and coded for analysis.

It must be kept in mind that survey research cannot predict the future. Although great care was employed in the design, execution and analysis of this survey, these results can be interpreted only as representing the answers given by these respondents to these questions at the time they were interviewed.

RESPONDENT PROFILE

In interpreting these findings, it is important to keep in mind the characteristics of the people actually interviewed. Presented here is a demographic profile of the 400 respondents in the survey.

Note: Here and throughout this report, percentages may not add to 100%, due to rounding.

GENDER:	50%	Male
	50%	Female
AGE:	10%	18-35
	29%	36-50
	35%	51-64
	26%	65+
EMPLOYMENT STATUS:	21%	Self employed business owner
	12%	Public Sector
	33%	Private Business
	6%	Not working right now
	28%	Retired
HOUSEHOLD:	6%	Single with Kids
	34%	Couple with Kids
	25%	Single, No Kids
	33%	Couple, No Kids
ETHNICITY:	1%	African American
	3%	Asian/Pacific Islander
	1%	American Indian/Native American
	90%	Caucasian
	2%	Hispanic/Latino
	3%	Other
RENT/OWN HOME:	9%	Rent
	90%	Own
INCOME:	12%	$40,000 or Less
	21%	Over $40,000 to $75,000
	14%	Over $75,000 to $100,000
	28%	Over $100,000
	25%	No Answer

Living in Kirkland

YEARS OF RESIDENCE:	3%	Less than one year
	15%	One to five years
	19%	Five to 10 years
	25%	10 to 20 years
	39%	More than 20 years
NEIGHBORHOOD:	1%	Everest
	2%	Lakeview
	3%	Moss Bay
	6%	Totem Lake
	6%	Highlands
	7%	South Rose Hill
	8%	Market
	8%	Bridle Trails
	10%	Norkirk
	10%	North Rose Hill
	10%	North Juanita
	10%	South Juanita
	14%	Houghton
	5%	Other
	2%	Don't Know
EMERGENCY PREPAREDNESS:[1]	45%	Very Prepared
	37%	Somewhat Prepared
	10%	Somewhat Unprepared
	8%	Not at all Prepared

[1] Feel that their household is prepared to be self-sufficient for at least three days following a serious disaster.

KEY FINDINGS

- **Residents overwhelmingly appreciate living in Kirkland.**
  - 47% said it was an "excellent" place to live; 41% said it was "very good."
- **They most value the location, water views, and feel.**
  - 12% said it was "close to everything," 10% mentioned the water, and 7% said that the "atmosphere" was appealing.
- **Most were positive about City government, although there was considerable room for improvement.**
  - 60% said that the city was "mostly effective." Only 20% chose "very effective."
  - 44% said that Kirkland was *as efficient* as other levels of government; 26% said "more efficient."
  - 54% thought the city was doing a "good" job at keeping citizens informed, while only 10% chose "excellent."
  - 45% said that the opportunities for involvement were "good;" 16% said "excellent."
  - 43% characterized the growth management as "good;" 8% "excellent."
- **Emergency and health services are most important, and were seen to be functioning well.**
  - Fire/emergency medical services, police services, and garbage collection received the highest average scores when respondents were asked to rate a list of services as to importance. Using a 0-4 scale, the services were rated 3.75, 3.66 and 3.49, respectively.
  - The same services were at or near the top when the services were rated again for city government performance (3.54, 3.32, and 3.46, respectively.)

- **Among the most important services, "street maintenance" had the largest discrepancy between importance and performance.**
  - "Street maintenance" ranked fourth in importance, with a 3.45 average score, yet received only a 2.91 for performance.
  - "Street maintenance" was also ranked third on the list of services that should receive more emphasis both "in the next two years" (15%) and "in the long term" (12%).
- **The most prevalent top-of-mind concerns centered on growth.**
  - When asked early in the survey to name "things that concern you" about living in Kirkland: 15% mentioned "traffic/congestion," 14% "overcrowding/growth," 8% "housing density," and 6% "high rises/condos."
  - Traffic, development, and condos were also the most prevalent complaints repeated at the end of the survey, when respondents were asked if there was anything else they would like to say.
- **Other evidence supports preference for more growth limits.**
  - "Zoning and land use" was rated near the bottom of the list of city services for performance (2.33 on a 0-4 scale).
  - "Zoning and land use" was also cited most often as the service which should get increased emphasis over the next two years (17%) and in the long run (18%).
  - Residents were likely to say that residential lot size should be increased, with less "coverage" (42%), or stay the same (39%). Few (12%) thought lots should be smaller or allow greater coverage.
- **Feelings mixed about the need to attract new businesses.**
  - Only 23% said there should be more commercial space and business activity in Kirkland; 60% said that the amount should stay the same; and 15% said "less."
  - Nearly half (47%) could think of no new businesses they would like to see in the city.
  - However, 37% rated "attracting and keeping businesses" as "very important," placing it in the middle of the importance ranking of services (average score 3.01 on the 0-4 scale).

- Since it scored as the second to last service in performance (2.31), "attracting and keeping businesses" had one of the largest gaps between importance and performance scores.
- "Attracting and keeping businesses" ranked second as the service to receive more emphasis both over the next two years (17%) and in the long run (14%).

♦ The City's communication is fairly satisfactory.

- Almost half of respondents (45%) had some personal contact with a city department or employee over the past year; 77% of them were satisfied with the results.
- Most residents (66%) get their information about the city from the newspaper, and almost half (47%) preferred that method.
- More than half (56%) said they had visited the City website.
- The City website was the second most frequently volunteered source of information (24%) and among the most preferred sources (33%).
- This makes the website more popular than the Kirkland television stations, which had been watched by 40% at some point, and were mentioned by 16% (as a current source) and 17% (preferred source.)

♦ More newsletters and mailings might be useful.

- 35% said they would prefer to get information about the City from a newsletter, although only 8% currently do so.
- Another 35% said that they would prefer "mail," which was left unspecified.
- Those who thought that the City was doing a "poor" or "only fair" job keeping citizens informed were most likely to recommend a newsletter (24%) or "mail" (24%) as an improvement.

SUMMARY

ELWAY RESEARCH, INC.

SUMMARY

RESIDENTS APPRECIATE LIVING IN KIRKLAND

Residents overwhelmingly rated Kirkland highly as a place to live. They felt safe in their neighborhoods, particularly during the day. The location of the city was central to their enjoyment, along with the city's general appearance and "feel":

88% rated Kirkland "excellent" (47%) or "good" (41%) as a place to live; Recent residents (less than 10 years) were particularly likely to rate Kirkland as "excellent" (55%).

89% felt "very safe" walking in their neighborhood during the day and 54% felt "very safe" at night (an additional 29% felt "somewhat safe" at night.)

12% liked Kirkland because it's "close to everything."

10% mentioned the "bays," "lakes," and/or "rivers."

7% said "the atmosphere" was what appealed to them.

4% - 5% commented on the overall size, the downtown, the pedestrian access, the parks/recreation, or the location in general.

GOVERNMENT SEEN AS GOOD, NOT GREAT

Relatively few respondents claimed to pay "a lot of attention" to city government. This indicates that their subsequent views on the city's functions may be based more on general impressions than on specifics:

- Only 15% said they pay "a lot of attention" to city government.
- An equal proportion paid "almost no attention" (15%).
- Most paid only "some" attention (39%) or "not very much" (31%).

Those who paid attention tended to include a large proportion of public sector employees:

27% of public employees said that they "pay a lot of attention" to city government, compared to

8% of private sector employees,

13% of the self-employed, and

17% of retirees.

That being said, the "grades" given to city government were favorable, if not excellent. A plurality of respondents chose a "high middle" grade for the city at various points in the survey:

60% rated City government was "mostly" effective (60%), with 20% saying "very" effective, 10% "ineffective," and 10% no opinion.

44% said Kirkland's government was about as efficient as other levels of government;
26% thought that Kirkland was "more efficient," versus 15% who said "less."

54% said Kirkland has done a "good" job at keeping citizens informed about what is happening. Only 10% chose "excellent," while 25% thought that Kirkland was "only fair" at keeping citizens informed.

45% said it also does a "good" job in providing opportunities to be involved in decisions that affect city government. In this case, 16% said "excellent," but 30% said "only fair" (22%) or "poor" (8%).

Public sector employees again stood out as most likely to think that Kirkland is more efficient than other levels of government (35%). This compares to only 22% of private sector employees.

When respondents were given only the option of approving or disapproving of the city's actions, they tended to be positive:

73% chose the answer that Kirkland's tax dollars were "well-spent," versus 17% who said they were not (10% had no opinion).

53% said that the City is "focused on the right things" versus 21% who chose instead "too much time is spent on the wrong things" (the "wrong things" being usually "development");
26% had no opinion.

GROWTH CONTROL IS A CLEAR CONCERN

When asked to name their greatest concerns, respondents' comments primarily related to growth and/or density. Specific mentions included:

"Traffic/congestion" (15%);

"Overcrowding/growth" (14%);

"Housing density" (8%); and

"High rise/condos" (6%).

Notably, 18% of residents said they had no concerns about the way things were going in Kirkland.

Residents continued to cite issues related to growth and development at several points in the survey:

- Most (60%) wanted the number of businesses and commercial space to stay the same. Only a quarter wanted more businesses (23%), whereas 15% wanted fewer businesses.
- Most wanted residential lots to be either larger, with less coverage (42%), or to stay the same (39%). Few (12%) wanted to allow smaller residential lots and/or greater lot coverage.
- When asked at the end of the survey what else they might like to add, the three most prevalent comments concerned growth (6% said "less development," 5% mentioned traffic problems, and 5% said "limit condos/development.")

Almost half of respondents (47%) could think of no new businesses they wanted to see in Kirkland. For those who would welcome new business, the types most often mentioned were hardware/home improvement stores (13%), department stores (6%), clothing stores (6%), "retail" in general (6%), and restaurants (5%).

Alternatively, 6% thought that Kirkland already had too many restaurants. Twice that many said that there were too many art galleries (14%). Most residents (59%), however, did not think there were too many of any businesses.

Residents divided over city's growth management record

When asked directly what kind of job Kirkland was doing in growth management, respondents were divided:

51% said "good" (43%) or "excellent (8%); while

46% said "only fair" (29%) or "poor" (17%).

Respondents' views of Kirkland's growth management declined the longer they had lived in the city. For example, among those who had lived in the city 20 or more years:

55% termed the growth management "only fair" or "poor", compared to

32% of residents who had moved to Kirkland within the last five years.

BASIC SERVICES MOST IMPORTANT

When respondents were read a detailed list of city services, several items scored as most important that had not been previously mentioned in the open-ended question asking for "things that concern you" about Kirkland. This indicates that these "basic services" – fire, emergency medical services, police, and garbage collection – may be taken for granted. They do not come to mind as a "concern."

Top of mind "concerns, "e.g., growth/congestion/zoning, are viewed as not going as well currently. When addressed head-to-head, however, these are rated as less important than the basic/safety services.

The top ranked services in terms of importance to the household were:

- Fire and Emergency Medical Services (average rating 3.75 on the 0-4 scale; with 81% saying it was "very important").
- Police Services (3.66; 74%).
- Garbage Collection (3.49; 59%).
- Street Maintenance (3.45; 57%).
- City Parks (3.33; 54%).

In the middle were several services that scored about a "three." Around 40% of residents termed each of these "very important:"

- Environmental Stewardship (average 3.24; 43% said "very important").
- Emergency Preparedness (3.23; 44%).
- Recycling Services (3.22; 46%).
- Zoning and Land Use (3.19; 46%).
- Sidewalks (3.06; 41%).
- Attracting and keeping businesses (3.01; 37%).

It is interesting that zoning falls in the middle of the "importance" list, given how many residents mentioned growth concerns. However, zoning, parks, and environmental stewardship are the highest-rated services that are not safety related.

The third tier of important services focused on recreation. (The exception may be "neighborhood services," which was undefined in the survey.) These all averaged below a "three" in importance; though one-quarter of respondents termed each "very important," which represents a significant number of people. The bottom-tier services were:

- Neighborhood Services (2.72 average rating; 19% said "very important").
- Community Events (2.69; 21%).

- Recreation Programs and Classes (2.63; 24%).
- Arts (2.61; 24%).
- Bike Lanes (2.47 and 22%).

Women, Older Residents Show More Concern

Women gave slightly higher average importance scores than did men for almost all of the services. The exception was "street maintenance," which was equally important to men and women.

Similarly, older residents tended to rate most services as more important than did younger respondents. This was true of arts, fire/EMS, police services, community events, zoning/land use, recycling, garbage collection, emergency preparedness, and even bike lanes.

The only services that were even slightly more important to younger residents than older were:

- "Attracting and keeping businesses" (an average importance rating of 3.11 from 18-50 year olds; 3.01 from those 51 to 64; and 2.83 among those 65 and older), and
- "Environmental stewardship (3.31, 3.21, and 3.17 respectively).

Street maintenance was equally important to all age groups.

Recreation Programs/Classes received high average importance scores from the middle age group and couples with children, two groups that overlap significantly. However, couples with or without kids both gave equally high importance ratings to parks:

- Recreation Programs/Classes were rated
  2.73 in importance among 51 to 64-year-olds, compared to
  2.60 among younger residents and
  2.52 among those 65+.
- They scored a
  2.87 among couples with children at home,
  2.64 from childless couples, and
  2.36 among singles.
- Parks were rated
  3.46 by couples with children;
  3.44 by couples without; and
  3.11 by single residents.

PERFORMANCE MOSTLY MATCHES IMPORTANCE

Kirkland city government was generally seen as performing the most important services well, indicating general approval of city government priorities. When asked to "grade" Kirkland on the same list of services ("Like they do in school", from "A" to "F"), the top grades went to:

- Fire and Emergency Medical Services
  (3.54 on average on the 4-0 scale, with 58% giving Kirkland an "A").
- Garbage Collection (3.46; 58%).
- Police Services (3.32; 47%).

City parks also received a high grade (3.43; 52% said "A") even though parks were of slightly less important.

Among the most important services, the lowest performance grade was given to "street maintenance," which averaged a 2.91 ("B"). Only a quarter of residents (24%) gave Kirkland an "A" in street maintenance.

The middle tier of important services tended to receive "B" grades as well, including environmental stewardship (2.92), emergency preparedness (2.76), recycling services (3.24), and sidewalks (2.62).

The exception here was "zoning and land use", which was in the mid-range of importance, yet received a "C" (2.33). This was one of the two lowest grades given. The other -- "attracting and keeping businesses" — received a statistically equivalent 2.31 rating, or another "C."

Performance grades were somewhat higher for the least important services. Average grades were around a "B" for:

- Recreation programs and classes (3.15 on the 4-0 scale),
- Arts (3.09).
- Community Events (3.07),
- Neighborhood services (2.80), and
- Bike lanes (2.69).

Women and Older Residents Also Rate Performance Higher

Women and seniors tended to rate performances higher than men and younger respondents, although not as consistently as they had in the importance scores. Women particularly gave higher marks to the City for Arts (3.25 vs. 2.92 from men); recreation programs/classes (3.22 vs. 3.07); emergency preparedness (2.83 vs. 2.70); community events (3.14 vs. 2.99); and environmental stewardship (2.96 vs. 2.98). Men gave street maintenance slightly higher marks than did women (2.96 vs. 2.87).

Residents age 65 or older most differed from those younger in terms of the performance ratings they gave to:

- Neighborhood services (2.96, compared to 2.80 from 51 to 64-year-olds, and 2.70 from those age 50 or younger),
- Bike lanes (2.89, 2.60, and 2.64),
- Sidewalks (2.92, 2.51, and 2.51),
- Zoning and land use (2.54, 2.25, and 2.26),
- Garbage collection (3.61, 3.48, and 3.35) and
- Emergency Preparedness (2.99, 2.86, and 2.50).

CITY SERVICES: IMPORTANCE x PERFORMANCE

This section examines the question of how well city government is doing on those services and programs deemed most important to citizens. Using quadrant analysis and gap analysis, city government's perceived performance in providing services is directly compared to ratings of the importance of those same services.

As noted, respondents were asked to rate each service twice:

1) Once for "how important" each service was to them (0-4 scale).
2) Again with a letter grade (A to F) for the city's performance in delivering that service.

Quadrant analysis and Gap analysis each combine these two ratings into a single measure.

Quadrant Analysis

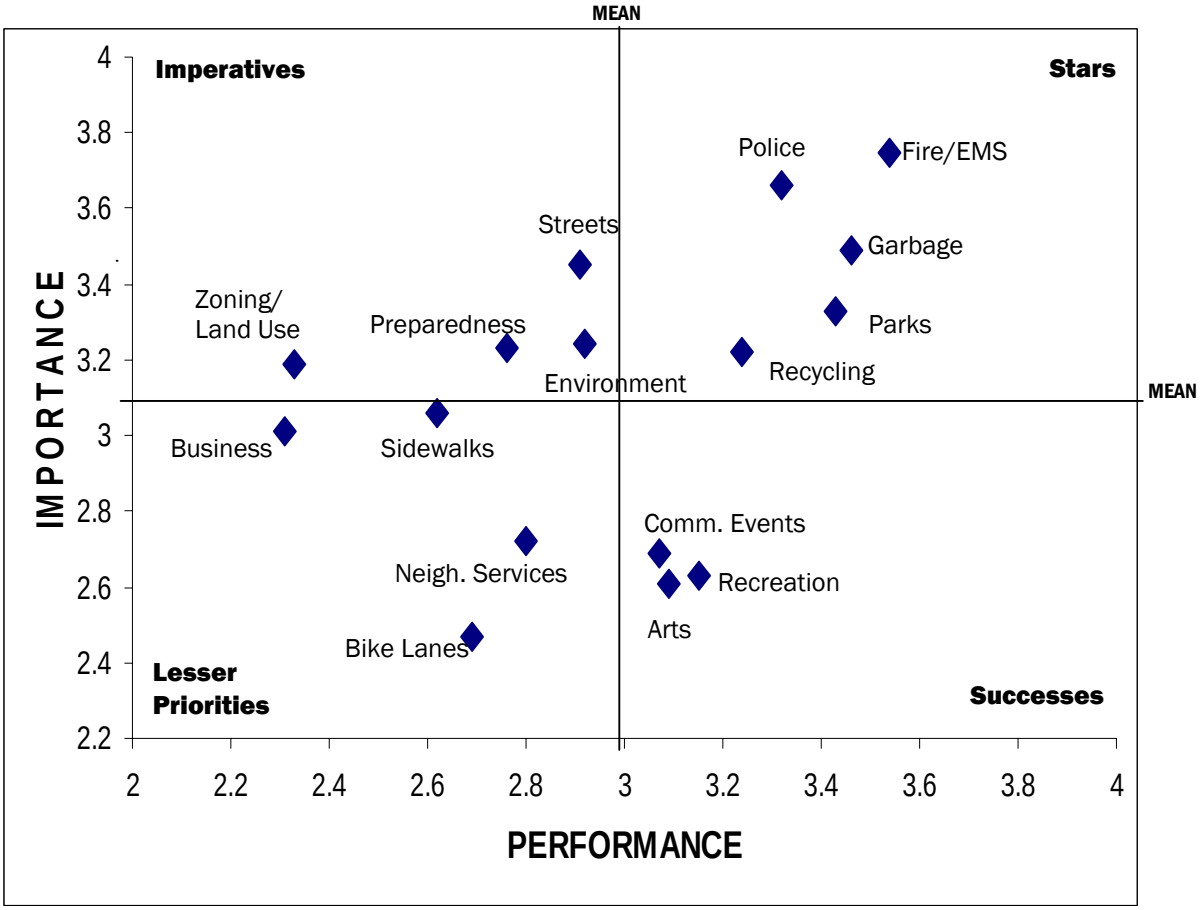
This technique plots each service on a chart that simultaneously indicates the importance and performance average scores. The chart clearly displays the relative position of each service on both dimensions: importance and performance.

The quadrants in the chart separate those services that rated highly in both importance and performance from those that rated low on both measures.

- The "Stars" are those services that received high scores in both importance and performance (Fire/EMS, police services, garbage collection, and, to a lesser extent, parks and recycling.)
- The "Imperatives" for Kirkland are services of above average importance but below average in performance -- street maintenance, emergency preparedness, environmental stewardship, and zoning/land use. Sidewalks and business development could be in that category as well – they were just below the importance mean score.

- The bottom two quadrants were of lesser importance to residents. The "Successes" are those services that rated above average in performance, but below average in importance.
- "Lesser Priorities" received below average scores for both performance and importance. They are not high on citizens' radar screens.

MEAN RATINGS: IMPORTANCE x PERFORMANCE



It is notable that the service rated most important (Fire/EMS) also received the highest performance rating. The city's performance rating was above the mean for five of the nine items rated most important.

Gap Analysis

Gap analysis measures the distance between importance and performance scores for each service. The gap score for each service was derived by first calculating the difference between each respondent's rating of that service's *importance* and his/her rating of the city's *performance* in delivering that service. The "Gap Score" for each service is computed by taking the average of gap scores across all respondents. [2]

A positive Gap Score indicates the city's performance score is higher than the importance score. Conversely, a negative Gap Score indicates the city's performance was rated lower than the rating for importance of the service or program

Table 1

Performance – Importance = Gap Scores

	PERFORMANCE*	IMPORTANCE*	GAP SCORE
Fire / EMS	3.54	3.75	–0.22
Police	3.32	3.66	–0.35
Garbage	3.46	3.49	–0.02
Street Maintenance	2.91	3.45	–0.52
City Parks	3.43	3.33	+0.07
Environment	2.92	3.24	–0.29
Preparedness	2.76	3.23	–0.37
Recycling	3.24	3.22	+0.02
Zoning/Land Use	2.33	3.19	–0.85
Sidewalks	2.62	3.06	–0.44
Businesses	2.31	3.01	–0.69
Neighb'hd. Services	2.80	2.72	+0.06
Comm. Events	3.07	2.69	+0.36
Recreation	3.15	2.63	+0.42
Arts	3.09	2.61	+0.42
Bike Lanes	2.69	2.47	+0.16

*Cell entries are the average (mean) scores on the 0-4 scales.

[2] This score does not correspond exactly to the subtraction of the average of the performance score minus the average of the importance score because only those respondents who provided both importance and performance ratings for a service were included in the calculation of the gap score for that service.

Recreation and quality of life services, as already seen in the quadrant analysis, are being provided at a more than adequate level. The services with the greatest overage of performance scores versus importance were:

- Recreation Programs and Classes (+0.42),
- Arts (+0.42), and
- Community Events (+0.36).

The services where performance scores lagged the most below importance scores were:

- "Zoning and land use" (performance was behind importance by -0.85),
- Attracting and keeping businesses (-0.69), and
- Street Maintenance (-0.52).

Lesser gaps were computed for sidewalks (-0.44), emergency preparedness (-0.37), police services (-0.35), environmental stewardship (-0.29), and fire/emergency medical services (-0.22). Garbage collection and recycling were well matched by current performance (there was little or no "gap.").

PRIORITIES CONFIRMED

The findings of the quadrant and gap analysis were supported when residents were asked which services should have more emphasis, both over the next two years, and in the "long run." The top three services chosen were those that had showed the largest gap between importance and performance scores:

- Zoning and Land Use
  (17% said more emphasis over the next two years;
  18% "over the long run.")
- Attracting and keeping businesses (17% and 14%).
- Street Maintenance (15% and 12%).

For a mid-range of services, 5-8% of residents thought more emphasis was needed, at least over the next two years. These were: police services (8%), emergency preparedness (7%), fire/EMS (6%), sidewalks (6%), parks (5%), and environmental stewardship (5%).

At the bottom of the list, again, were the recreation and quality of life services: only 1-3% of respondents thought community events, recreational programs/classes, bike lanes, and/or arts needed more emphasis, in either the short or long term.

Recycling and garbage collection were also extremely low on the list of services needing more emphasis; residents must be truly satisfied with their present status, as they are relatively high in importance. On the other hand, even though police services and fire/EMS are currently performing well according to respondents, some felt that even more emphasis was warranted.

INFORMATION/COMMUNICATIONS

Personal contact is usually satisfactory

Almost half of these heads of household (45%) reported having some contact with a City official or department within the past 12 months – either to seek information or lodge a complaint. See Table 2.

- The contact tended to be over the telephone (54% of contacts, equivalent to 24% of all households.)
- Many also had in-person contact with the city (34% of contacts, or 16% of all households).
- The police department was most likely to be the one contacted (28%; 13%).
- The great majority of respondents who had contact with the City were satisfied with the result (77%). This computes to more than one third (35%) of all household heads having a satisfactory personal experience with the City of Kirkland during the past year.
- On the other hand, 9% of the household heads experienced an unsatisfactory personal exchange with the City in the past year, which may be more than desired.

The sub-group most likely to have contacted the City was couples with children living at home. Among those calling, they were also most likely to be satisfied with the outcome:

59% of couples with children had contacted the city, and 88% of those couples were satisfied. This compares to

43% and 67% of couples without kids, and

33% and 68% of single residents.

There is no obvious reason for this difference among types of households; for the most part, couples with kids seemed to contact the same departments as others, with the exception of slightly more calls about garbage collection (8%, versus 1% - 3% among other households.)

Table 2
Contact With City Official

	Based on Those With Contact (n=180)	Based on Total (N=400)
Contacted City	100%	45%
Method		
Telephone	54%	24%
In Person	34	16
Internet/Email	10	5
Department		
Police	28%	13%
Public Works	6	3
Planning Dept.	6	3
Parks & Rec.	6	3
Building Dept.	6	3
Licenses/Permits	6	3
Satisfaction		
Satisfied	77%	
Dissatisfied	20%	

The number of contacts was not high enough to report reliable figures for satisfaction by to each department, but a few figures do stand out:

- Police Department contacts resulted in 74% satisfaction, equal to the overall average;
- The following departments resulted in above average satisfaction:
  Utilities -- 4 of 5 satisfied,
  Licensing/permits -- 8 of 10, and
  Garbage collection -- 7 of 8
- Street maintenance, with 1 of 5 contacts satisfied, was below average.

A Mix of Media Seems Necessary

As seen earlier, most residents thought that Kirkland has been doing a "good" (54%) or "excellent" (10%) job of keeping citizens informed. Those who said communication was "only fair" (25%) or "poor" (8%), tended to say that a better job could be done via:

- A newsletter (24% of those answering, equivalent to 8% of the total).
- "Mail" in general (24%/8%).
- "Informing people" in general (12%/4%).
- The website/Internet (9%/3%).
- Newspapers/Kirkland Courier (8%/3%).

Currently, two of three heads of household got their information about city government and city services from the newspaper. The top sources, when respondents were asked in their own words how they get information, were:

- Newspaper/Kirkland Courier (66%);
- Website/Internet (24%);
- Television/local Kirkland channel (16%);
- Word of mouth (9%);
- Newsletter (8%); and
- "Mail" (7%).

When asked to choose from a set list of ways to disseminate information about city programs and services, a newsletter was again most popular, along with the newspaper, other mailings, and the city website. They were suggested in the following proportions:

47% Newspaper;
35% City Newsletter;
35% Postcard of mailing; and
33% City website.

Fewer chose utility bill inserts (18%), the city cable TV channels (17%) and radio (7%).

Website Use More Prevalent Than Kirkland TV

We have just seen that, when choosing from several types of media, the city website outscored television channels. This held true when the two were probed directly:

40% of respondents said that they have watched KGOV Channel 12 an/or KLIFE Channel 75, while

56% have visited the website for the City of Kirkland.

Use of the website understandably increased with household income. By income bracket, experience with the website was:

31% among those under $40,000,

52% for those earning $40-75,000,

68% within $75- 100,000 households, and

70% among those with household incomes of $100,000 or more.

Those who watched the Kirkland TV channels tended to do so once (26%) or twice (23%) a month, or even less often (30%). They were most likely to have watched city council meetings (58% of those who had seen the channels, equivalent to 23% of all households).

Increased Involvement Also Needs Communication

Better communication was frequently mentioned as key to providing more citizen involvement in the city. Among those 128 respondents who said that Kirkland was doing a "poor" or "only fair" job of providing opportunities for involvement, when asked how the city could better keep citizens involved, the most frequent suggestions were:

- "Inform people" (in general) – 17%.
- "Listen to people" – 13%.

Others mentioned specific avenues for communication, including mail (11%), the newsletter (8%), town meetings/ groups (8%), and newspapers/ Kirkland Courier (7%).

DISCUSSION

It is encouraging that residents are as happy as they are with Kirkland, enjoying the combination of convenience, appearance, and life-style. They are also generally satisfied with the city government. There is room for improvement, however, in how many residents think of the city government as "excellent."

Although about half said they pay some attention to city government, few follow it closely. Attention is especially low among those not employed in the public sector themselves. This suggests that opinions about Kirkland government are based largely on such factors as the general media, word of mouth, or citizen's most recent direct contact with a city official.

The City does well at what are considered some of the most important services that impact everyone; fire, EMS, police, recycling, parks, and garbage. Street maintenance is a clear opportunity: this service is important to all categories of citizens, exhibits one of the greatest "gaps" between importance and performance, and appears high on the list of services needing the most future emphasis.

Concerns about growth and development are also illuminated by this survey. Residents enjoy the character of the town the way it is, and lament the congestion and change of atmosphere that may come with further development. This issue appeared consistently, both when respondents were allowed to express concerns in their own words, and when they were rating current performance and future emphases.

Residents' attitudes toward business development are mixed, perhaps because the survey frequently addresses "attracting *and keeping* businesses." Perhaps residents do not want to lose businesses and convenience, and would appreciate a couple of different types of stores, but they do not want to change the tone of the town with industry or malls.

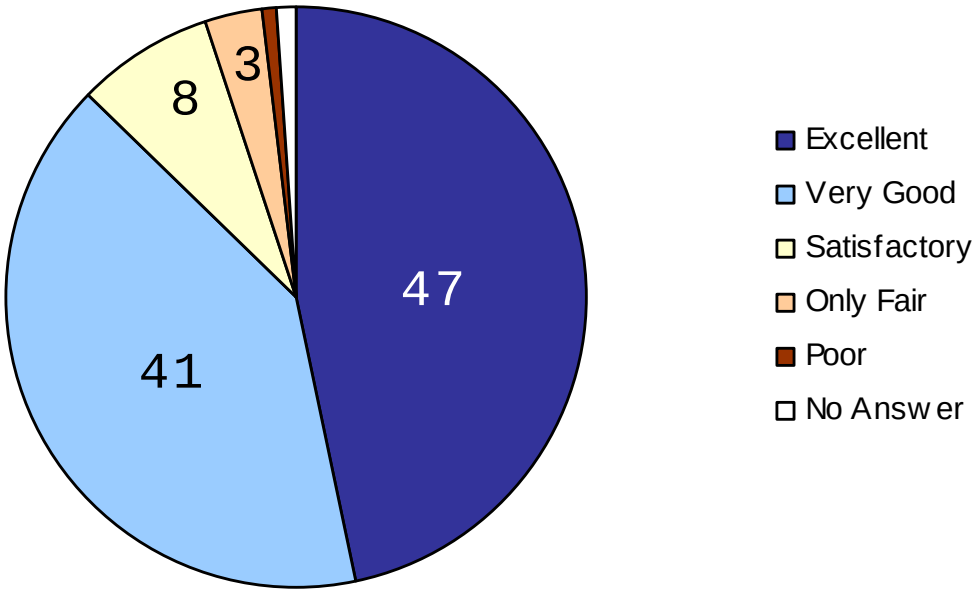
Finally, the City is doing well at communicating with citizens, with personal contacts being particularly satisfactory. Because different residents respond to and notice different media, important messages require a mix of newspaper coverage, inclusion on the website, and direct mail.

FINDINGS

ELWAY RESEARCH, INC.

Residents Like Life in Kirkland

Q2: How would you rate Kirkland as a place to live? Would you say...



Most Likely to say Excellent (47%)

- Kirkland resident for less than 10 years (55%)
- Age 65+ (54%).

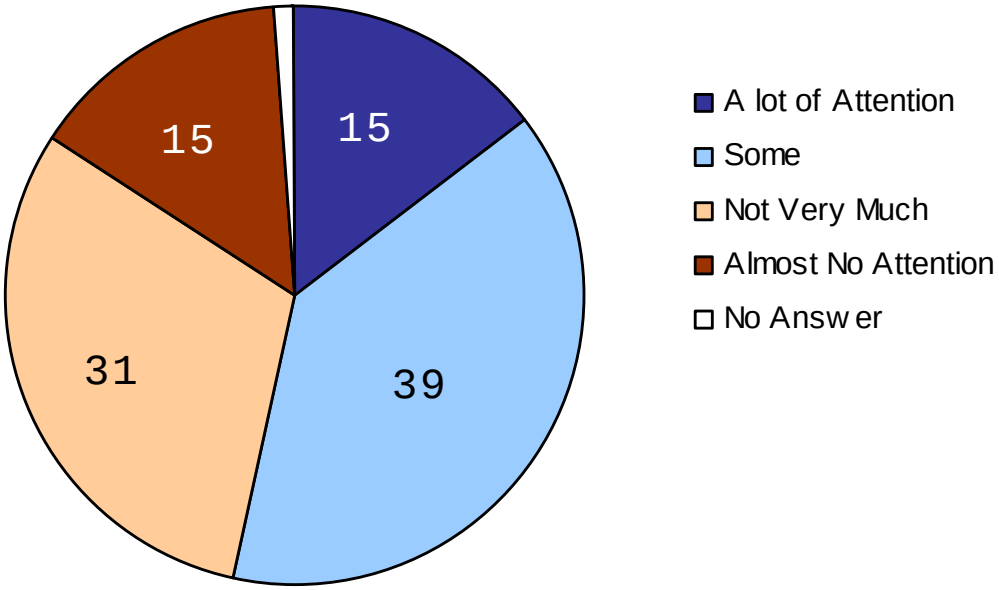
Most Likely to say Very Good (41%)*

- Annual income $40-100,000 (47%).

*No one most likely to say Satisfactory, Only Fair, or Poor.

Attention to City Government is Limited

Q5: These next questions are about Kirkland City Government. First, in general, how much attention would you say you pay to Kirkland City government? Would you say you pay…



Most Likely to say A Lot of Attention (15%)

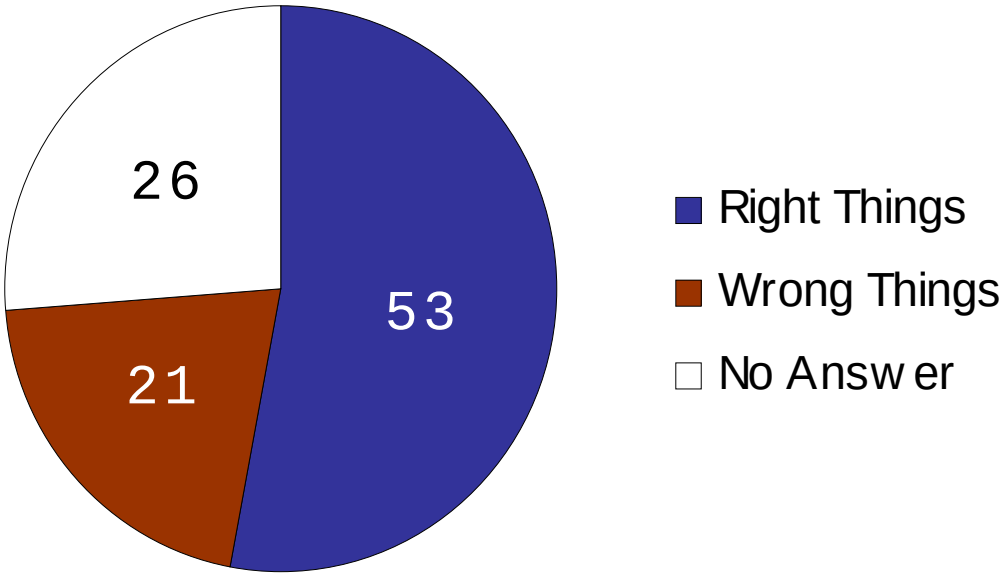
- Public sector employees (27%).

Most Likely to say No Attention (15%)

- Kirkland resident for less than 5 years (23%);
- Annual income $40-75,000 (22%).

Focus is Right for Half of Residents

Q6: First, in your opinion, is the City of Kirkland focused on the right things? Or does it spend too much time on things it should not be doing?



Most Likely to say Right Things (53%)

- Kirkland resident for less than 5 years (61%);
- Annual income over $100,000 (60%);
- Couple with no children at home (60%);
- Age 65+ (59%).

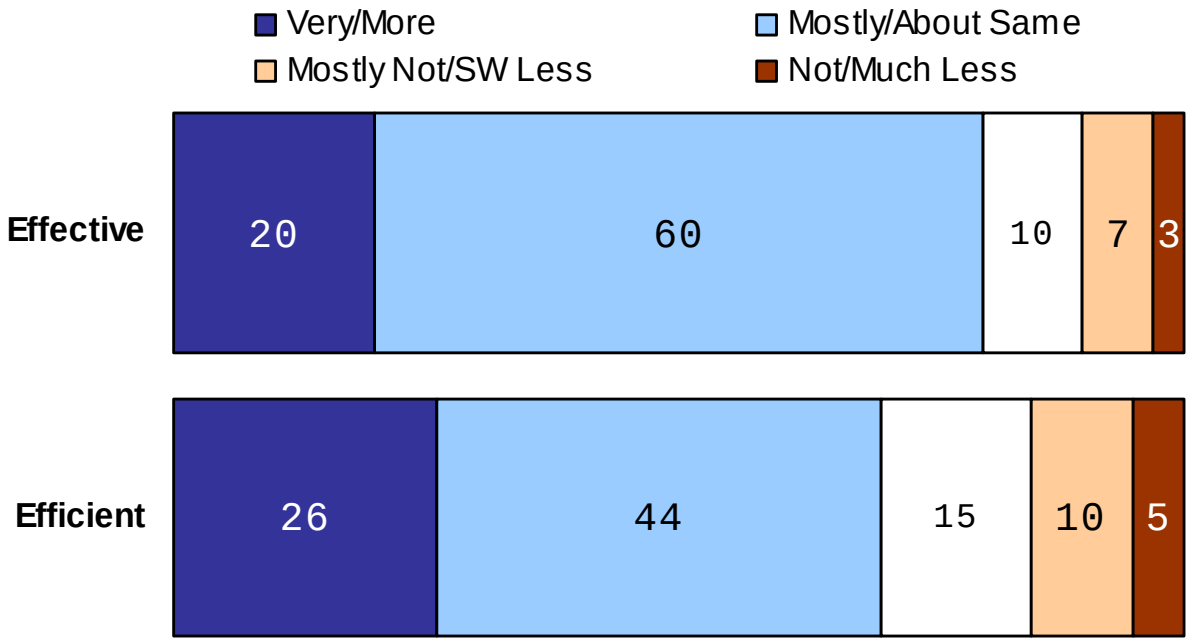
Most Likely to say Wrong Things (21%)

- Kirkland resident for more than 20 years (29%);
- Self employed (28%);
- Age 51-64 (27%).

City Effectiveness and Efficiency Good, Not Great

Q7: Two ways that people often measure how well an organization is running are effectiveness and efficiency. Effectiveness means accomplishing what you are supposed to accomplish. Thinking about the City of Kirkland, would you say that it is effective? That is, how well does it accomplish what it is supposed to? Would you say that the City of Kirkland is…

Q8: Would you say that the City of Kirkland is efficient? That is, does it deliver valuable services at reasonable cost? Compared to other cities or other levels of government, do you think that the City of Kirkland is…



Most Likely to say Very Effective (20%)

- Age 65+ (31%);
- Kirkland resident for more than 20 years (26%);

Most Likely to say More Efficient (26%)

- Public sector employees (35%);
- Annual income under $40,000 (33%);
- Kirkland resident for 10-20 years (33%);
- Age 51-64 (32%).

Importance & Performance of City Services

Respondents were asked to rate each service twice:

1) Once for its importance to them on a 5-point scale; Importance measured as "how important" a service is to a respondent.

2) They were also asked to give the city a letter grade for its performance in delivering that service (A to F).

Subtracting each individual respondent's importance rating from his/her performance "grade" yields a "gap" score which indicates the distance and direction of the difference between importance and performance ratings. The overall "Gap Score" for each service is the average of gap scores across all respondents. This score does not correspond directly to the subtraction of the average of the performance score minus the average of the importance score because only those respondents who provided importance and performance ratings for individual services were included in the calculation of the gap score for that service.

IMPORTANCE

Q9: I'm going to read you a list of services and facilities provided by the city. As I read each one, tell me how important that service is to you and your household. We'll use a scale from 0 to 4, where 4 means "Very Important" and 0 means "Not Important" to you.

PERFORMANCE

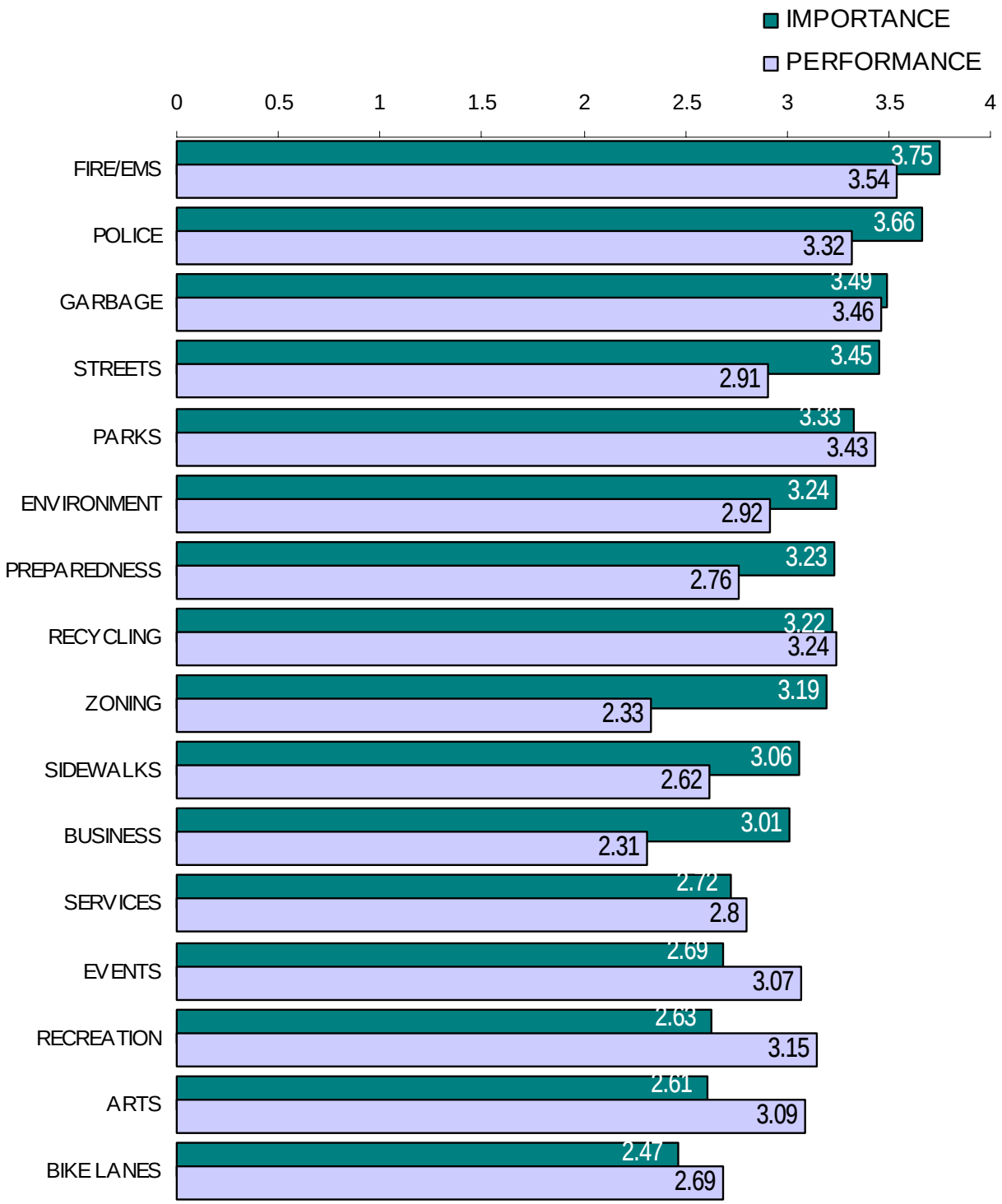
Q10: I'm going to read through this list again. This time, I would like you to tell me how well you think the city is doing in that area. As I read each service, I'd like you to give it a letter grade, like they give in school. "A" for Excellent, "B" for Good, "C" for Satisfactory, "D" for Barely Passing, "F" for Failing.

GAP

The distance between each individual respondent's rating of the importance of a service and the rating for the city's performance in delivering that service. The "Gap Score" for a service is the average of the gaps across all respondents.

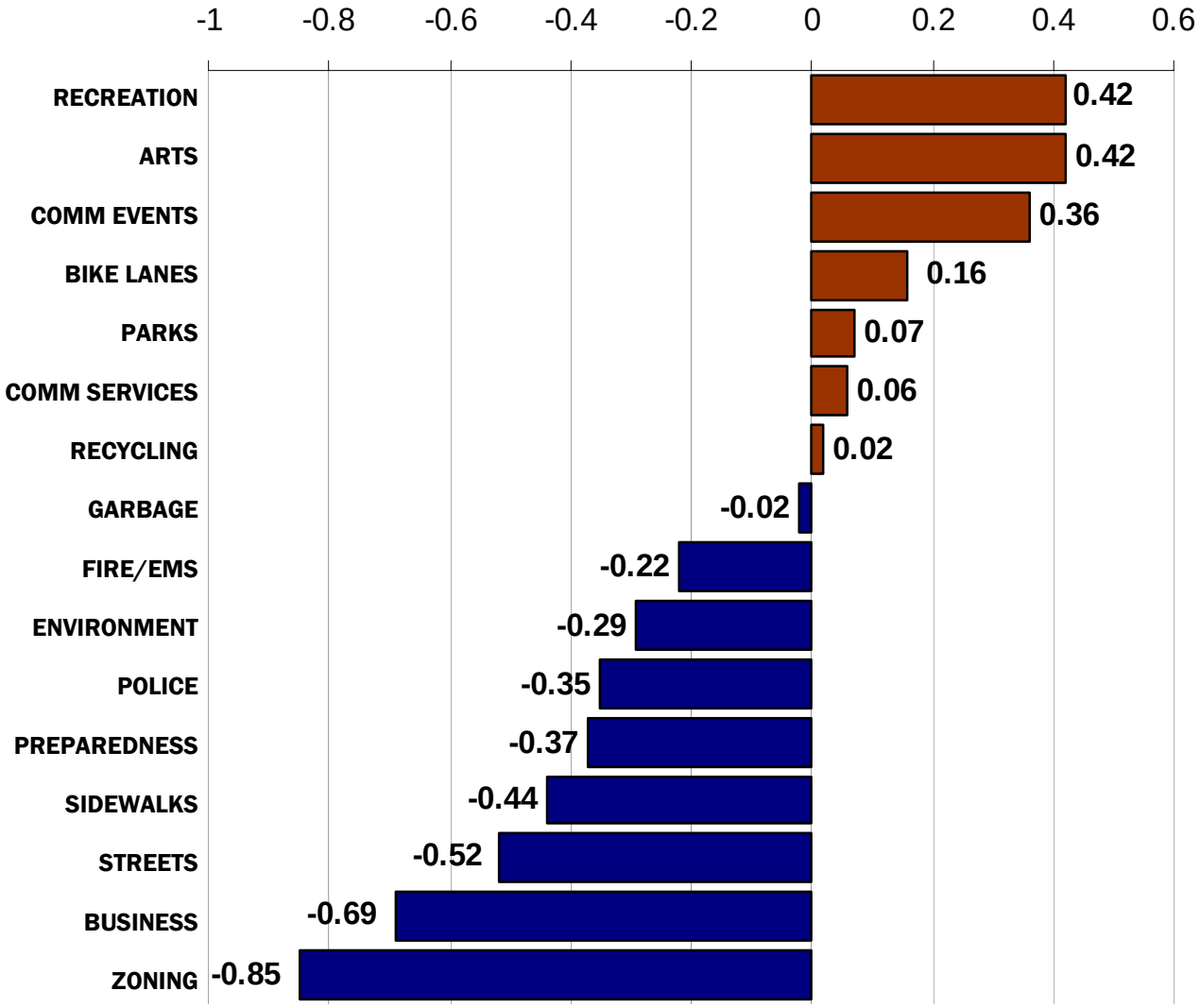
PERFORMANCE MINUS **IMPORTANCE** = **GAP**

Importance and Performance Well-Matched for Individual Services



Zoning, Business, and Streets Have Greatest "Gap" Between Importance and Performance

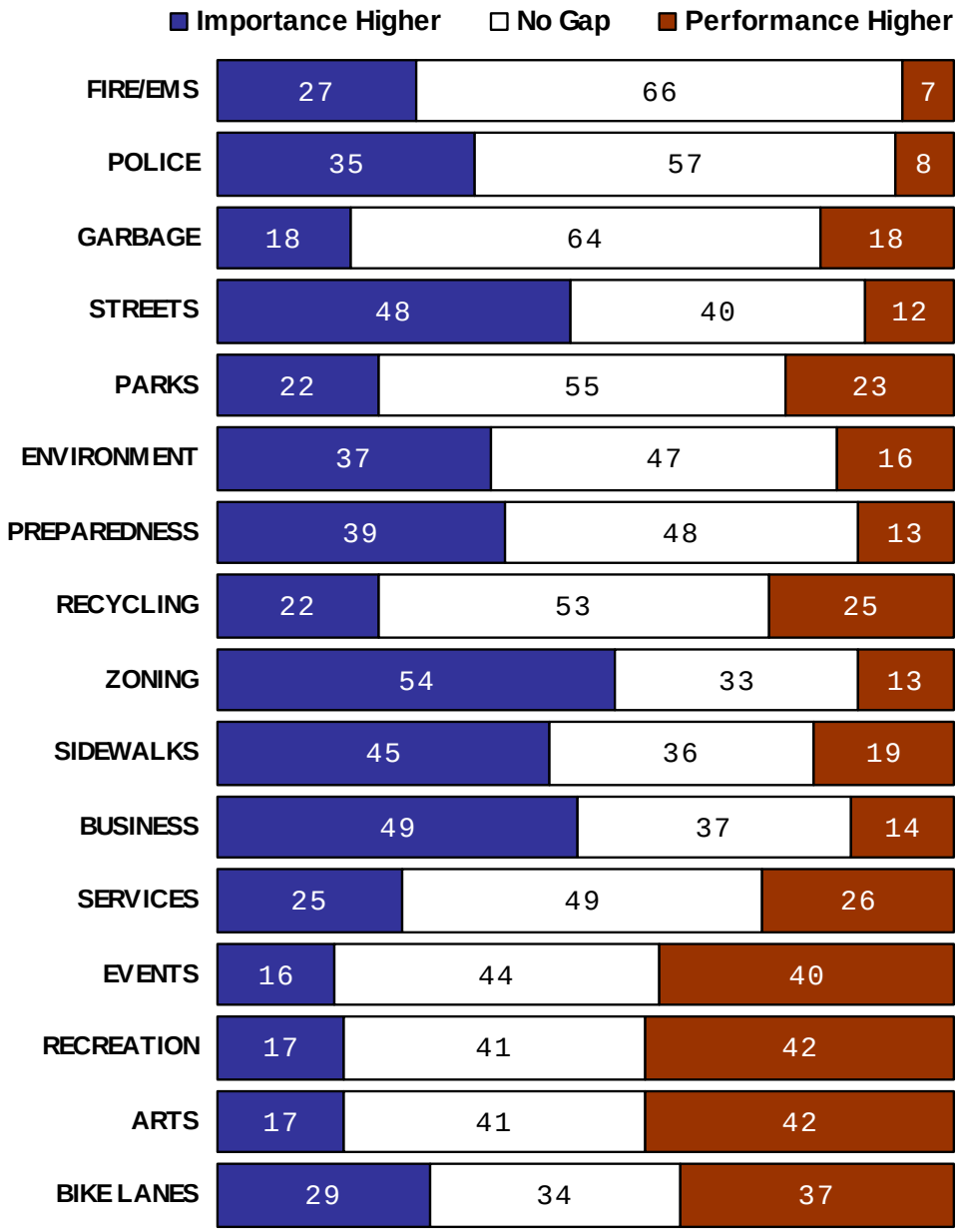
A *positive* "Gap Score" indicates the city's performance rating is higher than the importance rating for that service, on average. Conversely, a *negative* Gap Score indicates the city's performance was usually rated lower than the rating for importance of the service.



Proportions of Respondents with Positive/Negative Rating Gaps

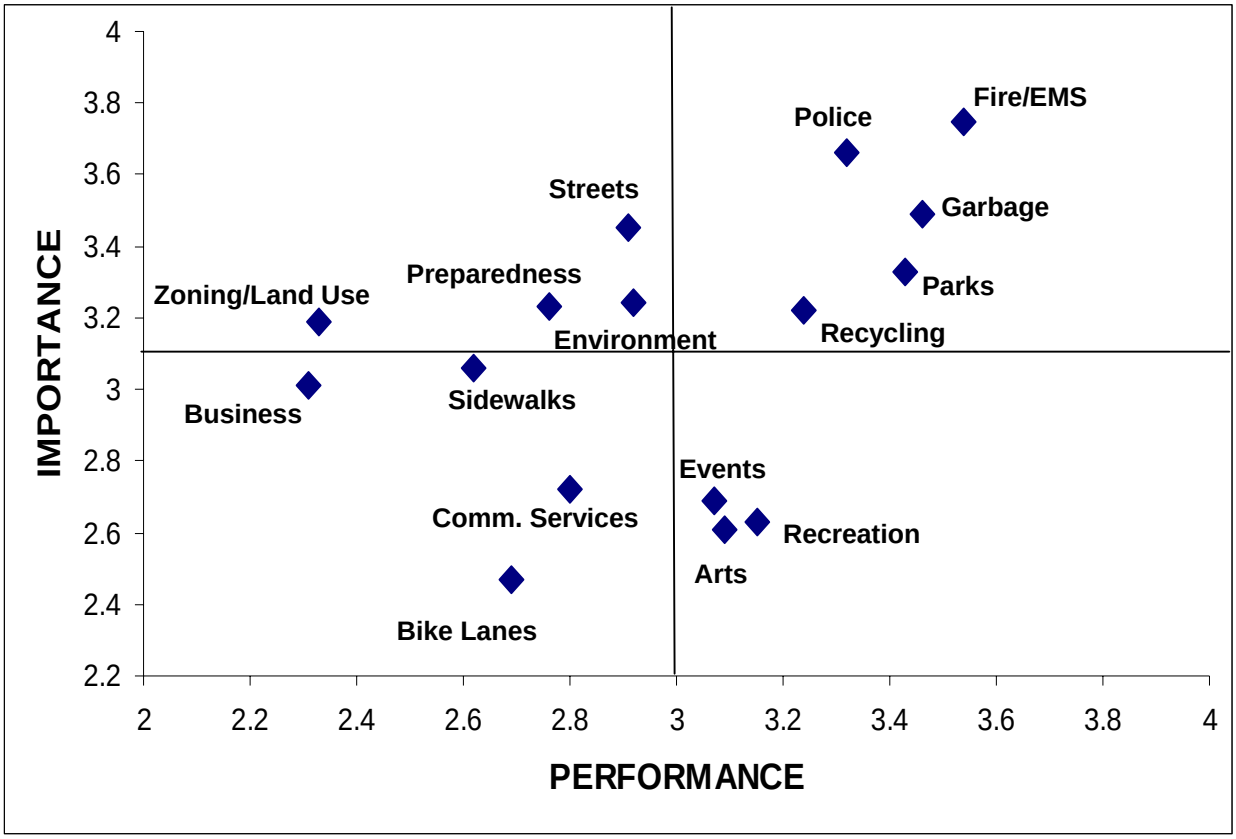
This chart presents a more detailed look at the Gap Analysis data. It displays the proportion of individual respondents who indicated gaps between importance and performance.

READING THE CHART: For example "Streets" had an Importance average rating of 3.45 and a Performance average rating on 2.91 (Chart 28) and a Gap Score of -0.52 (Chart 29). This chart shows that, for Streets, 45% of respondents rated Importance higher than Performance and 12% rated Performance higher. 40% of respondents gave Importance and Performance the same rating.



Relative Importance, Performance: Quadrant Analysis

This chart plots the average scores for both Importance and Performance for each of the sixteen categories included in this survey. Respondents were asked to rate each service on a 0-4 scale. The scales are truncated here for clarity, since none of the categories scored lower than 2.00 on either scale.

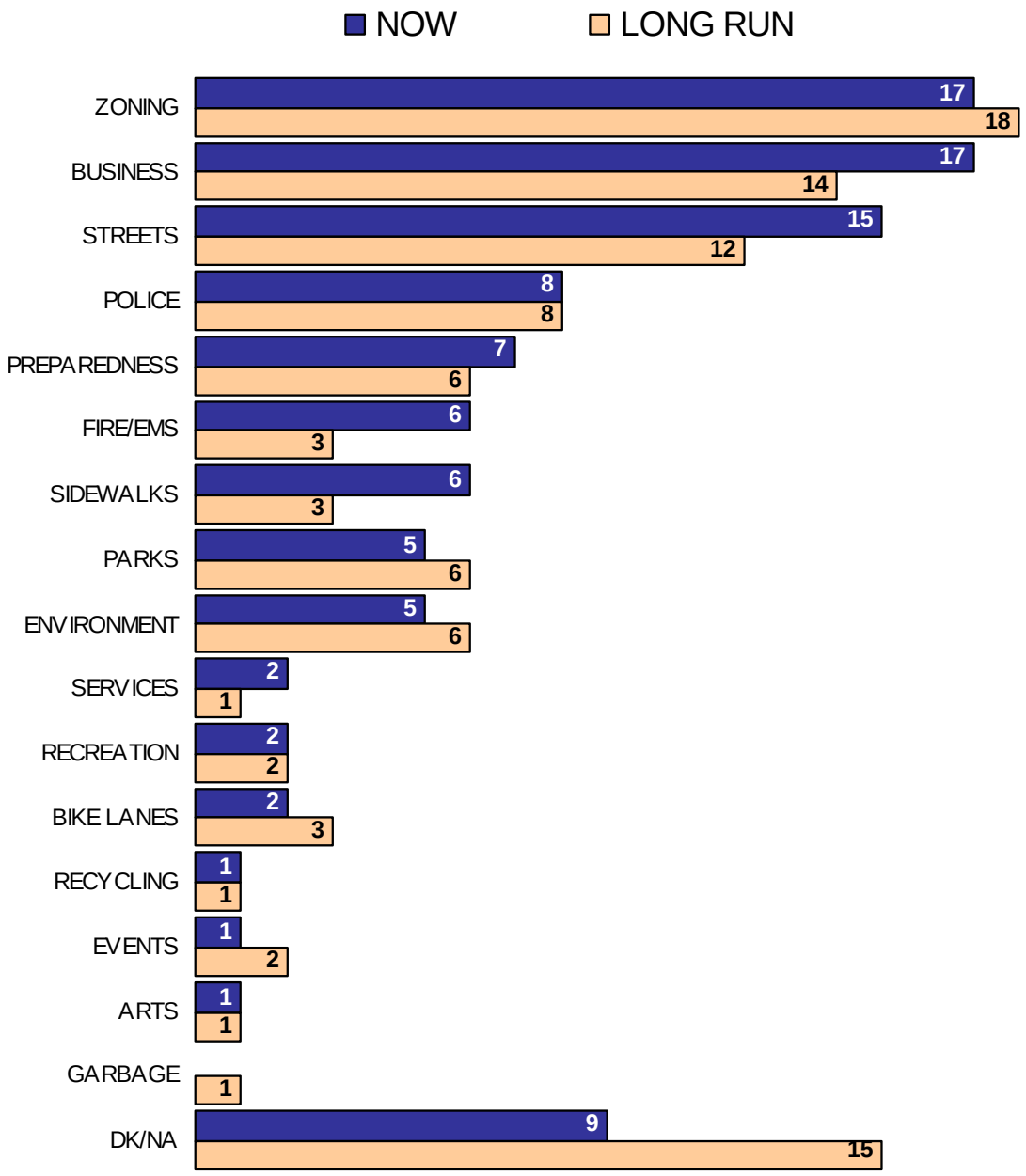


READING THE CHART: Each marker <> indicates the position of a service category on both the Importance Scale and the Performance Scale. For example, "Fire/EMS" scored highest on the Importance scale (3.75), and the Performance scale (3.54)

Zoning, Businesses and Streets Preferred for Future Emphasis

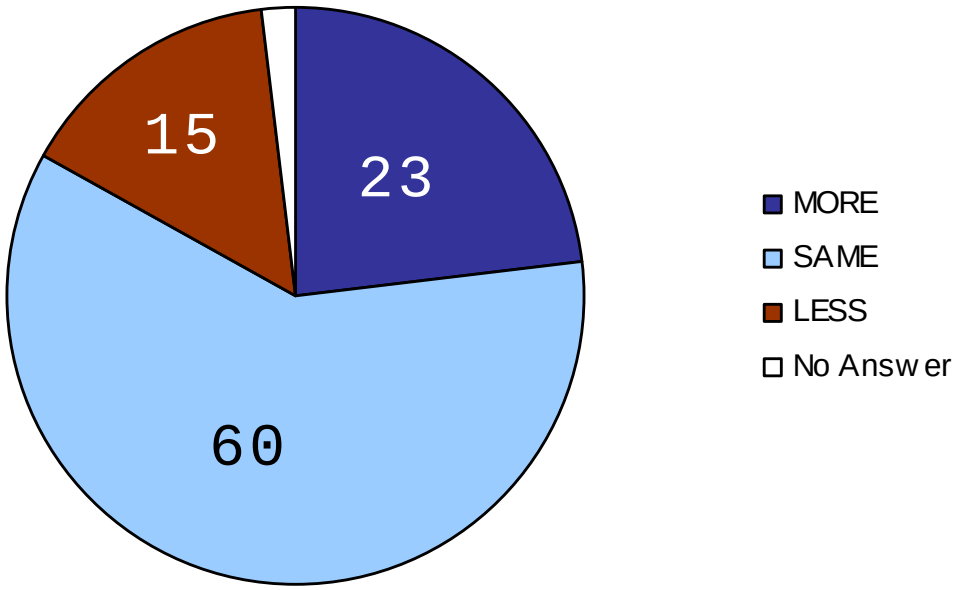
Q11: Thinking now about the next two years...If you had to choose just one, which one of these services would you say the City of Kirkland should put the most emphasis on over the next two years? I'll read the list again, they are:

Q11A: Which would you say should have the most emphasis over the long run?



Majority Want No Increase of Commercial Space/Business Activity

Q12: Like most cities in King County, Kirkland is growing and developing. As you know, zoning and other rules for new development govern growth and development in a city – things like the amount of and types of businesses and housing, and where they can be located.
In your opinion, should there be more commercial space and business activity in Kirkland? Less? Or about the same as there is now?



Most Likely to say More (23%)

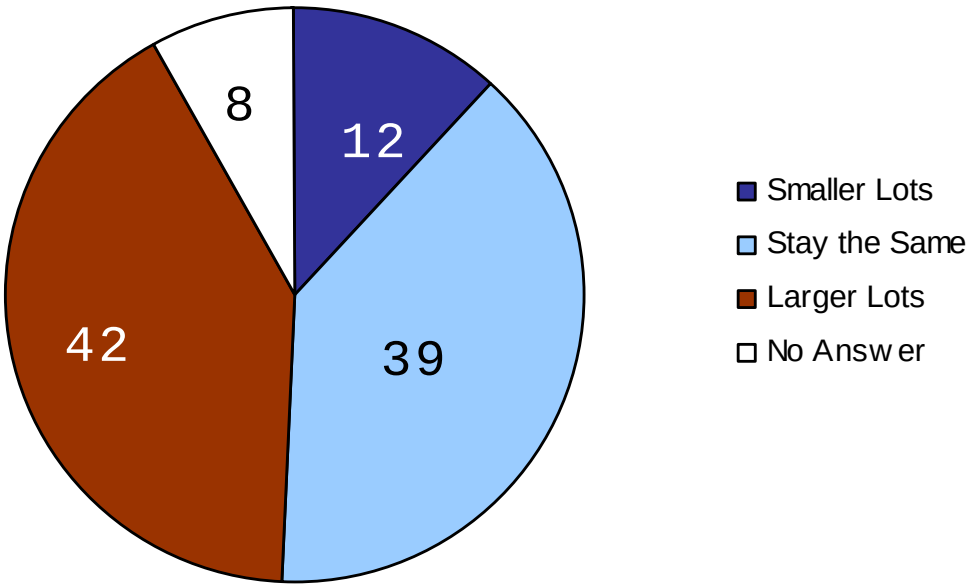
- Self employed (31%).

Most Likely to say Less (15%)

- Annual income under $75,000 (23%);
- Kirkland resident for more than 20 years (21%).

Few Support Smaller Lots

Q15: In neighborhoods, zoning laws cover things like how close together houses can be, and how much of a lot can be taken up with a house and how much must be left for yard. In your opinion, should the rules governing housing construction in Kirkland:



Most Likely to say Smaller Lots (12%)

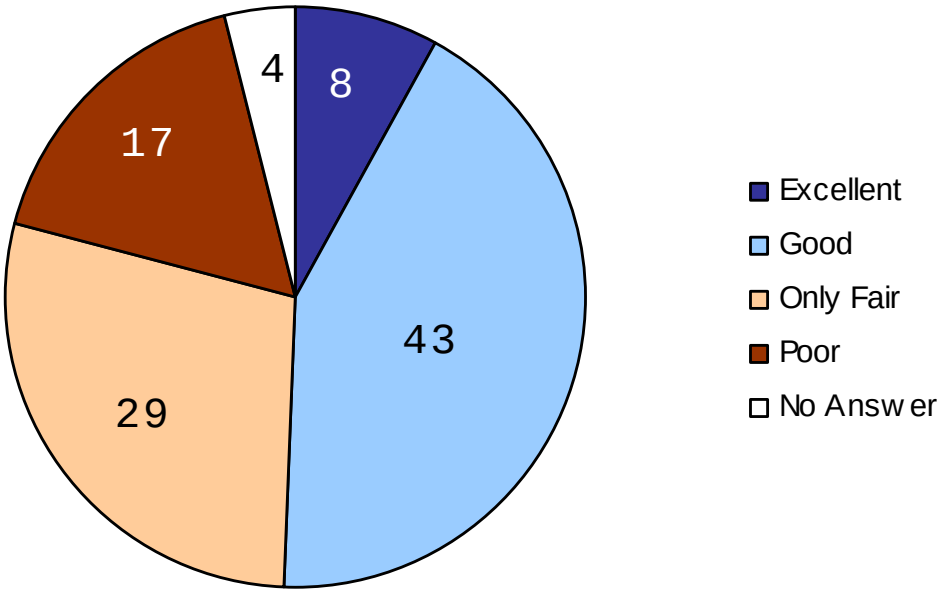
- Kirkland resident for 5-10 years (19%);
- Self employed (19%);
- Annual income over $100,000 (18%).

Most Likely to say Larger Lots (42%)

- Kirkland resident for more than 20 years (49%).

City "Good" at Growth Management

Q16: Overall, how would you rate the job the City of Kirkland is doing at managing growth?



Most Likely to say Excellent/Good (51%)

- Kirkland resident for less than 10 years (60%).

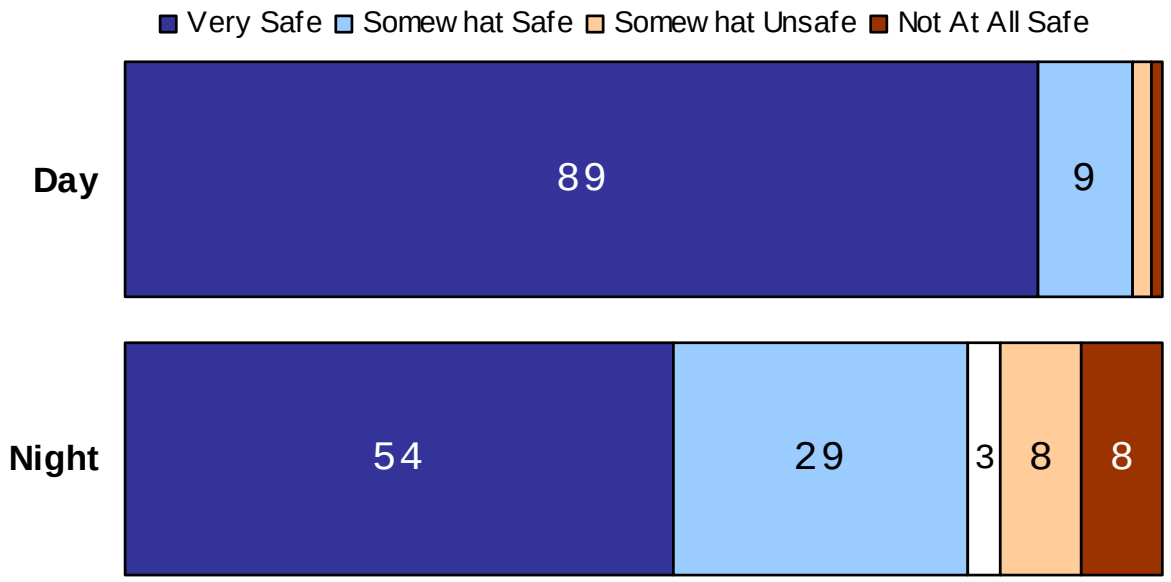
Most Likely to say Only Fair/Poor (46%)

- Kirkland resident for more than 20 years (55%).

Majority Feel Safe Day and Night

Q17: Let's talk briefly about your neighborhood. In general, how safe do you feel walking alone in your neighborhood during the day?

Q18: In general, how safe do you feel walking alone in your neighborhood at night?



Most Likely to say Very Safe in the Day (89%)

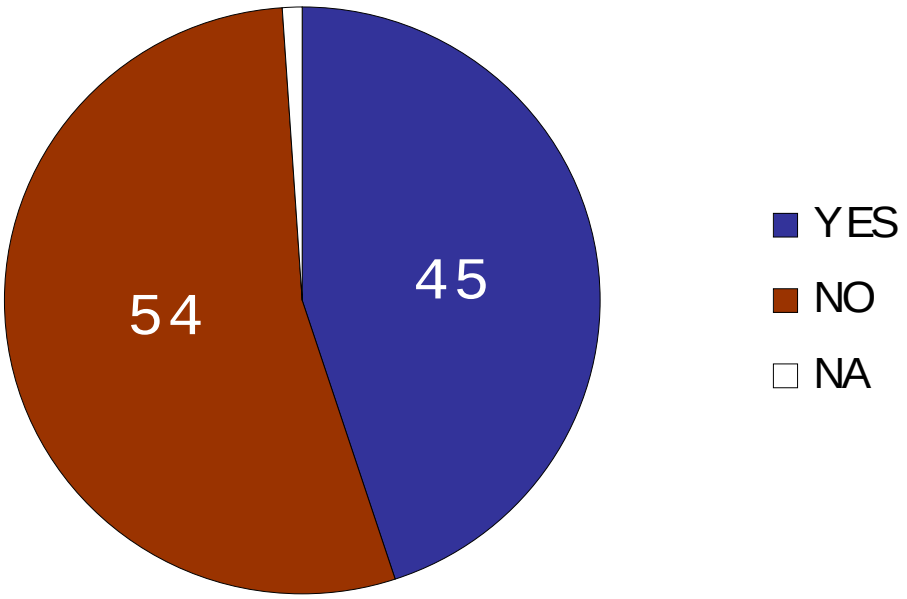
- Annual income over $75,000 (95%).

Most Likely to say Very Safe in the Night (54%)

- Men (69%);
- Private sector employees (63%);
- Age 51-64 (61%);
- Annual income over $75,000 (61%).

Almost Half Have Had Personal Contact With the City

Q19: During the past 12 months, have you contacted any City Official or City Department to seek service or information, or to make a complaint?



Most Likely to say Yes (45%)

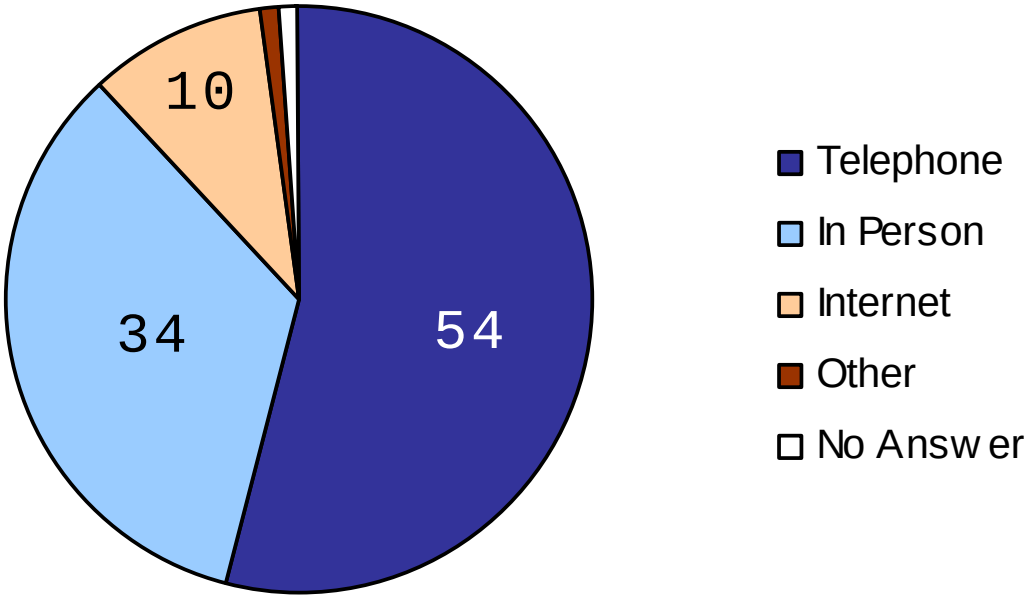
- Couple with children at home (59%);
- Self employed (53%);
- Annual income more than $100,000 (52%);
- Kirkland resident for less than 5 years (51%);
- Age 18-50 (51%).

Most Likely to say No (54%)

- Annual income less than $40,000 (67%);
- Single people (66%);
- Age 65+ (63%).

Most Contacts by Phone

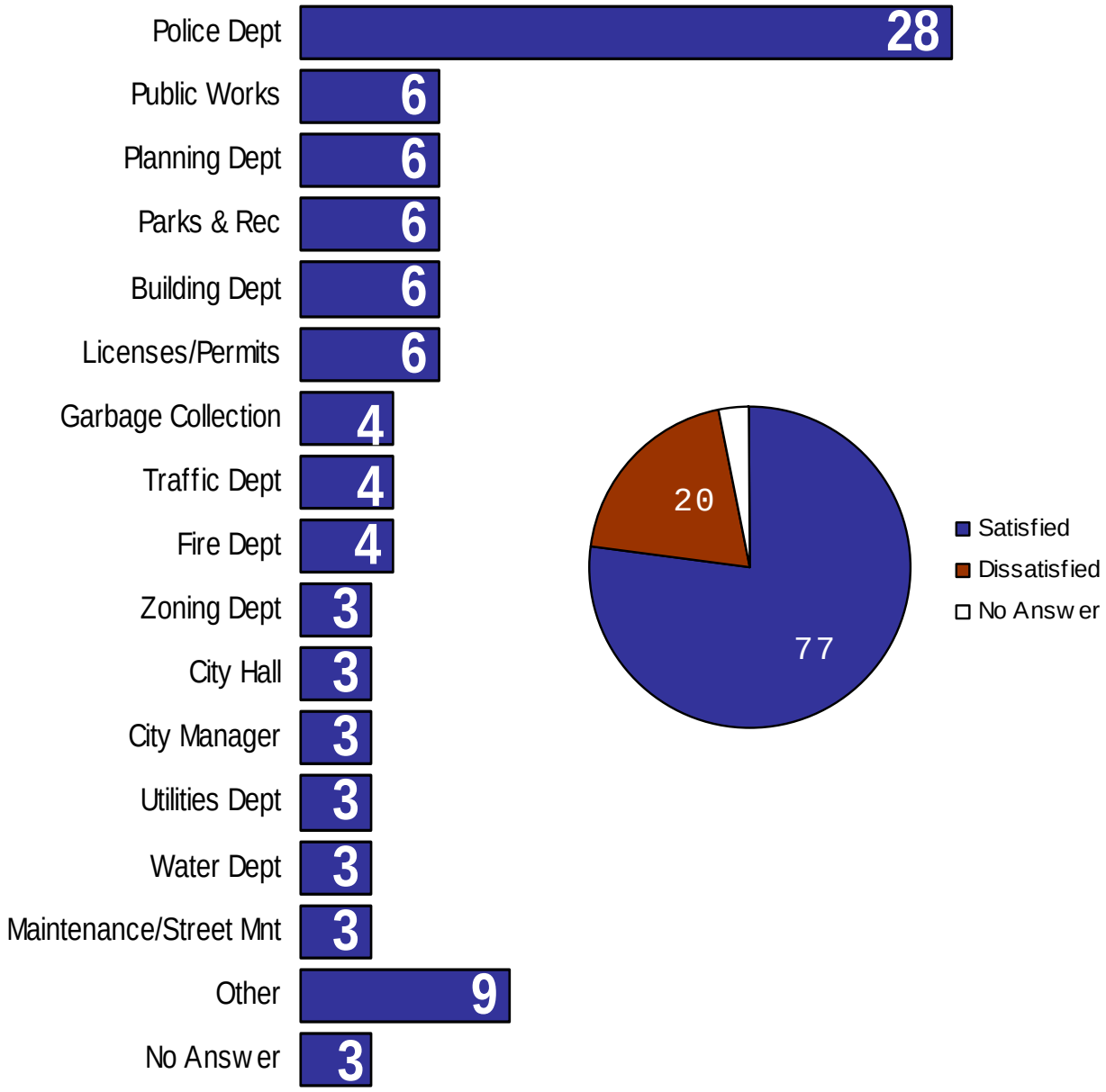
Q19A: The last time you contacted a city official, was your most recent contact...[n=180]*



*The number of cases is too small to discover who is most likely to give an answer.

Police Had Most Contacts; Three-Quarters Overall Satisfied

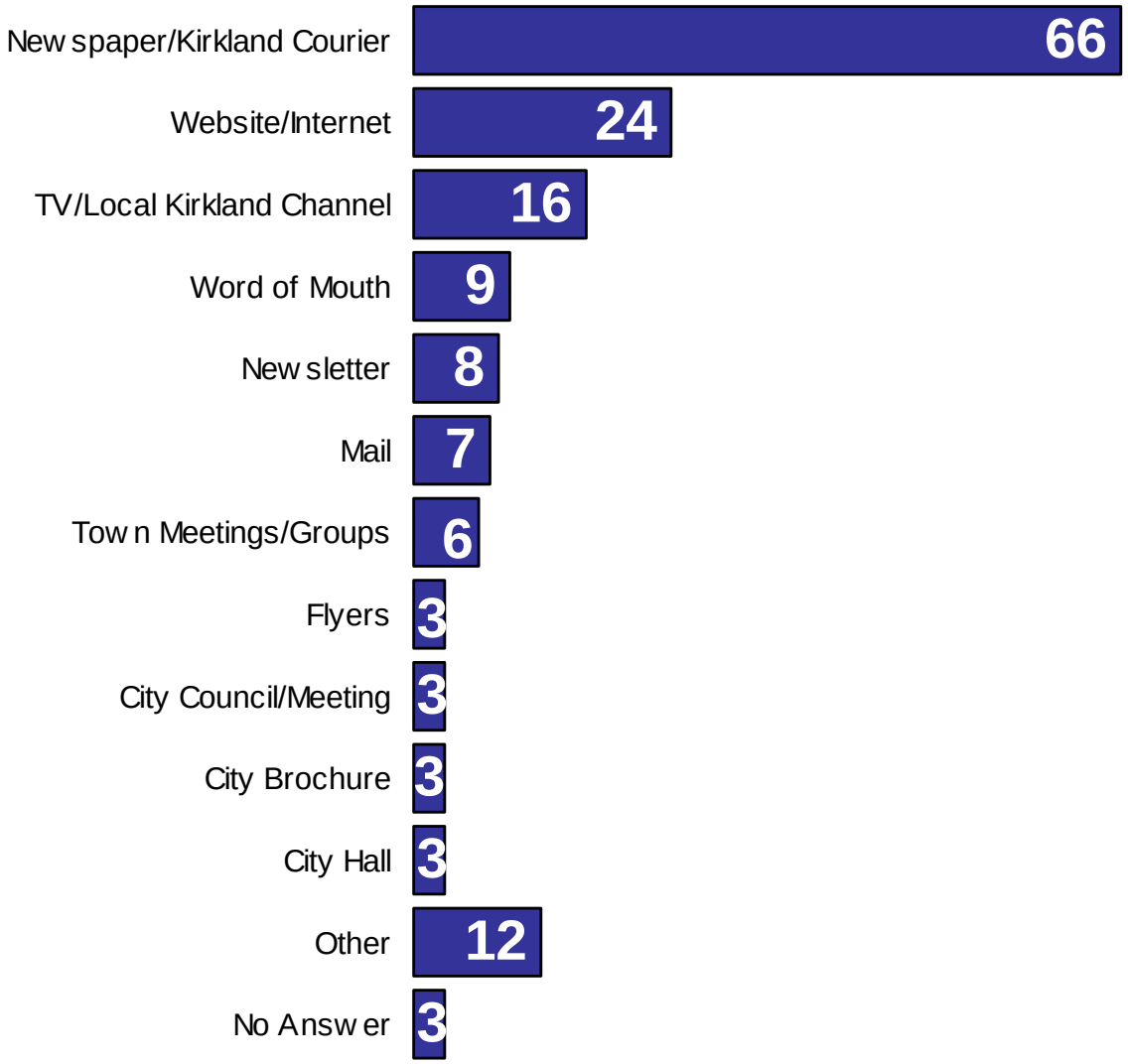
Q19B: What department did you contact?
Q19C: Were you generally satisfied or dissatisfied with the response you got? [n=180]*



*The number of cases is too small to discover who is most likely to give an answer.

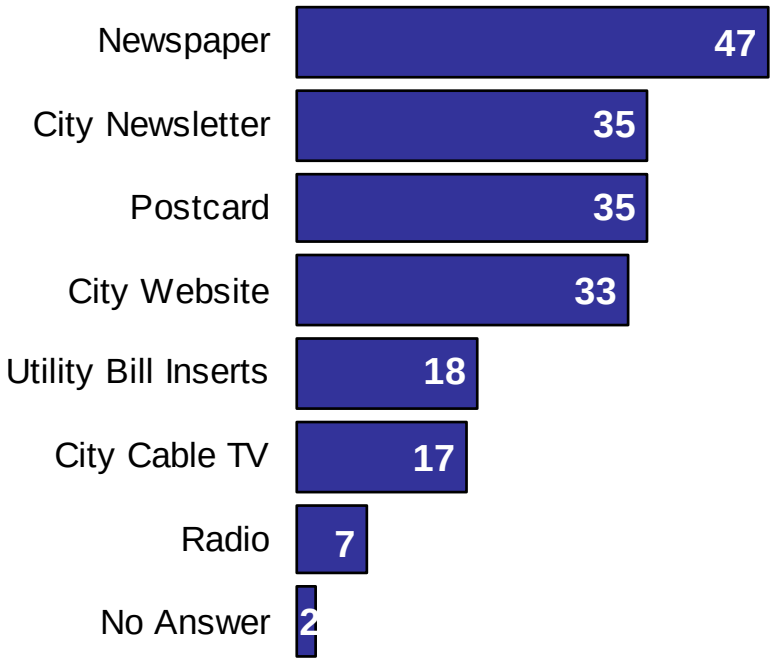
Newspaper Prevalent Source of Information

Q20: We are interested in how people get information about City Government here in Kirkland. What are your sources of information for learning about what is happening with city government and city services in the City of Kirkland?



Newspaper, Mail, and Website Thought to be Effective

Q21: When it comes to getting information about the programs and services offered by the City, which of the following would be an effective way to get you that information? [circle all that apply]



Most Likely to say Newspaper (47%)

- Annual income less than $40,000 (61%);
- Age 65+ (57%);
- Kirkland resident for more than 20 years (57%).

Most Likely to say Newsletter (35%)

- Kirkland resident for 10-20 years (43%);
- Annual income less than $40,000 (41%).

Preferred Media Source Varies by Demographics

Q21: When it comes to getting information about the programs and services offered by the City, which of the following would be an effective way to get you that information? [circle all that apply]

Most Likely to say…

Postcard (35%)

- Annual income more than $100,000 (46%);
- Private sector employees (45%);
- Kirkland resident for 5-10 years (45%).

City Website (33%)

- Public sector employees (47%);
- Kirkland resident for less than 5 years (45%);
- Age 18-50 (45%);
- Annual income $75-100,000 (44%);
- Couple with children at home (43%);
- Private sector employees (41%).

Utility Bill Inserts (18%)

- Kirkland resident for more than 20 years (27%);
- Age 51-64 (25%);
- Public sector employees (25%);

City Cable TV Channel (17%)

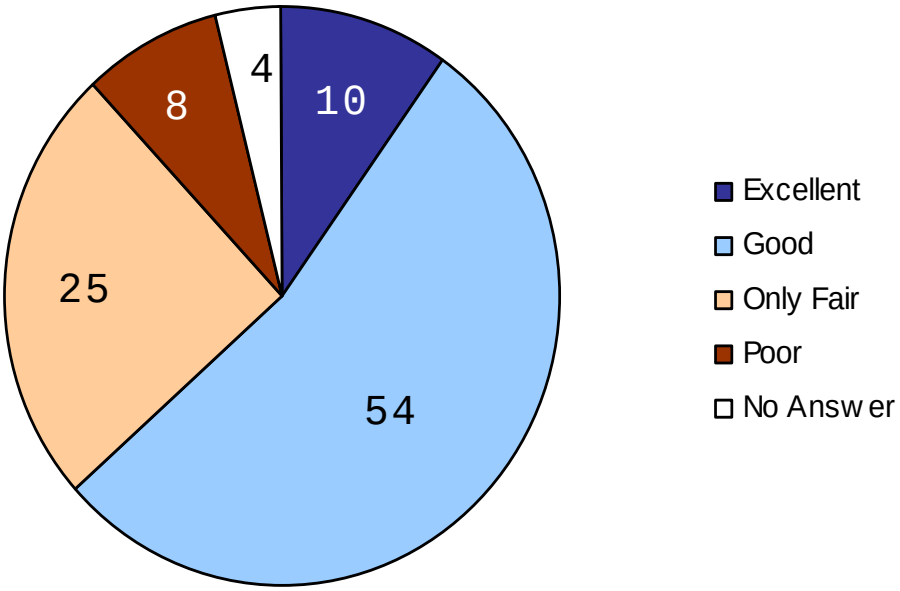
- No one most likely.

Radio (7%)

- No one most likely.

Kirkland Good at Keeping Citizens Informed

Q22: In terms of keeping citizens informed about what is happening in city government -- How good a job do you think the City of Kirkland does at that?



Most Likely to say Excellent/Good (64%)

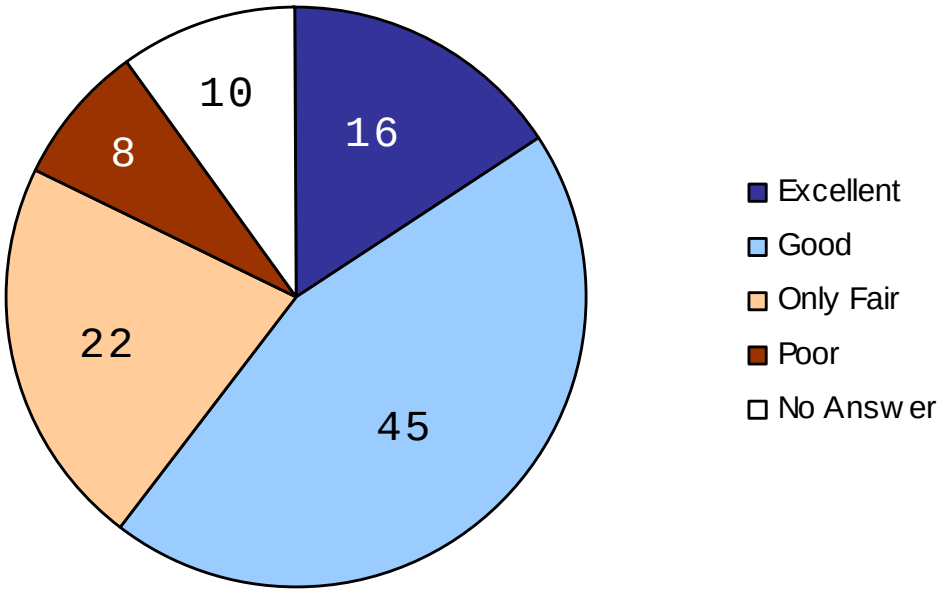
- Annual income less than $40,000 (71%);

Most Likely to say Only Fair/Poor (33%)

- Annual income more than $75,000 (41%);
- Public sector employees (39%);

Kirkland "Good" at Providing Opportunities for Involvement

Q24: How would you rate the city's performance in providing residents the opportunity to be involved in decisions that affect city government? How good a job do you think the City of Kirkland does at that?



Most Likely to say Excellent/Good (61%)

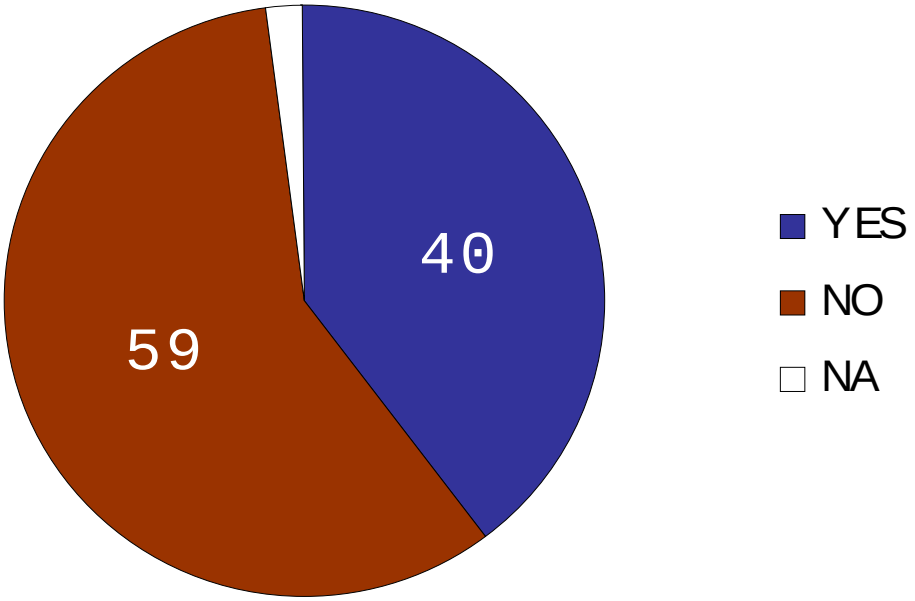
- Kirkland resident for 10-20 years (70%);
- Annual income $75-100,000 (67%);

Most Likely to say Only Fair/Poor (30%)

- Kirkland resident for more than 20 years (37%).

4 in 10 Have Watched City Television Programs

Q26: Have you ever watched a City meeting or City Program on the City Cable Channels, KGOV Channel 21 or KLIFE Channel 75?



Most Likely to say Yes (40%)

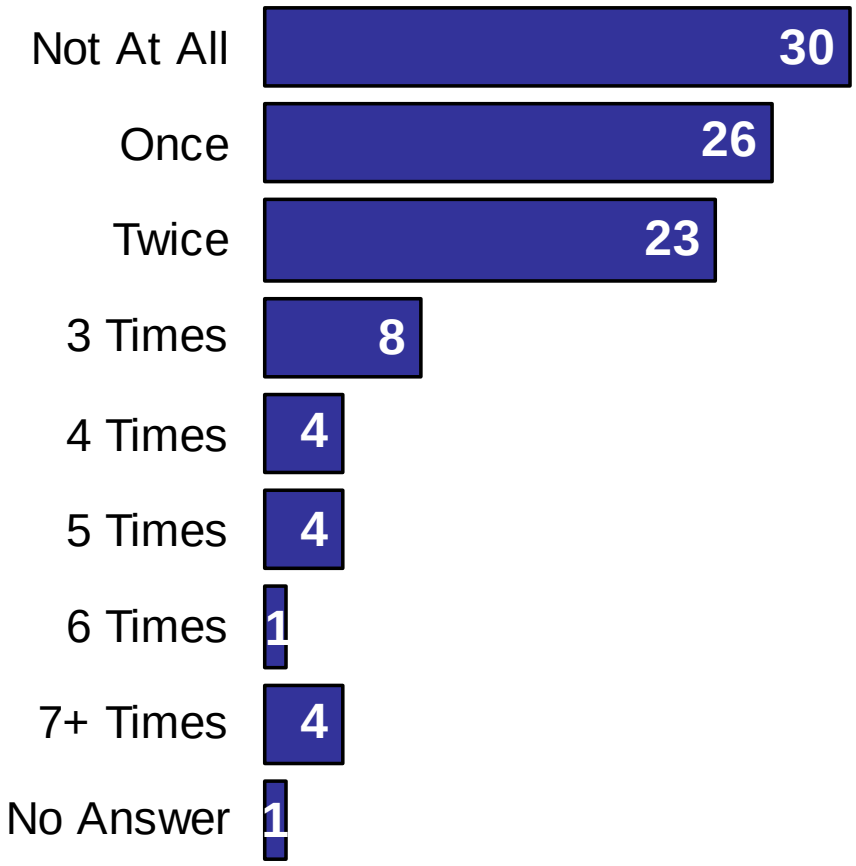
- No one most likely.

Most Likely to say No (59%)

- Kirkland resident for less than 5 years (70%);
- Annual income $40-75,000 (69%);

Half Have Watched Local Channels Once or Twice in Last Month

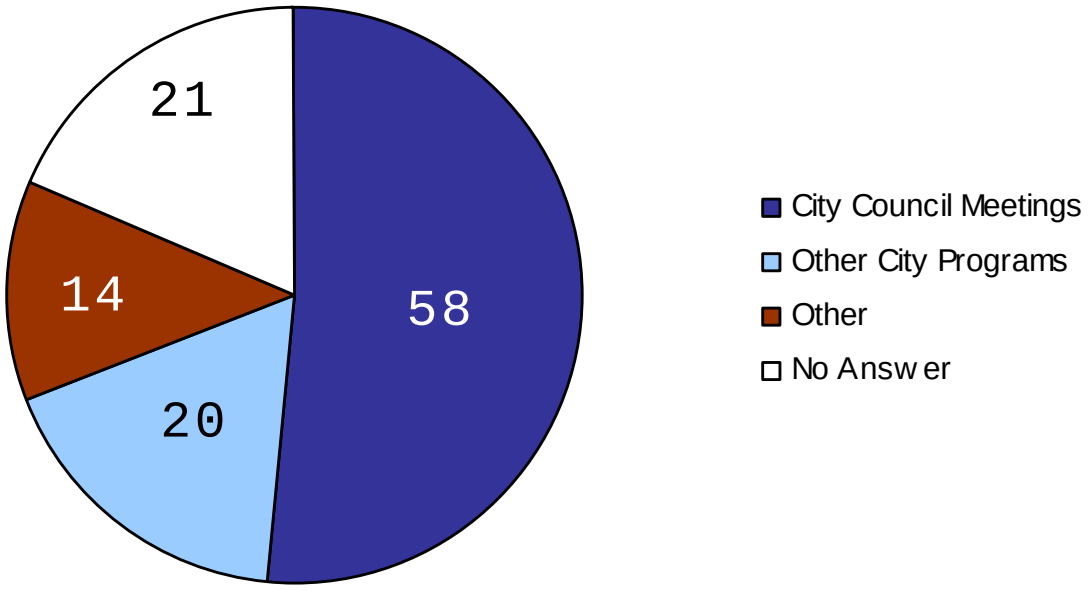
Q26A: In the last month, how many times would you say you have watched programming on KGOV or KLIFE? [n=159]*



*The number of cases is too small to discover who is most likely to give an answer.

City Council Meetings Most Popular Local Channel Content

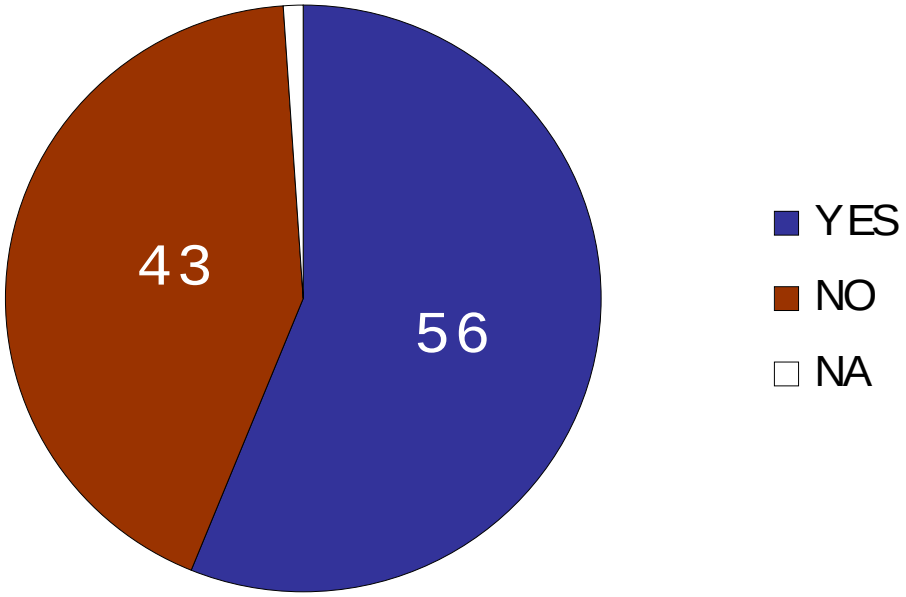
Q26B: Do you recall what programs you watched?



*The number of cases is too small to discover who is most likely to give an answer.

Majority Have Used City Website, Especially Among High Incomes

Q27: Have you ever visited the Website for the City of Kirkland?



Most Likely to say Yes (56%)

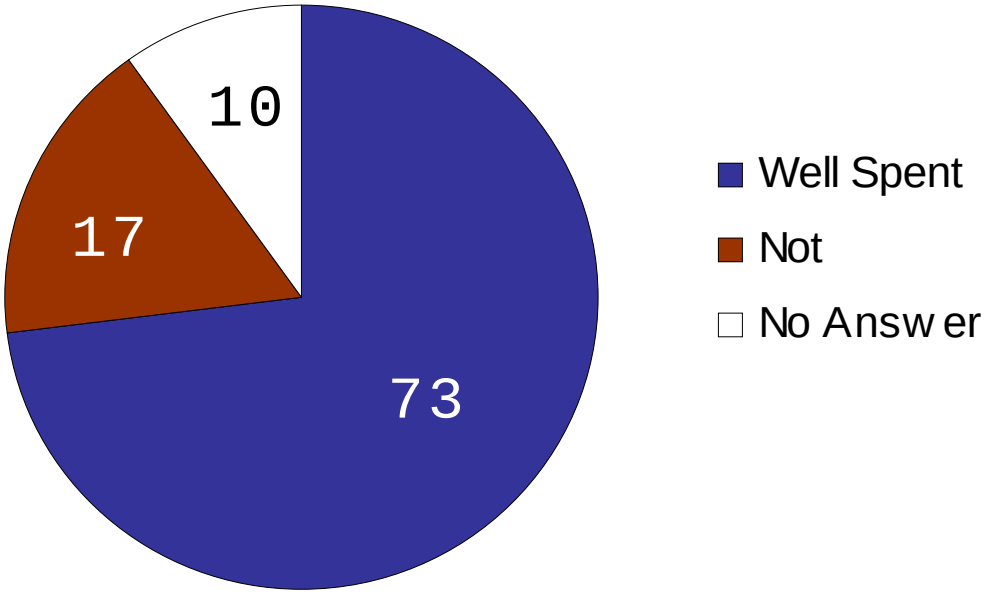
- Couple with children at home (74%);
- Annual income more than $75,000 (70%);
- Private sector employees (70%);
- Age 64 or under (69%);
- Kirkland resident for 10-20 years (66%).

Most Likely to say No (43%)

- Age 65+ (80%);
- Annual income less than $40,000 (65%);
- Retired people (62%);
- Single people (59%);
- Kirkland resident for more than 20 years (53%).

Most Consider City Tax Dollars Well-Spent

Q28: Thinking now about all the things we have talked about, as a citizen of Kirkland, do you think that your tax dollars are being well spent here? Or not?



Most Likely to say Well Spent (73%)

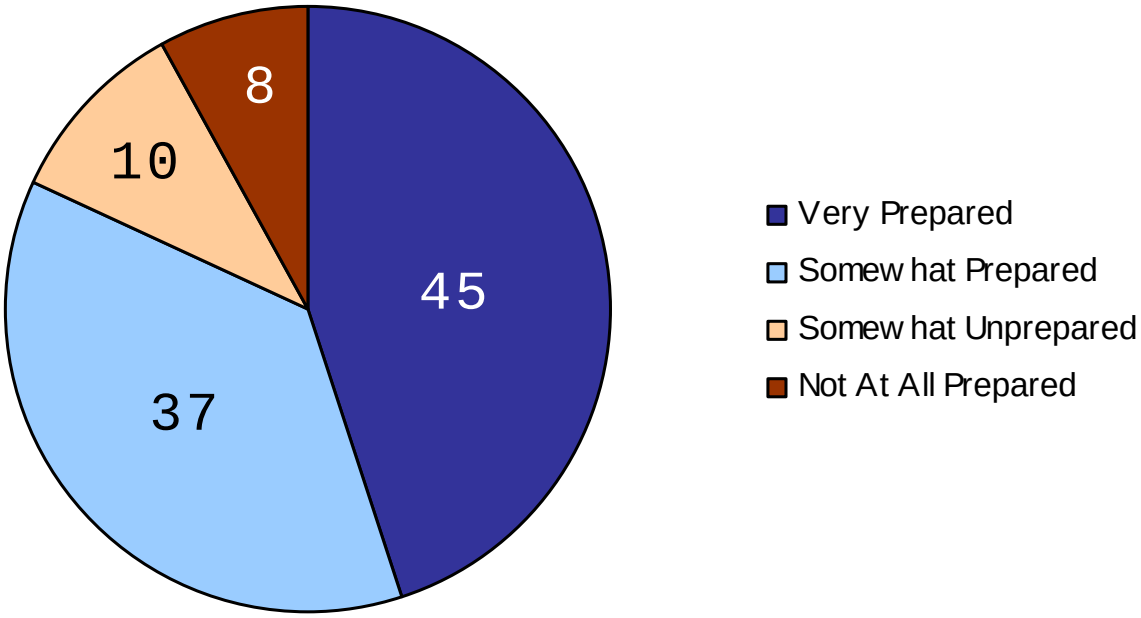
- Public sector employees (82%);
- Kirkland resident for less than 10 years (82%);
- Couple with children at home (80%);
- Private sector employees (79%);
- Annual income $75-100,000 (79%).

Most Likely to say Not Well Spent (17%)

- No one most likely.

Most Feel at Least "Somewhat Prepared" for Disasters

Q33: Do you feel your household is prepared to be self-sufficient for at least three days following a serious disaster, when 911 emergency responders – police, fire, and medical personnel – may not be available?



Most Likely to say Very Prepared (45%)

- Annual income less than $40,000 (51%);
- Self employed (51%);

Most Likely to say Not Prepared (8%)

- Kirkland resident for less than 5 years (14%);

QUESTIONNAIRE
WITH DATA

ELWAY RESEARCH, INC.

TOPLINE DATA

This summary presents response frequency distributions for the survey of residents of Kirkland on behalf of the City of Kirkland.

Telephone interviews were completed with 400 heads of household between February 9-12, 2006. The overall margin of sampling error is ±5% at the 95% level of confidence. That means, in theory, there is a 95% probability that the results of this survey are within ±5% of the results that would have been obtained by interviewing all heads of household in the designated area..

The data are presented here in the same order the questions were asked in the interview. The figures in bold type are percentages of respondents who gave each answer. Percentages may not add to 100% due to rounding.

SEX: Male...**50** Female...**50**

Hello. I'm calling from Elway Research, an independent research firm here in Washington state. My name is ___.We are conducting a public opinion survey for the City of Kirkland about citizen priorities for Kirkland. You are one of only 500 persons - selected at random - who is being interviewed in the city. We are not selling anything – this survey will be used to help City Government plan for the future of Kirkland.

We are trying to keep our sample in balance, so my instructions are to talk to the [MALE / FEMALE] head of this household at this number.

S1> Would that be you? **Q1** ← YES ☐
OR> Is the [MALE / FEMALE] head of household at home? **GO TO S2** ← NO ☐

S2> Then my instructions are to interview you. **Q1** ← YES ☐
Are you the [MALE / FEMALE] head of the household? **THANK & TERMINATE** ← NO ☐

S3> Do you live inside the City Limits of Kirkland? **Q1** ← YES ☐
THANK & TERMINATE ← NO ☐

1. First, how long have you lived in Kirkland?

LESS THAN 1 yr...**3**
1 to 5 yrs...**15**
5 to 10 yrs...**19**
10 to 20 yrs...**25**
MORE THAN 20 yrs…**39**
DK/NA…**0**

2. How would you rate Kirkland as a place to live? Would you say…

Excellent…**47**
Very Good…**41**
Satisfactory…**8**
Only Fair…**3**
Poor…**1**
[DK/NA…**1**]

3. What do you like best about living in Kirkland?

_____PLEASE_SEE_AT_END__

4. When you think about the way things are going in Kirkland, is there anything that concerns you? [What is that?]

_____PLEASE_SEE_AT_END__

5. These next questions are about Kirkland City Government. First, in general, how much attention would you say you pay to Kirkland City government? Would you say you pay…

A Lot Of Attention…**15**
Some…**39**
Not Very Much…**31**
Almost No Attention …**15**
DK/NA…**1**

6. First, in your opinion, is the City of Kirkland focused on the right things? Or does it spend too much time on things it should not be doing?

RIGHT THINGS…**53**
TOO MUCH TIME ON WRONG THINGS…**21**
[DK/NA]…**26**

6.1. IF WRONG THINGS, What would you say is an example of that?

_____PLEASE_SEE_AT_END_

7. Two ways that people often measure how well an organization is running are effectiveness and efficiency. Effectiveness means accomplishing what you are supposed to accomplish. Thinking about the City of Kirkland, would you say that it is effective? That is, how well does it accomplish what it is supposed to? Would you say that the City of Kirkland is…

ROTATE TOP/BOTTOM

Very Effective…**20**
Mostly Effective…**60**
Mostly Ineffective…**7**
Very Ineffective…**3**
DK/NA…**10**

8. Would you say that the City of Kirkland is efficient? That is, does it deliver valuable services at reasonable cost? Compared to other cities or other levels of government, do you think that the City of Kirkland is…

ROTATE TOP/BOTTOM

More efficient…**26**
About the same…**44**
Somewhat Less efficient…**10**
Much Less efficient…**5**
DK/NA…**15**

9. I'm going to read you a list of services and facilities provided by the city. As I read each one, tell me how important that service is to you and your household. We'll use a scale from 0 to 4 where 4 means Very Important and 0 means Not Important to you. The first one is….

ROTATE	**VERY**				**NOT**	DK	**MEAN**
1. Street Maintenance	57	34	7	2	1	1	3.45
2. Recreation Programs and Classes	24	34	26	8	6	3	2.63
3. City Parks	54	32	10	2	2	0	3.33
4. Fire and Emergency Medical Services	81	14	4	0	1	1	3.75
5. Police Services	74	19	4	1	1	1	3.66
6. Neighborhood Services	19	35	27	4	3	13	2.72
7. Attracting and Keeping Businesses	37	34	18	3	4	4	3.01
8. Bike Lanes	22	29	30	10	8	2	2.47
9. Sidewalks	41	34	17	5	3	1	3.06
10. Arts	24	32	29	9	5	2	2.61
11. Community Events	21	40	27	8	3	1	2.69
12. Zoning and Land Use	46	32	15	3	3	3	3.19
13. Recycling Services	46	35	14	1	3	2	3.22
14. Garbage Collection	59	33	7	1	1	1	3.49
15. Emergency Preparedness	44	34	12	3	2	6	3.23
16. Environmental Stewardship	43	37	12	2	1	5	3.24

10. I am going to read through that list again, This time, I would like you to tell me how well you think the city is doing in that area. As I read each service, I'd like you to give it a letter grade, like they give in school. A for Excellent, B For Good, C for Satisfactory, D for Barely Passing, F for Failing.

ROTATE	A	B	C	D	F	DK	MEAN
1. Street Maintenance	24	48	23	3	1	2	2.91
2. Recreation Programs and Classes	33	41	15	2	1	9	3.15
3. City Parks	52	39	7	2	0	2	3.43
4. Fire and Emergency Medical Services	58	30	4	1	1	8	3.54
5. Police Services	47	36	10	2	1	5	3.32
6. Neighborhood Services	15	39	20	4	1	23	2.80
7. Attracting and Keeping Businesses	11	34	29	12	7	8	2.31
8. Bike Lanes	20	37	27	8	2	6	2.69
9. Sidewalks	19	40	27	9	4	1	2.62
10. Arts	35	40	16	4	1	6	3.09
11. Community Events	31	46	14	4	1	5	3.07
12. Zoning and Land Use	12	33	28	12	7	9	2.33
13. Recycling Services	45	37	12	4	1	2	3.24
14. Garbage Collection	58	32	7	2	1	1	3.46
15. Emergency Preparedness	19	30	19	5	3	25	2.76
16. Environmental Stewardship	23	42	18	5	1	12	2.92

11. Thinking now about the next two years…If you had to choose just one, which one of these services would you say the City of Kirkland should put the most emphasis on over the next two years? I'll read the list again, they are:

11.1. Which would you say should have the most emphasis over the long run?

[READ AND ROTATE LIST]	Q11 **NOW**	11.1 **LONG**
Street Maintenance	**15**	**12**
Recreation Programs and Classes	**2**	**2**
City Parks	**5**	**6**
Fire Services	**6**	**3**
Police Services	**8**	**8**
Neighborhood Services	**2**	**1**
Attracting & Keeping Businesses	**17**	**14**
Bike Lanes	**2**	**3**
Sidewalks	**6**	**3**
Arts	**1**	**1**
Community Events	**1**	**2**
Zoning and Land use	**17**	**18**
Recycling	**1**	**1**
Garbage Collection	**0**	**1**
Emergency Preparedness	**7**	**6**
Environmental Stewardship	**5**	**6**
DK / NA	**9**	**15**

12. Like most cities in King County, Kirkland is growing and developing. As you know, zoning and other rules for new development govern growth and development in a city – things like the amount of and types of businesses and housing, and where they can be located.

In your opinion, should there be more commercial space and business activity in Kirkland? Less? Or about the same as there is now?

MORE…**23** SAME…**60** LESS…**15**
[DK/NA]…**2**

13. Are there any kinds of businesses or stores you would like to see more of in Kirkland?

_____PLEASE_SEE_AT_END_____

14. Are there kinds of businesses or stores you think there are too many of already?

_____PLEASE_SEE_AT_END_____

15. In neighborhoods, zoning laws cover things like how close together houses can be, and how much of a lot can be taken up with a house and how much must be left for yard. In your opinion, should the rules governing housing construction in Kirkland:

Be changed to allow for smaller lots and greater lot coverage…**12**
Stay the same as they are now…**39**
Be changed to require larger lots and less lot coverage …**42**
[DK/NA]…**8**

16. Overall, how would you rate the job the City of Kirkland is doing at managing growth? Would you say…

Excellent…**8**
Good…**43**
Only Fair…**29**
Poor…**17**
[DK/NA…**4**]

17. Let's talk briefly about your neighborhood. In general, how safe do you feel walking alone in your neighborhood during the day?

Very Safe…**89**
Somewhat Safe…**9**
Somewhat Unsafe…**2**
Not At All Safe…**1**
DK/NA…**0**

18. In general, how safe do you feel walking alone in your neighborhood at night?

Very Safe…**54**
Somewhat Safe…**29**
Somewhat Unsafe…**8**
Not At All Safe…**8**
DK/NA…**3**

19. During the past 12 months, have you contacted any City Official or City Department to seek service or information, or to make a complaint?

YES…**45** NO…**54**
NA…**1**

19.1. **[IF YES]** The last time you contacted a city official, was your most recent contact…[n=180]

In Person…**34**
By Telephone…**54**
Via The Internet…**10**
By Some Other Means…**1**
[DK/NA]…**1**

19.2. What department did you contact?

PLEASE_SEE_AT_END

19.3. Were you generally satisfied or dissatisfied with the response you got? [n=180]

SATISFIED…**77**
DISSATISFIED…**20**
[DK/NA]…**3**

INFORMATION / COMMUNICATIONS

20. We are interested in how people get information about City Government here in Kirkland. What are your sources of information for learning about what is happening with city government and city services in the City of Kirkland?

PLEASE_SEE_AT_END

21. When it comes to getting information about the programs and services offered by the City, which of the following would be an effective way to get you that information? **[circle all that apply]**

Utility Bill Inserts…**18**
City Website…**33**
City Cable TV Channels…**17**
City Newsletter…**35**
Radio…**7**
Postcard or Mailing…**35**
Newspaper…**47**
[DK/NA]…**2**

22. In terms of keeping citizens informed about what is happening in city government -- How good a job do you think the City of Kirkland does at that? Would you say…

Excellent…**10**
Good…**54**
Only Fair…**25**
Poor…**8**
DK/NA…**4**

23. IF ONLY FAIR OR POOR: In your opinion, what are some ways the City of Kirkland could do a better job of keeping citizens informed?

PLEASE_SEE_AT_END

24. How would you rate the city's performance in providing residents the opportunity to be involved in decisions that affect city government? How good a job do you think the City of Kirkland does at that? Would you say…

Excellent…**16**
Good…**45**
Only Fair…**22**
Poor…**8**
DK/NA…**10**

25. IF ONLY FAIR OR POOR: In your opinion, what are some ways the City of Kirkland could do a better job of keeping citizens involved?

_____PLEASE SEE AT END_____

26. Have you ever watched a City meeting or City Program on the City Cable Channels, KGOV Channel 21 or KLIFE Channel 75?

YES…**40** NO…**59**
NA…**2**

26.1. IF YES: In the last month, how many times would you say you have watched programming on KGOV or KLIFE? [n=159] [DK/NA=1%]

0…...1…….2…..3…..4…..5….6…..7+
30….26….23….8….4….4….1……4

26.2. Do you recall what programs you watched? Did you watch …

[CIRCLE ALL THAT APPLY]
City Council Meetings…**58**
other City Programs, such as Currently Kirkland…**20**
Other…**14**
[DK/NA]…**21**

27. Have you ever visited the Website for the City of Kirkland?

YES…**56** NO…**43**
DK/NA…**1**

28. Thinking now about all the things we have talked about, as a citizen of Kirkland, do you think that your tax dollars are being well spent here? Or not?

WELL SPENT…**73** NOT…**17**
[DK/NA…**10**]

29. Is there anything else you would like to say about Kirkland that we have not asked about?

_____PLEASE SEE AT END_____

30. i have just a few last questions for our statistical analysis. How old are you?

18-35...**10**
36-50...**29**
51-64...**35**
65+...**26**
[NA...**1**]

31. Which of these the following best describes you at this time? Are you. . .

Self employed or a business owner…**21**
Employed In The Public Sector, Like a Governmental Agency or Educational Institution...**12**
Employed In Private Business...**33**
Not Working Right Now...**6**
Retired...**28**
[NA...**1**]

32. Which of the following best describes your household:

Single with no children at home...**25**
Couple with no children at home...**33**
Single with children at home...**6**
Couple with children at home...**34**
[NA...**2**]

33. Do you feel your household is prepared to be self-sufficient for at least three days following a serious disaster, when 911 emergency responders – police, fire, and medical personnel – may not be available? Would you say you are:

Very prepared…**45**
Somewhat prepared…**37**
Somewhat unprepared…**10**
Not at all prepared…**8**
[DK/NA]…**0**

34. Which of the following best describes your race or ethnic background?

African American…**1**
Asian / Pacific Islander…**3**
American Indian / Native American…**1**
Caucasian…**90**
Hispanic / Latino…**2**
Other…**3**
[DK/NA…**1**]

35. In which neighborhood of Kirkland do you live? **(CLARIFY. READ LIST IF NECESSARY.)**

Bridle Trails….**8**
Everest….**1**
Highlands….**6**
Houghton…**14**
(North) Juanita (North of NE 124th)….**10**
(South) Juanita (South of NE 124th)….**10**
Lakeview…**2**
Market…**8**
Moss Bay...**3**
Norkirk...**10**
(North) Rose Hill (North of NE 85th)..**10**
(South) Rose Hill (South of NE 85th)....**7**
Totem Lake…**6**
Other: ..**5**
Don't Know..**2**

36. Do you own or rent the place in which you live?

OWN….**90** RENT…..**9**
DK/NA…**1**

37. Finally, I am going to list four broad categories. Just stop me when I get to the category that best describes your approximate household income - before taxes - for this year.

ROTATE TOP/BOTTOM
$40,000 or less...**12**
Over $40,000 to $75,000...**21**
Over $75,000 to $100,000...**14**
Over $100,000...**28**
[DO NOT READ: NO ANSWER]...**25**

Thank you very much. You have been very helpful.

Q3 LIKE BEST ABOUT KIRKAND

Value Label	Frequency	Percent
Close to Everything	49	12.3
Bay/Lakes/Rivers	38	9.5
Atmosphere	28	7.0
Small	22	5.5
Downtown	19	4.8
Pedestrian Friendly	18	4.5
Parks & Rec	17	4.3
Location	17	4.3
Close to Home/Work	14	3.5
Nice Area/Neighborhood	14	3.5
Friendly People	13	3.3
Scenic Beauty	13	3.3
Quiet/Peaceful	12	3.0
Shopping	12	3.0
Sense of Community	10	2.5
Near to Seattle/City	9	2.3
Clean	8	2.0
Born Here	6	1.5
Family/Friends Here	6	1.5
Cultural (Museums)	5	1.3
Schools/Edu	5	1.3
Safe/No Crime	5	1.3
Freeway Access	5	1.3
Housing	4	1.0
Open Space	4	1.0
Amenities	3	.8
Variety Things To Do	3	.8
Nearby Recreation	3	.8
Size	3	.8
Not Too Big	3	.8
Quality of Life	3	.8
Public Library	2	.5
Comfortable	2	.5
Transportation Convnt	2	.5
Traffic Not Bad	2	.5
Climate	2	.5
Health Care	1	.3
Govt Doing Things	1	.3
Lifestyle	1	.3
Diversity	1	.3
Physical Surrounding	1	.3
Other Phys Environment	1	.3
Everything	6	1.5
Nothing	3	.8
DK/NA	4	1.0

Q4 CONCERNS ABOUT WAY THINGS ARE GOING IN KIRKLAND

Value Label	Frequency	Percent
Traffic Congestion	58	14.5
Overcrowding/Growth	56	14.0
Housing Density	31	7.8
High Rises/Condos	23	5.8
Downtown Development	14	3.5
Lack Economic Activity	13	3.3
Housing Costs/Prices	10	2.5
Parking	10	2.5
Taxes	10	2.5
High Cost of Living	9	2.3
Construction Delays	9	2.3
Population Density	8	2.0
Police Corruption	6	1.5
Small Twn Feel Disaprng	6	1.5
No Shopping	5	1.3
Mass Transit	5	1.3
Money Handled Poorly	5	1.3
City Planning	4	1.0
Street/Sidewalks	4	1.0
Tree Policy	3	.8
Crime	3	.8
Too Big	3	.8
Speed Bumps	3	.8
Land Use Restriction	2	.5
No Info Provided to	2	.5
City Government	2	.5
City Appearance	2	.5
Lack of Amenities	1	.3
Cultural Atmosphere	1	.3
Schools Are Poor	1	.3
Other City Govt	1	.3
Corruption	1	.3
Emerg Response Slow	1	.3
Other Traffic	1	.3
Disrespectful People	1	.3
Not Enough Parks	1	.3
Nothing	73	18.3
Other	4	1.0
DK/NA	8	2.0

Q6A CITY SPENDS TOO MUCH FOCUS ON WRONG THINGS, FOR EXAMPLE:

(n=85 who said city was focused on wrong things)

Value Label	Frequency	Percent
Less Development	17	20.0
Reduce Bureaucracy	7	8.2
Less Favoritism for Dvlprs	6	7.1
Traffic Problems	6	7.1
Land Use Restrct Too Strct	4	4.7
Spending Concerns	4	4.7
More Citizen Input	3	3.5
Oppose Tree Ordinance	3	3.5
Limit Condos/Devlpmt	3	3.5
More Biz Friendly/Dev	2	2.4
Don’t Restore Unfamiliar	2	2.4
Enforce Speed Limit	1	1.2
Need City Planning I	1	1.2
Need Transp Improvem	1	1.2
Road Improvements/Frway	1	1.2
Zoning Concerns	1	1.2
Need City Communication	1	1.2
No Tax Raising	1	1.2
More Police Downtown	1	1.2
Need Parking Improve	1	1.2
Homeless/Tent City Prob	1	1.2
100th Anniv Mentions	1	1.2
Totem Lake Mall Concern	1	1.2
Other	2	2.4
DK/NA	14	16.5

Q13 LIKE TO SEE MORE OF…

Category label	Count	Pct of Cases
Hardware/Home Imp Stores	53	13.3
Department Stores	25	6.3
Clothing Stores	25	6.3
Retail Stores	21	5.3
Restaurants	21	5.3
Small Stores	20	5.0
Chain Stores	17	4.3
Grocery Stores	15	3.8
Malls	12	3.0
Boutiques/Specialty	10	2.5
Drugstores/Pharmacies	9	2.3
Gourmet Food Stores	8	2.0
Service Industry	6	1.5
Electronics Stores	6	1.5
Recreation/Sporting Goods Stores	5	1.3
Light Industry	5	1.3
Art Galleries/Stores	4	1.0
Furniture/Appliance Stores	4	1.0
Office Buildings	4	1.0
Affordable/Discount Stores	4	1.0
Family Oriented Stores	4	1.0
Expensive Stores	4	1.0
Parking Lots	4	1.0
Book Stores	4	1.0
Hobby/Craft Stores	4	1.0
Downtown Biz/Stores	3	.8
Large/Major Stores	3	.8
Music Stores	3	.8
High Tech Business	3	.8
Bakeries	3	.8
Starbucks/Cafes	2	.5
Hotels	2	.5
Auto Repair Shops	1	.3
Gyms/Spas	1	.3
Convenience Stores	1	.3
Banks/Financial	1	.3
Antique Stores	1	.3
Thrift Stores	1	.3
Movie Rental Stores	1	.3
Pet Stores	1	.3
Medical Offices	1	.3
Everything	1	.3
Nothing	174	43.5
DK/NA	13	3.3

Q14 KIRKLAND HAS TOO MANY…

Category label	Count	Pct of Cases
Art Galleries/Stores	57	14.3
Restaurants	24	6.0
Boutiques/Specialty	14	3.5
Starbucks/Cafes	12	3.0
Real Estate Agencies	9	2.3
Bars/Taverns	8	2.0
Hair/Beauty/Nail Salons	8	2.0
Car Dealerships	8	2.0
Banks/Financial	6	1.5
Furniture/Appliance Stores	4	1.0
Malls	4	1.0
Expensive Stores	4	1.0
Clothing Stores	3	.8
Grocery Stores	3	.8
Chain Stores	3	.8
Department Stores	1	.3
Retail Stores	1	.3
Large/Major Stores	1	.3
Apartments	1	.3
Electronics Stores	1	.3
Auto Repair Shops	1	.3
Convenience Stores	1	.3
Service Industry	1	.3
Drugstores/Pharmacies	1	.3
Gourmet Food Stores	1	.3
Gas Stations	1	.3
Hotels	1	.3
Everything	1	.3
Nothing	234	58.5
DK/NA	18	4.5

Q19B DEPARTMENT CONTACTED

(n=180 who had contacted a city dept)

Value Label	Frequency	Percent
Police Dept	50	27.8
Public Works	11	6.1
Planning Dept	10	5.6
Parks & Rec	10	5.6
Building Dept	10	5.6
Licenses/Permits	10	5.6
Garbage Collection	8	4.4
Traffic Dept	7	3.9
Fire Dept	7	3.9
Zoning Dept	6	3.3
City Hall	5	2.8
City Manager	5	2.8
Utilities Dept	5	2.8
Water Dept	5	2.8
Maintenance/Street Mnt	5	2.8
Tree/Arborist Dept	3	1.7
Sewer Dept	2	1.1
Transportation Plann	2	1.1
IT Dept	2	1.1
Employment Dept	2	1.1
Land Use Dept	2	1.1
School District	1	.6
Mayors Office	1	.6
Finance Dept	1	.6
Narcotics Division	1	.6
Engineering Dept	1	.6
Senior Citizens Dept	1	.6
Animal Control	1	.6
DK/NA	6	3.3

Q20 SOURCES OF INFORMATION ABOUT KIRKLAND

Category label	Count	Pct of Cases
Newspaper/K Courier	263	65.8
Website/Internet	94	23.5
TV/Local Kirkland Channel	63	15.8
Word of Mouth	35	8.8
Newsletter	32	8.0
Mail	27	6.8
Town Meetings/Groups	23	5.8
Flyers	13	3.3
City Council/Meeting	12	3.0
City Brochure	10	2.5
City Hall	10	2.5
Radio	6	1.5
EMail	6	1.5
Community Leaders	6	1.5
Library	5	1.3
Volunteers/Door to Door	3	.8
Inserts	2	.5
PSA/Advertising	2	.5
Bridle Trails Club	2	.5
Voting	2	.5
Homeowners Association	2	.5
Listen To People	1	.3
In Utility Bills	1	.3
Telephone Call	1	.3
Police/Fire Depts	1	.3
Billboards/Signs	1	.3
Nothing	4	1.0
Other	1	.3
DK/NA	12	3.0

Q23 WAYS TO DO BETTER AT KEEPING CITIZENS INFORMED

(n=130 who rated City as doing "only fair" or "poor" at keeping citizens informed)

Category label	Count	Pct of Cases
Newsletter	31	23.8
Mail	31	23.8
Inform People (General)	16	12.3
Website/Internet	11	8.5
Newspaper/K Courier	10	7.7
TV/Local Kirkland Channel	6	4.6
Flyers	6	4.6
In Utility Bills	5	3.8
Town Meetings/Groups	3	2.3
EMail	3	2.3
Participation Opportunities	3	2.3
Meeting Notification	3	2.3
Listen To People	2	1.5
Be More Honest	2	1.5
Voting	2	1.5
City Hall	2	1.5
Hire Public Info Officer	2	1.5
Billboards/Signs	2	1.5
City Council/Meeting	1	.8
PSA/Advertising	1	.8
Inserts	1	.8
Telephone Call	1	.8
Events Participation	1	.8
Radio	1	.8
Be Responsive to Inquiries	1	.8
Nothing	1	.8
DK/NA	22	16.9

Q25 WAYS TO DO BETTER KEEPING CITIZENS INVOLVED

(n=128 who rated City as doing "only fair" or "poor" at providing opportunies for citizens to be involved)

Category label	Count	Pct of Cases
Inform People (General)	20	16.7
Listen To People	16	13.3
Mail	13	10.8
Newsletter	9	7.5
Town Meetings/Groups	9	7.5
Newspaper/K Courier	8	6.7
Participation Opportunities	8	6.7
Volunteers/Door to Door	6	5.0
Inserts	6	5.0
TV/Local Kirkland Channel	4	3.3
PSA/Advertising	4	3.3
Website/Internet	3	2.5
EMail	3	2.5
Flyers	3	2.5
Meeting Notification	3	2.5
Be Responsive to Inquiries	3	2.5
Up Front About Decisions	2	1.7
Voting	2	1.7
City Council/Meeting	2	1.7
Events Participation	2	1.7
Radio	1	.8
Be More Honest	1	.8
City Brochure	1	.8
Telephone Call	1	.8
Suggestion Box	1	.8
Nothing	2	1.7
DK/NA	20	16.7

Q29 ANYTHING ELSE YOU'D LIKE TO SAY

Category label	Count	Pct of Cases
General Positive/Like It	34	8.5
Less Development	23	5.8
Traffic Problems	20	5.0
Limit Condos/Devlpmt	19	4.8
More Biz Friendly/Develpmt	12	3.0
Need Sidewalks	11	2.8
Revamp Park/Trail/Railroad	6	1.5
Enforce Speed Limit	5	1.3
Term Limits City Council	5	1.3
Spending Concerns	5	1.3
Need City Planning Info	5	1.3
No Tax Raising	5	1.3
Retain Atmosphere/Uniqueness	5	1.3
Need Parking Improvements	4	1.0
More Citizen Input	4	1.0
Lakefront Planning Needed	4	1.0
High Cost of Living	4	1.0
Zoning Concerns	4	1.0
Edu/More Cultural Classes	4	1.0
Less Favoritism for Developers	4	1.0
Need Bike Lanes	3	.8
Need Transp Improvements	3	.8
Reduce Crime	3	.8
Too Many Police	3	.8
Traffic Lights Need More	3	.8
Road Improvements/Freeway Access	2	.5
Fireworks Comments	2	.5
Oppose Tree Ordinance	2	.5
Need City Communication/Info	2	.5
Reduce Bureaucracy	2	.5
Better Banner Event Ads	2	.5
General Negative/Dislike It	2	.5
Control Roadside Stands	1	.3
Disaster Preparedness Plan	1	.3
Need Welcome Wagon	1	.3
Need Sewer Repair	1	.3
Homeless/Tent City Problems	1	.3
Cable Provider Mentions	1	.3
Open Sport Field Times	1	.3
Program/Svc Info Needed	1	.3
Dog Area Info Needed	1	.3
Totem Lake Mall Concerns	1	.3
Police Corruption Exists	1	.3
Land Use Restrct Too Strict	1	.3
Need Activities for Youths	1	.3
No/Nothing	1	.3
Other	3	.8
DK/NA	226	56.5

CITY OF KIRKLAND
City Manager's Office
123 Fifth Avenue, Kirkland, WA 98033 425.587.3001
www.ci.kirkland.wa.us

MEMORANDUM

To: Kirkland City Council

From: David Ramsay

Date: March 15, 2006

Subject: **Council Goal Setting**

Preparing for the goal setting session was discussed at the February 21 Council meeting. At that time, Council gave the following directions.

- Select a facilitator for the session
- The session should begin with a review of previous/current Council goals
- A discussion of goals should focus on establishing a foundation or framework for additional work
- Consideration should be given to how to incorporate performance management into this goal setting

Since then staff has been following-up on Council's direction. Several facilitators were interviewed and Dee Endelman was selected. Dee has worked for the City on several projects and was considered to be a good match for this goal setting session. For the review of previous Council goal setting efforts, please find attached the statement of "Council Philosophy" and the "Vision/Framework Goals" of the City's Comprehensive Plan.

In preparation for Council's discussion of goals, Dee has talked to each Councilmember to get a better understanding of desired approach and outcome expectations. As a result of these conversations, Dee has prepared a summary of the major issues and a proposed agenda for the goal setting session that are attached to this memo. A series of briefing papers has also been prepared by staff that is designed to provide Council with background information on key issues. This will include a brief presentation on challenges and opportunities that may assist with the setting of goals. The following issues are included:

- Housing
- Community Safety
- Environmental Stewardship
- Transportation
- Neighborhoods
- Parks and Open Space
- High Performance Organizations
- Community Engagement
- Economic Development (see memo in the economic development agenda item)
- Human Services

Several background information pieces have also been provided on performance management and its relationship to goal setting. The first attachment consists of two diagrams prepared by Councilmember Asher that illustrate a goal setting process that includes the development of performance indicators and a process for measuring results through performance management. The second set of attachments are "outcome charts" that have been prepared

as part of the City's participation in a regional performance measurement effort sponsored by the International City Managers Association (ICMA). These charts measure in six service areas and focus on indicators that lead to a desired outcome (e.g. police activities that results in the community feeling safe). A sample of three of these outcome charts is attached. Another approach to this issue is to directly link the budgeting process to performance outcomes. A series of articles is attached that describes this process and includes Governor Locke's "Priority of Government" strategy. The final set of attachments is examples of other cities' approaches to performance management including Charlotte's "Balanced Scorecard", Bellevue's "Performance Measures Vital Signs" and Tucson's "Livable Tucson Vision."

The consensus at the February 21 Council meeting was that it would not be possible to complete a goal setting exercise at this four-hour retreat session. Instead, the intent of this information is to assist Council in laying the foundation for a goal setting process with the understanding that additional work will be needed.

CITY OF KIRKLAND

COUNCIL PHILOSOPHY

UNIQUE COMMUNITY CHARACTER

We recognize that Kirkland is a special place. The City is endowed with a beautiful physical setting, a strong sense of history, attractive neighborhoods, vibrant business districts and an exceptional park system.

A SAFE COMMUNITY

We place a strong emphasis on ensuring that all those who live, shop, work and play in Kirkland feel safe. This is done through a community-based approach that focuses on the prevention of police, fire, emergency medical and code enforcement related problems.

ENVIRONMENTAL STEWARDSHIP

We commit to the proactive protection of our environment. An integrated system of natural resource management focuses on the preservation of wetlands, trees, open space and other sensitive areas, water quality, clean air and waste reduction.

COMMUNITY INVOLVEMENT

We value the meaningful participation of the community in City decision-making processes and services. By providing information in a variety of formats, key stakeholder groups and individual residents are encouraged to get involved.

INVESTMENT IN THE INFRASTRUCTURE

We recognize that high-quality infrastructure is fundamental to our quality of life. An integrated system of a balanced transportation strategy, comprehensive parks program, city buildings and water and sewer facilities require both a commitment to significant capital expenditures and on-going maintenance costs.

HUMAN SERVICES

We care about the well being of all those in our diverse community. In addition to providing high quality services to all of Kirkland, there is particular attention focused on those with special needs including seniors, youth, minorities, disabled, low-income and the challenge of affordable housing.

FINANCIAL STABILITY

We endorse a set of fiscal policies that ensure the prudent management of City resources. By proactively planning for the City's needs, establishing sound budgetary practices, focusing on business retention and encouraging responsible economic development, the city is able to provide both high quality infrastructure and services.

ORGANIZATIONAL VALUES

We believe that our employees are the City's most important assets in the provision of high quality services to the community. In addition to providing them with the needed resources, a workplace environment is maintained that values effective communication, mutual respect, inclusion, and integrity. We develop proactive strategies for issues that emphasize effective planning, participation and results.

II. Vision/Framework Goals

A. Vision Statement

Welcome to Kirkland sign

The Vision Statement is a verbal snapshot of Kirkland in the year 2022. It summarizes the desired character and characteristics of our community. It provides the ultimate goals for our community planning and development efforts.

The Vision Statement is an outgrowth of a community visioning process that occurred in 1992 and then again in 2002. The process in 1992 involved a series of community workshops in which approximately 250 Kirkland citizens worked to articulate commonly held desires for the Kirkland of the future. In 2002, the City sponsored an outreach program called "Community Conversations – Kirkland 2022." The program centered around a video produced by the City about Kirkland's past, present and future with three questions focusing on a preferred future vision. Nearly 1,000 people participated in one of the 51 conversations held by a wide range of groups in the community to discuss their preferred future in 20 years. In addition, individuals participated by viewing the video program on the City's cable channel or on the City's internet web site and responding to the questions by mail or e-mail to the City. The responses from all three formats were summarized into major themes reflecting commonly held desires and formed the basis for the Vision Statement. The community visioning program was awarded the Puget Sound Regional Council's 2020 Vision Award for its high level of innovation, creativity and success.

The Vision Statement is intended to set a direction instead of being a mere prediction. Rather than describing the features of Kirkland as we think they are likely to be, it expresses what we would like our community to become and believe we can achieve. It acknowledges past and current trends and Kirkland's relationship to external factors, but also assumes an ability to shape the future in a positive way. The Vision Statement, therefore, is optimistic, affirming and enhancing the best of our attributes, past and existing, and aspiring for those we hope to have.

A Vision for Kirkland

Kirkland in 2022 is an attractive, vibrant, and inviting place to live, work and visit. Our lakefront community, with its long shoreline, provides views and access to the lake and is a destination place for residents and visitors. Kirkland is a community with a small-town feel, retaining its sense of history while adjusting gracefully to changes in the twenty-first century.

The City is a place where people are friendly and helpful, ideas are respected and action is taken based on collaborative decisions. We have a diverse population made up of various income and age groups from various ethnic and educational backgrounds. We are committed to developing and strengthening a healthy community by creating programs that assist those in need, encourage individual expressions and provide enrichment opportunities for an increasingly diverse population. High quality local schools are important to us. Our neighborhood, business, and civic associations; our faith-based groups; and our school organizations have strong citizen involvement.

Our neighborhoods are secure, stable and well-maintained, creating the foundation for our high quality of life. Each neighborhood has its own character which is a community asset. People from all economic, age, and ethnic groups live here in a variety of housing types. Our residential areas are well-maintained with

single-family and multifamily homes and include traditional subdivisions, waterfront-oriented neighborhoods, urban villages and an equestrian community. We have worked to increase diversity and affordability, such as smaller homes on smaller lots, compact developments and accessory housing units. Mixed land uses in neighborhoods help to minimize driving. Many of our apartments and condominiums are close to commercial areas and transportation hubs.

Kirkland's economy is strong and diverse. A healthy mix of businesses provides valuable economic returns including varied employment opportunities and high wages, a strong tax base with sustainable revenues that help fund public services, and a broad range of goods and services. Our business districts are attractive, distinctive and integral to the fabric of the City. Many serve as community gathering places and centers of cultural activity. Businesses choose to locate in Kirkland because of our innovative and entrepreneurial spirit and because they are regarded as valued members of the community.

Downtown Kirkland is a vibrant focal point of our hometown with a rich mix of commercial, residential, civic, and cultural activities in a unique waterfront location. Our Downtown maintains a human scale through carefully planned pedestrian and transit-oriented development. Many residents and visitors come to enjoy our parks, festivals, open markets and community events.

Totem Lake Urban Center is an economic and employment center with a wide range of retail, office, industrial and light manufacturing uses as well as a regional medical center surrounded by related services. It is a compact mixed-use urban village with extensive pedestrian- and transit-oriented amenities, higher intensity residential development, public gathering places and cultural activities.

We accommodate growth and change while maintaining strong linkages with our past. Important historic landmarks are preserved, and new development occurs in a manner that is compatible with and respectful of its historic context.

Our transportation system offers a variety of ways to meet our mobility needs and provides efficient and convenient access to all areas of Kirkland and regional centers. Improved transit service and facilities allow us to commute within Kirkland and to other regional destinations without overburdening our neighborhood streets. The City is pedestrian-friendly. Paths for safe pedestrian, bicycle and other transportation modes interconnect all parts of the City. In addition to the transportation functions they provide, our streets and paths are people-friendly and provide public spaces where people socialize.

The City has excellent police and fire protection, dependable water and sewer service, and well-maintained public facilities. Emergency preparedness for natural or manmade disasters is a high priority. We work closely with other jurisdictions on regional issues that affect our community. For recreation, we like to bike or walk to one of our many parks. We have well-maintained playgrounds, play fields, sport courts, indoor facilities and trails in or near each neighborhood. Our recreational programs offer a variety of year-round activities for all ages. Public access to our waterfront is provided by an unparalleled and still-expanding system of parks, trails, and vistas.

We preserve an open space network of wetlands, stream corridors, and wooded hillsides. These natural systems provide habitat for fish and wildlife and serve important biological, hydrological and geological functions. Streets are lined with a variety of trees, and vegetation is abundant throughout the City. The water and air are clean. We consider community stewardship of the environment to be very important.

Kirkland in 2022 is a delightful place to call home.

B. VISION/FRAMEWORK GOALS

INTRODUCTION

The Framework Goals express the fundamental principles for guiding growth and development in Kirkland over the 20-year horizon of the Comprehensive Plan. They are based on and provide an extension of

the aspirations and values embodied in the Vision Statement. By nature they are forward-looking and future-oriented. Even so, they were developed with a keen awareness of Kirkland's history and a strong appreciation for the high quality of life which that history has given us. The Framework Goals address a wide range of topics and form the foundation for the goals and policies contained in other elements of the Comprehensive Plan. Although all of the Framework Goals broadly apply to all Comprehensive Plan elements, some of the Framework Goals are more applicable to some elements than others. Each element identifies the Framework Goals that are particularly relevant to that element.

Public art in Downtown Kirkland

All Framework Goals are intended to be achievable. They are not prioritized to give importance to some goals over others. Tradeoffs among goals will be necessary as they are applied to particular circumstances; but over time, it is intended that an appropriate balance will be achieved.

FG-1: Maintain and enhance Kirkland's unique character.

Discussion: To those who come to Kirkland to live, work, shop, or play, Kirkland is a unique and special place. Each of the City's neighborhoods and business districts has its own distinctive identity. A prime goal is to protect and improve those qualities that make our neighborhoods and our business districts so attractive. Some of the important characteristics are a small-town feel; strong sense of place; waterfront orientation; long shoreline with public views and access; pedestrian- and transit-friendly business districts; a human-scale downtown; a thriving urban center, numerous and diverse parks; neighborhoods with a variety of housing types, styles, and ages; abundant open space; historic structures; and a network of bike and pedestrian paths. The Comprehensive Plan must seek to support these and any other features which significantly contribute to the City's desired character.

FG-2: Support a strong sense of community.

Discussion: Kirkland is far more than a product of its physical features. We have a strong sense of community supported by friendly and helpful people, a network of neighborhood, business, homeowners and civic associations, good schools and recreational opportunities. A wide range of human services and enrichment opportunities are available to encourage a stable and healthy community. New ideas are respected and shared to improve the quality of life in Kirkland and the region. Parks, outdoor markets, festivals, community events and neighborhood retail districts foster good will and provide an opportunity for people to mingle and converse. Continued support of these attributes is important.

FG-3: Maintain vibrant and stable residential neighborhoods and mixed-use development, with housing for diverse income groups, age groups, and lifestyles.

Discussion: Maintaining vibrant and safe neighborhoods as desirable places to live is a high priority. Part of the appeal of existing neighborhoods is their diversity, in terms of housing types, size, style, history, maturity, and affordability. An essential part of this diversity is maintaining the integrity of existing single-family neighborhoods. We have experienced changes in the composition of our population. These changes include an aging population, smaller households, racial and ethnic diversity and a broader range of household income. At the same time, Kirkland has experienced rising housing costs, making it increasingly difficult to provide low- and moderate-cost housing. To meet the needs of Kirkland's changing population, we

must encourage creative approaches to providing suitable housing by establishing varied and flexible development standards and initiating programs which maintain or create housing to meet specific needs. Mixed-use and transit-oriented neighborhood retail are encouraged and integrated with our neighborhoods.

FG-4: Promote a strong and diverse economy.

Carillon Point public access areas

Discussion: Kirkland's economy provides a variety of employment opportunities, a broad range of goods and services, and a strong tax base. We are fortunate to have a diversity of successful business sectors, including retail services, offices, industrial and high technology companies, medical and educational institutions, and home-based businesses. A large number of creative and innovative entrepreneurs are attracted to Kirkland by our many cultural, recreational and civic activities and our beautiful setting.

Numerous commercial districts offer distinctive business locations. Our historic Downtown is an attractive lakeside pedestrian-oriented district. Our largest commercial area, Totem Lake, is a vibrant regional retail and employment center. Other significant business nodes are located in Rose Hill, Juanita, Houghton, Yarrow Bay and Bridle Trails. These districts are integrated into the fabric of the community in a manner that respects and complements the character of our neighborhoods and the quality of the natural environment.

To protect and strengthen our economy, public and private interests must work together to create a climate that allows existing businesses to prosper and attract new businesses compatible with Kirkland's economic goals and character.

FG-5: Protect and preserve environmentally sensitive areas, and a healthy environment.

Discussion: In addition to Lake Washington, Kirkland contains a variety of natural features which, through a mixture of circumstance and conscious action, have been preserved in a natural state. Features such as wetlands, streams and smaller lakes play an important role in maintaining water quality, preventing floods, and providing wildlife habitat. Vegetation preservation throughout the City, particularly on steep hillsides, helps provide soil stability and oxygen to our ecosystem, and prevent erosion. Apart from their biological, hydrological, or geological functions, natural areas also make a significant contribution to Kirkland's unique identity. They provide visual linkages with the natural environment, accentuate natural topography, define neighborhood and district boundaries, and provide visual relief to the built environment. Maintaining clean air and water provides the community with a healthy environment. Efforts to maintain significant sensitive areas, natural features, the urban forest and vegetation, clean air and water through active community stewardship is critical to our quality of life.

FG-6: Identify, protect and preserve the City's historic resources, and enhance the identity of those areas and neighborhoods in which they exist.

Discussion: Kirkland is fortunate to have a richness and quality based on its long and colorful history. The numerous historic buildings, sites and neighborhoods reflect various stages of the City's development. These resources provide evidence of the community's

historical continuity, and contribute to Kirkland's identity. They are important visible reminders of where we have been and they deserve active protection and enhancement.

FG-7: Encourage low impact development and sustainable building practices.

Discussion: As Kirkland develops and rebuilds, we have an opportunity to create a healthier and more environmentally sensitive community and to save energy and building costs. Low impact development practices strive to mimic nature by minimizing impervious surface, infiltrating surface water through bio-filtration and bio-retention facilities, retaining contiguous forested areas and maintaining the character of the natural hydrologic cycle. Sustainable building practices cover all aspects of development, including site preparation and layout, material selection and building construction, operation and maintenance.

Utilizing these practices has many benefits: construction and maintenance costs are lowered; water quality and efficiency are improved; surface water runoff is reduced and treated; stream and fish habitat impacts are lessened; native trees and other vegetation are preserved; and recycled materials are used. Some examples of the practices include integrated building and site design, vegetated roofs, reduced impervious surface, reused waste water for irrigation, alternative heating and cooling systems, and recycled building materials and landscaping used to reduce heat emissions and to treat surface runoff. The practices may evolve over time as the market, science and technology changes.

Kirkland encourages many of these practices through our sensitive area ordinance, projects to restore our natural systems, recycling programs and public education.

FG-8: Maintain and enhance Kirkland's strong physical, visual, and perceptual linkages to Lake Washington.

Discussion: Kirkland's history, identity and character are strongly associated with its proximity and orientation to Lake Washington. The City is famous for its system of waterfront parks, which provide a broad range of passive and active recreational activities and environmental protection. Complementing the parks is a system of shoreline trails that has been installed as lakefront properties develop or redevelop. West-facing slopes have afforded lake and territorial views from public spaces within many neighborhoods. Downtown Kirkland strongly benefits from its adjacency to Moss Bay. Linkages to the lake in the Juanita and Yarrow Bay business districts are limited with existing development blocking most of the shoreline. Opportunities should be pursued to increase public access to the lake in these districts. Maintaining and improving these linkages to the lake, requiring paths to complete the shoreline trail system and continuing to obtain waterfront parks where feasible are important.

Lake Washington

FG-9: Provide accessibility to pedestrians, bicyclists, and alternative mode users within and between neighborhoods, public spaces, and business districts and to regional facilities.

Discussion: An important part of Kirkland's existing character is its safety and accessibility for pedestrians, bicyclists and other alternative modes of transportation particularly along the waterfront, in the Downtown area, along the major streets, to schools and public places and in many neighborhoods. Improving accessibility, however, is a goal throughout the City. To meet this goal, we need a completely connected system of pathways for pedestrians, bicyclists and alternative mode users that is safe and convenient. Such pathways can take a variety of forms, ranging from concrete sidewalks, bike lanes, and bridges to unimproved trails. The need for pedestrian pathways and bike lanes is especially important to the most common destinations, such as schools, parks, public buildings, transportation, and business districts. Also important in fostering pedestrian and bike accessibility are land use patterns, site designs, and building designs which encourage and facilitate access for pedestrians, bicyclists and other users. The paths should also be designed to provide public spaces where people socialize and should connect to the regional pedestrian and bicycle trail systems.

FG-10: Create a transportation system which allows the mobility of people and goods by providing a variety of transportation options.

Discussion: The increase in employment, housing and total population both within Kirkland and throughout the region has increased the use of our roads. Historically, there is also a dependence on car ownership and the number of miles most people drive alone each week. At the same time, road building has been slowed because of insufficient funds, an unwillingness to disrupt established neighborhoods, and doubts about the effectiveness of road building to solve congestion.

There will be no single or simple solution to the congestion problems that decrease our mobility. Greater emphasis than in the past is placed on providing viable alternatives to driving, or at least driving alone. Although some road widening may be necessary, mobility options should include better transit, more car pooling, greater pedestrian, bicycle and other modes of mobility, better street connections, and land use strategies which reduce the need to drive, such as mixing uses and locating shops and services close to home. In addition, because Kirkland's transportation system is but a small part of a complex regional network, it is necessary for our transportation planning to be closely coordinated with neighboring jurisdictions and regional plans.

The street system and transit centers provide an opportunity to add to our sense of community. These facilities should be people-friendly and provide public spaces where people socialize.

FG-11: Maintain existing park facilities, while seeking opportunities to expand and enhance the current range and quality of facilities.

Marina Park in Downtown Kirkland

Discussion: Kirkland is regionally known for its outstanding park system. Kirkland's parks also provide a prominent source of community identity and pride. The City is perhaps best known for its extensive and diverse system of lakefront parks. In addition, Kirk-

land has a rich variety of well-maintained parks, including neighborhood playgrounds, ballfields, tennis, basketball and skate courts, walking trails, natural and landscaped open spaces, an outdoor swimming pool, indoor community centers, and senior citizen and youth centers. Recreational programs offer year-round activities for all age groups. It has been a long-standing City policy that the range and quality of park facilities and programs now available to Kirkland residents keep pace with future population growth. To ensure wise use of available resources, planning for future park facilities must be coordinated with other public and private providers of recreation services. Where possible, multiple use of public facilities, such as City-school park partnerships, should be sought. At a minimum, park facilities should be maintained close to current levels of service. Because of the importance of parks in defining Kirkland's character, the City also should continue to explore ways to enhance the park system beyond the needs generated by new growth, including additional funding sources such as grants, special property tax levies or impact fees.

FG-12: Ensure public safety.

Discussion: Police and fire protection are essential to the community's quality of life. Prompt response times with appropriate resources are critical. The City-operated municipal court is convenient and cost-effective. The City also has a central role in emergency preparedness and responding to natural and manmade disasters. Plans should be in place and well-coordinated with local hospitals, schools, communication systems and other jurisdictions.

FG-13: Maintain existing adopted levels of service for important public facilities.

Discussion: Facilities and services for transportation, police and fire protection, water supply, sanitary sewer, and surface water control are essential for the day-to-day functioning of the City. The levels of service now provided by these facilities are generally satisfactory. Maintaining the adopted level for these services as growth occurs is a high priority, and construction of required capital facilities must be phased accordingly. Similarly, some localized deficiencies exist in the sanitary sewer and water supply systems that will require correction. Where possible, we should continue to improve all of these facilities and services above the minimum adopted level of service to preserve our quality of life and the environment. The City should also explore additional ways to fund needed improvements, such as through grants, special property tax levies and/or impact fees. In planning for public facilities, the interrelationship of Kirkland's facilities to regional systems must be recognized.

FG-14: Plan for a fair share of regional growth, consistent with State and regional goals to minimize low-density sprawl and direct growth to urban areas.

Discussion: Although Kirkland is a unique and special place, it is not isolated. Kirkland is part of a large and growing metropolitan area. Regional planning policies seek to direct growth to existing and emerging urban areas within the metropolitan region. Consequently, Kirkland must accommodate a fair share of such growth. To do so, development in Kirkland must use land efficiently. Fortunately, Kirkland's development pattern is already well established and has accommodated compact developments at many locations. Accepting a fair share of regional growth, therefore, will not require fundamental shifts in the City's overall pattern or character of development. Even so, careful attention must be paid to ensure that growth is accommodated in a manner that complements rather than detracts from Kirkland's unique character while being consistent with State and regional goals to minimize low-density sprawl and direct growth to urban areas.

FG-15: Solve regional problems that affect Kirkland through regional coordination and partnerships.

Discussion: Many challenges facing Kirkland and other local communities may only be solved through regional planning, funding and action. Transportation, affordable housing, employment, and natural re-

source management are just a few of the issues that need regional coordination. A city-by-city approach often results in impacts on neighboring communities. Interlocal cooperation, consistent standards and regulations between jurisdictions and regional planning and implementation are important to solving these regional issues.

FG-16: Promote active citizen involvement and outreach education in development decisions and planning for Kirkland's future.

Discussion: Kirkland's future will be determined by a myriad of independent actions taken by individuals and groups who live, work, shop, and play here. Planning for the future offers the opportunity for all community members to cooperatively identify a vision for the City's future and to coordinate their actions in achieving that vision. If such planning is to have meaning, however, a broad base of credibility and responsibility must be established. To ensure that this occurs, the City should actively encourage community participation from all sectors of the City in the ongoing preparation and amendment of plans and implementing actions. This involvement should also include community outreach educational programs to inform and solicit ideas. For development decisions, the City should actively encourage collaboration and consensus with the community, stakeholders and developers to assure predictable and timely results.

FG-17: Establish development regulations that are fair and predictable.

Discussion: Achieving the desired future for Kirkland will depend on actions undertaken by both governmental agencies and private property owners. To ensure that public and private actions support the Comprehensive Plan and are consistent with public health, safety, and welfare, governmental regulation of development will continue to be necessary. Such regulation, however, must fairly balance public interests with private property rights. It is important also that regulations be clearly written to assure predictable results, fair and cost-effective, and that they be administered expeditiously to avoid undue delay.

City of Kirkland
City Council Retreat
Priority Setting Session: March 24, 2006
Draft Agenda

Purpose of session: To talk about Council priorities, both short and longer term

Desired Outcomes:

- Agreement on Council Philosophy as a basic tool to help with planning and decision making, including changes that Council would like to see in this document
- Council areas of priority for the coming two years
- Action plan for next steps, including how Council wants to deal with longer-range planning issues

Time	Topic
1:00 p.m.	Introduction • Review of desired outcomes, agenda and ground rules
1:10 p.m.	Council Philosophy • During interviews, Council members all said that this was a good base document for planning and decision making • Discussion: What ideas, if any, would Council like to add, highlight or amend?

1:40 p.m.	Council Priorities: 2006-2008: Review of areas Council members have said are "on the radar screen"
	• Why are these issues on the list? (See attached detail)
	• What are Council members' core interests regarding these issues?
	  • Economic development/Fiscal management
	  • Neighborhoods
	  • Community Involvement
	  • Annexation
	  • Transportation
	  • Environmental Stewardship
	  • Public safety
	  • Long range planning
	  • Human services

2:45 p.m.	Break

3:00 p.m. Council Priorities: 2006-2008

- Selecting the top three-five priority areas
- Do we have agreement on what the overall goal should be in these areas?

4:00 p.m. Next Steps

- What direction does Council have for staff regarding next steps?
- How does Council wish to approach longer-range planning efforts?

5:00 p.m. Adjourn

Issues Raised During Interviews with Council Members

Priority Areas for Discussion at Council Priority Setting Session

March 24, 2006

1. Economic Development/Fiscal Management
    a. Economic development
        i. Being clear on our purposes for ED
        ii. Plan for identifying and attracting the balance of businesses we need/want
        iii. Balancing commercial & residential development
        iv. Developing without jeopardizing quality of life
    b. Support of the electorate for fiscal decisions
2. Neighborhoods
    a. Affordable housing
    b. Maintaining character of neighborhoods
    c. Pedestrian-friendly neighborhoods
3. Community Involvement
    a. Communication with public
    b. How to continuously improve effective involvement
4. Annexation
    a. Funding gap
5. Transportation
    a. Working with regional issues
    b. Local congestion
6. Environment
    a. Being a "green city"
7. Public safety
    a. Funding police and fire
    b. Pedestrian safety
8. Long range planning
    a. Beyond two years
    b. Performance measures
9. Human services

CITY OF KIRKLAND
Department of Planning and Community Development
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MEMORANDUM

To: **City Council**

From: **Dawn Nelson, AICP, Planning Supervisor**
Paul Stewart, AICP, Deputy Director
Eric Shields, AICP, Planning Director

Date: **March 7, 2006**

Subject: **Housing Discussion for City Council Retreat**

The City has focused a lot of attention on housing issues for the last five years. In 2002, the Housing Task Force issued a Final Recommendation Report including recommended actions for the City in a variety of areas related to housing. The City's Housing Strategy Plan was updated to reflect the Housing Task Force recommendations. Attachment 1 is a copy of the adopted Housing Strategy Plan. In addition, the Housing Element of the Comprehensive Plan was updated in 2004. The adopted housing goals are:

- Maintain and enhance the unique residential character of each City neighborhood.
- Promote the creation of affordable housing and provide for a range of housing types and opportunities to meet the needs of all segments of the population.
- Provide for greater housing capacity and home ownership opportunities.

These goals will be discussed under the following major headings of Neighborhood Quality, Affordable Housing and Housing Capacity, along with projects from the Planning Work Program intended to address them.

Neighborhood Quality

The Housing Element looks to design standards for new development as a way to preserve existing neighborhood quality. Floor Area Ratios in single-family zones is the most prominent neighborhood quality issue that is on the horizon. Work on this project is currently underway, with the intent of addressing the increasing bulk and mass of single-family homes. A related project is Innovative Housing and the evaluation of the demonstration projects scheduled for later this year. Innovative Housing has focused on allowing a larger number of smaller units in place of traditional single-family development. A key factor that will be considered in the evaluation and review of potential permanent regulations is how alternative housing styles can be integrated into existing neighborhoods without threatening neighborhood quality.

A number of other items on the Planning Work Program are geared primarily toward ensuring neighborhood quality. These include the ongoing Neighborhood Plan updates and Multifamily Design Guidelines scheduled to be reviewed this fall. Design review has been expanded over the last decade to include all of the City's major business districts.

Affordable Housing

Housing affordable to all segments of the population is the backbone of the Housing Element. While the City has taken the following steps in the last several years to try to meet its targets for providing housing affordable to low- and moderate-income households, we still fall short of the targets (see Attachment 2).

- Adopted incentives, including density bonuses, development flexibility, tax exemptions, and fee waivers in May 2004 to encourage development of affordable housing as part of market rate housing developments in multifamily zones.
- Adopted incentives to encourage development of affordable housing units in Totem Lake and NE 85th Street business districts as part of recent zoning code amendments to implement neighborhood plans.
- Worked with Downtown Action to Save Housing (DASH) and ARCH on DASH's acquisition in 2003 of the Plum Court Apartments south of downtown Kirkland for preservation of 66 units of affordable housing.
- Committed an average of $219,000 to the ARCH Housing Trust Fund for the preservation and development of affordable housing throughout east King County for each of the last eight years.
- Adopted Accessory Dwelling Unit (ADU) regulations in 1995, resulting in the registration of 100 ADUs throughout the City.

Several challenges are on the horizon for market incentives for affordable housing. They include:

- Encouraging developers to use the existing incentives in multifamily zones;
- Crafting incentives that will be effective in the CDB, JBD and NRHBD zones; and
- Identifying appropriate incentives for single-family zones.

These items are scheduled for work late in 2006 and in 2007.

Housing Capacity and Diversity

The City's current housing capacity is 27,974 units, just 663 more units than our 2022 Growth Target for housing. The Housing Element identifies infill development in single-family neighborhoods as a key opportunity to increase housing supply and choice. Another way to ensure appropriate housing capacity and to maintain a reasonable jobs to housing balance is to include incentives for multifamily housing in mixed use areas as Neighborhood Plans are updated.

The City currently allows minor reductions in lot size to enable subdivision of properties that would otherwise not be quite large enough to be divided. In addition, the Innovative Housing project described earlier is one of the primary ways that the City can address the issues of housing supply and diversity. The goals of the Innovative Housing project are to:

- Increase housing supply and the choice of housing styles available in the community through projects that are compatible with existing single-family developments; and

- Promote housing affordability by encouraging smaller homes.

The Innovative Housing demonstration project was not intended to provide housing that would be affordable to low- and moderate-income households. It was intended to provide more variety as well as housing that was less expensive than the traditional single-family homes that are currently being built.

Attachments

1. Housing Strategy Plan
2. Creation of Affordable Housing: 1993-2004

HOUSING STRATEGY PLAN

STRATEGY (Related Housing Element Policy or 2001 Housing Task Force Recommendation)	SCHEDULE/ STATUS	CODE UPDATE	COUNCIL ACTION	COORD. W/ OTHERS REQUIRED	POPULATION SERVED			
					LOW	MOD	MED	MKT
A. ZONING AND SUBDIVISION REGULATIONS								
1. Infill/Increased Capacity								
a. Allow smaller lots in single family areas. (H-3.1, H.2)	☺						●	●
b. Evaluate PUD procedures (H-2.5,H-2.6,H-3.2)								
Expand density bonus above 110%	Not Sched.	X	X		●	●	●	●
Evaluate overall effectiveness of PUD process, especially once other changes to code are completed (e.g. small lot guidelines, etc).	Not Sched.	X	X			●	●	●
c. Allow rounding of mf units at a lower fraction. (H-2.6)	Not. Sched.	X	X				●	●
d. Allow existing non-conforming mf densities to be maintained or redeveloped. (H-3.3)	☺					●	●	●
e. Allow ADU in single family zones. (H-2.2,H.1)	☺				●	●	●	●
f. Revise zoning map to be consistent with the Comp Plan. (LU-1)	☺					●	●	●
g. Evaluate potential for Transit-Oriented Development at Park and Ride Lots. (HTF Recommendation)	4th Qtr. 2003	X	X	X	●	●	●	

FOOTNOTES:
X – Necessary for completion of task
☺ Completed or underway
☺ + Ongoing: Discrete task completed, but work continues

ATTACHMENT 1
Housing - C.C. Retreat

STRATEGY (Related Housing Element Policy or 2001 Housing Task Force Recommendation)	SCHEDULE/ STATUS	CODE UPDATE	COUNCIL ACTION	COORD. W/ OTHERS REQUIRED	POPULATION SERVED			
					LOW	MOD	MED	MKT
2. Design/Neighborhood Character Issues								
a. Evaluate design character issues as part of Community Character Element. (H-1.1, H.2) Includes items such as: (1) Incentives for pitched roofs - sf homes (2) 'Mega house' standards (3) Review codes to encourage residential development in existing business districts.	(1) ☺ (2) ☺ (3) Totem Lake & 85th 2002-2003	X X X X	X X X X					●
b. Evaluate small lot standards. (H-3.1)	☺	X	X				●	●
c. Revise horizontal facade regulations. (H-1.1)	4th Qtr. 2002	X	X					●
3. Streamlining/Innovative Housing								
a. Simplify permit process for zero lot line/small lot development in sensitive areas where other standards are met.	Not sched.	X	X				●	●
b. Provide more flexibility in: (1) site development standards, and (2) short platting (e.g. lot averaging, setbacks). (H-2.6)	☺	X	X				● ●	● ●
c Evaluate timelines for permit review. Adopt required permit timelines established by the new Land Use Regulatory Reform Act. (H-2.5)	☺+				●	●	●	●

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☺ Completed or underway
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STRATEGY (Related Housing Element Policy or 2001 Housing Task Force Recommendation)	SCHEDULE/ STATUS	CODE UPDATE	COUNCIL ACTION	COORD. W/ OTHERS REQUIRED	POPULATION SERVED			
					LOW	MOD	MED	MKT
d. Further evaluate additional timelines for permit review. (H-2.5)	Ongoing	X	X		●	●	●	●
e. Allow concurrent review of discretionary approvals (e.g. zoning and PUD applications). (H-2.5)	☺				●	●	●	●
f. Allow concurrent review of discretionary approvals and building permits (e.g. PUD and building permit). (H-2.5)	Not scheduled		X		●	●	●	●
g. Allow manufactured housing in all residential zones.	☺					●	●	●
h. Allow cottages, multiplexes that look like single-family and small lot single-family in all zones. (H-3.2 and HTF Recommendation)	2nd Qtr. 2003	X	X			●	●	●
4. Affordable Housing/Special Needs								
a. Evaluate and potentially revise special bonuses for affordable housing (sliding scale 50% to 80% of median) and review process. Only allowed now through PUD process. (H-2.3, H.2-4 and HTF Recommendation)	2nd Qtr. 2003	X	X		●	●		
b. Expedite permit review for projects w/affordable component. (H-2.3 and HTF Recommendation)	2nd Qtr. 2002	X	X		●	●		
c. Provide for SRO (Single Room Occupancy) in zones allowing hotels, and other appropriate locations.	Not sched.	X	X		●	●	●	
d. Review group homes standards for consistency with the Federal Fair Housing Act. Ensure codes provide opportunities for special needs housing. (H-2.9, H-2.10, H.2)	Not sched.	X	X		●	●	●	●

FOOTNOTES:
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STRATEGY (Related Housing Element Policy or 2001 Housing Task Force Recommendation)	SCHEDULE/ STATUS	CODE UPDATE	COUNCIL ACTION	COORD. W/ OTHERS REQUIRED	POPULATION SERVED			
					LOW	MOD	MED	MKT
B. DIRECT/INDIRECT FORMS OF ASSISTANCE								
1. <u>Direct Forms of Assistance</u>								
a. Continue direct funding of affordable housing/special needs housing through the CDBG program. (H-2.7, H.8)	☺ Ongoing		X	X	●	●		
b. Continue using CDBG funds for the Single Family Housing Repair program. (H-2.7)	☺ Ongoing		X	X	●	●		
c. Explore potential other local revenue sources that could be targeted toward housing on a regular basis (e.g. general funds, portion of local taxes). (H-2.8 and HTF Recommendation)	☺ Ongoing		X		●	●		
d. Waive some or all permit/impact fees for affordable housing. (H-2.3, H-2.8 and HTF Recommendation) Evaluate the cumulative costs of impact fees, permit fees and hook-up fees.	☺ (Impact Fees) 4th Qtr. 2002 (Permit Fees)	X	X		●	●		
e. Consider selling/leasing appropriate surplus land at below market value for affordable housing. (H-2.8 and HTF Recommendation)	2002/ Ongoing		X	X	●	●		
f. Acquire land in Kirkland for development of housing to serve households earning 60% or less of County median income. (HTF Recommendation)	Not Scheduled		X		●	●		

FOOTNOTES:
X – Necessary for completion of task
☺ Completed or underway
☺ + Ongoing: Discrete task completed, but work continues

STRATEGY (Related Housing Element Policy or 2001 Housing Task Force Recommendation)	SCHEDULE/ STATUS	CODE UPDATE	COUNCIL ACTION	COORD. W/ OTHERS REQUIRED	POPULATION SERVED			
					LOW	MOD	MED	MKT
g. Pay or waive some utility and/or infrastructure costs for affordable housing. (HTF Recommendation)	4th Qtr. 2003		X		●	●		
2. Indirect Forms of Assistance								
a. Conduct inventory of public property for potential availability for housing and other public uses/ update regularly. (H.6)	☺				●	●	●	●
b. Work with local banks to coordinate better financing for affordable housing. (HTF Recommendation)	Not Scheduled			X	●	●		
c. Evaluate development regulations for their potential impact on housing costs. (H-2.5)	Ongoing				●	●	●	●
d. Explore non-cash forms of assistance (e.g. providing loan guarantees for affordable housing). (H-2.3, H2.7 and HTF Recommendation)	Not scheduled		X		●	●		
e. Explore opportunities to encourage private and other public donation of resources, including land, for affordable housing. (H-2.11 and HTF Recommendation)	Not scheduled			X	●	●	●	
f. Analyze the potential city role in employer assisted housing/ Work with local employers to study model programs. (H-2.11)	Not scheduled		X	X	●	●	●	●
g. Community education program for ADUs. (H-2.2) Education efforts including fliers/technical assistance.	Ongoing			X	●	●	●	●
h. Conduct inventory of existing multifamily residential properties and encourage preservation of those that are affordable. (HTF Recommendation)	2002			X	●	●		

FOOTNOTES:
X – Necessary for completion of task
☺ Completed or underway
☺ + Ongoing: Discrete task completed, but work continues

STRATEGY (Related Housing Element Policy or 2001 Housing Task Force Recommendation)	SCHEDULE/ STATUS	CODE UPDATE	COUNCIL ACTION	COORD. W/ OTHERS REQUIRED	POPULATION SERVED			
					LOW	MOD	MED	MKT
C. REGIONAL/STATEWIDE INITIATIVES								
1. Work cooperatively with providers and other jurisdictions to achieve regional fair share balance and to maximize housing resources. Includes working with non-profit groups and the Housing Authority in creating affordable housing. (H-2.1)	Ongoing			X	●	●		
2. Continue membership in ARCH. (H-2.11, H.8)	☺ Ongoing		X	X	●	●	●	●
3. Work with other jurisdictions to develop and implement a regional housing finance strategy. (H-2.1, H.3)	Not scheduled			X	●	●	●	
4. Work with other jurisdictions to develop regional benchmarks. (H.7)	☺			X	●	●	●	●
5. Review, and as appropriate, comment on and/or support county and state federal legislation affecting the availability of housing. (H-2.11)	Ongoing			X	●	●	●	●
6. Identify and support local and regional projects. (H-2.11, H-2.12)	Ongoing			X	●	●		
7. Implement program that takes advantage of property tax exemptions for housing in certain areas under RCW 84.14. (HTF Recommendation)	1st Qtr. 2003							
8. Work with the State Legislation to provide additional tax relief for affordable housing. (HTF Recommendation)	Not scheduled			X	●	●		

FOOTNOTES:
X – Necessary for completion of task
☺ Completed or underway
☺ + Ongoing: Discrete task completed, but work continues

STRATEGY (Related Housing Element Policy or 2001 Housing Task Force Recommendation)	SCHEDULE/ STATUS	CODE UPDATE	COUNCIL ACTION	COORD. W/ OTHERS REQUIRED	POPULATION SERVED			
					LOW	MOD	MED	MKT
D. OVERSIGHT/MONITORING/EDUCATION								
1. Complete a strategy plan/work program and update every three (3) years. (H.5)	☺ Ongoing		X		●	●	●	●
2. Monitor progress in meeting housing needs and report to City Council annually. Information collected should at a minimum include total housing development, construction and demolition of affordable housing, and creation of ADUs. (H.4, H.7)	☺ Ongoing				●	●	●	●
3. Collect information on a regular basis needed for the Regional Benchmarks.	☺ Ongoing			X	●	●	●	●
4. Evaluate city efforts in achieving projected densities in mf zones and commercial areas. Review standards if densities are not achieved. (H-1.2)	☺ Ongoing					●	●	●
5. Evaluate City efforts in achieving objective of dispersing affordable housing in the City. (H-2.4)	Not scheduled				●	●	●	
6. Undertake an educational campaign to increase awareness of housing issues. (HTF Recommendation)	2002 - 2003				●	●	●	●

FOOTNOTES:
X – Necessary for completion of task
☺ Completed or underway
☺ + Ongoing: Discrete task completed, but work continues

FIGURE C-7

SUMMARY: CREATION OF AFFORDABLE HOUSING: 1993 - 2004

(Updated July 2005)

	LOW INCOME (50% Median)						MODERATE INCOME (80% Median)					
	Direct Assistance	Regulatory Incentives	Market ***	SubTotal	Annual Average	Annual Target	Direct Assistance	Regulatory Incentives *	Market***	SubTotal	Annual Average	Annual Target**
Bellevue	772	0	0	772	64	105	571	296	658	1,525	127	74
Bothell	76	0	0	76	8	23	60	2	637	699	70	17
Issaquah	77	0	0	77	6	41	0	115	133	248	21	29
Kenmore	63	0	0	63	11	13	2	11	10	23	4	9
Kirkland	111	0	33	144	12	70	7	92	158	257	21	50
Mercer Island	53	0	0	53	5	13	1	174	0	175	16	10
Newcastle	14	0	0	14	2	10	1	4	0	5	1	7
Redmond	275	0	0	275	23	139	374	49	216	639	53	99
Sammamish	0	0	0	0	0	44	0	0	0	0	0	33
Woodinville	69	0	0	69	11	22	0	33	3	36	5	15
Beaux Arts Village	0.0	0.0	0.0	0.0	0.00	0.00	0.0	0.0	0.0	0.0	0.00	0.00
Clyde Hill	0.6	0.0	0.0	0.6	0.07	0.14	0.7	1.0	0.0	1.7	0.19	0.10
Hunts Point	0.0	0.0	0.0	0.00	0.00	0.05	0.0	0.0	0.0	0.0	0.00	0.03
Medina	0.6	0.0	0.0	0.6	0.07	0.20	0.1	0.0	0.0	0.1	0.01	0.14
Yarrow Point	0.2	0.0	0.0	0.2	0.02	0.22	0.0	0.0	0.0	0.0	0.00	0.15
TOTAL	1,511	0	33	1,544	141	481	1,017	777	1,815	3,609	317	342

* Includes permits for accessory dwelling units, density bonuses, etc
** Based on projected growth targets (24% of growth target for Low Income, 17% for moderate income)
*** Does not include property built in 2001 and 2002.

ATTACHMENT 2
Housing- C.C. Retreat

C:\Data\ARTFILES\DATA\ Figure C7

CITY OF KIRKLAND
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MEMORANDUM

To: Dave Ramsay, City Manager

From: Stan Aston, Police Chief
Jeff Blake, Fire Chief

Date: March 7, 2006

Subject: City Council Retreat – Community Safety Issue Paper

This Community Safety issue paper is a combined effort of the police and fire departments to provide a brief overview of the issues, challenges, and opportunities facing the public safety departments. While it is not a comprehensive report, it does give a good representation of the needs for a safe community. The comprehensive analysis and goals for both police and fire can be found in our Department's Strategic Plans. Planning is a key to have an effective public safety system; funding of the plan is what can insure we have a safe community.

Police:

The Police Department created the 2003-2008 Strategic Plan in June of 2003. This five-year plan has been a successful guide for the past two and a half years and continues to provide direction into the future. To date the Department has accomplished many of the Goals and Objectives of the plan.

Challenges

- While the police department added a Lieutenant, Pro Act Sergeant, three Pro Act Officers and a clerk position in 2005, the department is understaffed due to current open positions. Hiring for open positions takes as long as one year from advertisement of opening to a new officer on patrol. Staff shortages create an inability to staff positions within the department such as current vacant positions to include two Traffic Officers and one Neighborhood Resource Officer. Other positions the department is attempting to fill include five Police Officers, one Clerk, and two Communications Technicians.
- The department continues to work to combat issues related to the transit center on 3rd Street at Main Street.
- Automobile thefts, car prowls and burglaries have shown a rise in crime statistics during the past year.
- Combating DUI's, responding to traffic complaints from citizens and reducing collisions remain high on the department's priority list. However the department currently has only two of four traffic unit positions filled due to staffing shortages in patrol.
- Drug use, especially methamphetamine, and drug related crimes, such as identity theft and property crimes are on the rise regionally and Kirkland is no exception.
- Kirkland Police staff two School Resource Officer positions in the high schools, but there has been no increase in funding from LWSD for several years. This contract is currently under review. Additionally the district would like the police department to staff an additional position for the Junior High School and elementary schools.

Opportunities

- The addition of a fourth Lieutenant in 2005 allowed reorganization of the Command Staff structure to divide duties amongst the staff equitably and along department unit lines.
- The addition of staff for the newly created Pro Act Unit will allow the department to target specific crime areas and periods to reduce overall criminal offenses.
- Staffing the Administrative Corporal position in 2005 redirected a large amount of administrative work to a more appropriate level freeing time for the Lieutenant of the Services Division to dedicate attention to more pressing issues.

The Department has a number of goals and objectives yet to be realized:

- Public Safety Building: To date the department has moved the main property storage and is upgrading existing facilities with new flooring and a planned remodel, but is still seeking money for a new facility.

- Staffing continues to be a concern. The City contracted Public Safety Testing, Inc. to provide advertising and testing services to reduce Human Resource and Police Department staff time.

Short term goals:

- Immediate need is realization of funding for CIP third stage for PD remodel.

- Accreditation past and future: Achieved state accreditation, now exploring national accreditation. Realigned strategic plans and policy manual to be more in tune with current and future needs. This work will continue recognizing the cost of national accreditation is considerably higher.

- False alarms: officers respond to several thousand alarms a year, the vast majority of which are false. Every alarm requires a minimum of two officers to respond, sometimes more for a large building or office complex.

Long term goals:

- Acquisition of Public Safety Building remains the highest priority. The City of Kirkland is growing through building and potential annexation of surrounding area. A Public Safety Building is desirable to meet future needs in conjunction with the Fire Department.

- A larger jail facility is necessary to combat rising detention and incarceration costs.

- Staffing increases to meet rising demand for services and a growing population.

Fire

Since the development of the Department's Strategic Plan in 2000, we have made some progress on meeting the goals established. There are several areas which have been stalled for a number of reasons, with no fault on anyone's part. The economy was a challenge and continues to impact our ability to address response time deterioration; however two recent staffing increases should be a start to address this issue. The impact of statewide initiatives has reduced the city's ability to respond to public safety staffing needs as a normal course of business. The needs for additional staffing in our fire services can seem a little overwhelming; funding is the challenge. A long term strategy for funding is needed to keep our services levels within acceptable limits.

Another significant challenge would be funding one time capital projects to help reduce response times. A project like the over/underpass at NE 60th on I-405 is an example of a way to reduce response times without an ongoing staffing cost. Incident call volumes continue to increase, so capital projects alone cannot fully address the needs.

Other challenges in reducing response times has come from such things as increased traffic volumes, neighborhood traffic calming, population increases and an aging population, etc. These all impact our ability to reduce response times; thereby increasing property damage and lives lost.

In addition to fire and medical response time reductions desired; we have staffing needs in the fire prevention bureau. No additional personnel have been added to the inspection function in the past 14 years. There has been an increase of 9.1 million sq ft of inspection space in the same 14 year period. We have tried to manage the increased workload by implementing an engine company inspection program; however, with the number emergency incidents continuing to increase too, we have not been able to keep up. We have also stretched out the frequency for inspections for up to 18 months; yet continue to fall behind in meeting timelines. The State Survey and Rating Bureau standard for inspection frequency is 12 months; when we do not meet this timeline, we lose points in our fire insurance rating. Fire insurance ratings directly relates to the cost of fire insurance for business and residents.

In addition to inspecting buildings on an ongoing basis, we are responsible for plan review in new construction. The complexity of buildings coming into Kirkland and the volume of work is creating a challenge in the review process. A specialized fire protection engineer is needed for the review of more complex structures; we have used consultant services in the past and Bellevue has "loaned" their employee is a few cases. The workload for this type of plan review and inspection is increasing and needs to be addressed.

Summary:

While some progress is being made toward our strategic goals, we face a number of challenges in reaching the needs of our public safety responsibilities.

Challenges include:
Increase in number of emergencies
Significant staffing needs
Capital projects I.e. Road connections funding
Economic downturns
Traffic volumes
Neighborhood traffic calming
Population increases
Aging populations
Inadequate funding

Opportunities:
Evaluation of new staffing on response times
Implementation of a new alerting system for emergencies
Regional dispatching
Full implementation of wireless technology for quicker responses
Development of a long term funding strategy
Partnering with other cities on a fire protection engineer
Pursuit of capital project funding
Evaluation of the impacts of traffic calming on emergency response
Improvement of inspection capability to reduce fires and maintain insurance rating

Emergency Preparedness

Emergency Preparedness has been addressed in a separate “White Paper” included in the Council’s packet for the retreat.

We look forward to the discussion and a potential for a strategy to address the public safety needs; which will lead to a safe community. If you desire addition information prior to the retreat please let us know; we would be happy to provide whatever would help facilitate your discussion.

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MEMORANDUM

Date: **March 7, 2006**

To: **David Ramsay**

From: **Natural Resource Management Team**
Paul Stewart, Deputy Planning Director
Patrice Tovar, Senior Planner

Subject: **Environmental Stewardship Issue Paper**

Introduction

This memo is intended to provide background on environmental stewardship goals, issues, challenges and opportunities for the Council retreat. It is divided into three sections. The first section notes the current adopted goals and policy direction from various documents. The second section summarizes the activities of the Natural Resource Management Team, and the third section discusses issues, challenges and opportunities.

Goal Statements

The 2005-2006 Budget contains the following statement as part of the Council Philosophy section of the budget.

> *We commit to the proactive protection of our environment. An integrated system of natural resource management focuses on the preservation of wetlands, trees, open space and other sensitive areas, water quality, clean air and waste reduction.*

Two other documents adopted by the Council – the Comprehensive Plan and the Natural Resource Management Plan – provide direction on environmental stewardship and natural resources. For over 20 years the City has adopted and implemented policies, regulations, and programs related to environmental stewardship. The Kirkland Comprehensive Plan – adopted in 1995 and updated in 2004, pursuant to the Growth Management Act – includes Framework Goals and a Natural Environment Element that contains goals and policies pertaining to the natural environment (as opposed to the built environment). State statute requires that the City's planning activities and capital budget decisions conform to the adopted Comprehensive Plan (RCW 36.70A.120). Following are key concepts and goals found in the Framework Goals and the Natural Environment Element:

COMPREHENSIVE PLAN VISION AND FRAMEWORK GOALS

The essence of the Kirkland community's vision is articulated in the Vision Statement and Framework Goals of the Kirkland Comprehensive Plan.

The Vision Statement contains the following:

We preserve an open space network of wetlands, stream corridors, and wooded hillsides. These natural systems provide habitat for fish and wildlife and serve important biological, hydrological and geological functions. Streets are lined with a variety of trees, and vegetation is abundant throughout the City. The water and air are clean. We consider community stewardship of the environment to be very important.

The Natural Environment element highlights the following Framework Goals:

FG-5 Protect and preserve environmentally sensitive areas and a healthy environment.

FG-7 Encourage low impact development and sustainable building practices.

FG-8 Maintain and enhance Kirkland's strong physical, visual, and perceptual linkages to Lake Washington.

FG-11 Maintain existing park facilities, while seeking opportunities to expand and enhance the current range and quality of facilities.

FG-15 Solve regional problems that affect Kirkland through regional coordination and partnerships.

FG-16 Promote active citizen involvement and outreach education in development decisions and planning for Kirkland's future.

FG-17 Establish development regulations that are fair and predictable.

NATURAL ENVIRONMENT GOALS AND POLICIES

Goal NE-1: MANAGING THE NATURAL ENVIRONMENT

Protect natural systems and features from the potentially negative impacts of human activities, including, but not limited to, land development.

Goal NE-2: NATURAL WATER SYSTEMS

Manage the natural and built environments to achieve no net loss of the functions and values of each drainage basin; and, where possible, to enhance and restore functions, values, and features. Retain lakes, ponds,

wetlands, and streams and their corridors substantially in their natural condition.

Goal NE-3: VEGETATION
Manage the natural and built environments to protect and, where possible, to enhance and restore vegetation.

Goal NE-4: SOILS AND GEOLOGY
Manage the natural and built environment to maintain or improve soils/geologic resources and to minimize risk to life and property.

Goal NE-5: AIR
Improve air quality and reduce Kirkland's contribution to climate change.

The Natural Environment chapter of the Kirkland Comprehensive Plan also contains policies and text that support and elaborate on each goal. In addition, the Natural Environment chapter addresses implementation issues, such as balancing environmental conservation with the City's obligations to accommodate future growth and provide a timely, predictable, and equitable development process.

NATURAL RESOURCE MANAGEMENT PLAN

In 2003, the Kirkland City Council adopted the Natural Resource Management Plan to guide and coordinate City actions related to the natural environment. The Natural Resource Management Plan describes objectives, reasons, and methods for implementing the goals and policies of the Natural Environment Element of the Kirkland Comprehensive Plan through City practices, programs, projects, plans, and development regulations.

Environmental Stewardship Activities

The Natural Resource Management Team (NRMT) has been in existence for five years and serves as an interdepartmental coordinating group on many environmental stewardship activities with staff participation from Parks, Public Works and Planning. As noted above, in 2003 the team prepared the City's first Natural Resource Management Plan (NRMP) which is intended to guide the City's actions for coordinating the management of Kirkland's urban forest, water, earth and air resources.

The NRMT has a work program that sets the overall tasks and strategies for the activities to implement the plan. Staff has recommended a study session format designed to update the Council on our progress to date, the work program and to discuss environmental stewardship efforts and priorities.

Issues, Challenges and Opportunities

It's evident from a review of the various documents and adopted plans, goals and policies that environmental stewardship is an important value for Kirkland. As development continues, it will be

increasingly important that we balance the impacts of growth with protecting, preserving and enhancing our environmental qualities and natural resources. These challenges and opportunities include:

Establishing Priorities

Several City Departments are involved in a variety of natural resource management and environmental stewardship efforts. The Natural Resource Management Plan laid out an ambitious set of implementation strategies. However there are gaps in funding and resources. At an up-coming study session, staff would like to brief the Council on these activities and get a sense of what the priorities are for the Council and how they fit into the work program. This will enable staff to target the appropriate resources and funding levels needed.

Education and Public Involvement

An important characteristic of environmental stewardship is providing information and getting people involved. Regulation is often not as effective as engaging citizens and businesses to be good environmental stewards. The challenge is time, resources and money. Education, outreach, and community input are intensive efforts.

Partnerships

Environmental stewardship is not limited to Kirkland's boundary – air, water quality, wildlife habitat, watersheds are interrelated. Whether it's working on salmon recovery through the WRIA 8 program, coordinating with King County on the update to the Shoreline Master Plan or in localized efforts with schools or neighborhoods, the future is in working closely with a variety of interests and organizations.

Organizational

Currently, these activities are spread out through a variety of staff in several departments. Coordination takes place through the Natural Resource Management Team. It may be possible to explore other organizational arrangements that might be more effective in coordinating the activities, programs and strategies to achieve the goals of the Council and the adopted plans.

Communication

Communication is the linchpin that ties together education, public involvement, partnerships and the City organization. Externally, getting the message out is the key to building an understanding of the importance of our natural resources and engenders a personal and civic responsibility to be careful environmental stewards. For example, King County and the City of Seattle have aggressive outreach campaigns on sustainability, green buildings, LID strategies, etc. Within the City, we are exploring adding other NRMT team members to broaden the scope of our efforts and promote a more coordinated approach. An area where there is an opportunity to improve is in communication with the Council on all of the activities and actions that are taking place along with getting direction on where to target our efforts and resources. At a future study session, we can explore this further.

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To: Dave Ramsay, City Manager

From: Daryl Grigsby, Public Works Director
David Godfrey, P.E., Transportation Engineering Manager

Date: March 7, 2006

Subject: City Council Retreat –Transportation Issues

Regional funding of highways
Possible modifications to the RTID (Regional Transportation Improvement District) legislation are being considered by the state legislature at the time of this writing. Without RTID, expensive projects such as replacement of the SR 520 and the Alaska Way Viaduct won't have full funding. Some funding for these projects was set aside from the state 9.5 cent gas tax increase (known as the transportation partnership account or TPA) but the state money can be received only if matched by a local funding source like RTID. Even if RTID is funded, it is unclear how much of the 520 project could be built, beyond the bridge itself. RTID would likely also fund projects in the southern part of I-405. If the legislature paves the way for an RTID vote, the passage of such a vote is unclear.

Kirkland has fared well with early funding on I-405. Nickel and TPA funds will construct new lanes through Kirkland and rebuild the NE 116th Street bridge by 2010. A new interchange at NE 132nd Street is funded for completion by 2021. Managed lanes such as a HOT lane scheme could be implemented between SR 520 and SR 522 through Kirkland.

Funding for rebuilds of the NE 124th or the NE 85th Street interchanges on I-405 in Kirkland is not likely in RTID.

Sound Transit
The Sound Transit Board is preparing a package for a public vote on the next phase of Sound Transit as soon as fall 2006 (the timing of this vote may be altered by RTID legislation). In the second phase of Sound Transit, Kirkland will likely compete with other cities for relatively small projects while the bulk of funding is spent on large projects to extend light-rail across Lake Washington in the I-90 corridor and expand upon the system in Seattle.

In the first phase of Sound Transit, Kirkland received funding for important capital investments including the Totem Lake direct access project, the Totem Lake and Downtown Transit centers and improvement to NE 85th Street.

Congestion
We continue to develop land uses that support density and mixed use. Transit service in Kirkland is reasonable. We continue to build facilities for pedestrians and cyclists. These are helpful steps in building alternatives for those who wish to avoid traffic congestion.

Our Comprehensive Plan calls for less dependency on autos, but today it is normal for Kirkland residents to make most of their trips by auto. Most of our efforts to minimize auto dependency are focused on construction of infrastructure for alternate modes. This strategy may not be directly aimed at addressing the reasons why most Kirkland residents make almost all of their trips by auto. For example, we have contemplated investments to

construct walking facilities near schools. This is different than focusing on getting more children to walk to school. The primary reasons why most children are driven to school may be non-infrastructure based.

Congestion is a regional problem. We are subject to traffic from other cities and surrounding unincorporated areas. We currently can't fund and don't want large road projects. Stopping growth in Kirkland is not economically feasible, and not in keeping with the goals of our Comprehensive Plan. Stopping growth on the relatively small amount of land undergoing change in Kirkland would not make important differences in the number of vehicle trips generated in the City.

If there is a silver bullet for congestion it is paying for travel as it is used. HOT lanes and congestion pricing are beginning to be successfully implemented in other states such as Minnesota and California. WSDOT is working on a pilot project on SR 167 and a segment of I-405 in Kirkland may be in position to receive pricing strategies after the nickel and TPA projects are complete. It's hoped that these "managed lane" projects can increase people carrying capacity of both general purpose and HOV lanes.

Concurrency is a subject that once again requires some attention. Concurrency target levels are being approached in two of the city's four subareas (northeast and northwest). While short term changes are possible, it is the desire of the Transportation Commission to take a deeper look at concurrency and possibly propose changes that would significantly reshape the current system.

Transportation Demand Management (TDM)
Kirkland has not made substantial investments in TDM. We are following fairly minimal courses of action for our Commute Trip Reduction sites (larger employers) and Transportation Management Plan (smaller employer) sites. There is not a clear linkage between policy goals in the Comprehensive Plan such as mode split goals and action steps to achieve those goals.

Still, we have more TMP sites than any other city our size and our elected officials and staff have a strong commitment to the principles of TDM, which is supported by our Comprehensive Plan.

TDM is a regional issue. For example, charging for parking at the Totem Lake Mall would be one of the most productive steps possible for reducing auto trips to Totem Lake. However, it is seen as an unreasonable policy given other nearby regional shopping destinations that do not charge for parking. Regional efforts to address such policy questions are very limited.

Pedestrian Safety
Kirkland is viewed by other cities as a regional leader in pedestrian safety. The interest of the City Council makes pedestrian issues a high priority for the city and we have innovated in many areas. Efforts in enforcement and education have been made, but most of the emphasis has been in engineering. Despite this, many report feeling unsafe as pedestrians; we have about 15 pedestrian accidents a year.

There are important technical questions about pedestrian safety that are unanswered and this makes charting a future course for pedestrian safety improvements more difficult. These include questions such as: how many engineering improvements are enough at a given crosswalk? Are flashing crosswalks better than overhead flashers? If so by how much and under what conditions? How many miles are walked in Kirkland and is that number increasing or decreasing? What are the factors that underlie the interaction between drivers and pedestrians when a pedestrian is waiting for a car to stop at a crosswalk?

We do know the basic characteristics that make some crosswalks that are safer than others. We also know that in Kirkland we have crosswalks that would benefit from some improvement. CIP funds have been allocated to work on these crosswalks over time. Seeing pedestrians at night is complicated and a critical element in pedestrian safety. Visibility is not always improved by simply by adding brighter lights. Public Works staff is developing projects for Council consideration that would increase nighttime visibility at key locations.

One other aspect of pedestrian safety is sidewalk availability. Despite the City's emphasis on pedestrian safety, there are still key walk routes without sidewalks. Future development will construct their fare share of sidewalks and the City instituted a new sidewalk maintenance fund. The sidewalk bond Committee found however, there is still an unmet need where neighborhood sidewalk connections are deficient.

Neighborhood Traffic Control Program (NTCP)
Kirkland's NTCP is over 10 years old. More than ever we hear that neighborhoods feel they have enough speed control devices. Groups within neighborhoods that do not want control devices are better organized and more vocal. At the same time there are still many who perceive that new controls should be put in place to reduce speeding.

Speed cushions have been at important step forward in managing the needs of the emergency responders while still limiting vehicle speeds. This is because they are slotted and allow fire vehicles to pass through with little or no delay. Devices such as circles, chokers and other non-hump style devices have generally not been popular in most neighborhoods.

Downtown Parking
In the past couple of years we have begun to understand much more about parking in downtown Kirkland. Regular measurements have been made of occupancies at all lots and this data will help guide rational decision making.

If new supply is to be constructed, users, downtown property owners and Kirkland tax payers in general will likely share the cost. What the cost is and how the cost is shared is a difficult issue to resolve, and it is at the forefront of the Parking Advisory Board's agenda.

Innovative solutions to parking problems are being tried throughout the country. These may hold promise for resolving some of Kirkland's parking issues. At their core is the notion of charging "market rate" for curb parking and using the revenue to enhance the area where the parking is located. This has the added benefit of encouraging the land use and trip making characteristics supported in the Comprehensive Plan.

Wrap-up
We have developed a transportation system that allows autos to travel quickly, easily and safely during the majority of the day. Kirkland also has many good facilities for pedestrians and bicyclists. Transit service has progressed beyond a basic Seattle-centric system. Kirkland is beginning to see regional investments from WSDOT and Sound Transit.

Most transportation issues come from the negative side-effects of an auto dominated transportation system. Over-use causes congestion which is expensive and complicated to solve. Cars pose threats to those on foot, they travel too fast through neighborhoods and it is difficult to find places to store them during the 95% of the time they are not in use. Many of these challenges are regional in nature.

Kirkland currently seeks to balance two themes. First, we seek to continue to receive our fair share of regional projects constructed by WSDOT, Sound Transit or others. We are actively involved in projects on I-405 and Sound Transit phases I and II. On the other hand, we remain interested in issues more common to local streets such as both increased safety and facilities for pedestrians and bicyclists, as well as traffic calming and parking management.

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MEMORANDUM

To: Dave Ramsay, City Manager

From: Kari Page, Neighborhood Services Coordinator

Date: March 14, 2006

Subject: Neighborhood Services Update

Kirkland neighborhoods have enjoyed new City programs and an increased level of attention over the past six years. New channels of information are continuing to be established. Opportunities for neighborhood input are becoming routine and dependable. Annual funding is available for the ongoing operations of neighborhood associations. Every three years funding is available for small capital projects identified and prioritized by each neighborhood. Currently, all areas of town have an active neighborhood association.

Neighborhood participation levels and program statistics provide insight into the effectiveness of our programs and the health of Kirkland's neighborhoods. The following outline lists the efforts and outcomes of Kirkland's Neighborhood Services. Challenges and opportunities exist and some are listed in each category.

COMMUNICATIONS:

1) Electronic dissemination of information:
   - ✓ Web sites: Eight out of the eleven neighborhoods currently have web sites. Most neighborhood web sites include information about association meetings, agendas, picnics, contact information, minutes, and by-laws. In addition, some sites post current information about city events, developments, and projects.
   - ✓ Email distribution lists: All neighborhoods have email distribution lists (50-200 members on each). Most neighborhood leaders forward information from the City along to their membership via these email distribution lists.
   - ✓ Neighborhood E-bulletin: The Neighborhood E-bulletin has roughly 430 self registered email addresses. Information about city events, planning projects, developments, capital improvements, or volunteer opportunities are sent out almost daily. All City departments (and some regional governments) use this vehicle to get important information out to the community. There are now eight other active E-bulletins topics offered on the City's web page.

   Challenges and Opportunities: -Emphasis could be made on developing web pages for the remaining three neighborhoods without them. –The posting of current information on each

individual web page could be streamlined making it easier for all neighborhoods to keep their pages up to date..

2) Publications, signs and mailings:

- ✓ Kirkland Courier: Neighborhood meetings are listed monthly in the Kirkland Courier. In addition, several of the neighborhoods write articles about their neighborhoods each month for the Courier.
- ✓ Neighborhood mailings: Some neighborhoods are using their Neighborhood Matching Grant funds to do mailings to promote their meetings.
- ✓ Neighborhood Meeting signs: All neighborhoods currently have meeting signs they post around their neighborhood prior to their meetings.
- ✓ Neighborhood Kiosks: Several neighborhoods (almost half) have neighborhood kiosks to post information about issues, plans, and meetings

Challenges and Opportunities: -The Kirkland Courier has limited space available for neighborhood articles. There seems to be some issues around fairness and equal access to Courier space. Members of KAN have offered to work with the Courier to resolve this problem. -There may be efficiencies and cost savings in the meeting notification process.

3) Neighborhood meetings:

The Neighborhood Services Coordinator continues to assist neighborhoods in booking facilities, publicizing meetings, and lining up speakers. Information is shared and projects/issues discussed at neighborhood meetings.

Attendance at neighborhood meetings varies between neighborhoods and from month to month. Roughly half of the neighborhoods consistently have 20 to 50 residents attend their meetings. The other neighborhoods struggle with low attendance, lack of volunteers, and burnout. These neighborhoods have six to twelve participants at their meetings.

Challenges and Opportunities: -The effectiveness of mailing meeting notices and other factors influencing turnout at meetings should be investigated and shared. –Leadership training and mentoring could be offered to all neighborhood leaders on an ongoing basis. –More celebrations and recognition of accomplishments could be created.

4) Kirkland Alliance of Neighborhoods (KAN):

KAN provides an excellent forum for neighborhood leaders to share information and build relationships. Agendas are full and turnout is exceptional now that Heritage Hall has become their home.

Challenges and Opportunities: -The word is out about the effectiveness of KAN to disseminate information to Kirkland neighborhoods. The Coordinator for KAN often has to limit presentations and/or choose between topic areas. Increasing the number of meetings is not a favorable option at this time. -A retreat could be offered from time to time to cover some of the strategizing and mentoring needs of this group. For example, success stories could be shared and help offered to neighborhoods who are struggling with their membership or burnout. Reasons behind successes and failures could be evaluated and better understood.

CITY PROGRAMS:

1) Neighborhood Connection:

Neighborhood Connection has completed its second (three year) cycle around the City. Participation rates have remained relatively constant over the past six years. Staff has addressed over 1250 requests from residents during this time (on the average 50-75 request per neighborhood). Typically, the neighborhoods with the lower participation rates are also those with lower attendance rates at their meetings.

More than 50 small capital projects have been identified and prioritized by the neighborhoods through the Neighborhood Connection Program in the past six years. The following chart shows the choices neighborhoods have made regarding these funds.

Crosswalks: Pedestrian islands, flags, and lights at pedestrian crossings on main arterials.	$206,000
Parks: Benches, tables, playground equipment, and walkway improvements in neighborhood parks.	$142,000
Streets: Lighting, landscaping, benches, and signage.	$80,000
Traffic: Traffic circles, radar equipment, traffic studies.	$76,000
Art: Sculptures (Save the Animals).	$35,000

Challenges and Opportunities: -Extra efforts could be made to increase participation in neighborhoods with historically low involvement. –A feedback (evaluation form) should be instituted to see how valuable the process is to the user and hear ideas for improvements. –Additional information about this process and the accomplishments could be promoted and put on the City's web page. In addition, request forms and ballots could be made available on the web. –Plaques identifying the neighborhood/city partnership could be placed on some neighborhood improvements.

2) City Council Meetings in the Neighborhoods:

There are approximately four City Council meetings in the neighborhoods each year cycling through each neighborhood every three years. These meetings enable residents to meet the City Council in an informal setting and ask questions and learn more about City services. The meetings are well attended (between 30-100 residents) and provide neighborhoods with a useful dialogue on issues of most concern to them.

Challenges and Opportunities: The Council is in the process of refining this forum to promote more of an informal conversational format. The volume of request cards being responded to by staff continues to be very time consuming. –A feedback (evaluation form) should be instituted to see how valuable the process is to the user and hear ideas for improvements.

3) Neighborhood Matching Grants:

Progress has been made over the last couple of years to bring neighborhoods up to date with their grant requirements. Approximately half of the neighborhoods are working in the current

grant period (2006). Three have elected to carry forward 2005 funds into 2006. Two are still operating in 2004 funds. Progress has also been made to spend down the grant reserves built up over the past decade. This year will be the second (and possibly final) year for special grants.

Challenges and Opportunities: -The reimbursement process this year is new and different for the neighborhoods and city. A process has been developed to track expenses quickly and process checks/reimbursements efficiently. -Grant workshops are being provided to help neighborhoods with this new process. –This year's biannual budget cycle will include an evaluation of the funding level for Neighborhood Matching Grants ($3,500 per neighborhood per year).

4) Leadership Opportunities:

Boards, Commissions, Tasks Forces and Committees: An increasing number of opportunities exist for neighborhood leaders to become involved in civic activities beyond the neighborhood level. Downtown Action Team, Parks Board, Planning Commission, Senior Council, and Cultural Councils are just a few examples. Neighborhood leadership continues to be an effective introduction to citizen participation in local government.

Challenges and Opportunities: -Leadership and mediation training could be provided as a benefit to neighborhood leaders.

CITY OF KIRKLAND
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MEMORANDUM

To: Dave Ramsay, City Manager

From: Jennifer Schroder, Director
Carrie Hite, Deputy Director
Michael Cogle, Park Planning Manager
Jason Filan, Park Operations Manager

Date: March 7, 2006

Subject: **Trends, Issues and Opportunities in Recreation, Parks and Open Space**

In preparation for the City Council retreat; this paper highlights some significant trends, issues and opportunities that will influence the future direction of Recreation, Parks and Open Space in Kirkland.

Trends and Issues

The type of recreation programs to offer, the type of facilities to build, and the City's role in protecting its natural resources may be significantly influenced by the following trends and issues:

- **Increase in the aging population and the more physically active senior:** With Baby Boomers entering retirement the trend is toward an older, more active population. Compared to previous generations, these seniors are more likely to be in good health, with higher education and income levels. Census statistics show that the senior population in Kirkland will make up 60% of the population by 2020. Seniors today are younger, more active, more involved with their health and nutrition needs, and interested in more integrated and alternative exercise opportunities. The center as it is today is great for serving the needs of the more frail and elderly senior population, but limited in its expansion opportunities to meet the needs of the growing younger-senior and physically active senior population.

- **Increase in single parent and two parent working families:** Communities Count 2005 states "Increasing numbers of preschool age children are spending time in the care of child care provider other than their parents". The report also states that a 2004 countywide survey of all households, 17% of school-age children (6-14) were in regularly scheduled childcare, and of these, 19% were in child care for at least 25 hours a week. Therefore, the demand for after-school programs that engage youth (6-14) in skills-based activities such as sports and the arts is expected to grow.

- **Decline in health and fitness for all ages:** According to the 2005 CDC Health Report of the United States, the Health Report of King County, 2005, and Communities Count 2005, our community rates of obesity are almost at epidemic levels. Youth being the largest percentage of threat. The Surgeon General has a call to action for this nation to prevent and decrease overweight and obesity. A major contributor to this health decline is the lack of physical activity.

- **Increase in the percentage of racial diversity in the community:** The 2004 Community Profile states "Since 1990, the racial diversity in Kirkland's population in 2000 more than doubled from 7.2% to a 16.9% minority population". Two areas that measured the most increase within this demographic category were: Hispanic Origin and Asian or Pacific Islander. A larger percentage of these growing populations are either non-English speaking, or second language English speakers. Public recreation programs are in demand as a way to help facilitate integration into the community as well as provide a place as a "group" to gather socially. At the Senior Center we have programmed for this changing demographic, and have been able to provide language and culturally relevant services for both the Latino and Mandarin Chinese citizens. This is an area that we need to continue to recognize not just in Recreation, but in service delivery city-wide.

- **Increased use of our parks and facilities:** Every year there are more requests to schedule fields than we can accommodate. More and more we are seeing an increase in citizens walking, jogging and picnicking in our parks, and families and child care providers frequenting our children's play areas. Both NKCC and the Senior Center have less available hours for rentals due to the demand to fill the available time with programs. Although we enjoy high scores in citizen's value of their park system and it is good to see more citizens of all ages enjoying our parks and facilities, this success is reducing our ability to sustain the level of maintenance citizens have come to expect within the current level of resources.

- **Indoor facility challenges:** As far as keeping up with the indoor, active recreational needs of our citizens, Kirkland is challenged by the limited and lack of dedicated indoor active/athletic recreation space. The Comprehensive Plan defines a service standard for indoor athletic recreation space as 500s.f. per 1000 population served. We have no dedicated space to offer indoor athletic recreation space to the community of 45,000 citizens. Past and present Park Boards adopted work plans that included objectives that develop strategy for determining future indoor recreation space needs. The Joint use agreement with Lake Washington School District is helpful but limited to use for after school programs and is limited in the total number of hours available. Additionally, the gymnasiums are designed to meet school programs and not for multi-generational recreation and health fitness activities.

- **Indoor facility trends:** The most common trend in creating indoor active recreation spaces is developing multi-use designed facilities to meet the needs of everyone in the community (cited from Recreation Management Magazine, Athletic Business Magazine, and the National Recreation and Park Association, 2002-2004, various citations). These facilities often incorporate a specialized senior area, teen area, offer more integrative programs for the whole family, and are designed to be the hub of the community. Often included in these newly designed facilities is a special attraction that may make it unique, generate revenue, and bring people in, i.e. indoor leisure pool, competitive pool, whole foods restaurant, extensive fitness center, rock climbing wall, etc. Additionally these centers offer the flexibility to provide more family oriented recreation where the whole family can come together and participate in the same activity or in separate activities within the one facility. For seniors, the trend has been more toward offering active fitness classes, including yoga, pilates, indoor walking areas, warm water swimming pools, specially designed fitness equipment for "active-agers". For Teens, active recreation trends include rock climbing walls, extreme sports and challenge course opportunities, martial arts, roller hockey, and weight room/fitness classes. From a design and construction perspective, there is an increasing emphasis in park and recreation facility design using low-impact development techniques and practices.

- **Amount of urban forests declining due to development:** We see an ever-increasing emphasis on proactive management of public open spaces and natural areas. While in the past priorities have perhaps been placed on preserving these critical resources via acquisition, it will become increasingly important to provide our urban forests, wetlands, and undeveloped open spaces with more "hands-on" attention.

Needs and Opportunities

Based on the aforementioned trends and issues, we see the following needs and opportunities emerging:

- **Renewed emphasis on renovation and replacement of park systems and amenities:** Kirkland has done a good job of keeping up with growth in the provision of outdoor recreation facilities. Overall the park system has grown substantially since the annexation of 1988, essentially doubling the number of parks and park acreage used by our citizens. While the majority of capital resources during the past nearly 20 years have been devoted to purchasing and developing these new facilities, we envision that as the park system reaches a new level of maturity an increasing proportion of capital investment will need to be directed to renovation and replacement of park systems, such as playgrounds, restroom buildings, grandstands, irrigation and drainage systems, shoreline bulkheads, etc.

- **Need for maintenance support facilities**: The City's Maintenance Center can no longer support all the parks maintenance staff under one roof. The park maintenance staff has grown by 50% between 2001 and 2006 (from 16 to 24 FTE) and, combined with staffing growth with Public Works and the recent relocation of the City's Facilities Division, Park Maintenance division has been forced to disperse to satellite locations at Juanita Beach Park and McAuliffe Park. The use of park facilities to house maintenance operations is a band-aid and should not be viewed as a preferred use of these parks. Future annexation, should it occur, will place additional pressure to address the need to expand or replace the service center.

- **Step Up to Health Initiative:** Kirkland is beginning to actively challenge the national trend of declining health. In February of 2006, 80 citizens attended an all day Step up to Heath Summit and prioritized strategies for our community to increase activity levels and live healthier lives. Some of the top priorities identified by participants included building an indoor recreation facility, implement walking programs, provide way finding signs and mileage for walks throughout the city, provide more active recreation programming for teens, and implement the walking school busses, encouraging kids to walk to school. An opportunity for Kirkland is to prioritize this initiative and dedicate staff and resources to implement strategies to increase the health of our community.

- **Recreation Facility Assessment:** In 2006 the Parks and Community Services Department will be completing an indoor recreation facility needs assessment. Working with citizens and community providers, this study will help our community determine a future direction in the provision of public indoor recreation programs and activities.

- **Natural Resources:** The soon-to-be-developed Green Kirkland partnership provides a glimpse of where we may be headed in the future, combining dedicated City capital resources with community-supported stewardship efforts to remove invasive plant species, plant new native trees and shrubs, and encourage vital wildlife habitat. In addition to reforestation of existing open space, it will be important to identify acquisitions of land to link key city parks, open space and neighborhoods through a network of greenways. Cascade Land Conservancy (CLC) obtained funding to conduct a forest restoration pilot program at Watershed Park. Additionally there is funding in the parks capital plan to contract with CLC to inventory our open space/natural area assets and develop a 20-year restoration plan.

- **Maximizing existing resources for recreation opportunities:** Two significant park master plans were completed in 2005. Both Juanita Beach Park and McAuliffe Park, two unique and remarkable park properties, have been identified through their respective plans as having tremendous opportunities to meet citizen leisure

needs in new and important ways. Fully realizing the community's vision for both parks will be an important goal for the future.

- **Multi-use Athletic Fields:** As well, we will need to continue to maximize use of our existing park facilities in new and different ways. Given the dearth of available land to build new playfields in Kirkland, we see an increased need to maximize existing inventory by, where feasible, adapting sole-purpose athletic facilities for multi-use and year-round purposes. Trends in this area, both regionally and nationally, include use of synthetic turf (technology has made this much more cost-effective, aesthetically pleasing, and safe than in the past), efficient field lighting systems, and portable fencing systems. Continued cooperation with the Lake Washington School also may open many more opportunities for meeting community needs in this regard.

- **Cross Kirkland Trail:** We can think of few potential projects in the future that could have as dramatic positive impact to community health and recreation as the creation of the Cross Kirkland Trail within the BNSF rail corridor. While technically a "non-motorized project" and not a "park project", the opportunities this potential trail affords Kirkland residents is unique and far-reaching. Significant hurdles exist in making the Cross Kirkland Trail a reality, and even then implementation may be years away, but its importance for the future cannot be overstressed.

- **Updating our Comprehensive Park Plan:** Next year – 2007 – will be an important year for the Kirkland's parks system. We will be updating the City's Comprehensive Park, Recreation, and Open Space Plan. This comes at an opportune time. For one, the current six-year plan is coming to a close and is in need of updating. Maintaining a current comprehensive park plan is vital for a number of reasons, not the least of which is that it helps maintain the City's eligibility for many government grant programs. Also, as we wrap up all of the projects funded from the 2002 Kirkland Park Bond, it will be a good time to work with our citizens to identify future needs, appropriate levels of service, priorities, staff and support facilities and overall goals for Kirkland's park, recreation and open space system.

CITY OF KIRKLAND
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MEMORANDUM

To: Dave Ramsay, City Manager

From: Brenda Cooper, Chief Information Officer
Robin Jenkinson, City Attorney
Bill Kenny, Director, Human Resources
Michael Olson, Interim Director, Finance & Administration

Date: March 9, 2006

Subject: High Performance Organizations

High Performance Organizations are organizations that set standards for high productivity and efficiency. The City of Kirkland is committed to becoming a High Performance Organization, and years of budget belt tightening have only underscored the necessity of doing so. Kirkland is using new technologies, changing its structures, and improving work processes to respond to increasing demands with fewer resources. Becoming a High Performance Organization is best accomplished through three strategies:

- Automate business processes for maximum efficiency
- Engage employees via communication
- Empower employees

This paper focuses on the role of Finance and Administration, Information Technology, Human Resources, and the City Attorney's Office as internal support service providers and as contributors in creating a High Performance Organization.

Finance and Administration

The Department of Finance and Administration continually works toward being a high performance organization through its processes and improvements used in achieving its annual goals. The following were implemented in 2005; purchasing card system, passport acceptance services, electronic packets and on-line utility payments including acceptance of credit cards. Additionally a Capital Improvement Program database was developed. Each of these efforts improved fiscal management, improved customer service or increased efficiency.

To achieve and maintain high performance in today's working environment it is important to automate business processes, increase communication and provide easily accessible information to all customers, citizens and staff.

The challenge in the pursuit of high performance is the problem of limited resources. As the pace of change and the availability of technology increases, greater levels of service are expected. To improve, it is necessary to evaluate the services provided and determine if the most efficient process is being used. Evaluating current practices and implementing new technologies or new practices initially may require additional funds for staffing, software and training. However, improvements resulting from these evaluations will create greater efficiencies, reduce unnecessary tasks and result in reduced costs and increased service levels.

The opportunities for improving performance that the Department of Finance and Administration will be pursuing in 2006 include working with Information Technology to implement a document management system, working with the Police Department to implement a false alarm reporting program and updating the purchasing ordinance.

The document management system pilot project will facilitate the routing and review of contracts. The pilot project will form the basis for a larger document management system implementation which will provide ready access to all new official records and to some legacy documents. Search capabilities and version control will allow staff to find the most up-to-date-version of any document stored centrally on the system.

The false alarm program is expected to produce a significant decrease in the number of false alarms for police assistance and make officers available for higher priority calls. The program will use staff resources and the Police Department's New World CAD/RMS system in conjunction with progressive notification and fines for false alarms to achieve these results.

The revision of the purchasing ordinance will provide the opportunity to improve efficiency in purchasing and contracting. The main goal of this project is to establish bid requirements and authorization limits at levels which more effectively balance accountability and operational efficiency. We will also clarify code language and provide formal guidance in the area of contracting for services. This effort provides an opportunity to provide procurement training throughout the organization.

The Department of Finance and Administration will continue to support the goal of increased performance through automating our processes and increasing communication as opportunities become available.

Information Technology

Technology can be an effective tool to help employees excel and to help them enjoy their work. In the City, we use technology to help staff work anywhere and anytime; whether onsite; in the field; traveling; or working from home. Some examples of Information Technology's contributions are cited below:

- Applications that may be used in the field such as police information systems in patrol vehicles and Geographic Information System data in Public Works vehicles.

- Enhancing and utilizing easy and secure ways for employees to telecommute.

- Personal digital assistants that combine phone, email and calendaring for the City Council, City management, and field staff who are seldom at their desks. The use of these tools may help people feel more productive, support multitasking, and help better handle life/work balance

issues. This can be a double-edged sword and proper implementation is necessary to ensure that stress is reduced rather than increased.

The Information Technology Department also supports a variety of functions that help City staff improve internal communication and improve the link between the City and its citizenry. Some examples of these are:

- Collaboration tools, like our SharePoint Intranet, where people from different organizations can work together on topics such as wellness and diversity.
- Communication tools that allow staff to get messages out to the public across multiple venues, such as the internet, the television and in print.
- Communication tools designed to improve staff communication.
- Self-service applications, like Employee Online which lets people look at and change human resource information such as personal contact numbers online.

Some of the important things to do, where possible are:

- Provide adequate training so that staff understands how to use the tools that they have available.
- Create an organizational atmosphere that is positive about change and supports the chaos that often accompanies new ideas at implementation.
- Be sure to provide adequate technology implementation staff inside department as business experts.
- Automate the more repetitive or more aggravating tasks where possible. For example, remove the need for inspectors to drive back to City Hall just to complete paperwork.

Effective use of technology allows employees to be more productive – no matter where they are located. Proper use of these tools should enable us to become more responsive than ever.

We recommend that Council consider the following:

- Becoming as proficient as possible with their existing technology. Please feel free to request training, "how to" books, and other resources you would find useful.
- Encourage and support automation projects such as the document management project mentioned above, paying special attention to adequate training in the customer service departments as well as in Information Technology.

<u>City Attorney's Office</u>

The City Attorney's Office is committed to delivering first rate legal services in a cost-effective manner. The City Attorney's Office uses technology to provide better and faster service. Computer assisted legal research available through the internet and special software licenses allows the attorneys to quickly look up information and helps us become more responsive. The law library is now paperless, constantly updated, and much less expensive to maintain. Remote access to email, voice mail, and the ability to securely communicate with staff are helping increase our productivity. Programs such as Adobe Acrobat improve our ability to transmit and exchange documents by email. The ability to view agenda packets and Council meetings on-line enables to better answer Council questions and capture Council discussion as we work on memoranda and ordinances. Hopefully, the use of technology will yield improved customer satisfaction, something we want to test using an on-line survey of the City Council, City Manager, and other departments.

The City Attorney's Office is in the process of establishing a brief bank which will enable attorneys to retrieve briefs and memoranda prepared by their colleagues. This will also encourage collaboration between attorneys. We intend to use the document management system described above to do so.

By reducing our response time, we hope to accelerate staff decision-making elsewhere in the organization and improve their responsiveness. Other benefits we see from the use of technology are: reduced litigation; increased productivity; greater job satisfaction; and better customer service

The challenges we see are principally around resources. This department, like others, is reliant on the continued excellent support we receive from Information Technology staff for troubleshooting. Strong security is a priority for us as well.

Human Resources

Human Resource plays a unique role and has critical responsibilities in an organization's efforts to develop and sustain a high performance organizational culture. The glue that binds an organization together is its "culture." This is the collection of values, beliefs and norms that the organization follows and defines what it is and how it provides its service and does its business.

As discussed above, the challenge facing us is one of how to pursue high performance and continuous improvement, coupled with a time of increased expectations of services and the problem of limited resources. Adding to this issue is the 21st century reality that the demand for change in the public sector is continuous, rapid and frequent.

The leadership of the organization plays the critical role in identifying and communicating values, goals and priorities. With that guidance, Human Resources then has specific responsibilities as a caretaker and change agent to accomplish the following goals:

- Reinforce and Model Values
- Provide Continuous Learning and Training
- Sustain Reward and Recognition Systems
- Clearly Communicate Policies
- Promote Customer Service Roles
- Eliminate Business-As-Usual Mentality
- Enable Two-Way Communications and Feedback
- Define Roles, Responsibilities and Accountabilities
- Encourage Empowerment and Teams
- Individual and Organizational Problem Resolution
- Develop an Organization Plan
- Embrace Continuous Improvement

In the view of the HR Department, three key opportunities currently exist:

(1) Personnel Policy Revision Process,
(2) Orientation and Training, and
(3) Human Resources Customer Service Model.

These are critically important as they manifest the "foundation" of the culture as well as become the vehicle to communicate the above goals.

The greatest issue challenging us is facilitating the atmosphere of change and learning in an environment where many employees are running as fast as possible to accomplish daily operation and service requirements.

The Personnel Policy Revision is a large project that the department has eagerly taken on. There are five issues that are problematic with the City of Kirkland's current personnel policies; Compliance, Contemporary/Current, Cumbersome, Accessibility, and Maintenance. A combination of all of these issues have created an environment of uncertainty and inconsistency for both managers and employees, with neither party sure of what the policy is and if it is superseded by something else, somewhere else. This particular project will involve all of the Human Resources Department employees and many employees elsewhere in the organization. The strategy for this project follows the steps outlined above with the HR Department gathering input, drafting the policies and utilizing workgroups involving employees around the organization to provide input, edit and finalize recommendations for the policies. This would result in a single, consolidated location for all personnel and employee policies, together with providing an electronic policy in lay language and up to four links/attachments: FAQ, forms, process, and procedure.

A new employee Orientation is one of the most important things an organization can do to ensure the success of their new employees, as well as communicate culture and expectations. This work in process will result in a standardized and structured Orientation for both regular and seasonal employees.

Following the Personnel Policies and Orientation revisions will be a systematic approach to a training program involving identified "competencies" for all levels (i.e. employees, supervisors, managers and director). This will provide the opportunity for communicating organizational policies, expectations and accountabilities, as well as to serve as a venue for organizational development, goals and values. It has been requested by both employees and supervisors alike that we bring more training in-house. Coupled with appropriate external training, this approach will also facilitate management development, performance measurement and succession planning.

Recently, our new Customer Service Model assigned an HR Analyst to each department to assist them with all of their HR needs. This new model is one aspect of HR looking at organizational structure, work process and a means for improved service. Being that the model has been in place for about three months now, we are still evaluating the effect of the change. As the departments grow comfortable with their designated contact, the new model is proving to reduce the confusion around who to call and when. At first glance, it appears to be meeting the needs of our customers much better than the old model. The Department has also restructured positions and functional assignments, and while this work is on-going, it

is believed the new models will support its efforts concerning customer service and continuing improvement.

It is believed that these are the opportunities and challenges immediately before us. The issue is resource driven. While there are some financial implications, included in this definition of "resources" is time, staff energy and a commitment to longer-term-strategic thinking (rather than simply meeting the growing service needs of today).

As Council identifies goals and priorities, it is hoped that these efforts will provide a foundation and forum to develop and sustain a high performance organizational culture.

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MEMORANDUM

To: Dave Ramsay, City Manager

From: Marilynne Beard, Assistant City Manager
Brenda Cooper, Chief Information Officer

Date: March 3, 2006

Subject: COMMUNITY ENGAGEMENT

The purpose of this memo is to discuss opportunities the City Council may want to pursue regarding community engagement. It includes background about the types of community engagement Kirkland has used in the past, a discussion about the considerations to use in designing a public engagement process and a description of the some of the resources and venues we have available to us and some suggestions about resources that could enhance our current efforts.

Background on Kirkland Process

A key value of this City is citizen involvement. The adopted Council Philosophy includes the following statement about community involvement:

We value the meaningful participation of the community in City decision-making processes and services. By providing information in a variety of formats, key stakeholder groups and individual residents are encouraged to get involved.

Kirkland employs a range of techniques to inform and involve the community. Using the International Association for Public Participation's (IAP2) "spectrum" of involvement (see attachment A), following are some of the citizen involvement methods used in the past.

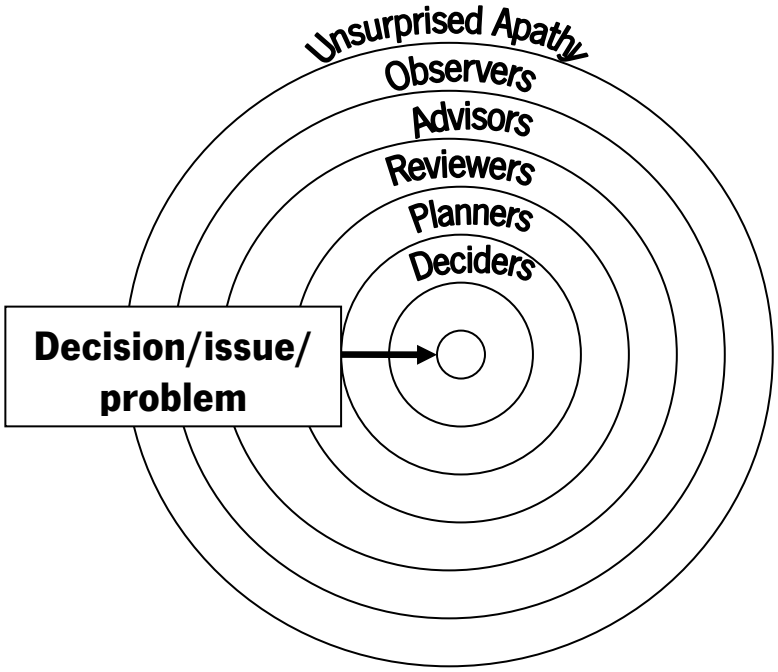
Inform	City Update, utility bill stuffers, cable TV programming, websites, broadcast of City Council meetings.
Consult	Surveys, focus groups, feedback forms.
Involve	Public hearings, community meetings, volunteers.
Collaborate	Kirkland conversations, boards and commissions, task forces
Empower	Elections, delegated decisions.

Many of our public involvement efforts have been highly successful. Others may not have achieved the outcome or effect originally intended or fell short of the mark in some way. In order to make public involvement efforts successful, it is important to plan ahead by assessing the nature of the issue, clarifying

the decision to be made (and who is going to make it) and identifying who is going to care about it (the stakeholders).

Public involvement can yield many benefits including the collective intelligence and creativity that results from groups (rather than individuals) doing problem solving; greater acceptance of decisions that will impact the public and greater compliance with rules and laws due to increased understanding of the problem being addressed. In order to achieve the desired benefits, a public involvement strategy should be "right-sized" to the issue.

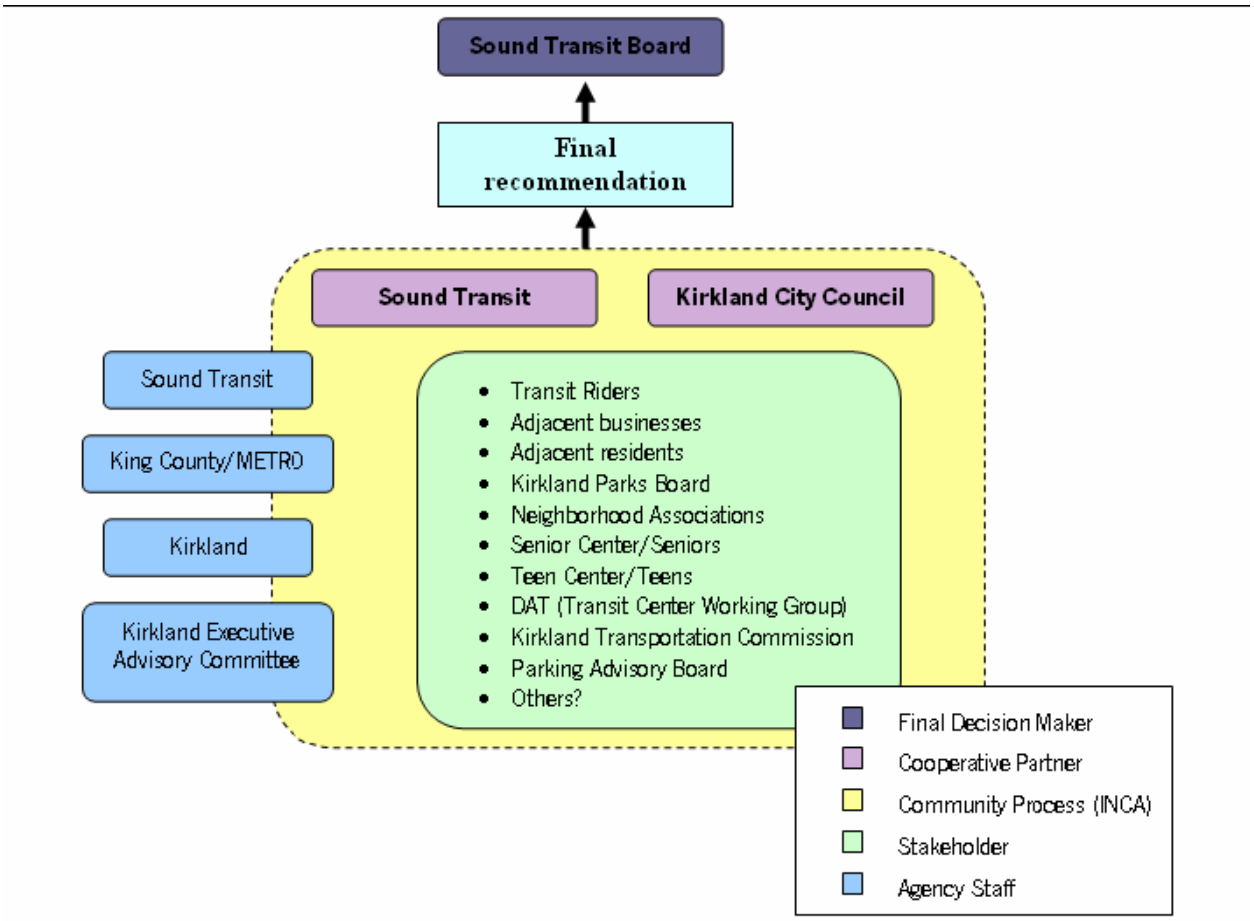
The IAP2 is an association of public involvement professionals that work in both the public and private sectors. They provide a useful framework for analyzing issues with respect to designing a public involvement process. IAP2's model involves a five-step planning process that begins with **defining the decision to be made and who is making it and then identifying the public process goal**. This is possibly the most critical step in a successful public process because it assures that you are involving the right people at the right level. Larry Aggens model of "Orbits of Participation" suggests that there is "no single public" but different levels of public based on differing degrees of interest and ability to participate.



The more a decision will impact someone, the greater their activity and energy will be in the process. People who start in the periphery of "unsurprised apathy" can quickly move to "planners" if they perceive that the decision is beginning to impact them to a greater degree than first thought. The Lake and Central project is an example where individuals moved quickly to the core of this model as they became perceived the project impacts relative to their own situation. Different public involvement activities are appropriate for different people depending on their level of impact and interest and those strategies need to change when the groups' interest and energy change.

The IAP2 Public Participation Spectrum (see attached) depicts how increasing levels of public involvement can lead to greater public impact. At one end of the spectrum, we are simply informing the public. We are not asking for them to respond or provide input and the decision has either already been made or cannot be influenced. At the other end of the spectrum, the public is asked to make the decision and we will abide by their wishes. When we think of public involvement in Kirkland, we are often thinking about issues that fall somewhere in between. But a consultative goal (we want to know what you think and we'll take that into consideration when we make our decision) calls for different public involvement activities than a collaborative goal (we want you to let us know what should be done and your input will strongly influence our decision). In order to design the right process, we need clarity on the level of public involvement that is appropriate for the decision to be made. If a public involvement process falls short of the intended outcomes, it is likely the result of having identified a process (survey, open house, focus group) without having first analyzed the issue.

The Transit Center project is an example where staff is beginning to design the public involvement strategy. In this case, the decision to be made is not where to site the transit center but how to design the transit center so that it meets the needs of Sound Transit, transit riders, downtown businesses, park users and a variety of others special interests. The diagram below depicts the possible stakeholders and their relationship to the decision.



The decision-maker in this project is Sound Transit and they are coordinating the public participation process with the City. In this case, different stakeholders will have different levels of involvement based on

their interest. For instance, Sound Transit may have a "consult" goal with some stakeholders but work at a "collaborate" level with the City on the design of the project. As we proceed with the design of the public involvement process, it will be important for stakeholders to understand how their input will be used (and how it was used in the end).

Designing and implementing an effective public involvement process requires time and skill. Project and program managers are asked to incorporate a public involvement processes in many projects. This may involve a variety of activities that include:

- Preparation and distribution of flyers, invitations, surveys and web content
- Development of videos and cable channel announcements
- Preparation of background reports for task forces and committees
- Coordination of meeting facilities and room set up
- Coordination of bulk mail activities
- Preparation and delivery of meeting presentations
- Group facilitation
- Compilation and analysis of stakeholder input and presentation to City Council
- Feedback to the participants about what took place as a result of the process

On occasion, it will be more appropriate for someone other than the sponsoring department and/or project manager to perform some of these tasks – either because they are not seen by the public as being sufficiently neutral or simply because they don't have the time or skills. In this case, outside consultants and/or support from other departments can supplement their time and talents (e.g. neighborhood services, multimedia services, web services).

In addition to the traditional tools and methods employed by the City in the past, there are also a number of new tools and technologies that can be employed to enhance public involvement efforts. For example, we have most of the technology available today to allow people to call or send email comments during public hearings or during the public comments portion of a Council Meeting. Council members could attend meetings virtually when they are traveling. Business owners who live out of town could interact from home. Consultants could also attend from home, saving the city money spent paying per hour while they sit in Council meetings and wait for agenda items to come up. Although there may be small technology investments which need to be made, we do not use these abilities for enhanced remote communication primarily because we have not developed the policy and processes to support them.

As we expand our ability to reach the public at new locations (such as wireless hot spots in the parks or through a more extensive municipal networking project), we at can provide location-specific information for them. For example, if we have a wireless hot spot at Peter Kirk Park when we're collecting public input on the transit center, we may be able to direct people using that hotspot to a site where they can provide feedback.

Effective public involvement leads to better decisions and better community relations. Given the City Council's emphasis on the value of public involvement and the increasing expectation of the public to have a say in their community, the City Council may want to consider enhancing the organization's capacity in this area.

- **Provide training** for staff responsible for implementing public involvement processes. Topics could include how to design and implement public processes (i.e. diagnosing the issue and "right sizing" the process), group facilitation and how to develop effective written and visual materials.

- **Assign resources** as part of every project budget specifically for public engagement efforts. This would be included either within a project when it is initially funded in the budget process by Council a public process is requested after a project is begun.

- **Consider Trying and/or Funding New Technology** as part of the upcoming budget process.

- **Hire a Communications Specialist** whose job is to assist departments in the design of public involvement strategies, preparation of materials, group facilitation and any other activities that may be needed. This would assure a consistent and effective approach to public involvement and allow department staff to focus on content-related outcomes. In the past, we have either used existing staff or engaged an outside consultant, such as APCO Worldwide, who helped us with our public safety communications strategy. Given the ongoing desire to incorporate public involvement in our work, outside consultants can become costly.

Conclusion

Organizations are increasingly recognizing the benefits of public involvement and the resource commitment that it requires to be effective. An effective communications program can meet and enhance the City Council's commitment to public involvement.

IAP2 Public Participation Spectrum

Developed by the International Association for Public Participation

INCREASING LEVEL OF PUBLIC IMPACT

	CONSULT		COLLABORATE	
Public Participation Goal:	**Public Participation Goal:**	**Public Participation Goal:**	**Public Participation Goal:**	**Public Participation Goal:**
To provide the public with balanced and objective information to assist them in understanding the problem, alternatives, opportunities and/or solutions.	To obtain public feedback on analysis, alternatives and/or decisions.	To work directly with the public throughout the process to ensure that public concerns and aspirations are consistently understood and considered.	To partner with the public in each aspect of the decision including the development of alternatives and the identification of the preferred solution.	To place final decision-making in the hands of the public.
Promise to the Public:	**Promise to the Public:**	**Promise to the Public:**	**Promise to the Public:**	**Promise to the Public:**
We will keep you informed.	We will keep you informed, listen to and acknowledge concerns and aspirations, and provide feedback on how public input influenced the decision.	We will work with you to ensure that your concerns and aspirations are directly reflected in the alternatives developed and provide feedback on how public input influenced the decision.	We will look to you for direct advice and innovation in formulating solutions and incorporate your advice and recommendations into the decisions to the maximum extent possible.	We will implement what you decide.
Example Techniques to Consider:	**Example Techniques to Consider:**	**Example Techniques to Consider:**	**Example Techniques to Consider:**	**Example Techniques to Consider:**
• Fact sheets • Web sites • Open houses	• Public comment • Focus groups • Surveys • Public meetings	• Workshops • Deliberate polling	• Citizen Advisory Committees • Consensus-building • Participatory decision-making	• Citizen juries • Ballots • Delegated decisions

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CITY OF KIRKLAND
Department of Parks & Community Services
505 Market Street, Suite A, Kirkland, WA 98033 425.587.3300
www.ci.kirkland.wa.us

MEMORANDUM

To: David Ramsay, City Manager

From: Jennifer Schroder, Director
Carrie Hite, Deputy Director

Date: March 2, 2006

Subject: Human Service Issue Paper for Council

RECOMMENDATION: Council be informed of current issues, trends, challenges and opportunities as it relates to Human Services. Council use this information when setting long-term goals.

BACKGROUND:

This paper is meant to inform and educate Council on the current issues, trends, challenges and opportunities of Human Services in our community. There are several issues that are worthy of attention as the Council seeks to understand the status of Human Services. This paper will attempt to inform you of these issues and help Council make informed decisions about Human Services during goal setting. This paper will focus on the following:

- County-wide issues and initiatives
- Regional and local issues, trends and opportunities
- Funding issues and opportunities

County-wide Issues, Trends and Opportunities

There are several County-wide issues that are noteworthy and will help inform Council's directions.

1. The Ten-Year Plan to End Homelessness: Homelessness continues to increase in our region, as noted by the One Night Counts, shelter numbers, emergency and transitional housing providers, and Tent City. Eight organizations, coalitions and local governments came together in 2002 to form the Committee to End Homelessness in King County, an effort to develop and implement a plan to end homelessness in King County. In 2003, planning to end homelessness became a national initiative of the federal government and has since become a requirement for continued receipt of over $35 million in annual grant assistance to jurisdictions within King County from the U.S. Department of Housing and Urban Development (HUD).

The Ten-Year Plan to End Homelessness provides a strategy for the community to seek long-term and sustainable solutions to the issue, rather than continuing to manage costly episodes of homelessness as they occur.

At its meeting in February, 2006, City Council endorsed this plan and committed Kirkland's involvement to help implement the plan.

2. King County Issues and Efforts: King County has supported human services within their implementation of the "King County Framework Policies for Human Services" that was developed in the late 1990s. With these policies, they were able to dedicate funds and staff support to provide a County wide impact on human services. Starting in the year 2000, the County found itself in a budget crisis, forcing reorganization of County Departments and budget cuts that impacted a few areas, including human services. The Regional Policy Committee was motivated to tackle this issue in response to the Executive's preliminary budget announcement to cut the entire human services budget in early 2002, recognizing that health and human service funding around the County was interdependent (i.e. local funding was leveraging multiple local, state, federal and private resources). The fear was that loss of a major funding partner, such as King County, could de-stabilize the entire system. After urging from the Human Services Alliance, a strong coalition of providers in King County, the Executive appointed a task force on Regional Human Services to address health and human services administration and funding for the County. RPC followed this process closely. The task force completed its work with recommendations forwarded to the Executive. County Executive Sims formed a Healthy Families and Communities Task Force, which began work in July, 2005, for the purpose of implementing the previous Task Force's recommendations. The Healthy Families Task Force is currently defining the gap between current funding and estimated funding needs; recommendations for future funding sources, including possible ballot measures; and recommendations regarding formation of an administrative system, or regional human services board, to coordinate prioritization of needs/services and improve the overall delivery system. These recommendations are scheduled to be complete by the end of April, 2006.

During this process, the RPC developed a veterans service levy for a total of $10 million per year. Human service advocates raised concerns about the exclusive focus on veterans' services and expressed their desire for a larger, comprehensive human services levy proposal. A compromise was reached and the Council voted to put forth a $13.3 million levy, which passed in fall 2005 and divided funding equally between veteran and human services.
Currently, County staff and representatives from other jurisdictions are framing recommendations for County Council on the allocation and governance of these funds. ***The two issues that have been discussed in this process are the formation of a County-wide governing body, assuring equity across the County and the need for a County-wide Human Services Master Plan. This is an opportunity for Kirkland to be involved in these two initiatives to assure equal access and representation.***

3. Early Learning Initiative: There is a local, regional, and statewide focus on Early Learning and School readiness for children in our community. The State Legislature almost unanimously passed a bill establishing a new State agency for Early Learning. In addition, United Way, King County and the City of Seattle have funded a regional initiative, SOAR, whose focus is to help kids reach for the sky. Kirkland has been involved in a local initiative, Families and Children Early Support (FACES East) which works to support early development, education and school readiness efforts in East King County. The trend is to focus with children early, so as to prepare them for school, and prevent future academic and social failure. Our State is behind in this area, thus creating momentum to focus on this issue. ***Kirkland's opportunity is to continue to stay involved in these initiatives, assuring the Kirkland's children are school-ready***.

4. Community Development Block Grant Funding

Our Human Service system has been reliant on leveraging CDBG funds both for capital needs and program needs. These funds have been shrinking every year, with a FY 2007 proposed presidential budget cut of these funds by an additional 26%. There is also a proposal to reallocate these funds to the most distressed communities. Thus, the King County Consortium could be stripped away due to these formula changes. There has been some indication that the legislature will not support these cuts. With a 10% decrease from last year, and a possible 26% decrease this year, this could impact our service delivery system greatly. The other trend we have experienced this past year is the regionalization of funds. King County, along with many other consortiums around the country, reorganized their management of CDBG funds to pass-through cities. There are now two regional consortiums (one North and East, and one South), that will initiate a competitive granting process. This keeps the management at the County level, while trying to maintain local priorities. For Kirkland this means that some of our agencies may suffer additional cuts. ***The opportunity for Kirkland is to stay involved at the regional level assuring that Kirkland agencies are faring equitably with other communities. In addition, Kirkland could take an active role in advocating for legislation to maintain this critical funding source.***

Regional and Local Issues, Trends and Opportunities

We have a strong community in Kirkland, and on the Eastside. From recent reports, including Communities Count 2005, the Health Report of King County 2005, United Way Community Needs Assessment 2004, we are fairing well in the County. But the Eastside, and Kirkland, is not the same it was five or ten years ago. Our communities are changing quickly, and the needs our citizens face are changing too. We know that affordable housing is declining, the poverty rate from 1990 to 2000 has almost doubled, access to health care, and insurance coverage is decreasing, hunger and homelessness is increasing, job growth is less robust than anticipated, young people's health needs are increasing, and school drop out rates are increasing. We also know that many who work here cannot afford to live here. Kirkland is becoming much more diverse, with a steady increase in foreign born residents who are non-English speaking. We know are population is growing older and has more needs. As a community, we have strived to keep up with the increasing need, but have also faced one of the worst recessions in history, which resulted in Federal, State and County cuts to support human services. Locally, we have prioritized our citizen's needs and, even facing tough budget years, have been able to squeeze increases to support our local nonprofits. But the local trend that we are experiencing is an increased need and decreasing budgets to be able to support agencies to fulfill those needs of our citizens. ***The opportunity for Kirkland is to stay involved in regional efforts, continue to take a leadership role with the Eastside Human Services Forum, and continue to be aware and prepared to be proactive in meeting the needs of our citizens.***

Funding Issues, Trends and Opportunities

Regional Opportunities:

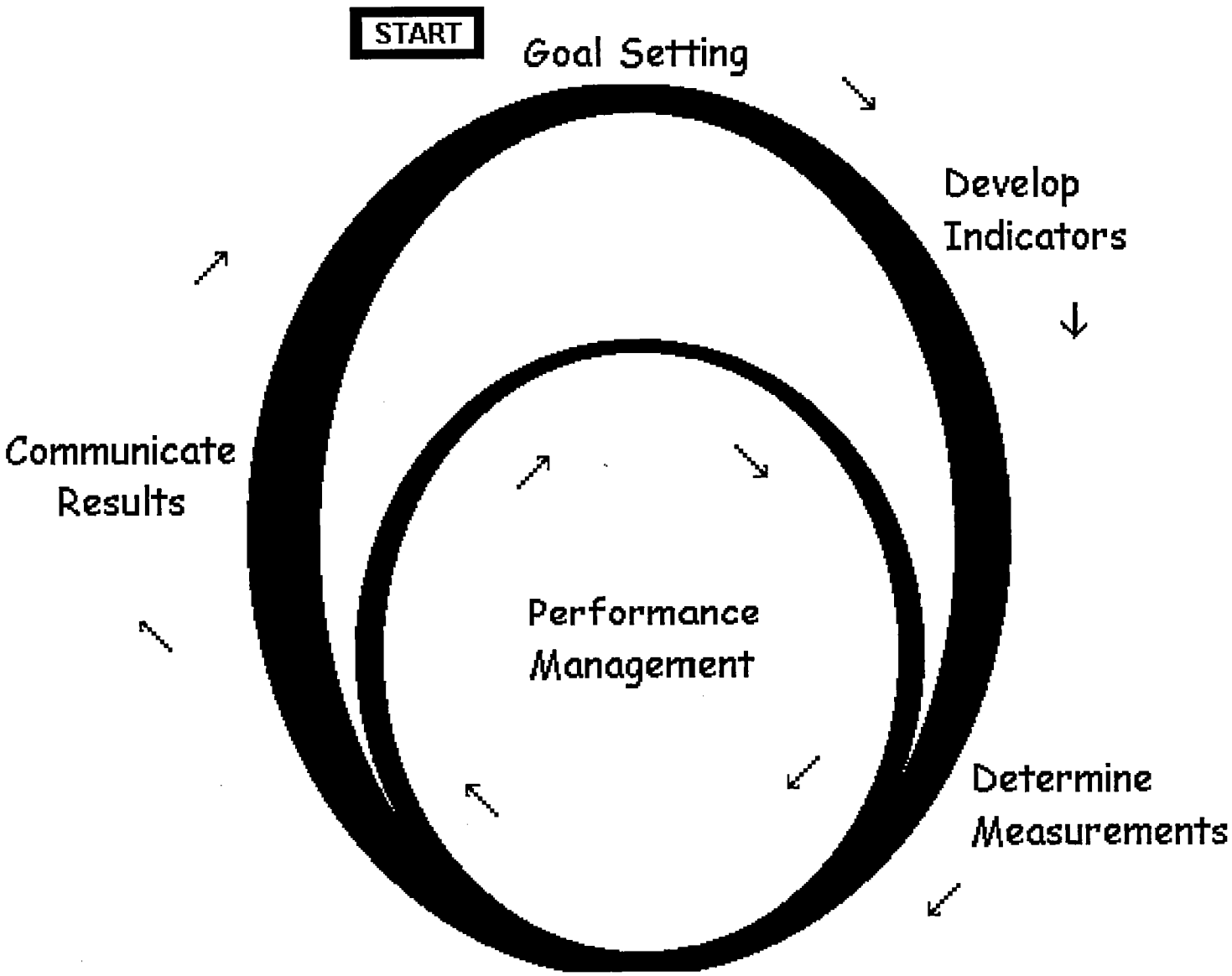
It would benefit Kirkland to continue involvement in both the CDBG Consortium and the Health Families Task Force. In addition, it would be valuable to represent our interests in the Governance structure, Levy funding allocation process and the potential County-wide Human Services Master Plan. Each of these initiatives has potential to leverage funds to our local community, so as to solidify and, possibly, enhance our human service delivery system for our citizens.

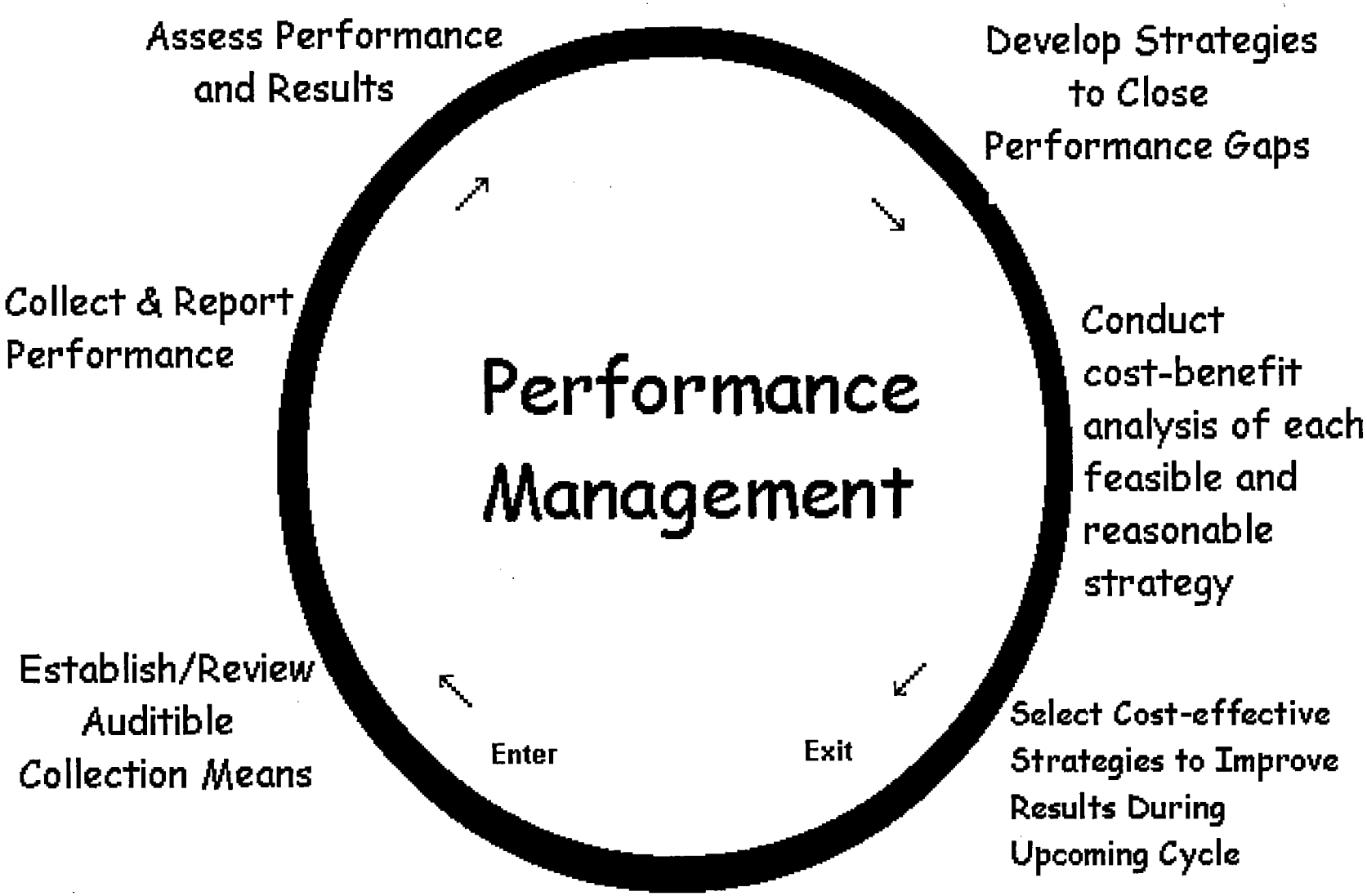
Local Issues and Opportunities:

City Council has done an outstanding job allocating funding each year for our local non-profits providing human services within our community. There seems to be a trend at the Federal, State and County level

to try to push some of their budget costs to the local level. Local governments have not prepared for this and, if budget cuts at those levels continue, this could result in a very fragmented social service system. Currently, we rely on a large amount of one-time funding to continue to support our human service agencies. This does not create a foundation and security within our service delivery system. In addition, as new needs arise and new agencies apply for funding (i.e. SeaMar applying to serve a growing Latino population in Kirkland), there is often no room built in our funding picture for growth. Therefore, it is really hard for new and emerging needs and agencies to compete for funding support. If we were to fund some of these new efforts, then some of our foundation of human services would need to sustain cuts. ***An opportunity for Kirkland could be to strive to solidify the human service per capita funding and build in a growth factor each year.***

Another opportunity for Kirkland could be to seek alternative funding methods for human services, minimizing the burden on the General Fund. For example, the City of Redmond is ready to open a social venture project coffee shop at Microsoft. All profits will be directed to Youth Services. Mercer Island operates a thrift store, all profit directed toward Youth and Family Services. An idea for Kirkland would be to dedicate all concession revenues through our parks system to Human Services. The thought would be to implement something in the community that could be a service for our citizens and would benefit the people through our human service system.


START
Goal Setting
Develop Indicators
Determine Measurements
Communicate Results
Performance Management


Assess Performance and Results
Develop Strategies to Close Performance Gaps
Collect & Report Performance
Performance Management
Conduct cost-benefit analysis of each feasible and reasonable strategy
Establish/Review Auditible Collection Means
Enter
Exit
Select Cost-effective Strategies to Improve Results During Upcoming Cycle

CITY OF KIRKLAND
City Manager's Office
123 Fifth Avenue, Kirkland, WA 98033 425.587.3001
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MEMORANDUM

To: Kirkland City Council

From: Tracy Burrows, Sr. Management Analyst

Date: March 14, 2006

Subject: Performance Measurement Outcome Charts

In 2005, the City of Kirkland initiated a Performance Measurement Project to measure key indicators in six service areas: Fire and EMS; Police Services; Refuse and Recycling; Information Technology; Parks and Recreation; Highways and Roads. At the outset of the project, staff from the City Manager's Office met with key staff coordinators in each of the six service areas to identify a set of core measures that would assess the City's service delivery outcomes and could be tracked from year to year.

One source for the core measures has been the International City Manager's Association (ICMA) Center for Performance Measurement. Kirkland joined the ICMA Center for Performance Measurement in 2005 to gain technical assistance for this project. The Center for Performance Measurement is dedicated to helping local governments measure, compare, and improve municipal service delivery. Using the ICMA measures as a starting point, the CMO staff worked with service area coordinators to develop outcome charts and core measures that are customized to track Kirkland's service delivery performance.

The attached outcome (or "so that") charts for Police, Fire and EMS, and Parks and Recreation are examples of the work that has been done for each service area. They are logic chains that are read from top to bottom and, in the simplest terms, describe "what we do" and "why we do it." For example, the Police Services logic chain reads as follows: Kirkland has a Police Department **so that** We Prevent and Respond to Crime **so that** We Keep the City Safe **so that** Citizens Feel Safe. For each segment of the "so that" logic chain, the chart includes specific measures to track performance in that aspect of service delivery. The logic chain includes input, workload, output and outcome measures as follows:

Police Service Measure	Type of Measure
Police Department Staffing	Input or Resource
Calls for Service	Workload
Response Time	Output or Efficiency
Crime Rate	Outcome
Citizen rating of safety in neighborhood	Outcome/Citizen Satisfaction

To date, staff has collected data for 2004 and 2005. The real value of this project will be to track these performance measures over time, to compare performance to established benchmarks, and to analyze the data to determine the underlying factors that influence performance numbers. This will allow service area managers and the City Council to have an improved understanding of why a measure is moving either in a positive or negative direction and to make better informed decisions about how to deploy resources in order to enhance results.

These outcome charts and associated performance measures should be considered works in progress. For this initial work, we have chosen key measures that are focused on outcomes and do not require extensive additional staff time to collect new data. Staff anticipates refinements to the performance measures as we move forward, with careful consideration of the resources needed to sustain this effort. The outcome of the Council Goal-Setting Session at the Council Retreat could well have an influence on the direction of this project. For example, the Performance Measurement Project could be adapted to help measure progress on a set of goals established by the Council.

Reporting Performance Measurement Results

In addition to the Outcome Charts, staff has worked on developing a format for reporting Performance Measurement Results to the City Council and the public. These results offer an opportunity to tell Kirkland's story about the efficiencies and effectiveness of local government service delivery. In order to convey that story in a compelling way, staff has worked to identify members of the Kirkland community that rely on the services that we deliver. For each outcome chart, we have produced a short vignette that features an individual, business or family and that illustrates the service delivery message that is embedded in the performance numbers. For example, in order to illustrate the excellent performance on the Fire Department measure of "Percentage of Fires Confined to the Room of Origin," we have documented the story of a young mother who experienced a fire that originated with a dryer malfunction. Staff will have a draft of this presentation document that includes both performance measures and an illustrative narrative story for the Council Retreat.

Parks and Recreation: Outcome Chart

	MEASURE	2004[1]	2005
Parks and Recreation Staff	Total FTE for parks maintenance and recreation programs	55.8	59.8
	Park maintenance FTE's per 100 acres developed land	15.5	14.8
	Number of volunteer hours per capita		0.08
Maintain Parks & Provide Recreation Programs	Total O&M for recreation programs	$1,501,826	$1,659,619
	Total O&M for parks maintenance	$2,217,657[2]	$2,446,832
	Net annual O&M Exp per capita	$56.90	$63.50
	Net cost recovery per capita	-$64.01[3]	-$71.03
Provide High Quality Parks and Recreation Programs	Developed park acreage per 1000 population	4.6	4.6
	Citizen ratings of appearance of Parks/Rec Facilities	3.43 / 4.00	3.43 / 4.00
	Citizen ratings of the quality of Parks/Rec programs	3.15 / 4.00	3.15 / 4.00
	Recreation classes offered	2,868	2,812
Increase citizens' health, activity, and quality of	Citizens' enrollment in classes	16,030	18,104
Citizen Satisfaction	Citizen ratings of overall satisfaction with Parks/Rec[4]	3.29 / 4.00	3.29 / 4.00

[1] Data from ICMA except "Recreation classes offered" and "Citizens' Enrollment in classes"
[2] No utilities cost included
[3] Includes total parks and recreation O&M expenditures including special facilities
[4] Average of citizen rating of facilities appearance and quality of programs

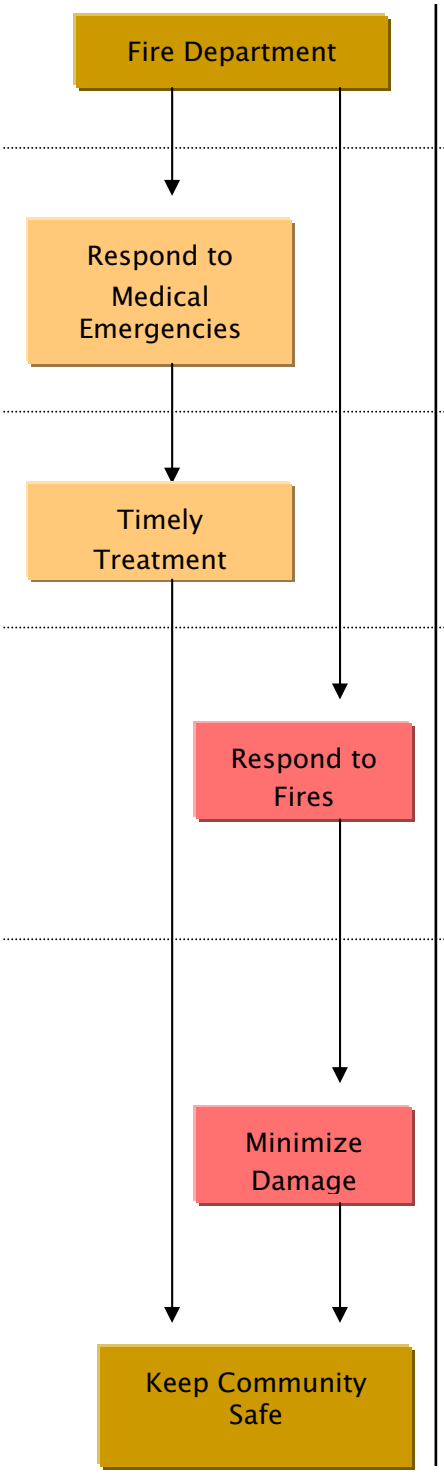
Police Services: Outcome Chart

	MEASURE	2004	2005
Police Department	Sworn FTEs per 1,000 population	1.36	1.39
Prevent and Respond to Crime	Average Response Time in Minutes to Top Priority Calls		6:43 min
	Top Priority Calls Response Time 90th Percentile		13:00 min
	Total Calls for service	59,877	43,120
Keep City Safe	Total Arrests per 1,000 population	51.5	42.6
	DUI Arrests per 1,000 population	10.9	9.0
	Total Part I Violent Crimes per 1000 population	1.7	1.6
	Total Part I Property Crimes per 1000 population	37.1	39.0
Citizens Feel Safe	Citizen rating of safety in their neighborhood during the day	Very Safe 89% Somewhat Safe 9%	Very Safe 89% Somewhat Safe 9%
	Citizen rating of safety of their neighborhoods after dark	Very Safe 54% Somewhat Safe 29%	Very Safe 54% Somewhat Safe 29%

Notes:

- Data for "Average Response Time in Minutes to Top Priority Calls" and "Priority Calls Response Time 90th Percentile" in 2004 is not congruent with measuring methods for 2005

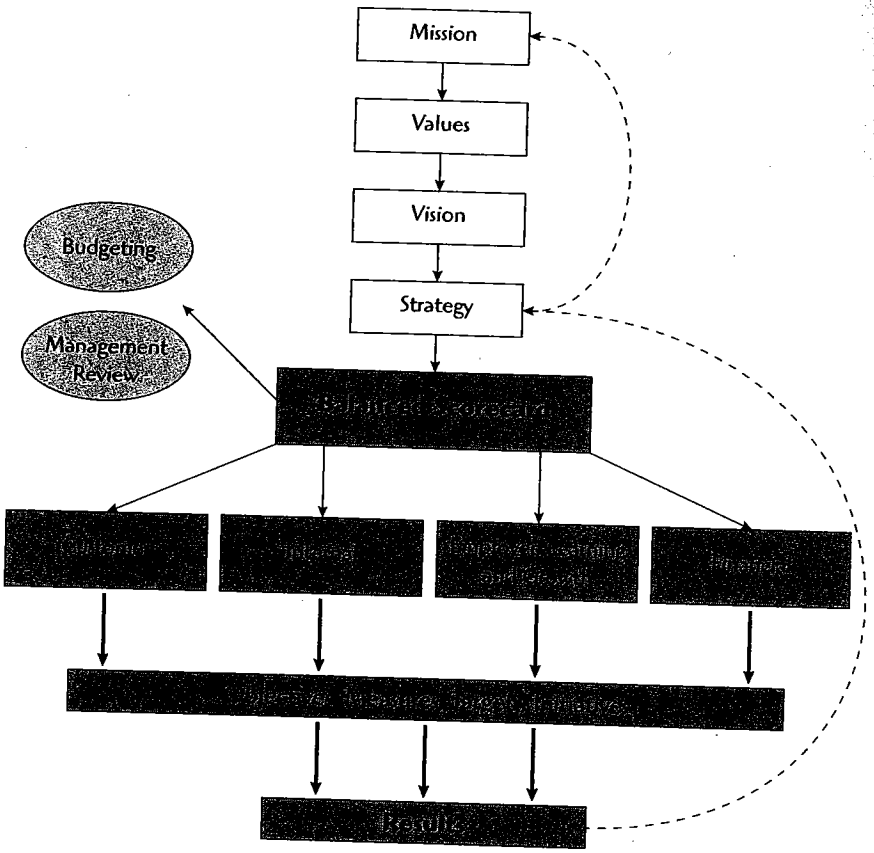
Fire and EMS: Outcome Chart



MEASURE	2004[1]	2005
Paid fire and EMS staffing per 1,000 population served	.89	.93
EMS responses per 1,000 population served BLS, ALS Total	66.2	65.2
EMS Response Time ALS & BLS responses	4:36 min[2]	4:29 min
Total fire incidents per 1,000 population served	27.4	26.6
Total non-fire incidents per 1,000 population	12	9.6
% Responses time under 5 minutes	53.1%[3]	33.1%
Fires Contained to Room of Origin	58%	67%

[1] From ICMA Data
[2] Average time from conclusion of dispatch to arrival on scene
[3] Emergency calls; Non-Emergency calls is 27.3%

Exhibit 8.1 Where We Are, Where We Are Going



BEFORE YOU BUILD YOUR MAP

Selecting Perspectives and Perspective Names That Are Right for You

A fundamental question to ask prior to building your agency's Balanced Scorecard is, "Which perspectives will we use to tell the story of our strategy?" As you know, Scorecard architects Kaplan and Norton originally conceived of four perspectives in the Balanced Scorecard: Financial, Customer, Internal Processes, and Employee Learning and Growth. However, they did so with the private sector in mind. As use of the Scorecard has evolved and expanded over many years, the founding fathers realized their original perspectives may not be appropriate for all organizations. They have since suggested the four perspectives *"should be considered a template, not a strait jacket."*[2] Let's look

at how many creative public an
tecture and nomenclature of
needs.

Mission May Appear at the T
Scorecard as a Fifth Perspect

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still have a place in your Sc
tination toward which you a
for example, to: "improve th
munities," or "reduce discri
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socially important goals you

Some public and nonpr
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Customer Perspective Ma

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Fortunately, the Balance
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who fits the criterion of
of your Scorecard.

The Customer pers
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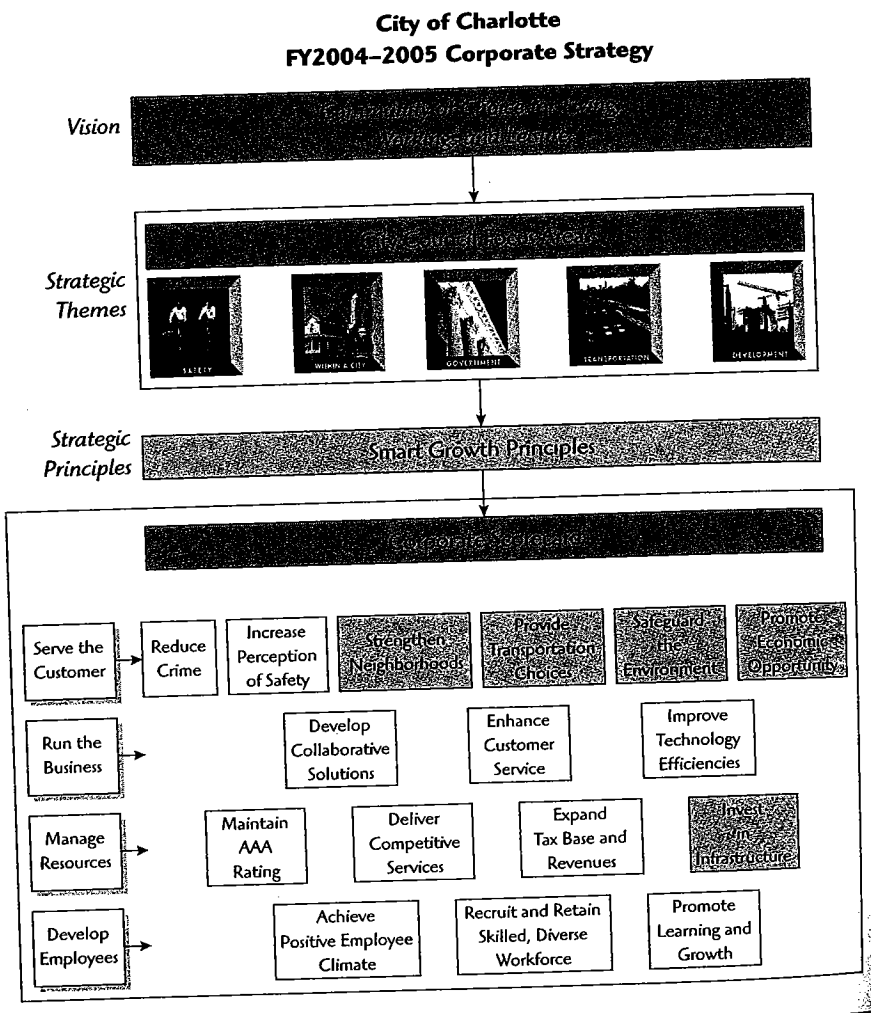
Exhibit 13.1 The City of Charlotte's Strategy Map of Objectives



PN: Did you use the typical Kaplan and Norton *terminology* of *objectives, measures, targets,* and *initiatives*?

TC: For the most part we were very consistent with using the terminology that's presented in the original Balanced Scorecard book. We use *objectives, measures, targets,* and *initiatives.* However, we expanded the types of measures. Specifically, we use four types of measures: activity measures, input measures, output measures, and outcome measures.

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is consistent.

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developed a *Bala*
useful Scorecard

PN: Where did y
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and four key busin

PN: Can you desc

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and describe the ar
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as our five focus ar
communities within
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Each of the focus
meets on a regular
to the respective foc
can impact, influenc
areas by identifying
initial rollout of th
responsible for deve

PN: *How many measures* do you have on your Balanced Scorecards?

TC: Before the Balanced Scorecard, we had about 900 measures across 13 key business units. After we implemented the Scorecard, that number dropped down to about 260. Right now we have approximately 375 measures across all 14 of our key business units. We felt a little apprehensive when we saw the number of measures gradually increasing; however, our concerns subsided because we were getting a better balance of measures. Government is process-oriented. Often it takes more than a fiscal year to achieve or to accomplish the ultimate goal. We had to become more comfortable with the fact that we're not going to have only outcome measures on our Scorecard or in key business unit business plans. There will undoubtedly be some process measures as well [see Exhibit 13.2].

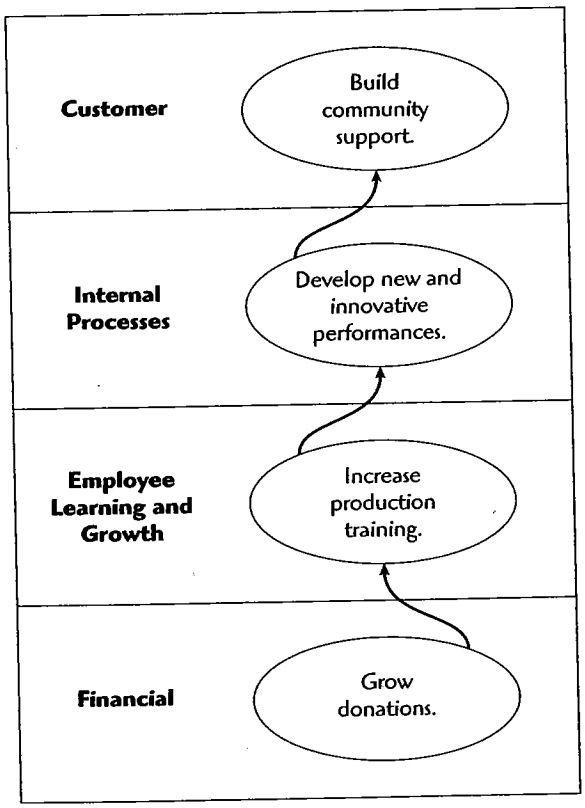
Exhibit 13.2 Sample of Charlotte's Corporate-Level Scorecard Measures

Perspective	Objective	Sample Measure	Target
Serve the Customer	Strengthen Neighborhoods	Number of stable neighborhoods as measured by the Quality of Life index	102 Stable Neighborhoods
Run the Business	Develop Collaborative Solutions	Percent of strategic transportation and land use projects utilizing integrated land use and transportation planning	100%
Manage Resources	Expand Tax Base and Revenues	Percent change in tax valuation in targeted neighborhoods	10% increase in tax valuation
Develop Employees	Recruit and Retain Skilled, Diverse Workforce	Percent increase in city average turnover rate	<5% increase in turnover

the way through to improved customer outcomes as reflected in the Customer perspective. We are attempting to document our strategy through measurement, making the relationships between the measures explicit so they can be monitored, managed, and validated. Only then can we begin learning about, and successfully implementing, our strategy.

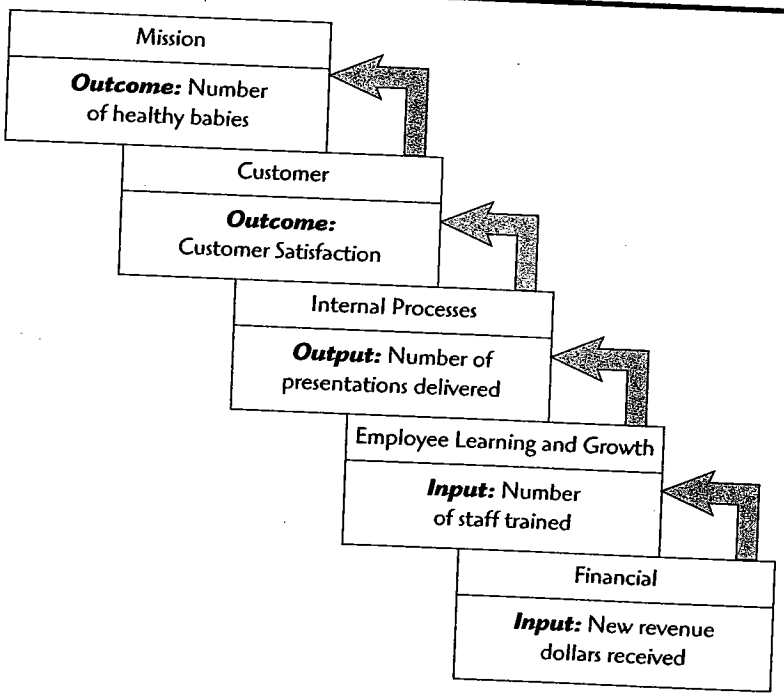
Exhibit 2.2 provides an example of cause and effect that can be used to demonstrate this concept. Let's say you're the executive director of a local performing arts organization. You consider the community in which you operate to be a customer of the theater; therefore, you include the objective of "Build community support" in the Customer perspective of the Scorecard. But how do you build community support? At which processes must you excel? You hypothesize that community support is a function of the number of new and innovative performances you stage. As a result, you decide to add the objective, "Develop new and innovative performances" in your Internal Processes perspective.

Exhibit 2.2 Telling Your Strategic Story through Cause-and-Effect Linkages



provides an example for a prenatal health clinic. In this example, the clinic measures new revenue received in the Financial perspective. Funding dollars will be used to support the clinic's ongoing operations, and is thus considered an input. The clinic will dedicate a least a portion of its enhanced funding to support training of staff on the latest prenatal care techniques. Number of staff trained is a metric chosen in the Employee Learning and Growth perspective. Trained staff will use their knowledge in the delivery of services, and hence training may be considered an input. Possessing additional knowledge will allow the staff to deliver new and highly informative presentations to their targeted audience of low-income mothers. Number of presentations delivered is the output measure chosen in the Internal Processes perspective. The clinic is hypothesizing—remember, a Balanced Scorecard is designed to capture your business hypothesis—that informative presentations will help clients make better decisions, which will ultimately result in better choices and clients feeling better about themselves. This will be reflected in an outcome measure of

Exhibit 9.1 Mix of Input, Output, and Outcomes in a Balanced Scorecard



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Other Types of Pe

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is taking place, a

Deborah Kerr
measures this w
met your target. Le
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An interesting
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A spike in cand
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officials to tak
confrontation.

Budgeting for Outcomes:
Getting the Results You Need in an Age of Permanent Fiscal Crisis

In government, as in most realms of life, we find it safer and easier to do what we've always done, simply because we've always done it. Only on rare occasions—usually at times of crisis—do we step back to gain a broader perspective, erase all our preconceived ideas and routine behaviors, and take a fresh look at how to make the most of our limited time and resources.

Budgeting for Outcomes allows public leaders to do some of this big-picture, creative thinking *each time* they prepare a budget. In fact, the process demands it.

In traditional budgeting, leaders start with last year's costs, then add or subtract. In Outcome Budgeting, they start with the results citizens' value. This approach clears away all the games departments play – padding costs and hiding excess, to protect themselves against the inevitable cuts. It focuses squarely on the real issue: producing results citizens' value at a price they are willing to pay. These are the key steps:

1. ***Set the price of government***: Decide up front how much citizens are willing to spend. Get political agreement on a revenue forecast and any tax or fee increases.
2. ***Set the priorities of government***: Define the results that matter most to citizens with indicators to measure progress.
3. ***Set the price of each priority***: Divide the funds available among the priority results.
4. ***Develop a purchasing plan for each priority***: Create teams to act as purchasing agents for citizens. Ask each one to decide which strategies have the most impact on their desired outcome.
5. ***Solicit offers to deliver the desired results***: Have the teams issue "requests for results" to all comers, public and private. Choose those bids that will provide the best results for the money available for that priority result.
6. ***Negotiate performance agreements with the chosen providers.*** These should spell out the expected outputs and outcomes, how they will be measured, the consequences for performance, and the flexibilities granted to help the provider maximize performance.

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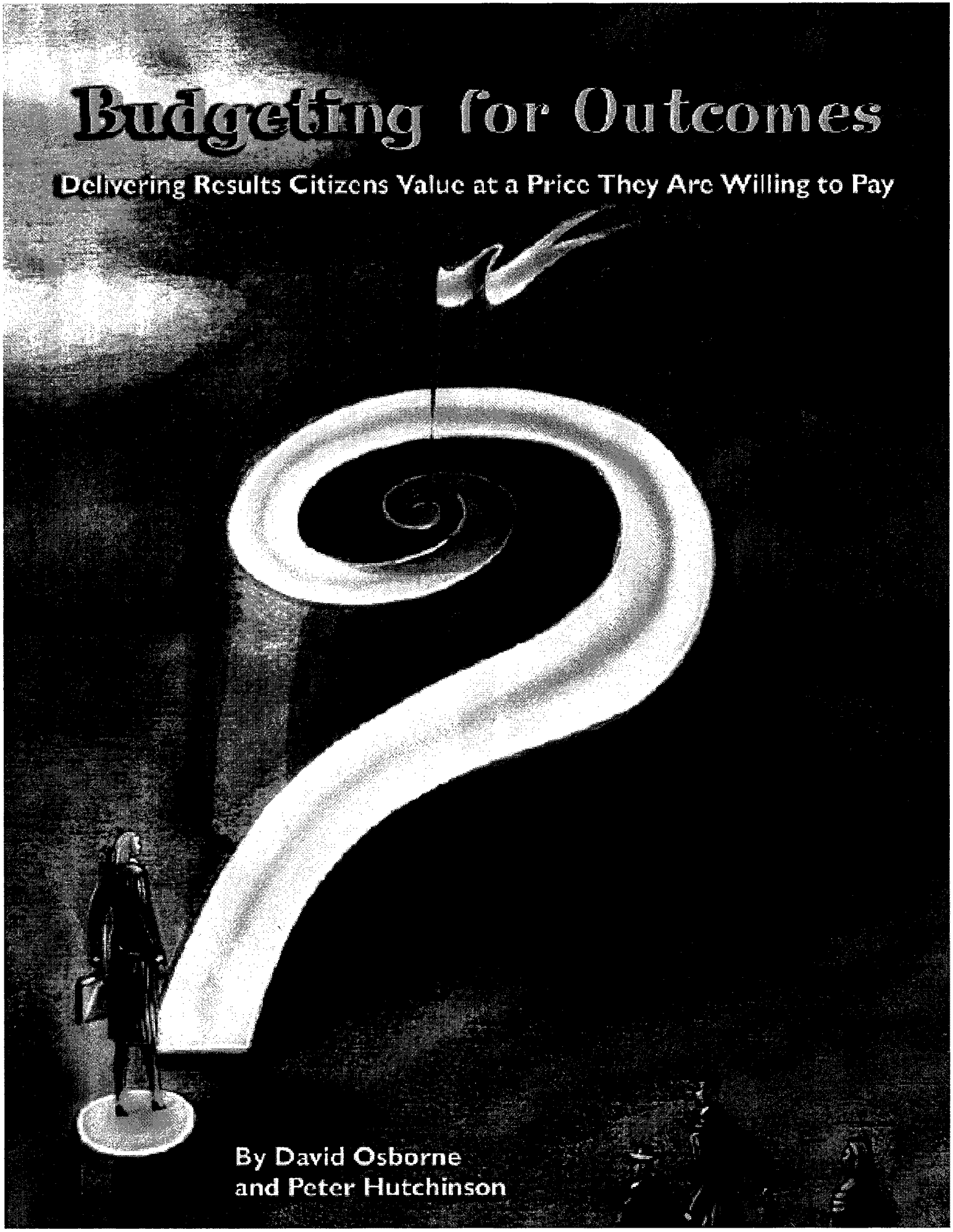
Budgeting for Outcomes

Delivering Results Citizens Value at a Price They Are Willing to Pay



By David Osborne
and Peter Hutchinson

Native Americans have many sayings, and one of the wisest is this: When you're riding a dead horse, the best strategy is to dismount. Traditional budgeting, which focuses on costs rather than results, is the dead horse of the public sector. When we budget for costs, we get more of them. What we don't get is the innovation and accountability for results we need if we are to win the competition for public support.

Winning back the public support we have lost over the past 40 years is the greatest challenge we face in government today. Yet when faced with deficits, many governments resort to politically expedient budget and accounting practices that only deepen public cynicism. The public finance literature refers to such practices as "fiscal illusions," since they distort the ability of stakeholders to evaluate the true costs and benefits of government programs. Seven such illusions are particularly harmful to the financial credibility of state and local governments:

1. Robbing Peter to pay Paul. When that general fund gets in trouble, some leaders start eyeing "off budget" funds as resources to be mined. One state government helped balance its budget by transferring the cost of running a waterway system from the general fund ("on budget") to the toll road authority ("off budget"). Another state transferred management of a convention center and parking garage to the state pension fund to lower its cash contribution from the general fund. Technically, this allowed the state to show a savings of $175 million. Robbing Peter to pay Paul can plug a hole to make the budget look better this year, but the same hole will reappear next year, when Peter and Paul will both be worse off.

2. Using accounting gimmicks to disguise fiscal problems. As the Enron debacle showed, accounting presents leaders with many dangerous choices. Quick-fix accounting gimmicks include pretending (or even requiring) that money you expect to receive early next year will actually come in late this year. The opposite side of the coin is to pretend (or even require) that expenses planned for this year will be made, technically, next year. For example, some states have informed school districts expecting a school-aid payment in the current fiscal year that they will not receive it until the next fiscal year, thus making the current year's expenses look smaller. Similarly, some states have urged retailers that normally submit their June sales tax receipts in July (next fiscal year) to do so in June, thus propping up the current year's revenues. It's all legal and properly accounted for, but it does not reflect the government's true financial condition.

3. Borrowing. Even when the general fund is legally prohibited from being in debt, governments find ways to borrow. New York City mastered this dubious art in the 1970s, when it piled up so much debt that it landed in receivership. Both the city and state of New York are still trying to figure out when and how to pay off all the bonds issued back when New York truly was, in former Mayor John Lindsay's famous phrase, "Fun City."

During the current fiscal crisis, several states have proven that the "what me worry" politics of borrowing works for both political parties. Instead of making the difficult decisions necessary to secure their long-term fiscal health, these states borrowed their way to "balanced" budgets either through outright deficit financing or less transparent means such as pension obligation bonds. These maneuvers failed to convince the credit rating agencies, which in some cases lowered their ratings to junk-bond status.

4. Selling off assets. When times are tight, it is popular to sell surplus buildings, land, or other assets, and then use the proceeds to plug a hole in the operating budget by treating the real estate money as though it were "normal" revenue. For example, instead of resolving a significant structural budget problem, the leaders of one city government decided to sell the water and sewer works to the off-balance sheet entity that operated it. A year later, the city sold $51.2 million in tax and sewage liens—money due to the city that it not yet been able to collect—for $32.2 million. The city has continued to rely on one-shot revenue sources to balance the annual budget, putting off the crisis for one more year.

5. Making something up. A budget is really just a forecast, a statement of expected revenues and expenses. If done correctly it can be a serviceable estimate. But in the end, every budget is based on assumptions, and you can make it look better or worse simply by changing those assumptions.

Ronald Reagan's approach in 1982 was a classic example of making the budget "work" by working the assumptions. To justify massive tax cuts, his budget director, David Stockman, forecast 5 percent growth for 1982. According to "supply side" theory, this would help create a $28 billion surplus by 1986. As it turned out, the gross domestic product fell by 2 percent in 1982—and the largest deficits since World War II soon followed. In his memoirs, Stockman admitted that the entire effort, sardonically nicknamed "rosy scenario" by White House insiders, was a sham.

6. Nickel and diming employees. Too often, the political response to budget problems is symbolic. Leaders order coffee pots unplugged, travel budgets slashed, and consultants banned. To save energy, they force workers to endure hotter offices in summer and colder offices in winter. Some even outlaw potted plants. In one state last year, the governor ordered that every other light bulb in government buildings be unscrewed. While such actions may send a message, they have two critical consequences: they don't save much money and they kill morale.

7. Delaying maintenance and replacement of assets (and relying on hope). When our personal budgets get tight, we sometimes don't take our car in for its regular oil change, or we don't fix the crack in the driveway. We can save a little money now, but if a missed oil change leads to overheating, we can crack the engine block. The people who make Fram oil filters said it well: "You can pay me now or pay me later."

Fiscal illusions may help our leaders solve the math problem and claim that their budgets are balanced. But they fail utterly to address the real problem: how to deliver the results citizens want at the price they are willing to pay.

So does the other common dead horse solution: across-the-board cuts. Across-the-board cutting allows us to avoid the hard work of making choices, but it is nothing more than thinning the soup. Every time we use it, we pretend that everything our organizations do is equally valuable to our citizens. We also pretend that they won't notice. Done enough times, thinning the soup makes government services distasteful—contributing directly to lost citizen confidence.

BUDGETING FOR OUTCOMES

In 2002, Gov. Gary Locke of Washington concluded that it was time to find a new horse. He turned traditional budgeting on its head—accepting the challenge of delivering results citizens valued at the price they were willing to pay. In so doing he literally changed the rules of the budget game. His success has inspired others to follow. The City of Spokane and Snohomish County, in Washington, the cities of Azusa and Los Angeles, in California, and the State of Iowa have all embraced Budgeting for Outcomes. The State of Washington is now completing its second budget using these principles. "One of the lasting achievements of Gov. Gary Locke should be to make permanent the budget process he used two years ago," the Seattle Times recently editorialized. "The state is using it again, and it needs to keep using it after he is gone."

The following steps constitute the core of Budgeting for Outcomes:

1. Set the price of government. Establish up front how much citizens are willing to pay for the results they want from government: what percent of their personal income they are willing to devote to taxes, fees, and charges. Every jurisdiction has its own price, and it is usually quite stable over time. The price of government for the U.S. as a whole, including all federal, state, and local governments, has averaged about 36 percent of personal income for the last 50 years. History is a good guide, since leaders must ensure that the price they set is acceptable, adequate, and competitive.

2. Set the priorities of government. Define the outcomes that matter most to citizens, along with indicators to measure progress. Citizens don't think in terms of programs or activities (and certainly not in terms of departments). They want results—things like safety, jobs, and health. Elected officials need to find out and articulate what matters most to their constituents, using many of the same methods they use to get themselves elected:

- Polling—random sampling of public opinion.
- Focus groups—multiple discussions with randomly selected participants.
- Town hall sessions—multiple public discussions with whoever shows up (facilitated by experienced staff).
- Civic journalism—news media initiatives to engage readers, listeners, and viewers in interactive discussions, debates, and feedback about priorities.
- Web sites—feedback collected in response to efforts to heighten awareness.

Generally, you should select 10 or fewer outcome goals. In the end, these priorities should be expressed in citizen terms using indicators that citizens would use to assess progress. In choosing indicators:

- Include both subjective and objective measures (citizen perceptions of safety and the crime rate, for example).

- Don't settle for activity data that is readily available; commit to indicators of real results.
- Use an index if necessary to capture multiple sources of related data. Washington developed an index of health that combines data on the incidence of major diseases, for instance.
- In the end, the acid test is whether the priorities and indicators you have chosen make sense to citizens. Snohomish County in Washington literally put their priorities in the terms that citizens use. Here they are:

1. **Transportation**—I want reasonable and predictable travel times.
2. **Safety**—I want to feel safe where I live, work, and play.
3. **Education**—I want kids in my community schools to pass the state school achievement tests.
4. **Health and Vulnerability**—I want to improve the health of people in the community and reduce vulnerability of those at risk.
5. **Community**—I want to live in a thriving community, one with infrastructure sufficient to support planned growth.
6. **Preparedness**—I want my community to be prepared to respond to emergencies.
7. **Effective, Efficient, and Transparent Government**—I want to get the level of service I need at an affordable price and see that my dollars are spent wisely.

3. Set the price of each priority. Divide total revenue among the priority outcomes on the basis of their relative value to citizens. Here again, ask citizens for guidance. Give them $100 or 100 percent to divide among the priorities, based on their assessment of relative value. There is no right answer to this question—it is a matter of judgment. The goal is to put a relative value on each result citizens seek. Executives must make the final call, but knowing what citizens think makes their job a lot easier.

4. Develop a purchasing plan for each priority. Create "buyer teams" to act as purchasing agents for the citizens. Ask each one to determine what matters most when it comes to delivering its assigned result. This is a crucial step—and an exciting one. It challenges team members to get outside of their day-to-day work, step back, and explore which factors have the most impact on the desired result, whether they are part of what government does or not.

This means answering questions such as, "When it comes to student achievement (or the health of citizens, or decreasing congestion), which factors have the most impact, and how do different factors interact?" The answers can be compiled into cause-and-effect maps that provide the basis for deciding which routes to follow.

Creating such a map requires those involved to be clear about how they think activities add up to results. Doing so subjects each "theory of what matters most" to a challenge from every competing theory—exactly the kind of debate the budgetary process should stimulate.

These cause-and-effect maps help purchasers choose from among many possible strategies and to assign a relative priority to each. Washington State's health team identified four possible strategies: increasing healthy behaviors (getting citizens to eat better, drink less, quit smoking, get more exercise, etc.); mitigating environmental hazards (ensuring cleaner water, air, and food); identifying and mitigating risk factors related to gender, socioeconomic hardships, and genetic predispositions; and providing access to appropriate physical and mental health treatment. These four strategies appeared on the state's map.

When the team ranked these strategies in terms of their contributions to the end result, it decided that mitigating environmental hazards was most important, increasing healthy behaviors was second, providing access to health care was third, and mitigating risk factors was fourth. With limited resources, it decided to increase the state's emphasis on the first two. Research data had convinced team members that this was the way to get the most bang for its buck, even though it meant reducing spending on more traditional—and highly expensive—patient care. In fact, their analysis showed that these two strategies would yield a 16-to-1 return on investment.

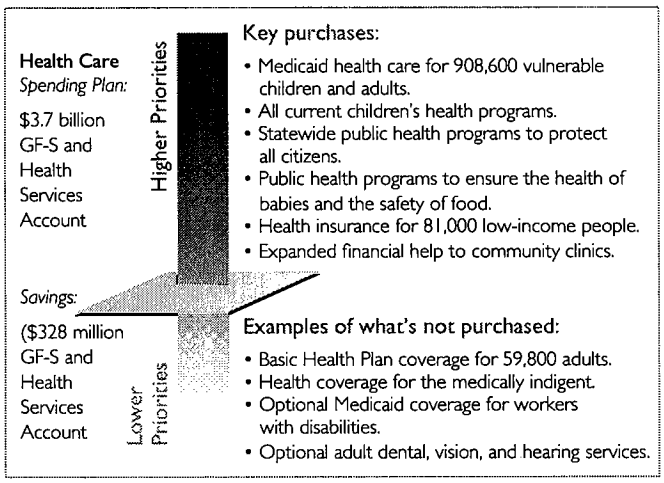
The old budget game would have led the health team to focus on the strategies with the greatest costs. The new approach required the team members to ignore last year's numbers and figure out where the best results could be obtained for the money available.

5. Solicit offers from providers to deliver the desired results. With their outcome goals and strategies clearly in mind, buyers then solicit offers to see who can deliver the most results for the money. This is the step that departs most radically from the old budget game. Instead of asking agencies or departments to add or subtract from last year's costs, the purchasing agents incorporate the results, price, and purchasing strategy they have settled upon into something like a request for proposals—call it a "request for results". This solicitation replaces the traditional budget instructions. The request for results can be sent to all agencies and departments, to other governments, even to unions, nonprofits, and for-profit organizations. It asks each of these potential suppliers to identify how they would help deliver the expected results, and at what price.

In developing their responses, sellers need not, indeed cannot, take anything for granted. They must assume that for each result there will be many proposals from many potential sellers. If they expect to get funded, they have to offer up proposals that deliver the needed results at a competitive price. Since an individual bidder may choose to submit multiple proposals (for its various programs and activities), it is in a sense competing against itself. This forces it to challenge its own practices, to make them as competitive as possible.

Sellers are not limited by the past; the process encourages them to come up with new approaches and creative twists. Some will forge partnerships across departments or agencies, with other governments, and with nongovernmental organizations. The bidding process also encourages them to consider ways they could contribute to more than one of the priority outcomes. While it is challenging to bidders, the process also liberates them.

6. Buy the best, leave the rest. After the offers are in, the buyers must rank them in terms of results delivered per dollar, then move down the list, buying according to priority until available funds have been exhausted. Then draw a line. Those proposals above the line are in, the rest are out. This buying plan becomes the budget. It is a list of keeps, not cuts—positive choices for spending the citizens' resources to buy the citizens' results. The diagram below, from the Washington budget presentation, shows how this was done for the health result.



Laying out the budget this way is another radical departure. In tough times, the traditional process makes us put 100 percent of our time and energy into finding the 5 to 15 percent to cut. When we are done, we publish the list and set ourselves up for attack by the interests directly affected. In Budgeting for Outcomes our energies go into deciding what to keep, and where to draw the line. At the end of this process, the support of those above the line can counterbalance the opposing arguments of those below.

7. Negotiate performance agreements with the chosen providers. Finally, frame the budget as a collection of performance agreements. These should spell out the expected outputs and outcomes, how they will be measured, the consequences for performance, and the flexibilities granted to help the provider maximize performance. As a result, accountability is built into the budget.

LEADERSHIP THAT "CHANGES THINGS TO MAKE THINGS BETTER"

When Peter Hutchinson was superintendent of the Minneapolis Public Schools, his favorite activity was visiting classrooms. One day, in a fourth grade classroom, the teacher stopped the class to introduce him. She explained that he was the superintendent of schools and asked the class if anyone knew what a superintendent was.

Hands flew into the air. (Fourth graders are so enthusiastic about learning that they will take a stab at any question.) The teacher called on an eager young man who proudly announced that the superintendent was the guy in charge of Super Nintendo. The teacher allowed as how that was a very creative answer, then explained that the superintendent was the leader of the schools.

"Does anyone know what a leader is?" she asked. Hands flew again. The teacher called on a young girl in the back who was raising her hand so hard and high that Peter was afraid it might become detached from her body. She stood very straight and tall as she answered, "A leader is someone who goes out and changes things to make things better." Hutchinson was stunned: A fourth grader had articulated perfectly what government needs—and what people expect.

It's time for leaders to dismount the dead horse strategies that are taking us nowhere. Budgeting for Outcomes means saddling up to "change things to make things better." Can we live up to that fourth grader's expectations? Given what is at stake, do we have any other choice? ❙

This article is adapted from *The Price of Government: Getting the Results We Need in an Age of Permanent Fiscal Crisis*, a new book by **DAVID OSBORNE** and **PETER HUTCHINSON** (Basic Books, 2004). Both Osborne and Hutchinson are partners in the Public Strategies Group (www.psg.us), a consulting firm whose mission is "transforming governance."

The Price of Government

Getting the Results We Need in an Age of Permanent Fiscal Crisis

David Osborne (co-author of *Reinventing Government*) and Peter Hutchinson

Government is broke. The 2004 federal deficit will set a record. The states have suffered three years of record shortfalls. Cities, counties and school districts are laying off policemen and teachers, closing schools, and cutting services. Government leaders have patched together combinations of accounting gimmicks, one time fixes, real cuts, and tax and fee increases to relieve the fiscal pain. But it won't go away.

Overall, American governments are enduring their worst fiscal crisis since World War II. But this one will be permanent. On one side are skyrocketing costs for health care, Social Security and pensions. On the other is opposition to tax increases. In the face of this crisis the bankrupt ideologies of left and right offer little guidance. *The Price of Government* goes beyond left and right to show a third way: a results-based government that can give citizens the outcomes they want at a price they are willing to pay.

The Price of Government begins by describing a radically different approach to budgeting – Budgeting for Outcomes - that focuses on buying results for citizens rather than cutting or adding to last year's spending programs. It goes on to show how leaders can use consolidation, competition, customer choice, and a relentless focus on results to save millions while improving public services, at all levels of government.

In government, as in most realms of life, we find it safer and easier to do what we've always done, simply because we've always done it. Only on rare occasions — usually at times of crisis — do we step back to gain a broader perspective, erase all our preconceived ideas and routine behaviors, and take a fresh look at how to make the most of our limited time and resources. Budgeting for Outcomes allows public leaders to do some of this big-picture, creative thinking *each time* they prepare a budget. In fact, the process demands it.

Budgeting for Outcomes was pioneered by Governor Gary Locke of Washington at a time when his state faced a $2.5 billion shortfall in its budget. The Seattle Times described the rationale for Locke's approach this way:

> *The usual, political way to handle a projected deficit is to take last year's budget and cut. It is like taking last year's family car and reducing its weight with a blowtorch and shears. But cutting $2 billion from this vehicle does not make it a compact; it makes it a wreck. What is wanted is a budget designed from the ground up.*

In traditional budgeting, leaders start with last year's costs, then add or subtract. In Outcome Budgeting, they start with the results citizens value. This approach clears away all the games department's play – padding costs and hiding excess, to protect themselves against the inevitable cuts. It focuses squarely on the real issue: producing results citizens value at a price they are willing to pay. The key steps in Budgeting for Outcomes include:

Set the price of government: Establish up front how much citizens are willing to spend. Get agreement on a revenue forecast and any tax or fee changes.

Set the priorities of government: Define the outcomes or results that matter most to citizens, along with indicators to measure progress.

Set the price of each priority: Divide the price or revenue among the priority outcomes on the basis of their relative value to citizens.

Develop a purchasing plan for each priority: Create "results teams" to act as purchasing agents for the citizens. Ask each one to decide which strategies have the most impact on their desired outcome.

Solicit offers to deliver the desired results: Have the results teams issue "requests for results" to all comers including their own government's agencies or department, other governmental jurisdictions, unions, non-profits and businesses. Invite them to propose how they would deliver the result and at what price. Then choose those proposals that will provide the best results for the money.

Negotiate performance agreements with the chosen providers. These should spell out the expected outputs and outcomes, how they will be measured, the consequences for performance, and the flexibilities granted to help the provider maximize performance.

Once these decisions have focused attention squarely on buying better results for citizens, the ten approaches described below provide the means. Through smarter sizing, spending, management, and work processes, they make it possible to produce the desired results at the set price, by increasing the value created for every dollar appropriated.

1. Strategic Reviews: Divesting to Invest.

Because time is short during budget season, smart leaders create ongoing review processes—outside the budget process— to develop new strategies and eliminate programs that are not central to their core purposes or are no longer valuable to citizens. There are many tools they can use to comb through every organization, from top to bottom, including program reviews, sunset reviews, special commissions, and subsidy reviews.

2. Consolidation: Smart Mergers.
Politicians love to merge organizations, because it looks like they're taking action to save money. But simply moving boxes on an organization chart can actually make matters worse, increasing costs while sowing confusion that hampers performance. A much more powerful alternative is to consolidate funding streams and policy authority into 'steering' organizations that can purchase results from any "rowing" organization — public or private — that can best produce them.

3. Rightsizing: The Right Work, the Right Way, with the Right Staff.
Some organizations work better when reduced in size, but others are crippled. Finding the right size does not start with layoffs. Rather it starts by asking whether organizations are doing the right work – aimed at producing the right results and – doing it in the right or most effective way. Then it is essential to make sure the organization has the right staff with the right mix of skills to maximize the value delivered. Eliminating bureaucratic layers and closing regional offices can help an organization find the right size, while human-capital planning can help it develop the right skills.

4. Buying Services Competitively.
The fastest way to save money and increase value is to force public institutions to compete. Nobody who doesn't own one thinks monopoly is good for business. Why should it be any different in the public sector? When Steve Goldsmith was elected mayor of Indianapolis during the last fiscal crisis, he decided to make public agencies bid against private firms for the right to continue delivering public services. Over the next four years he bid out more than 30 services, from garbage pickup to operation of the city's wastewater treatment system. Close to half were won or shared by public agencies and the rest by private organizations. The average amount saved the first time a service was bid competitively was *25 percent.* Over seven years, competition saved Indianapolis more than $120 million.

5. Rewarding Performance, Not Good Intentions.
If public-sector managers don't know what they're getting for their money, chances are they aren't getting it. The solution is to set performance targets at all levels, measure performance against them, and reward those who improve. In a time of fiscal crisis, however, positive outcomes aren't enough. The new imperative is improved outcomes for less money: value for dollars.

6. Smarter Customer Service: Putting Customers in the Driver's Seat.
When public organizations let their customers choose between providers, rather than imposing services on them, they can achieve much greater customer satisfaction at less cost. With some services, the Internet even makes self-service possible, at enormous savings.

7. Don't Buy Mistrust—Eliminate It.
The sad truth of bureaucracy is that 20 percent of government spending is designed merely to control the other 80 percent. The ruling assumption is that most of us, given the opportunity, will lie, cheat, and steal. Not only does this approach undermine performance, it is incredibly expensive. The smarter move is to first win voluntary compliance by simplifying the rules, working in partnership with and educating compliers, making the process of compliance easier (without lowering the performance standards), creating incentives that reward compliance, and reserving punishment for those who willfully violate the rules.

8. Using Flexibility to Get Accountability.
From the governments of New Zealand and the United Kingdom to the U.S. Education Department's Office of Federal Student Aid (FSA), examples abound of "performance-based organizations" that have willingly accepted greater accountability in return for freedom from rules and regulations that impede performance. Charter schools use the same formula, with even more independence and accountability: They are free from many state and district rules, and most operate independently of any district, but they can be closed down if they don't perform.

9. Making Administrative Systems Allies, Not Enemies.
All organizations are creatures—or prisoners—of their internal systems. Traditional budget, accounting, personnel, procurement, and audit systems are nests of red tape that tie employees up in knots. The messages these systems send about following bureaucratic rules are much more powerful than any leadership exhortations to perform better. To get lasting improvements in performance, public leaders have to modernize and streamline these systems. The payoff is dramatic savings: Two major procurement reform bills passed by Congress, in 1994 and 1996, had already saved $12 billion by the end of 1997.

10. Smarter Work Processes: Tools from Industry.
To do more with less, organizations must ultimately change the way they work. Some of this involves wholesale substitution of new methods and strategies. But much of it requires that existing work processes of all kinds—from street repair to eligibility determination to tax collection—be streamlined. There are many ways to do this, from Total Quality Management to Business Process Reengineering to WorkOuts.

Native Americans have many sayings, and one of the wisest is this: When you're riding a dead horse, the best strategy is to dismount.

You don't change riders.
You don't reorganize the herd.
You don't put together a blue-ribbon commission of veterinarians.
And you don't spend more money on feed.
You get off and find yourself a new horse.

Too many public leaders, from school districts to cities, counties, and states to the federal government, are still riding the dead horse of bureaucracy. For two decades they have been have been getting by with duct tape solutions, patching the cracks as their Industrial Era bureaucracies groan under the strain of Information Age demands. But getting by is not good enough. Getting by has crippled our public services and withered the public's confidence.

During these same two decades, pioneering leaders at all levels of government have been inventing solutions that work. They have been finding new horses. Today, as the permanent fiscal storm batters us, we no longer have the luxury of ignoring them. It is time for the rest of America's leaders to saddle up and ride.

Authors:

David Osborne is the co-author, with Ted Gaebler, of *Reinventing Government,* which made the bestseller lists in 1992 after it was endorsed by Bill Clinton on the campaign trail. He is also the author of *Laboratories of Democracy* and co-author of *Banishing Bureaucracy* and *The Reinventor's Fieldbook.* A senior partner of the Public Strategies Group, he has served as an advisor or consultant to Vice-President Al Gore, governors, mayors and city managers nationwide, and public leaders around the world. He has written for *The Atlantic, The New York Times Magazine, Harper's, The New Republic, The Washington Post, Mother Jones,* and many other publications. He lives in Essex, Massachusetts.

Peter Hutchinson is a founder and President of the Public Strategies Group in St. Paul, Minnesota (http://www.psg.us). He previously served as Vice President of the Dayton Hudson Corporation (now Target Corporation); Commissioner of Finance in Minnesota, where he began his search for common-sense budgets built around results; and Superintendent of Schools in Minneapolis, where he led a dramatic turnaround in student achievement and financial health. As a consultant he has advised governors and their administrations in Washington, Minnesota, New York, and Iowa, as well as cities, counties, and school districts throughout the United States and internationally. He lives in Minneapolis, Minnesota.

Early reviews:

"If you care about the future of American government, read this book. Under America's current economic plan, fiscal crisis is here to stay and there is only one way out: We must fundamentally reinvent the way we spend the public's money. Like Reinventing Government before it, this book shows us the way."

Former Vice President Al Gore

"As this book says, 'We are waist deep in the worst fiscal crisis since World War II.' Most politicians are so afraid of this mess that they hide behind slogans, gimmicks and blame to divert attention. Citizens want better. This book shows them how to get it."

Jesse Ventura, Former Governor of Minnesota

"When I was Mayor of New York City, Reinventing Government was required reading for my staff. This new book should be required reading for those who serve the public in cities and states across America-and in Washington. Public servants should always remember that the money they're spending is not their own. Osborne and Hutchinson teach how to wring value out of every tax dollar, with a revolutionary approach to budgeting and a relentless focus on accountability and results."

Rudolph W. Giuliani

"Houdini would love this book! Most analysts believe that American government is increasingly trapped between escalating costs and lower tax rates-a condition that promises frustration and hardship for decades to come. But now along come management guru David Osborne and his colleague Peter Hutchinson with ways out of the maze. Drawing upon the stories of innovators across the country, they offer hope that we can indeed learn to do more with less."

David Gergen, Director, Center for Public Leadership, Kennedy School of Government, Harvard University

Making Ends Meet in Washington State

By Wolfgang Opitz, Connie Nelson and David Osborne

"The usual, political way to handle a projected deficit is to take last year's budget and cut. It is like taking last year's family car and reducing its weight with a blowtorch and shears. But cutting $2 billion from this vehicle does not make it a compact; it makes it a wreck. What is wanted is a budget designed from the ground up."

--Seattle Times editorial, Nov. 17, 2002

"States face the most dire fiscal situation since World War II," the National Governors Association and the National Association of State Budget Officers declared last November. In fiscal 2002, state revenues actually *declined* for the first time since the associations began keeping records. They cited four converging factors: an explosion of health care costs, a collapse of capital gains tax revenues, slow economic growth, and outdated revenue systems that tax less and less of the new economy. "Many states have exhausted budget cuts and drawing down rainy-day funds," the report concluded, "and the most difficult decisions still lie ahead."

By late February, with only four months left in fiscal 2003, states still faced deficits of $30 billion. Fiscal 2004 looked even worse, with states reporting $82 billion in expected shortfalls. In most states, no easy choices remained to plug these holes. The rainy day funds were dry. Across-the-board cuts have been made. Expenses and payments have been shifted into future years.

Washington State was no exception. In the current biennium (2001-03), general fund revenue declined for the first time in 30 years. Halfway through the biennium the governor and legislature had to cut $1.5 billion and eliminate 1340 jobs.

The process frustrated democratic Governor Gary Locke and his staff. "Every step we took, we asked ourselves, why are we so focused on the cuts and not on the

keeps?" says Marty Brown, director of the Office of Financial Management (OFM). "We were missing something. We knew it in our guts."

Governor Locke was tired of across-the-board cuts. He wanted to focus on the big question: What should state government do and what should it stop doing? In the upcoming biennium, he faced an estimated $2.1 billion deficit in the general fund – almost 10 percent – plus another $600 million in the health services account. "Closing the gap we face in the next biennium would require an across-the-board cut of 15 percent – if that's all we did," the governor announced. "And that is not what we are going to do. I don't want to thin the soup. I want state government to do a great job in fulfilling its highest priorities."

In August 2002, Locke's chief of staff, Fred Kiga, asked The Public Strategies Group, Inc. (PSG) for help. "PSG made Washington State an unreasonable proposal," says PSG's Peter Hutchinson. "In the time available—which was ten weeks—we were not going to help them find cuts equivalent to 15% of their general fund budget. We shifted the focus from spending cuts to helping them buy the best possible results for citizens with the resources they did have."

Like most governments, Washington traditionally started with last year's budget and added money to cover inflation, caseload increases, and the like. Then it asked each agency to propose cuts. "But this familiar approach accepts, with little question, most of the status quo level of spending," said Marty Brown, director of OFM, "and leads quickly to discussions about how fairly we've treated each agency's programs in the cut exercise."

In contrast, Hutchinson proposed a top-to-bottom review of everything state government did— from the citizens' perspective, not the agencies'. He proposed to start by focusing not on last year's spending but on the results or outcomes the governor wanted to produce for the citizens of his state. He urged the governor and his staff to focus not on how to cut 15 percent but on how to maximize the results produced with the remaining 85 percent. Governor Locke decided this unreasonable approach was the only reasonable thing to do.

TURNING THE BUDGET PROCESS ON ITS HEAD – Starting with Results

PSG helped the governor's budget staff design a process to answer four key questions:

- How much are citizens willing to spend?
- What results form the core of what must be done and done well to serve the citizens of Washington?
- How much will the state spend to produce each of these priority outcomes?
- How best can that money be spent to achieve each of the core results?

These four questions evolved into a four part plan of action for the budget.

1. Set the price of government.

Setting the price, or judging what Washington citizens were willing to spend, was the first task of a Guidance Team, made of up senior cabinet members, including chief of staff Fred Kiga, and several leaders from business and private think tanks.

In early November of the previous year, despite heavy lobbying by Locke, voters soundly defeated a gas tax increase to pay for long-needed transportation projects -- another in a string of successes for a powerful anti-tax coalition. This reality – plus a fear that tax increases would further depress the state's economy — led the team to advise the governor against raising taxes. So Governor Locke chose to build the budget on expected revenues, with no tax increases.

The Guidance team also decided that the process should include all available funds, widening attention beyond the state's general fund to include its dedicated funds and revolving funds, as well as monies raised and spent locally by cities, counties and schools.

Thus, the price of government was set at current revenues from all sources for all governments in the state.

2. Set the priorities of government.

Here a Staff Team made up of senior people from the Office of Financial Management assisted the Guidance Team. Working together and using information from the Governor's office, they identified the key results they believed the citizens most wanted from government in Washington. The Guidance Team improved on that list which the governor subsequently called the "Priorities of Government." These ten results challenged government in Washington to deliver to citizens improvements in:

- Student achievement in elementary, middle and high schools;
- The quality and productivity of the workforce;
- The value of a state college or university education;
- The health of Washingtonians;
- The security of Washington's vulnerable children and adults;
- The vitality of businesses and individuals;
- Statewide mobility of people, goods, information and energy;
- The safety of people and property;
- The quality of Washington's natural resources; and
- Cultural and recreational opportunities.

3. Allocate available resources across the results areas.

The next challenge was to decide how to allocate the available resources (the price) among the 10 results. The two teams set aside ten percent of the budget for overhead functions, such as pension contributions, debt service and internal services. Then they parceled the rest out among the 10 results, using a citizen's point of view (based on perceived value) rather than an analysis of past practice. In some areas their

choices reinforced past patterns, but in a few they made strategic changes – allocating more resources to student achievement, for example, and fewer to public safety.

4. Develop a purchasing plan for each result.

The Staff Team then put together 10 "Results Teams," one for each outcome. The job of each Results Team was to produce a purchasing plan - to procure the best possible results for citizens, given their available resources. Teams included knowledgeable people from agencies involved in that policy area. A senior staff member from the Office of Financial Management chaired each team.

"We asked them to forget the loyalties they have to the agencies they represent," said Gov. Locke. "'Be like citizens,' we said. 'Tell us where to put the money, so we get the best results. Tell us what similar programs can be consolidated. Tell us what programs don't make a large enough difference in getting the results we want.'"

Each of the 10 Results Teams went through three tollgates – or check-ins with the Guidance Team. Ahead of each tollgate, the Staff Team looked at the Results Teams' work and suggested ways to improve it. After each tollgate, the teams received feedback from the Staff and Guidance Teams, to guide their next submission.

At the first tollgate, teams had to present three concrete indicators they would use to measure progress toward their outcome. They also had to present a "strategy map," backed by evidence of best or promising practice, to show an explicit cause-effect way to achieve their desired outcome.

At the second tollgate, each team had to present its general purchasing plan - the five or six key purchases and/or strategies it would use to achieve the desired outcome. Both these steps stimulated a kind of creativity that is absent from traditional budget processes. Asking how to produce specific results, rather than how to cut budgets, elicited far more strategic thinking about the best uses of public money.

For example, the team responsible for improving student achievement said they needed to purchase more early childhood education; started to move to a "pay for skills" compensation system for teachers; and moved away from an across-the-board basis of funding toward targeted funding for those schools and kids most in need. The health team decided the highest impact strategies focused on *prevention* — mitigating environmental hazards, improving food sanitation, providing public health clinics, and the like. They proposed spending more on these strategies and less on health insurance for childless adults.

Before tollgate three, the 10 Results Team leaders met together to talk about what they needed to purchase from one another. The higher education team decided to use some of its funds to pay for better K-12 education to improve the educational competencies (and minimize remediation needed) among its incoming students. Two teams jointly bought improved water quality, to leverage both health and natural

resources outcomes. Several teams decided to use some of their money to fund prisons, to reduce the number of low-risk prisoners who would have been released early. This cross-team buying was important because the work of state government is so interconnected.

Finally, the process turned to existing state activities – where traditional budget processes start. Each Result Team was given a subset of the 1300 state activities funded by the traditional budget. "Their mission," the governor explained, "was to get more yield on less acreage." To do so they had to put together a detailed purchasing plan, indicating four things:

- what they would buy now -- both new and existing activities;
- what else they would buy if they had more money;
- what they would eliminate first if they had less money; and
- what they would not buy.

This third product gave the Staff Team and Guidance Team a prioritized ranking of all existing activities of state government. Using these and similar rankings provided by the agencies, they made final recommendations to the governor. The result – ten sets of recommendations for state government that linked key results, success indicators, strategies, and purchase plans.

The governor embraced the product, following the purchase plans closely in finalizing his budget proposal. Under each of his 10 priority results, his budget showed those activities that would be purchased and those that would not. It was clear, easy to understand, and it explained why some activities continued and others were eliminated.

The governor held back some of the more far-reaching reform proposals, such as the K-12 education reforms mentioned earlier, for further work. He proposed a joint legislative-executive study of the K-12 financing system to examine the options more carefully and build the political support necessary for reform.

"NEVER WAS SUCH BAD NEWS RECEIVED SO WELL"

Governor Locke had warned that the budget would be painful, and it was. It proposed to eliminate health insurance for nearly 60,000 of the working poor, dental, hearing and optometric coverage for poor adults on Medicaid, and 2,500 state jobs. If passed, it would suspend cost-of-living increases for state employees, eliminate teacher pay increases, and suspend a $221 million class-size-reduction effort mandated by a citizen initiative. University tuition would rise by nine percent a year for two years; 1200 low-risk felons would leave prison early; and a series of smaller programs would shut down.

Yet, the editorial response was overwhelmingly positive. As former chief of staff Joe Dear put it, "Never has such bad news been received so well."

"Gov. Gary Locke's budget is a big step forward for Washington," declared the *Seattle Times.*

"Few Washingtonians will find much to like about the brutal state spending plan Gov. Gary Locke recommended Tuesday," added the Tacoma *News Tribune*. "But as ugly as the result was, there's a lot to like about the way Locke and his staff arrived at it, using a new process that forced hard choices about the core priorities of state government."

Liberal interest groups such as labor objected strenuously to the deep cuts. But conservatives applauded. "Three cheers!" said the conservative Evergreen Freedom Foundation. "OFM's model will revolutionize state spending and take necessary steps toward assuring accountability to taxpayers."

After six years in office, Governor Locke had been widely seen as a status-quo manager. But by setting clear priorities and making tough choices – while refusing to raise taxes or make across-the-board cuts – he transformed his image. When Republican John Carlson ran against him in 2000, his central message was that Locke had failed to show any leadership. Soon after the budget was released, he wrote a column indicating he had changed his mind. Locke's "newly proposed $22.9 billion budget for the next two years is a work of bold, impressive statecraft," he wrote. He told the *Seattle Times*: "He is willing to face down the most powerful interest groups in his own party to bring this budget in without a major tax increase. Genuine leadership is doing what must be done when you don't want to do it. And I think the governor is doing that."

In a late January survey, voters agreed. Sixty-four percent endorsed the following statement: "Whether or not I agree with all of the Governor's budget recommendations, I respect his leadership and vision to solve the current problem and get the state's economy back on track." Only 29 percent disagreed.

Republicans in the legislature also liked the new budget format. "It was astounding," says OFM Director Brown. "I've never been to a set of hearings where the reception was so positive, despite the amount of bad news we had to deliver." With the budget framed around 10 desired results and all activities listed in order of importance – including those that would survive and those that would be eliminated – legislators found the budget documents very clear. "They seemed to understand the whole picture. I think there have been a lot of 'aha' moments when we've presented it to the public and to interest groups: `Here's the $24 billion we're buying and the $2.4 billion we're not.'"

One committee chair asked what would happen if a proposed revenue change in health care were not approved, Wolfgang Opitz, deputy director of OFM, recalls. "I said: 'Move the line up by $389 million. That shows you what's still on the list and what's off.' There was no hemming and hawing. It made it very clear that amending a recently passed public initiative was better than cutting deeper into the Medicaid program."

SO, HOW DID IT ALL TURN OUT?

In early April, when the State Senate released and passed its own budget, it began with the words: "Following the Governor's Lead." Public reaction was similar. "When we've taken this to the public, no matter what the setting – business, labor, social services advocates, health care, the classroom, the Rotary meeting – people understand what we're doing and not doing in a much more fundamental way than ever before," according to Opitz. "When they say, 'Well, I don't like that cut,' I respond by asking, 'Then what from above this line do you not want to do?' And the response is usually 'Oh.... Well, I'm learning to like the cut a little more now.' It seems to help re-subscribe everyone to the basic business of state government."

But as clear as some of the choices may have seemed, the decisions of the legislature were anything but easy. Though often deeply divided on whether to increase taxes to pay for popular public initiatives or to restore expiring tax exemptions to stimulate the economy, the Legislature ended up with a budget that is remarkably close to Governor Locke's original proposal. Legislators passed major sentencing reform in criminal justice and delayed popular publicly passed initiatives that would have further reduced class sizes in K-12 and guaranteed automatic pay increases for teachers. Another public initiative to expand health insurance coverage in the state basic health plan was amended to allow its revenue to go toward current programs instead.

Upon the passage of the operating budget, Governor Locke commented, "When I proposed the Priorities of Government spending plan, I knew this budget had plenty of pain to go around. I know it was hard for the Legislature to enact these difficult solutions. But our legislators passed a responsible budget well suited for difficult times – a budget that sets priorities and does not rely on gimmicks or tricks. I'm proud of what they accomplished in a bipartisan fashion. In many cases they adopted my priorities, and in a number of cases they worked creatively to improve on what I proposed."

Legislative floor speeches, editorials, and columnists all highlighted the importance of the Governor's initial budget. In his Tacoma News Tribune column, veteran political reporter Peter Callaghan said, "Locke changed this year's budget debate before it began...the building blocks were placed by Locke."

As the June 8, 2003 editorial in The Seattle Times went on to say, "The Governor's priorities-of-government plan was a success. Automatically raising taxes to bolster a deficit is old school budgeting. In the template Locke offered and the Legislature approved, the budget doesn't raise general taxes. The budget brings pain to many programs, but the priorities-of-government approach will be with us awhile."

Presented in the terse prose of a budget proviso, POG, or the priorities of government approach to budgeting now has formal endorsement from the Legislature, adding momentum to the permanent adoption of this approach. Section 128(2) of the 2003-05 operating budget says, in part, "By November 15, 2003, the office of financial management shall report...on the ten general priorities of government upon which the

2005-07 biennial budgets will be structured. Each priority must include a proposed set of cross agency activities with definitions and outcome measures. For historical comparisons, the 2001-03 expenditures and 2003-05 appropriations must be restated in this format and organized by priority, activity, fund source, and agency."

LOOKING BACK, LOOKING FORWARD

At the conclusion of the legislative session, Deputy Director Opitz reflected on a few key ingredients he considered vital to Washington State's success, starting with **"Leadership counts!"** In Opitz's opinion, having all three key leaders of the budget development process – Governor Locke, Chief of Staff Kiga, and OFM Director Brown – solidly on board made it clear that they were serious – and energized the many leaders at other levels of the process. Other key lessons to which Opitz ascribes their success:

- **Do your homework.** For Opitz, it was important to come to grips with the size of the budget problem and with the need for a radically different approach. Then, "we shared our information and analysis with everyone we could think of to get a wide understanding of the depth of the problem."
- **Take the enterprise-wide view.** Like most, Washington was used to looking primarily at the General Fund, which in this case was only 40% of all monies available. Looking across the whole enterprise made more visible the contributions to the ten results from different agencies and from the different funds. Opitz says, "An agency-specific approach would likely have resulted in concerns about a "fair" distribution of the budget pain, but would not have been as clear about our priorities."
- **Encourage creativity over precision.** To get out of their large budget gap, they could NOT do things as they had. Opitz says, "Believe it or not, it was important to lower our standards. In an ideal world, an activity based costing model would have been tested, data definitions agreed upon, systems built, instructions issued, training conducted, and analysis performed. This time, we relied on a sense for when we had *sufficient* information upon which to base a decision. We found the phrase 'progress not perfection' to be a good motto." Encouraging innovation over precision helped them get clear about the end results that mattered – and the best minds focused on how produce them.
- **Use time constraints to your advantage.** This project imposed unreasonable time frames and unreasonable demands on people. This effort caused all involved to leave their comfort zone. But the tight time frame helped force the hard choices. Again, Opitz said, "The shorter time line created urgency – and finality – in the decision process. This added pressure, but also added pace and focus."
- **Bring in communications and policy people up front.** "This is not just a budget exercise." Optiz advises others to "get communications and external relations staff involved from the outset. Doing so ensured that we talked about the approach consistently and effectively."

An opportunity to change the fundamental approach to budgeting comes around only rarely. It is encouraging to see such support from the press, the public and the

Legislature. The staff in the Office of Financial Management – who already deserve enormous credit for seeing this through to this point – will need this encouragement to take the major next steps to make this approach a permanent part of the way Washington state does its budgets. Major system changes, development of new analytical tools, and basic culture change in the way decisions are made are all well underway.

There are great benefits to seizing this golden moment. Perhaps most important, this results-based budget process can help public leaders win back some of the support government has lost in recent decades. Back in December 2002 The Everett *Daily Herald* put it well: "The public is not in a forgiving mood. It still holds a grudge for a government it sees as wasteful and unresponsive. Locke's plan, or one like it, might be a good step toward proving otherwise. The more thrifty government becomes, the more generous voters might be at the ballot box in years to come."

#

Connie Nelson and David Osborne are partners in the Public Strategies Group, a consulting firm whose mission is to be the best resource on transforming governance in the world. Wolfgang Opitz is deputy director of the Office of Financial Management in Washington State. For a full discussion of this approach to budgeting, including tools to support its success, see ***Budgeting in Tough Times: The Decisions that Matter Most to Improving Service to Citizens When Budgets Are Tight,*** *at www.psgrp.com.*

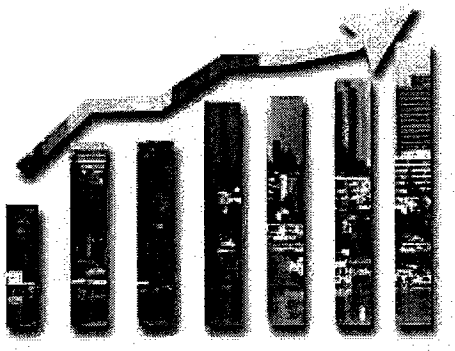
Performance Measures | City of Bellevue | 2004

Bellevue is among a number of jurisdictions that regularly reports on government performance. On this website, you will find information about your government's performance. How well did your city perform?

Bellevue Vital Signs is a "Shortlist" of key performance measures that when looked at together, give a sense of the city's overall health.

Performance Scorecards include each department's key performance measures and shows how the department did against targets it set. A detailed report accompanies each scorecard.

Department Key Observations is a summary of key issues and provides some insight into department accomplishments or challenges.



Public entities must continually strive to provide their stakeholders with highly efficient, well managed programs that meet citizen and legislature expectations. Citizens and other stakeholders invest substantial resources in their government and rightfully expect the government will provide, in return, quality services at a reasonable cost that meet their needs. This is government's "bottom line".
Annual Performance Report, 2004

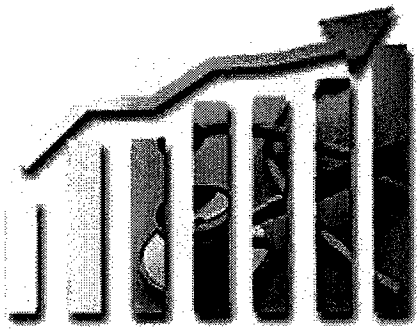
Performance Measures Vital Signs | City of Bellevue | 2004

WATCH
Bellevue's
"It's Our Jo
Employee

Bellevue Vital Signs

Bellevue Vital Signs is a collection of just 16 performance measures. They include information on Police, Fire, Parks and Recreation, the city's water supply, and feedback from the city's annual performance survey. When looked at together, these indicators can give a sense of the city's overall health now and in previous years.

List of Vital Signs



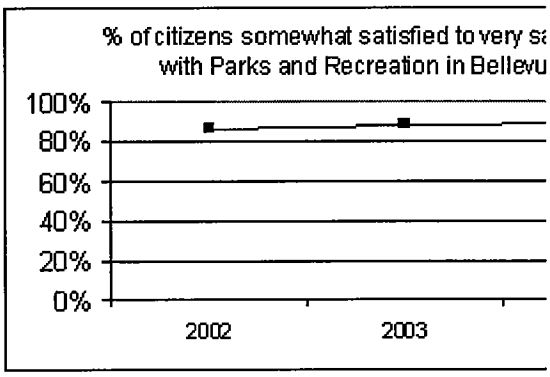
- Overall Satisfaction with Parks and Recreation
- Patrol response times to critical emergencies
- Number of violent and property crimes
- Residents getting their money's worth
- City bond rating
- Customer satisfaction rating for clean streets
- Percent of fires confined to room of origin
- Average pavement rating for residential streets
- Violations of drinking water standards
- Cardiac arrest survival rate
- Bellevue as a place to live
- Neighborhood as a place to live
- Residents satisfied with job city is doing
- Water service interruptions
- Direction in which Bellevue is headed
- Mobility Management Areas achieving concurrency

Bellevue Vital Signs: Overall Satisfaction with Parks and Recreation in Bellevue

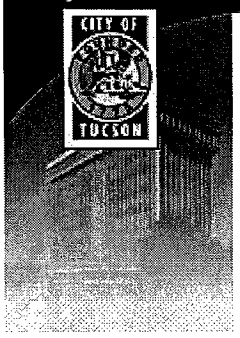
Overall Satisfaction with Parks and Recreation in Bellevue

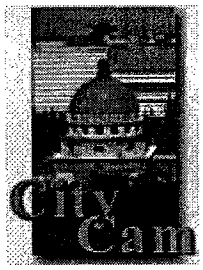
Nine in ten (89%) respondents are either very or somewhat satisfied, overall, with parks and recreatio with twice as many who are very satisfied (63%) than are somewhat satisfied (25%).
Very few respondents are neither satisfied nor dissatisfied (5%), somewhat dissatisfied (1%) or very d (1%).

DIFFERENCES BETWEEN SUB-GROUPS



Respondents aged 55 to 64 are significantly more likely than any other age group to be very satisfied, overall, with parks and recreation in Bellevue (78% are very satisfied).
High percentages of residents in zip codes 98005 (75%) and 98008 (71%) are very satisfied. Compared to 98005 residents, significantly fewer 98004 (58%) and 98006 (54%) residents are very satisfied, overall, with parks and recreation (98006 residents are also significantly less likely than 98008 residents to be very satisfied with parks and recreation). In addition, the pattern of satisfaction emerges again among those who are satisfied with other survey measures. Significant percentages of the following groups a satisfied, overall, with parks and recreation in Bellevue: those who feel Bellevue is an excellent place residents who feel their neighborhood is an excellent place to live (71%), respondents who say Bellev the right direction (70%), respondents who are satisfied with City planning (71%) and respondents wh satisfied with City communication (74%).





LIVABLE TUCSON VISION PROGRAM

In the spring of 1997, the Mayor and Council of the City of Tucson initiated the Livab Vision Program to identify a long-term, community-driven vision for Tucson that wou shape the city's budget and provide a framework for developing programs and service: address the real concerns of the community.

From Seattle to Jacksonville, communities across the country are starting to define a v their future that balances the needs of this generation without compromising the abiliti generations to meet their needs. These "sustainable" cities are learning and demonstrat balancing the economic, social, and environmental concerns of their communities can their quality of life and ensure a better future. Over 1,200 community members, busin and city employees have participated in the program to date, laying the groundwork fc development of new and enhanced programs and services that will help bring us close community's vision of a more Livable Tucson.

BACKGROUND

During the spring and summer of 1997, three public forums were held in each ward to community in identifying a common vision and strategies for achieving a sustainable In addition to these ward forums, additional forums were held in the fall targeting busi youth, and Spanish speakers. An Internet site also gave citizens the opportunity to con priorities, and City Council offices had bulletin boards for community input. Based on thousands of comments that the community made, seventeen (17) key goals emerged. embody the values and aspirations of the community to maintain and improve Tucson future. The next phase of the Livable Tucson Vision Program involved holding six wo the spring of 1998 to develop indicators of progress towards each of the 17 goals. Tak the indicators will form a community report card. For the latest Livable Tucson inform including a listing of the goals and indicators, visit the city's Web page at www.ci.tucson.az.us/livable.html.

LIVABLE TUCSON TIES TO NATIONAL INITIATIVE

The Livable Tucson Vision Program closely aligns our community with the federal Li Agenda for the 21st Century. In announcing the new initiative on January 11, 1999, V President Gore stated, "It is an initiative that will help us build more livable communit which to raise our families - places where young and old can walk, bike, and play toge where we not only protect historic old neighborhoods, but where farms, green spaces, can add life and beauty to the newest of suburbs; places where we can work competiti still spend less time in traffic and more time - that most precious of commodities - for we really are - with our children, our spouses, our friends."

LIVABLE TUCSON TEAM

To continue the progress already made with the Livable Tucson program, and to expa program further throughout the city organization and in the community, an interdepart Livable Tucson Team was formed in the fall of 1999. These city staff members meet

basis to determine the next steps that must be taken to further the Livable Tucson goal the coming year, the team has three priorities: 1) refine the indicators and determine h indicator data can be gathered on a regular basis, 2) review current City of Tucson pro goal of determining how these projects could benefit from additional collaborations w city departments and offices, as well as organizations outside of city government, and determine strategies for communicating progress on Livable Tucson to the community

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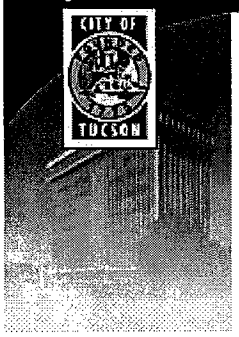

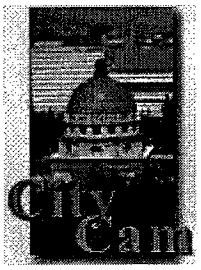

LIVABLE TUCSON GOALS: INDICATORS OF A LIVABLE TUCSON

Better Alternatives to Automobile Transportation
Includes improved public transportation system, bicycle and pedestrian friendly streets, improved roadways (landscape, lighting, sidewalks, bus stops), and promotion of alternatives to the automobile.

Engaged Community and Responsive Government
Includes involvement of citizens in the community, volunteering, neighborhood participation, responsiveness of government organizations to citizen input, and the connection between government and the people.

Safe Neighborhoods
Includes how safe people feel in their neighborhoods, crime, policing, and risk perceptions.

Caring, Healthy Families and Youth
Includes opportunities, services, and conditions that support Tucson's families and youth.

Excellent Public Education
Includes the quality of education at all levels - youth to adult, as well as vocational, lifeskills, cultural, and civic training.

Infill and Reinvestment, Not Urban Sprawl
Includes well-planned growth, the management of sprawl, and development in the city's core, rather than on the periphery.

Abundant Urban Green Space and Recreation Areas
Includes recreation and green space within the city, including neighborhood and regional parks, common space, community gardens, bike and walking paths, linear and river parks, trees, and urban landscaping.

Protected Natural Desert Environment
Includes protection of the Sonoran Desert eco-system and protection of washes, hillsides, open space, and wildlife.

Better Paying Jobs
Includes wages, job quality, job diversity, and an improved standard of living.

Clean Air and Quality Water
Includes reduced pollution and provision of clean, potable water.

People-Oriented Neighborhoods
Includes designing new neighborhoods and investing in old neighborhoods to promote a mix of commercial and residential uses, a pedestrian focus, landscaping and aesthetics, and interaction among residents.

Respected Historic and Cultural Resources

Includes the preservation and celebration of local landmarks, buildings, neighborhoods, archeological treasures, open spaces, cultures, and traditions that make Tucson unique.

Quality Job Training
Includes education, training, and skill development that lead to high quality, living wage jobs.

Reduced Poverty and Greater Equality of Opportunity
Includes the fair distribution of resources, creating opportunities to overcome poverty, and social and economic inequality.

Strong Local Businesses
Includes the local economy, particularly small, Tucson-based businesses.

Efficient Use of Natural Resources
Includes conservation of resources and use of sustainable energy sources.

Successful Downtown
Includes the cultural and commercial aspects of the city center.

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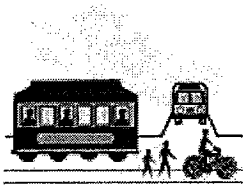
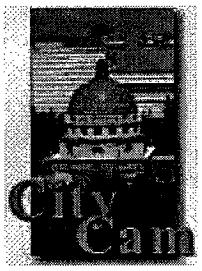


Better Alternatives to Automobile Transportation



Definition: Includes improved public transportation system, bicycle and pedestrian fri streets, improved roadways (landscape, lighting, sidewalks, bus stops), and promotion alternatives to the automobile

What the community said:

- "Address traffic problem with the goal to make the city more children, pedestria bicycle friendly."
- "Provide better and more frequent public transportation."
- "Focus planning on a neighborhood level. We should encourage more neighborl friendly transportation modes such as cycling, bus, and walking."
- "More tree-shaded off-street pedestrian and bike paths."
- "We need to learn from our Phoenix neighbors what to avoid when planning grc and highways. Tucson needs to do it better."
- "Stop designing the city primarily for the automobile. Shape the urban environn more friendly to pedestrians, bicyclists, and users of mass transit."

City Department/Office Support for this Goal:

- **Intergovernmental Relations** - working on legislation to bring additional feder transportation funds to Tucson
- **Special Projects** - overseeing the Civano development, a pedestrian-oriented ne community
- **Human Resources** - supporting and facilitating training for the Employee Telec Program
- **Planning** - promoting alternate modes through neighborhood and area planning comprehensive plan policies
- **Transportation** - administering programs that promote the use of mass transit, and walking, and constructing sidewalks, pedestrian crossing devices, sidewalk landscaping, bike paths, and bus shelters

Key Indicators of Progress:

Source: Trained observers from community organizations can help conduct thes counts".

The Livable Tucson Goals provide a shared vision of the future and a common framev action, as expressed by the community. At the policy level, these Goals are helping to City's annual budget and the programming of City departments. City employees and c improve our quality of life and our legacy to future generations. These examples show individual actions support this effort.

What YOU Can Do

- Ride the bus
- Carpool
- Bike to work, the store, etc.
- Walk to work, the store, etc.
- Work a compressed work week (four 10-hour days)
- Work at home, communicating through e-mail and telephone
- Travel during hours other than rush hour

Featured Project for this goal indicator.

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1. **Use of alternative means of travel** Determining how many people are getting a without a car, and how often, is a way to determine how well our neighborhood: designed to promote these alternatives. To measure this people will be asked in how often they use alternative travel means of travel, including biking, walking, trolley, and other public transit.

   Based on the 1980 census, 66 percent of the population in Pima County drove tc alone, while 21 percent carpooled. Eleven percent used other means to get to wc public transit, trolley bus, walking, and bicycling, while 2 percent worked at hoı 1990, in Pima County 72 percent drove alone, and 15 percent carpooled. The reı either used other means to get to work (10 percent) or worked at home (3 percer

   Source: Pima County Association of Governments/Transportation Planning Div

2. **Ratio of miles of quality pedestrian and bike paths and bus routes to total l: of roads** This indicator describes how well people can circulate throughout the (without reliance on cars. It focuses on urban paths and trails, rather than those ir desert areas.

   Total number of lane miles for the City of Tucson, 4,000

   Total number of street miles for the City of Tucson, 1,480

   Total number of bicycle route miles for the City of Tucson, 600

   Total number of bus route miles for the City of Tucson, 550

   With 38 routes; buses run an average of 27,000 miles weekdays, and 7,110,000 annually

   Source: City of Tucson Transportation Department

3. **Number of days you can see Rincon Peak from Tumamoc Hill** Looking fron peak to mountain peak across Tucson is a simple way to determine the clarity oı including the amount of pollution from auto emissions, which account for up to Tucson's air pollution.

   Pima County Department of Environmental Quality, in conjunction with Arizon Department of Environmental Quality, monitors visible air pollution (urban haz continuously using a video camera from partway up Tumamoc Hill oriented tow Rincon Mountains (and also from a second site atop the County Health Building due east). Video from Tumamoc Hill may be put on PCDEQ's website, and the Tucson website in the near future.

4. **Number of pedestrians in neighborhoods** Counting the number of people out neighborhoods is one indication of people walking or biking instead of driving. expect more people to be visible in neighborhoods as it becomes more appealin and bike places. The number of pedestrians and cyclists can be measured by cou number of people seen at certain times in randomly selected areas throughout th

Safe Neighborhoods

Definition: Includes how safe people feel in their neighborhoods, crime, policing, and perceptions

What the community said:

- "Neighborhoods should be safe and nurturing environments for children."
- "I am afraid even when my son plays in our own yard. I am leery to go out at ni
- "Increase police foot and bike patrols."
- "Create safe neighborhood zones by fostering interaction opportunities. People each other come to trust each other and watch out for one another."
- "Need to accelerate programs such as Geo-based policing to get tough on juveni gangs, burglaries, and other neighborhood problems."

City Department/Office Support for this Goal:

- **Independent Police Auditor** – conveying concerns from citizens about neighb crimes and police practices to the appropriate personnel within the Police Depar
- **Information Outreach** – providing citizens the opportunity for direct dialogue Police Department through the weekly call-in program "Assignment Tucson"
- **City Attorney** – prosecuting criminals, educating neighborhoods of their rights Neighborhood Protection Act, and supporting the Tucson/Pima Anti-Hate Crim Force
- **City Court** – mediating family and neighborhood problems through issuance of orders, harassment injunctions, and hearings, conducting warrant sweeps, and o traffic safety classes
- **Operations** – receiving and processing 9-1-1 calls and coordinating constructio Multi-Agency Mutual Aid Radio system linking 13 local public safety agencies
- **Police** – reducing crime through geo-based policing by becoming familiar with areas and working closely with residents and other city departments

- **Fire** – responding to fire and medical emergencies and maintaining fire stations neighborhood "safe houses," providing home and business safety inspections

- **Planning** – supporting the Safe by Design principles through the rezoning and development review processes

- **Development Services** – conducting plan reviews, issuing construction permits conducting inspections to ensure safe and lawfully operated residential and com structures, and providing for abatement of dangerous, dilapidated, and uninhabi structures

- **Transportation** – ensuring that Safe by Design concepts are integrated into des construction, administering the residential street lighting program, maintaining striping, and installing traffic calming features

Key Indicators of Progress:

1. **Number of pedestrians in neighborhoods** Counting the number of people out neighborhoods is one indication of people walking or biking instead of driving. expect more people to be visible in neighborhoods as it becomes more appealin and bike places. The number of pedestrians and bicyclists can be measured by c number of people seen at certain times in randomly selected areas throughout th

   Source: Trained observers from community organizations can assist in these "pe counts".

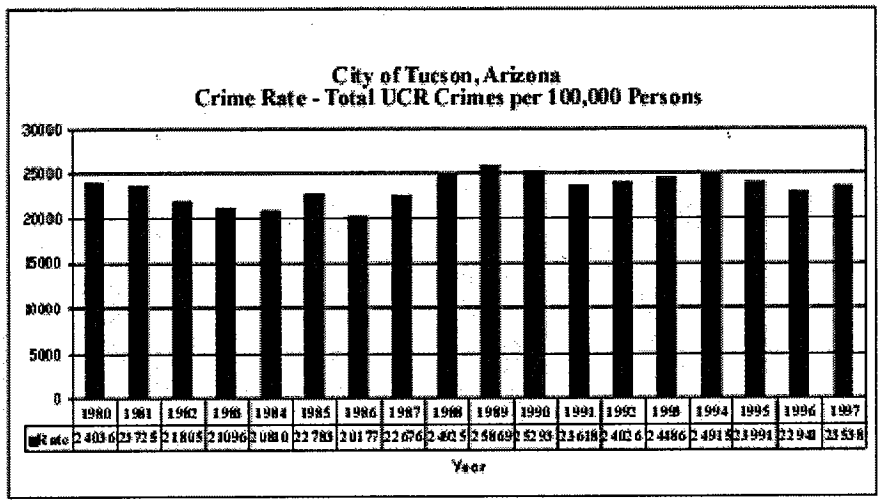
2. **Neighborhood crime rates** The number and severity of crimes is a straightforw measure neighborhood safety. Selected crime statistics are used to measure this

   Source: Tucson Police Department Crime Statistics

   1997 Crime Picture for Tucson

   Tucson's Overall 1997 Crime Rate, given Population Growth, is About the Sam Years.

   Tucson's 1997 Crime Totals were up 4.5% from 1996, including noticeable incr Robberies, Auto Thefts, Frauds, Criminal Damage, and Commercial Sex. Decli seen in Aggravated Assault, Weapons Crimes and Driving Under the Influence. Longer Term Basis, Robbery, Auto Theft, Criminal Damage, Offenses Against Youth, and Runaway Juvenile Crime Rates are at All Time Highs for Tucson.



Enlarge Graph

3. **Percent of people who feel safe in their neighborhood** If you want to know th safety of neighborhoods, simply ask residents how safe they feel. Surveys will b conducted to gather this information.

   Source: Resident survey

   Results from last Tucson Police Department Survey:

   - Do you feel safe walking in your neighborhood during the day?
   - 90% yes
   - Do you feel safe being out in your neighborhood at night?
   - 60% yes
   - Do you feel safe in your home at night?
   - 85% yes

What YOU Can Do

- Get to know your neighbors
- Set a consistently good example for children
- Participate in a neighborhood watch program
- Report any suspicious activity to the Police Department (791-4444, or 911 for e
- Keep your yard free from rubbish and flammable materials

Featured Project for this goal indicator.

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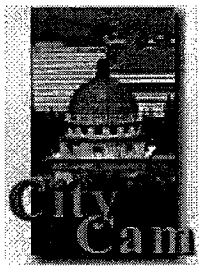
Better Alternatives to Automobile Transportation



Featured Projects: Pedestrian Master Plan and Corridor Studies

Description

Pedestrian Master Plan: As part of its efforts to promote alternate modes of travel, the of Transportation has included the creation of a Pedestrian Master Plan in the Fiscal Y 01 budget. The goal is to have a systematic method to complete pedestrian routes, esp routes connecting schools to neighborhoods, or connecting the disabled population to such as SunTran.

Corridor Studies:

The Stone Avenue Corridor Study and the 5th/6th Street Livability and Circulation St examples of corridor studies that are now being conducted by the Department of Tran These studies go beyond traditional transportation studies to look at issues of circulati livability, economic development, and aesthetic improvements.

Key Features

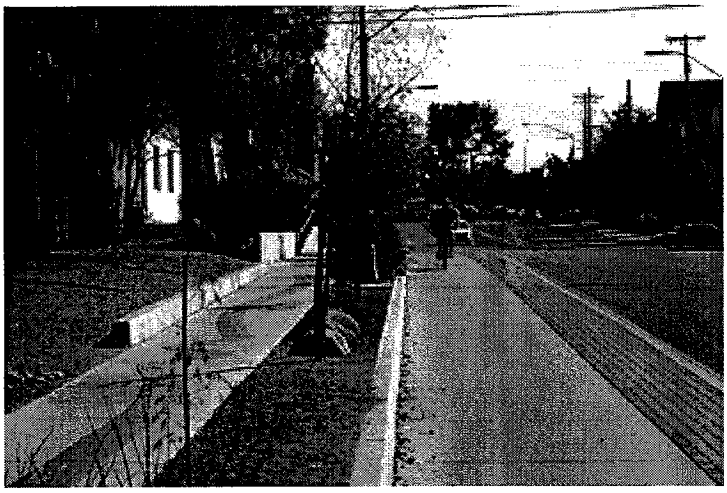
The pedestrian master planning efforts will include documentation of existing sidewal pedestrian-ways, as well as developing an implementation plan for future sidewalk an projects.

Corridor Studies:

- Public forums held along the corridors to explore problems and opportunities
- Formation of a Citizens Corridor Advisory Group to provide feedback for the p
- Propose alternatives and gather public comment

Partners

The pedestrian master plan effort will require the assistance of many city departments, neighborhood groups, to ensure that the documentation is complete and that the imple done in conjunction with other planned projects.



Critical to the success of corridor studies are the active involvement of corridor reside businesses, schools and users of the corridors, as well as coordination and collaboratio relevant departments within the city.

Impact
A Pedestrian Master Plan is an important step toward creating a more walkable, pedes friendly city. It will help to document the most critical needs facing pedestrian travele identify priorities, timelines, and resources for addressing them.

Recognizing the interrelationships between transportation and the corridor users and r studies seek to improve and promote safety, convenience, lighting, sidewalks, bicycle transit use.

For more information about Pedestrian Master Plan and Corridor Studies, contact Kim 791-4372, kmckay1@ci.tucson.az.us

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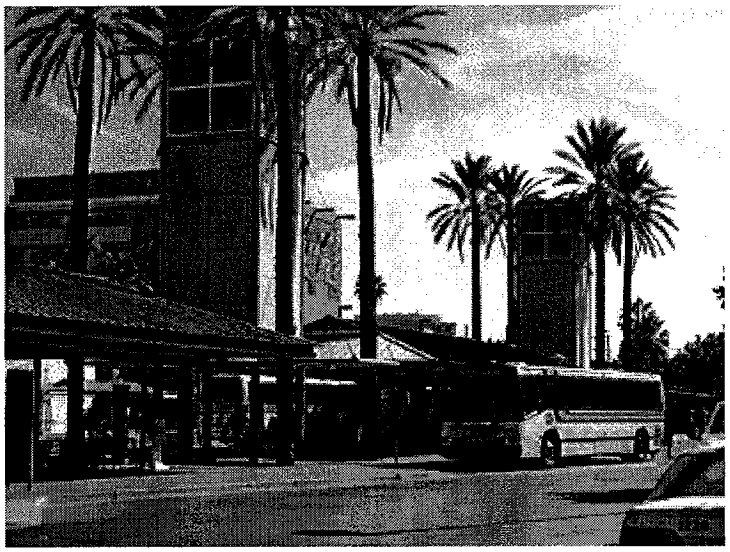
Other Projects That Further This Goal:

- Downtown Depot Intermodal Center
- South Park Avenue Pedestrian, Transit, and Public Art
- Runabout: Neighborhood Shuttle (with Tucson Association for the Blind)
- Bikeways Program supported by City Bicycle Coordinator

Goal Indicator definition for this project.



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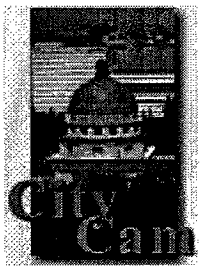
Safe Neighborhoods

Featured Projects: Community Policing and the School Resource Officer Progra



Description

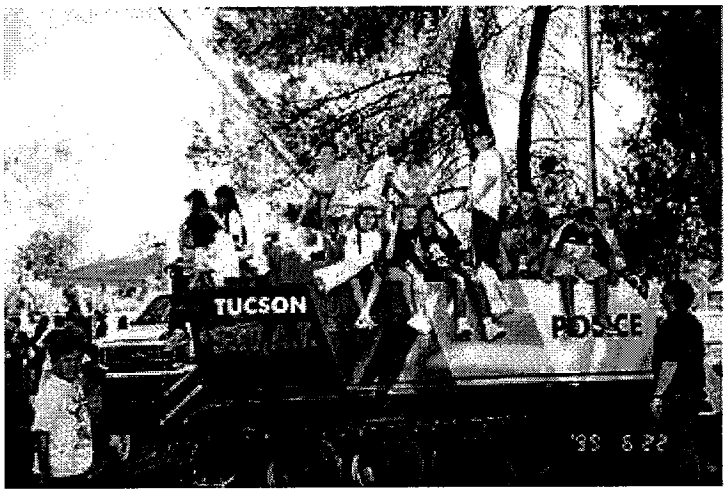
Implemented in 1995, Community Policing is a collaborative policing philosophy that patrol officers into neighborhoods and business areas. Community Policing differs fro traditional model of policing in that police officers are more directly involved with nei and their resident associations in an effort to address problems of crime, neighborhoo gangs, and drugs. Officers attend neighborhood association meetings and are involved neighborhood activities such as National Night Out, clean-ups and peace marches. Of enforcement activities based upon the priorities mutually identified by the people livin neighborhood area and their officers.

In Tucson Police Department's School Resource Officer (SRO) Program, officers are a full time basis to a middle school and the associated feeder elementary schools. The as role models for the children, spending time in classrooms teaching gang resistance safety awareness, civic responsibility, and reinforcing self-esteem. A key component i curriculum is the Gang Resistance Education and Training (GREAT) program, a natio gang program.

Key Features

With Community Policing:

- The primary focus of service is at the neighborhood level.
- Each neighborhood has a small group of officers who patrol the neighbhood anc with the residents when not responding to calls.
- Officers work with neighborhood associations and Citizen and Neighborhood S address neighborhood issues.



The SRO program:

- Assigns police officers to middle and elementary schools
- Has officers teach students in their classrooms
- Includes GREAT as part of the curriculum

Partners
Neighborhood Enhancement Teams (NET Teams), city departments, neighborhood as outside government agencies, parents, local businesses, churches, and local school dis

Impact
With Community Policing, neighborhoods participate both in the identification and so the underlying problems of crime - empowering the residents and shifting control back neighborhood.

The SRO program is a prevention program that allows police officers to connect with daily basis in an effort to help them practice socially acceptable behavior, realize their potential, and become model citizens.

For more information about Community Policing and SRO, contact Capt. John Leavit jleavit1@ci.tucson.az.us

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Other Projects That Further This Goal:

- Neighborhood and Business Watch Programs
- Graffiti Abatement Team ï Safe By Design Planning Standards
- Property Abatement Program

Goal Indicator definition for this project.

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CITY OF KIRKLAND
City Manager's Office
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www.ci.kirkland.wa.us

MEMORANDUM

To: Kirkland City Council

From: Sheila Cloney, Special Project Coordinator
Tracy Burrows, Senior Management Analyst
Marilynne Beard, Assistant City Manager

Date: February 24, 2006

Subject: Outside Agency Funding Policy

BACKGROUND

The current practice of the city is to make community event, business, tourism and outside agency grants on an annual basis to qualified applicants. The "outside agency" funding process takes place during the budget process. During the last budget process, Council asked staff to evaluate the grant funding policy especially as it relates to agencies that are funded through this process on a recurring basis. This memo discusses which organizations are currently funded through the outside agency process and a recommendation as to which should be considered for inclusion in the base budget. It also defines what types of organizations should participate in a competitive funding process on an annual or biannual basis. The creation of funding categories to better guide funding policies and a suggested schedule for the 2007-2008 budget process are also included.

DEFFINITION OF CATEGORIES

In reviewing current outside agency funding (for 2006), staff identified a few "categories" that the agencies seem to fit within.

Partner Agencies **-** Agencies that receive support as a result of formal council action or designation. In some cases a facility may have been built or purchased for the specific purpose that an operational partner performs. Examples include Friends of Youth (operating the Kirkland Teen Union Building) and the Kirkland Performance Center. Staff is recommending that these agencies be incorporated in the base budget in future years.

Special Events – These are events that have considerable public appeal and are substantially funded and staffed by city employees. Special event funds should be part of the special event base budget. An example is the 4th of July fireworks display.

Community Agency Funding - This category is used broadly to fund activities and projects on an annual one-time basis (not limited to Kirkland-based organizations). Organizations receive funds through a competitive process. An example would be Summerfest.

Tourism Grants – These are grants funded from the Lodging Tax and are defined by State statute RCW Chapter 67.28 and KMC Chapter 5. Lodging tax funds are allocated by recommendation of the Lodging Tax Advisory Committee.

Recommended Funding

Partner Agencies

These are agencies that receive support as a result of formal council action or designation. In some cases a facility may have been built or purchased for the specific purpose that the operational partner performs. The 2006 Budget allocates $135,000 in one time funding to these types of agencies**.**

Kirkland Performance Center (KPC)

Services Provided

The Kirkland Performance Center (KPC) relies on funding from the base budget and service packages/outside agency funds to supplement ticket revenue and annual fund raising. The current level of support allows our operational partner the ability to program 225 performances by more than 50 artists and groups. It also allows them to support the school learning programs through the arts. Without city support, it would be very difficult for them to run a balanced budget with this much programming. The total 2005 expenditure budget for the KPC was approximately $1.2 million. As a result of losses from 2000-2003, the KPC implemented a more aggressive fund development plan. They were able to post a surplus for year 2004, and a project a surplus for 2005. However, they will continue to request supplemental funding.

The City recently extended the contractual agreement that refunds admissions tax back to the KPC and provides for rent-free lease of the facility. This was instituted in July of 1998, with a five year expiration clause. It was extended in 2003, for an additional five years, expiring in 2008. Below is a table outlining the amount that has been refunded to the KPC:

Year	Tax
1998	14,538
1999	28,034
2000	29,812
2001	26,286
2002	30,482
2003	20,167
2004	28,413
2005	30,000 actual

In addition to the admissions tax rebate, the City makes annual contributions to the City's Facilities Life Cycle Model, which sets aside money for carpet, interior and exterior paint, and structural systems at the KPC.

In addition to the annual budget support discussed above, the KPC has made supplemental funding requests via the outside agency process since they began operations. Below is a table outlining the historical funding of KPC through outside agency funding and Lodging and Hotel Tax Funds.

Year	Outside Agency	Lodging Taxes
2001	$25,000.00	
2002	$25,000.00	
2003	$50,000.00	
2004	$50,000.00	
2005	$50,000.00	10,000.00
2006	$50,000.00	10,000.00

Recommendation:
Staff recommends that outside agency funds allocated to the Kirkland Performance Center ($50,000) be incorporated in the Parks and Community Services base budget for the 2007-08 biennium, and other sources of funding support described above continue. Increases to this amount would be requested as a service package by the Parks and Community Services Department. Funds from the Lodging Tax would not be part of the base budget.

Friends of Youth (Kirkland Teen Center – KTUB)

Services Provided
Friends of Youth provides a full menu of programming through an annual contract of $100,000 in addition to outside agency support from the city. This funding allows them to stay open for an average of 35 hours per week. They maintain an advisory board of citizens, both youth and adults. They operate a computer lab, photo lab, art programs, drop in programs, music programs, provide shows on the weekends, a coffee shop, counseling, special events, and recreational programs. Without outside agency funding, they would have to cut the hours of operation to 20-25 hours per week. They would not be able to support some of the free programming provided, i.e. recreation, dances, music shows, drop in programs. The total 2005 expenditure budget for KTUB was $350,000.

The KTUB started its operations in 1998 at Post 99, the American Legion Hall. The building was small, the programs limited, and the operational budget was $200,000 per year. The City budgeted $100,000 in the base budget for ongoing operations of the KTUB. When the KTUB moved into the new building, the operational budget grew to $350,000. This included almost triple the programming, and hours of operation. The City retained the $100,000 in the base budget. Friends of Youth has requested additional funding from the city every year since.

The City currently supports the KTUB in the base budget in two ways:

- $100,000.00 per year to assist with operational costs.
- Maintenance of the structural systems at the KTUB, and incorporation of KTUB into the Facilities Life Cycles Model, putting money aside each year for capital improvements. Currently we have $10,811 in maintenance, and $7,717 in capital set aside per year.

Below is a table outlining the historical funding of KTUB through outside agency funding.

Year	Amount
2001	$25,000
2002	$25,000
2003	$25,000
2004	$50,000
2005	$55,000
2006	$60,000

Recommendation:
Staff recommends that outside agency funds allocated to Friends of Youth ($60,000) be incorporated in the Parks and Community Services base budget for the 2007-08 biennium, and other sources of funding support describe above continue.

Kirkland Downtown Association

The Kirkland Downtown Association is an economic development program charged with business retention and attraction in the downtown core. The mission of this main street type program supports the City's goal of maintaining and enhancing its vibrant downtown core. The City has granted business matching funds to the KDA since its inception.

Recommendation:
Staff recommends that funds allocated to the KDA ($25,000 currently allocated in the base budget under the auspices of the business grant program) be incorporated in the economic development base budget for the 2007-08 biennium. The business grant program would be eliminated. The City would contract with KDA to provide economic development services related to promoting downtown business. It is proposed that funds be allocated to KDA under a contract with specific performance measures and managed by the Economic Development Manager. As in previous years, the KDA could apply for additional funding from LTAC or community grants.

Special Events
These are events that have considerable public appeal and are substantially funded and staffed by city resources. Funding is contained in the special event base budget and/or absorbed within department operating budgets unless reimbursed by the sponsoring agency. For example, the annual fireworks show is primarily funded by the City ($30,000 allocated in 2005) and is currently augmented by private sponsorships raised by Celebrate Kirkland.

City staff does most of the logistical planning and coordinates operations during the fireworks show. Celebrate Kirkland has indicated that they would like to relinquish control of this event and have the city coordinate the fireworks display in its entirety. This would streamline the administration and coordination of the event. However, in order to maintain the scope of the event as it is today, the City and Celebrate Kirkland would need to work together to attract community funds to supplement the City's contribution to the event. In that regard, City staff and Celebrate Kirkland are actively seeking a title sponsor for the fireworks show.

Recommendation:
Staff recommends the City produce the annual 4th of July fireworks show with a City budget allocation of $30,000 that is incorporated into the base budget for special events. The City will work with Celebrate Kirkland to seek title and presenting sponsors to defray event costs that are in addition to the fireworks display, such as traffic and crowd control.

Community Agency Fund
This category would be used broadly to fund activities and projects on a one-time basis (not limited to Kirkland-based organizations). Organizations receive funds through a competitive process that would be conducted prior to the budget process.

Community grants are a source of funding for events and organizational support. In 2006, $60,500 was allocated to community agency grants. Examples of organizations that would receive community grants include: Summerfest, Classic Car Show, Fourth of July Picnic, Seven Hills, Jr. Softball World Series, Heritage Society, Feet First, Transportation Choices, Leadership Eastside, and Kirkland Downtown Association. Many of these organizations have received funding on an annual basis.

Recommendation:
Staff recommends establishing a $60,500 Community Agency budget to fund organizations on an annual one-time basis. In addition, staff recommends that $6,000 be allocated to the Human Resources Department's training budget to fund two organizational scholarships for employee participation in Leadership Eastside. This $6,000 is the level of funding that the City has granted Leadership Eastside since its inception.

Staff further recommends making additions to the city's existing funding policy in an effort to address program performance and program evaluation. Updates that should be considered include:

- Establishing performance measures for projects funded by the City;
- Using performance measures as a factor in determining whether repeat funding is warranted;
- Requiring evidence that applicants are pursuing funding from other sources; and
- Requiring business plans for activities funded by the City that have a significant impact on public property.

Tourism Grants

Tourism grants are provided for by State statute RCW Chapter 67.28 and KMC Chapter 5 that address the use of Lodging Tax revenue. Tourism grants are obtained through requests made to the Lodging Tax Advisory Committee (LTAC). The LTAC recommends funding allocation for tourism grants to the City Council who then appropriate the grants through the budget process. Examples of activities that qualify for tourism funds include marketing of the Kirkland Artist Studio Tour and Howard Mandeville landscape show, and the creation of a Kirkland Art Center gallery brochure.

Recommendation:

Staff recommends no change to current practice.

Recommended Process and Timeline

The recommended funding level will increase the ongoing funding need by $146,000. One-time community grants would be limited to $60,500 per year ($121,000 per biennium). The following table summarizes the recommended funding.

Summary of Recommended Funding

CATEGORY	EXISTING BUDGET	PROPOSED BUDGET	LOCATION
ONGOING FUNDING			
Business Grants	$25,000	0.00	eliminated
Community Grants	$10,000	0.00	Moved to one-time funding
Performance Center	0.00	$50,000	Parks base budget
Friends of Youth	0.00	$60,000	Parks base budget
Kirkland Downtown Association	0.00	$25,000	Economic Development base budget
Leadership Eastside	0.00	$6,000	Scholarships in HR Training Budget
4th of July Fireworks	0.00	$30,000	Special Events base budget
TOTAL ONGOING FUNDING	**$35,000**	**$171,000**	
ONE-TIME FUNDING			
Community Agency Grants/Fund	**196,500**	**$60,500**	Agency Funding (Includes $10,000 from existing community event grant fund.)
Tourism Grants		Varies from year to year	Tourism Budget
TOTAL ONE-TIME FUNDING	**196,500**	**60,500**	
OVERALL TOTALS	**$231,500**	**$231,500**	

The funding recommendations could be incorporated in the 2007-2008 biennial budget either as part of the base budget or as a service package. Community Agency funds could be allocated on an annual or biennial basis. While an annual allocation offers more funding flexibility to applicants, staff recommends consolidating the community agency fund into the biennial budget starting with the 2007-2008 season. Community Agency applicants would have the option to apply for up to two years of funding. Would-be funding seekers who miss the funding process could

request funds from Council in writing though staff. The Council would then decide whether to allocate funds from their Special Projects Reserve.

Policy Issues for Council

- Should Community Agency fund decisions be made on an annual or biennial basis?
- Does Council agree that the KDA, KPC, and Friends of Youth are Partner Agencies?
- Does Council agree to formally bring the fireworks show in house?
- Does council accept recommended funding levels?
- Does council support making changes to the Community Agency Funding policy to address program performance and program evaluation?
- Does Council support moving $6,000 into the HR base budget for Leadership Eastside?

Next Steps:

Staff is currently preparing recommendations for council on updates to Chapter 19.24 of the Kirkland Municipal Code relating to Temporary Special Events. This chapter has not been updated since 1997. A recommendation on fees and cost recovery for special events will be included in these updates. The cost recovery portion of the policy will go to the Finance Committee this spring and then forwarded to Council for consideration.

CITY OF KIRKLAND
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MEMORANDUM

To: City Council

From: Dave Ramsay; Ellen Miller-Wolfe; Eric Shields

Date: March 7, 2006

Subject: Economic Development

The purpose of this memo is to suggest a framework for Council Retreat discussion on economic development. The proposed framework should help Council understand the policy underpinnings and history of our current economic development approach, the goals we have established for that program, and a snapshot of the current economic picture, so as to better address the following in this retreat session:

- The opportunities and challenges that present themselves
- Strategies we might enlist to respond to them
- Resources needed to mount strategies

Background

Comprehensive Plan Goals and Policies

The City's Comprehensive Pan contains seven broad goals for economic development, along with policies for the achievement of each goal. A complete copy of the Element is included in the packet. Following is a listing of the goals and a summary of key policies:

ED-1: Foster a strong and diverse economy consistent with community values, goals & policies.

Three policies discuss fundamental objectives for economic development:

- a strong job and wage base,
- the provision of goods and services to the community,
- strengthen the tax base.

Other policies support:

- complimentary business clusters
- a balance of jobs and housing (1.5 jobs per housing unit)
- Kirkland as a visitor destination
- home based businesses

- retention of existing businesses and attraction of new ones

ED-2: Promote a positive business climate
Policies support:
- valuing the role of businesses in the community
- a reasonable, responsive and timely tax and regulatory environment
- a culture of creativity and innovation
- consideration of the economic impacts and benefits of land use decisions
- education and training opportunities and a skilled work force
- incentives to encourage economic development

ED-3: Strengthen the unique role and economic success of Kirkland's commercial areas
Policies support:
- economic success within business districts
- operation of businesses to enhance community character and minimize impacts
- infill and redevelopment consistent with role of each commercial area
- development standards to promote attractive commercial areas

ED-4: Develop and implement economic development strategies that reflect the role of Kirkland businesses in the regional economy
Policies support:
- competitive advantage of Kirkland businesses
- collaboration with other cities and agencies to enhance Eastside and regional economic development

ED-5: Provide infrastructure and public facilities to support economic activity and growth
Policies support:
- building and maintaining infrastructure to support the business community
- strong circulation linkages within commercial areas
- regional infrastructure initiatives

ED-6: Foster collaborative partnerships among community interest groups to achieve desired economic goals
Policies support:
- working with business organization and community stakeholders
- partnership of diverse community representatives to develop and implement strategies

ED-7: Recognize Kirkland's artistic, cultural, historic and recreational resources as important contributors to economic vitality
Policy supports:
- businesses and organizations involved in arts, historic preservation and civic activities

<u>Pathway to Kirkland's Economic Future</u> (TIP report)

This report was completed in March, 2005 under the auspices of the Kirkland Economic Partnership (KEP). The purpose of the report was to "prepare a strategic plan to help guide Kirkland's future economic

development efforts." The report was prepared in three phases, the findings of which are summarizes as follows:

Discovery

Three themes:

- Kirkland is a highly desirable place to live and work
- Change in Kirkland is slow and often difficult
- Residential quality of life is the cornerstone for Kirkland decision-making

Four key issues need to be addressed:

- Lack of undeveloped land
- Undesirable perception of the business environment
- Promotion of development in specific areas (Totem Lake and Downtown)
- Communication

Opportunity

Preliminary strategies:

- Create a new economic development authority and establish a formal communications strategy for economic growth
- Improve the business investment environment
- Focus on prime development areas: Totem Lake and Downtown
- Develop a marketing plan directed toward the Puget Sound market

Implementation

Final strategies:

- Capitalize on regional growth
  - Take advantage of expansion of knowledge industries.
  - Strengthen relationship to technology industries and supporting professional services.
- Improve the business investment environment
  - Kirkland needs to be perceived as a good place to do business
  - Integrate planning and zoning issues with the needs of business & developers
- Business growth areas
  - Three key areas: Totem Lake, Downtown and 85th St. Corridor
  - Juanita Village is a good example of how redevelopment can provide housing and retail opportunities while enhancing quality of place.
- Communications and organization
  - Media strategy
  - Coordinated public input
  - Person or entity with clear responsibility for economic development

<u>Kirkland Industrial Zoning Study</u>

Issues prompting study:

- Whether designated industrial lands will retain and attract intended businesses, or whether demand and needs of new users will find the overall characteristics insufficient to meet their needs.
- What types of City actions might be needed to retain and/ or attract industrial uses?
- If industrial is less likely, what are the alternatives and how is the transition accomplished?

Conclusions:

- Shift from industrial type uses is already a factor in leasing space. Finding industrial tenants is increasingly difficult. Warehouse and distribution are moving to other areas with newer, less costly stock closer to labor force.
- Demographic changes, home pricing, increasing land values, traffic congestion, and employment shifts militate against competitively priced industrial space. Based on trends, emphasis should be on creation of higher density employment space for professional and technology uses that can employ high wage local residents and that can afford higher land and development costs.
- Most effective change is not in the City's hands, but with property owners of obsolete stock. Due to market changes, industrial zones have become target seeking lower rents than in other commercial zones. As the number of other uses increases in industrial zones, the area is less attractive for industrial uses.
- City actions should focus on ideas of clustering businesses, providing buffer or transition zones and re-aligning ideas about attracting new businesses.

Actions to retain businesses:

- Zone for finer grain of uses. Where industrial preservation is desired and possible, eliminate uses erode industrial character.
- Buffer areas preserved for industrial uses with transition retail and service uses.
- Make auto row designation separate from technology uses.

Actions to enhance redevelopment

- Rezone area overtaken by non-industrial uses to better match future employment and neighborhood trends
- Consider some conversion to residential buffers near existing residential areas.
- Resolve zoning to allow clear certainty for redevelopment.

Actions to create conditions for new businesses:

- Revise regulations to allow supporting retail and services for professional offices and technology uses.
- Increase building height limits in areas where conversion to office and technology uses is desired.
- Reduce setback requirements for office and technology uses.
- Establish different street standards for industrial areas than for office and technology areas.

Topics for Council Discussion

What are the opportunities and challenges for the Kirkland economy?

Opportunities

The Puget Sound region is experiencing an economic upturn with an expected continuation of economic prosperity – 3.0% growth for the next few years. Kirkland is home to some of the rising business clusters (IT, FIRES) and well-known businesses that exemplify these clusters (FileNet, Google, HouseValues.com, Bungie Studios). The downtown and neighborhoods are known attractions to well-compensated, knowledge-based employees who populate these firms.

Kirkland has significant medical, construction, and auto sales business clusters; medical is buoyed by the Evergreen Hospital expansion and the nearby biotech concentration in Bothell, construction is benefiting from a boom in home building and remodeling, while auto sales remain a consistent retail anchor of the local economy. The city offers a variety of retail options, ranging from small neighborhood shopping areas to the big box stores in Totem Lake etc., to downtown, a destination/tourism venue as well as a neighborhood.

Challenges

- In the office market, a large number of speculative office buildings (7) due to come on line over the next several years in Bellevue could impact the Kirkland market much like the drop in prices and vacancies impacted markets during the dotcom bomb. How best to compete?

- Do we understand the product that key business clusters are looking for? Do we have adequate space (or land zoned appropriately) to reap the benefits of small high tech and professional service firms who would locate here? Totem Lake office space is the second phase of the project, and Park Place second phase development plans will need to be revived. Land ripe for redevelopment may need to be assembled in order to be put to productive reuse, and those property owners convinced of the value proposition in redevelopment. Traffic congestion could limit development capacity for certain commercial districts.

- Improving the vitality of downtown is critical because of its contribution to the local economy as a tourist destination, its attraction to new economy businesses and the high paying jobs they provide, and new residential development. There are 25 known vacancies in downtown at present. Concerns range from whether the right mix of businesses exists, to recruitment and sustainability of unique businesses. (Unique businesses are more likely to be undercapitalized and not equipped with viable business plans to sustain their operations). There also is concern about the fragility of the sense of place that downtown conveys through its buildings, armature, and art. How best to ensure this uniqueness with the onslaught of new construction? Last, for those who consider downtown their neighborhood, there is a concern about lack of professional services, especially medical services, and the concentration of the latter around the hospital.

- The development community's perception of our taxes and permitting is critical to the success of recruitment and retention. There are mixed opinions, some of which might be assuaged by reliable information and real-time applications to individual businesses. Our materials need to respond to the needs of target clusters (business and demographic data, available sites etc.), the concerns of complex development projects, as well as helping those who seek simpler permits (i.e. separating the sign requirements and application on the website might be best for this popular permit).

- Kirkland's residential neighborhoods (and the business districts that serve them) are key business attractors. (FileNet for example went from 18% to over 50% of employees living in Kirkland since opening in 1999). Making sure that neighborhood business districts remain vital is important to the vitality of the local economy and the attractiveness of residential neighborhoods.

What are the strategies Kirkland might adopt to meet challenges/realize opportunities?

- Work internally or with a consultant to weave the results of Industrial Land and TIP studies and delineate, prioritize, and implement economic development strategies in City staff workplans and consultant contracts

- Promote the Kirkland business climate by enhancing the **'Doing Business in Kirkland'** space on the City website including:
    - Business districts – boundaries, zoning etc.
    - Opportunity sites – Zoning updates, contacts, brief descriptions, mapping
    - Fact sheet on comparative tax rates with surrounding communities with real-time computation of probable taxes for prospective businesses
    - On-line permit and license applications
    - Average permit time/costs for land use and building permit processes-could also be a real-time computation
    - Regular updates to property owners (web subscribers), developers, realtors, site selectors and others advising them of zoning that promotes development – comprehensive listings and by business district

- Tourism provides a number of jobs and strong tourism marketing should support the tourism development goals of the city and tourism stakeholders, and work in concert with local economic development. Consumers want diverse experiences and make choices regardless of organizational borders and boundaries. Vital to building sustainable tourism and gaining overnight and day trip visitors is:
    - Development of the Downtown core and Totem Lake, events and festivals, parks and beaches, taking advantage of trends and working to address challenges.
    - Currently Kirkland hotels are booked at 60-70% or better Sunday through Thursday, but lag over the weekends (Friday- Saturday). The addition of the Heathman Hotel in 2007 and the Courtyard by Marriott this summer will add additional rooms for visitors and help to increase the overall LTAC budget.
    - The tourism marketing strategy encompasses all of Kirkland and also should continue to branch out beyond the city borders to make linkages that make sense to the consumer/target markets. Kirkland's marketing efforts will yield the greatest results by linking to other destination marketing organizations (DMOs) wherever possible. This will leverage visitor awareness throughout the Eastside, Puget Sound, Pacific Northwest, and the domestic and international travel marketplace.

- Develop marketing plan to promote Kirkland to a variety of audiences.
    - Translate planning reports (Industrial Lands, Community Profile), and projects (i.e. Totem Lake Mall) and events into promotion pieces.
    - Set meetings with editorial boards of local newspapers and magazines
    - Place pieces in regional and local media
    - Use web-cams to promote the progress of Totem Lake Mall
    - Provide WSDOT video of I-405 work and other capital projects to area businesses to communicate timelines, optional routes etc., to customers

- Provide hands-on technical assistance (planners and others) to help owners/developers implement land assembly/redevelopment. (City of Tacoma has exemplified this approach.)
- Define enhancement programs for each business district type. Possible programs ongoing and new might include:

    - **Totem Lake** – Totem Lake Mall coordination and promotion
    - **Totem Lake West** – Implement plan (informational and promotional) to help mitigate impacts of I-405, Totem Lake Mall construction
    - **Downtown** – Determine whether to revisit Downtown Strategic Plan.
    - **Downtown** - Determine whether to restart Lakeshore Plaza project.
    - **Downtown** - Retain CTED or private consultant to oversee study of mix of uses and to prepare recruitment/retention plan
    - **Downtown** – Provide technical assistance to tenants to prepare business plans, marketing plans, through Bellevue or UW Bothell Entrepreneur Centers etc.
    - **Neighborhood business districts** – Work with Chamber and City neighborhood program to build relationships with business leaders and between business and neighborhood leadership

- Target industry clusters such as satellite software development companies and life science businesses (health care) and form task forces to plan and execute recruitment campaigns
    - Identify 2-3 CEOs per cluster to form task forces
    - Prepare business plan for recruitment
    - Design, distribute recruitment package
    - Work closely with local business organizations, enterpriseSeattle, Trade Development Alliance, trade groups such as the Washington Software Alliance and others to promote Kirkland business and recruit businesses representing key clusters

- Identify indicators and performance benchmarks for economic development program and implement performance measurement program
    - Goals of the program, revenue, jobs, services might be the basis of benchmarking

Is Kirkland organized to respond to challenges, launch strategies?

After a series of contractual engagements with economic development staff, the City has retained an Economic Development Manager located in the CMO to delineate long and short-term strategies for addressing economic development goals. In addition, a part-time Advocate, paid for by the City and employed by the Chamber, advises small businesses on permitting and other business with the City, and also arranges retention visits with local employers. An Advisory Committee comprised of local businesses, business organizations, institutions, neighborhood advocates and City representatives meets monthly to share information and receive updates from the Advocate regarding retention activity. Assessments of the performance of the Advocate and the KEP Advisory Board are ongoing.

Strategies

- Strengthen connections between economic development and all other city activities
- Centralize business information on City website with links to other business sites
- Prepare report on Kirkland Economic Partnership (KEP), and Advocate role, including input from advisory board membership, city staff and clients served, best practices from other cities, etc.
- Prepare options for economic development organizational structure and service delivery vehicle for Council consideration

Staff has prepared several maps and a list of major development projects for use in the Council's discussion on economic development (see attached).

Major Development Projects

Projects Under Construction

- Kirkland Central Condominiums – *110 units at Kirkland Ave. & State St.*
- Boulevard Condominiums – *119 units* at *Kirkland Ave. east of 3rd St.*
- Heathman Hotel – *91 rooms at Kirkland Ave. & 3rd St.*
- 617 Market – *25 condominium units.*
- 1414 Market – *5700 sq. ft. of office*
- Lee Johnson auto sales – *Net 41,000 sq. ft. new showrooms and maintenance building on NE 85th St.*
- Evergreen Hospital – *New 238,000 sq. ft. bed tower and 70,000 sq. ft. emergency center.*
- Marriot Hotel – *150 hotel rooms on NE 124th St. & 113th Ave. NE*

Building Permit Applications In Review

- Honda Auto Dealership Expansion – *15,800 sq. ft. building expansion*
- Evergreen Gateway Center - *77,500 sq. ft. office and transit center permit ready to issue.*
- Rite Aid Store – *New 12,000 sq. ft. store on Totem Lake Blvd. & NE 124th St.*
- Seawest – *New 3,400 sq. ft. retail/ office building on NE 85th St. & 128th Ave. NE.*
- Rose Hill Gateway - *New 4,000 sq. ft. retail/ office building on NE 85th St & 132nd Ave. NE*
- NW University - *43,000 sq. ft. academic building.*
- Affinity (formerly Almond) Condominiums – *Grading permit for 36 units at 124th Ave NE & 113th Ave. NE.*
- State St. Condominiums –*Grading permit for 116 units on 2nd Ave. S. & State St.*
- Eastside Preparatory School – *pre-submittal for remodel of existing buildings in Lindbrook office park.*

Zoning Permit Applications Under Review

- Shumway PUD – *9 new residential units approved.*
- Rosinski Reasonable Use Permit – *2nd remand to HE on 3/16; back to CC 4/18 or 5/4.*
- Lake Wash Tech College Master Plan Update – *HE hearing completed; to CC in March or April.*
- Rhode Reasonable Use Permit –*HE hearing in March; to CC in May.*
- Schneider Reasonable Use Permit – *HE hearing in March; to CC in May.*
- Goldenman Office (at Yarrow Bay Marina) – *55,000 sq. ft.*; *hearing yet to be scheduled.*

Probable Permit Applications

- Totem Lake Mall – *Net 350,000 sq. ft. new retail, 216 residential units and 144,000 sq. ft. of office, pending design review application by June.*
- Sidorco site – *Potential 170,000 sq. ft. of office space in four or five buildings.*
- Assembly of God site – *Potential 40,000 sq. ft. office building on State St. & 2nd. Ave. S..*

Development Inquiries

- McLeod property – *Exploring options for property on Lake Ave. south of Kirkland Ave.*
- Dayton property – *Assisted living facility on Kirkland Ave. west of 3rd St.*
- NE 124th St. at about 130th Ave. NE – *Assisted living*
- Wadell property – *multi-family at NE 120th St at 128th Ave NE*
- Shnitzer – *Discussing new office building in Par Mac.*

Summary

- Office projects
  - In construction: 5,700 sq. ft.
  - In permit review: 140,000 sq. ft.
  - Probable: 354,000 sq. ft.
- Commercial projects
  - In construction: 41,000 sq. ft. + 241 hotel rooms
  - In permit review: 31,500 sq. ft.
  - Probable: 350,000 sq. ft.
- Residential projects
  - In construction: 254 units
  - In permit review: 161 units
  - Probable: 216 units
- Institutional projects
  - In construction 308,000 sq. ft.
  - In permit review: 43,000 sq. ft.

CITY OF KIRKLAND ECONOMIC ACTIVITY ZONING MAP

Department of Planning and Community Development

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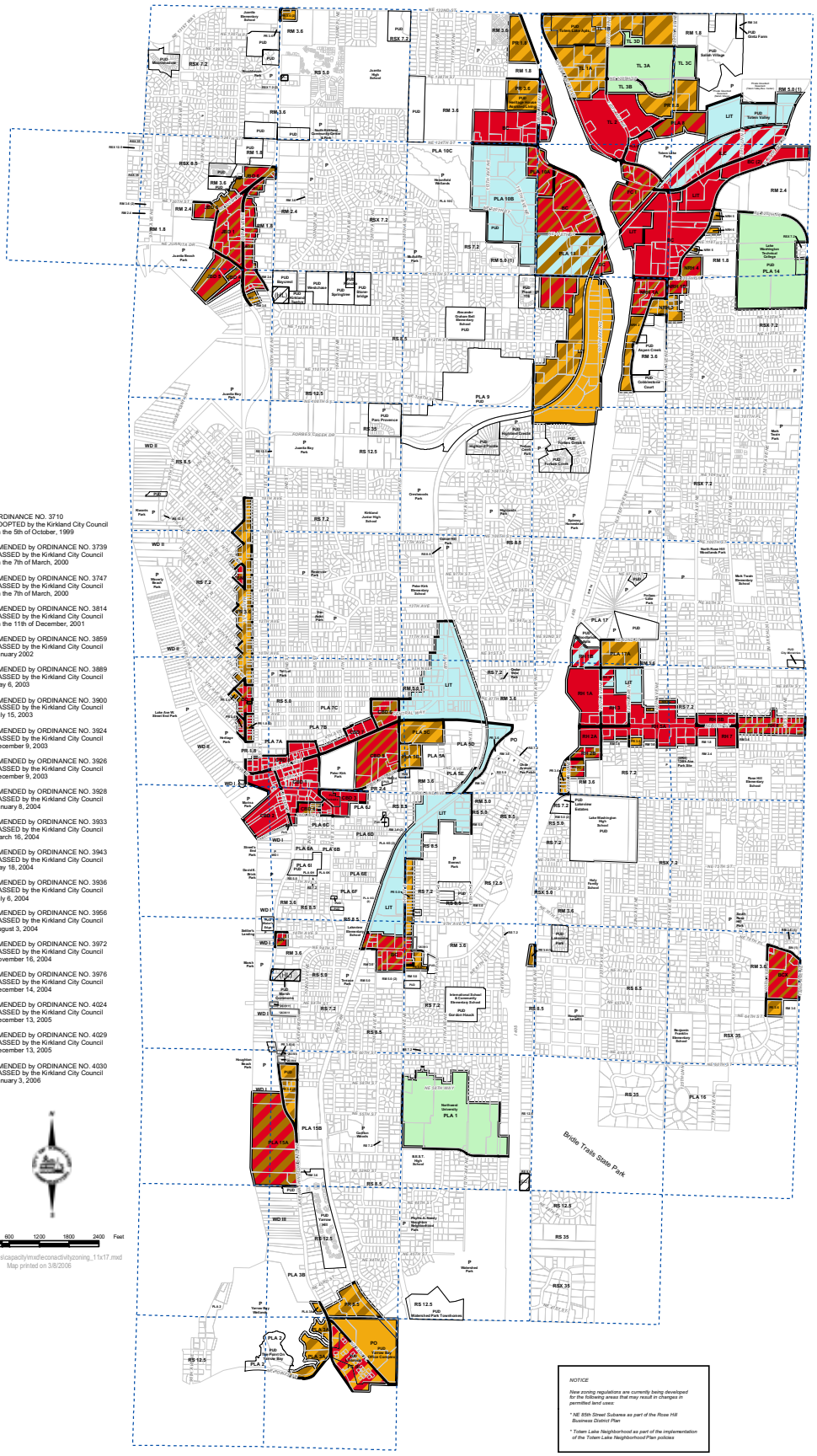

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Map printed on 3/8/2006

NOTICE

New zoning regulations are currently being developed for the following areas that may result in changes in permitted land uses:

** NE 85th Street Subarea as part of the Rose Hill Business District Plan*

** Totem Lake Neighborhood as part of the implementation of the Totem Lake Neighborhood Plan policies*

Single Family Residential: RS 35 / RSX 35; RS 12.5 / RSX 12.5; RS 8.5 / RSX 8.5; RS 7.2 / RSX 7.2; RS 5.0 / RSX 5.0

Multi-Family Residential: RM 5.0; RM 3.6; RM 2.4; RM 1.8

Waterfront Districts: WD I; WD II; WD III

Professional Office Residential: PR 5.0; PR 3.6; PR 2.4; PR 1.8

Freeway Commercial: FC I; FC II; FC III

Planned Area — PLA
Public Use Zone — P
Light Industrial Technology — LIT
Industrial Limited Commercial — ILC
Neighborhood Business — BN
Community Business — BC/BCX
Central Business District — CBD
Professional Office — PO
Juanita Business District — JBD

PLA Planned Area

PUD Planned Unit Development

(HL) Historic Landmark
(EQ) Equestrian
(AE) Adult Entertainment

Subject to Resolution or Ordinance No.

Suffix

(1) Development proposal must be consistent with appropriate neighborhood plan policies, specifically applicable to this property, contained in the Comprehensive Plan and processed through Process IA.

(2) Development proposal must be consistent with appropriate neighborhood plan policies, specifically applicable to this property, contained in the Comprehensive Plan.

(3) Development proposal must be consistent with appropriate neighborhood plan policies, specifically applicable to this property, contained in the Comprehensive Plan; and the portion of any building fronting on 124th Ave. N.E. shall be exclusively occupied by office uses.

(4) Development proposal must be consistent with appropriate neighborhood plan policies, specifically applicable to this property, contained in the Comprehensive Plan and processed through Process IIB.

- Retail (ground floor); potential upper story office or housing
- Retail or office
- Retail, office or housing
- Retail or office; potential upper story office or housing
- Retail/office/industrial
- Office
- Office or housing
- Industrial or office
- Industrial, office or housing
- Institutional

CITY OF KIRKLAND ECONOMIC ACTIVITY LAND USE MAP

Department of Planning and Community Development

5 4 3 2 1

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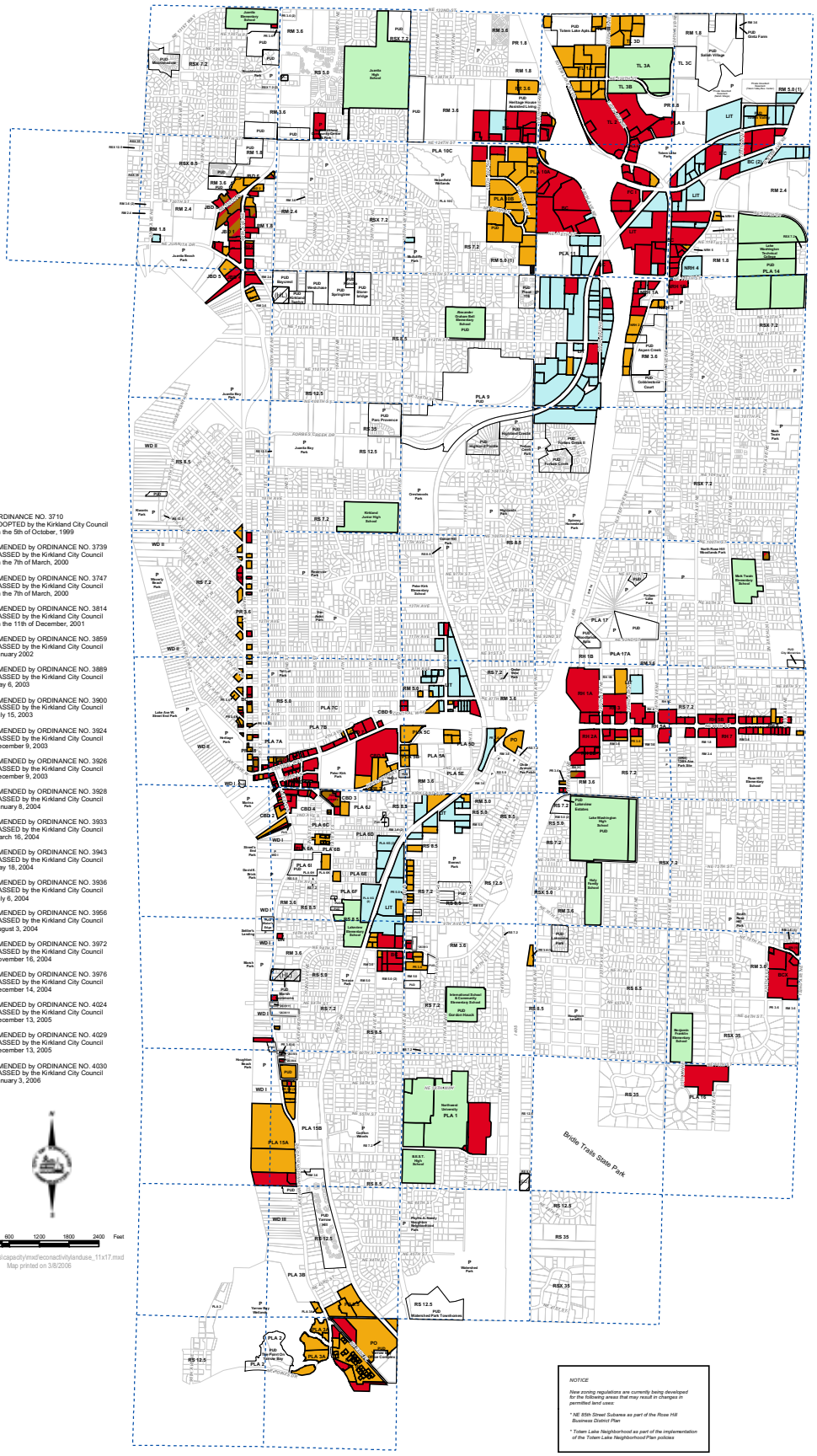

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Planned Area	PLA
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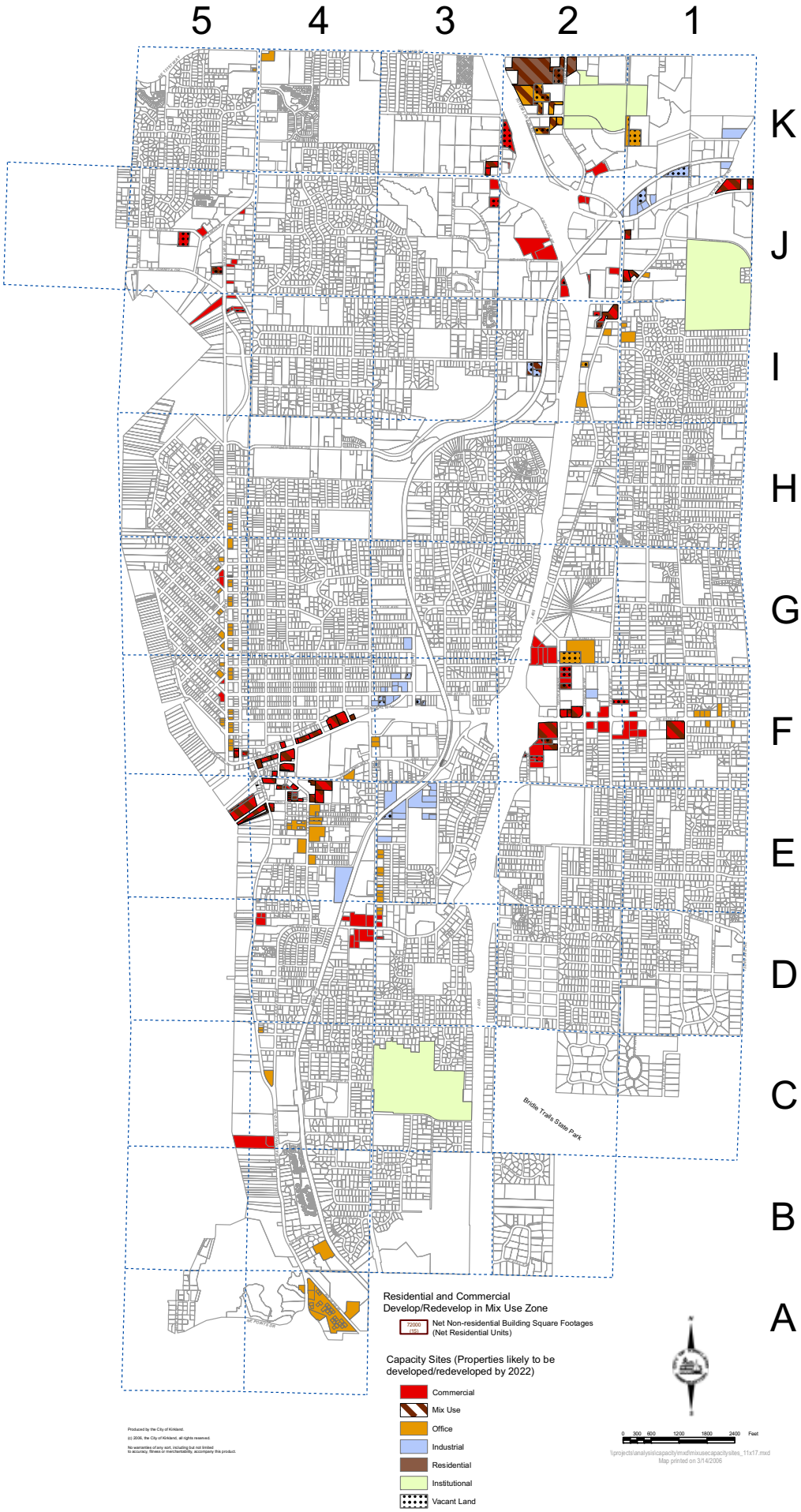
Commercial (retail, services)
Office
Industrial
Mixed Use
Institutions

CITY OF KIRKLAND 2022 CAPACITY

PARCELS MORE LIKELY TO REDEVELOP

Department of Planning and Community Development



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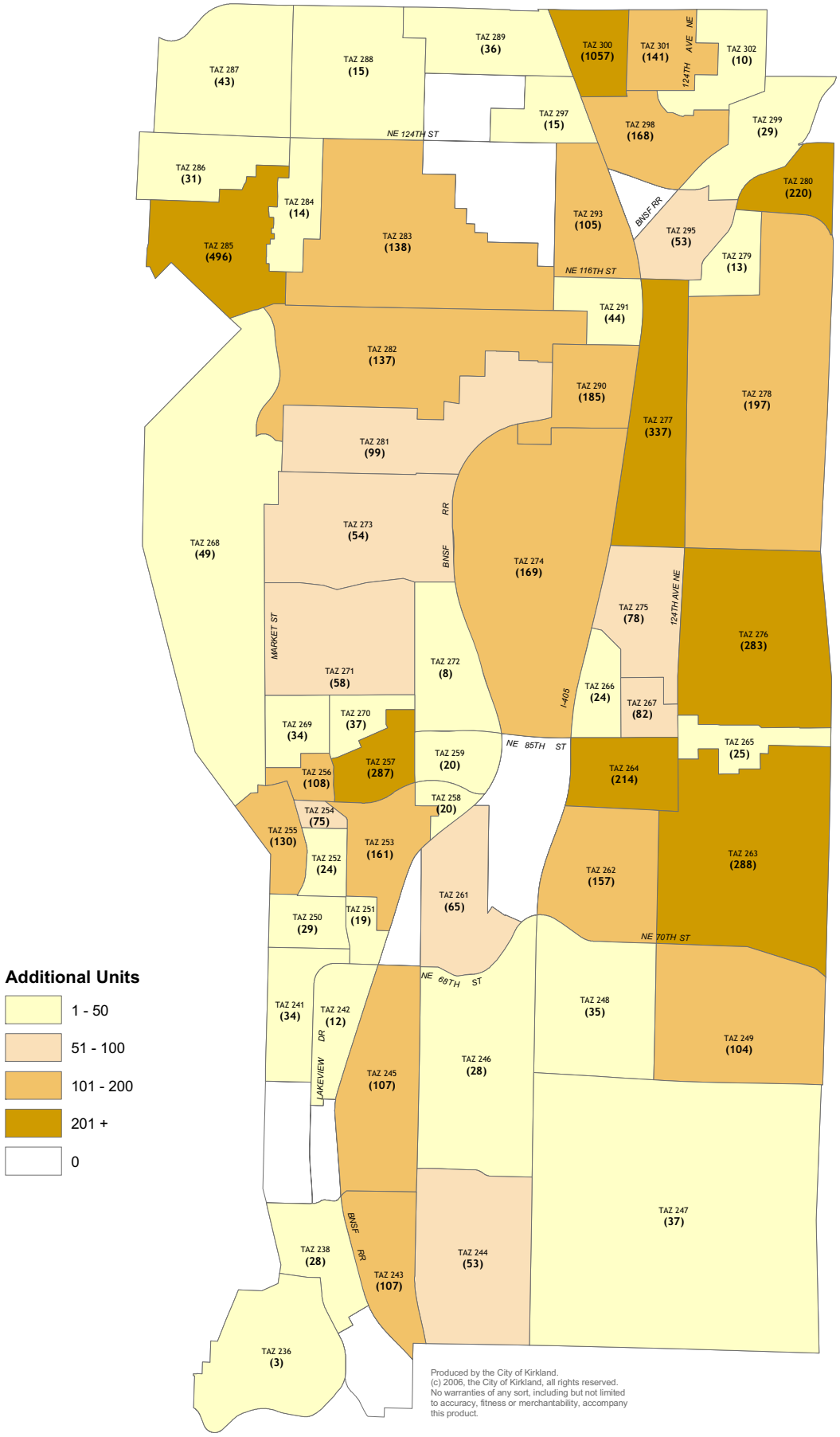
Housing Capacity 2003 - 2022
(Net Additional Housing Units)



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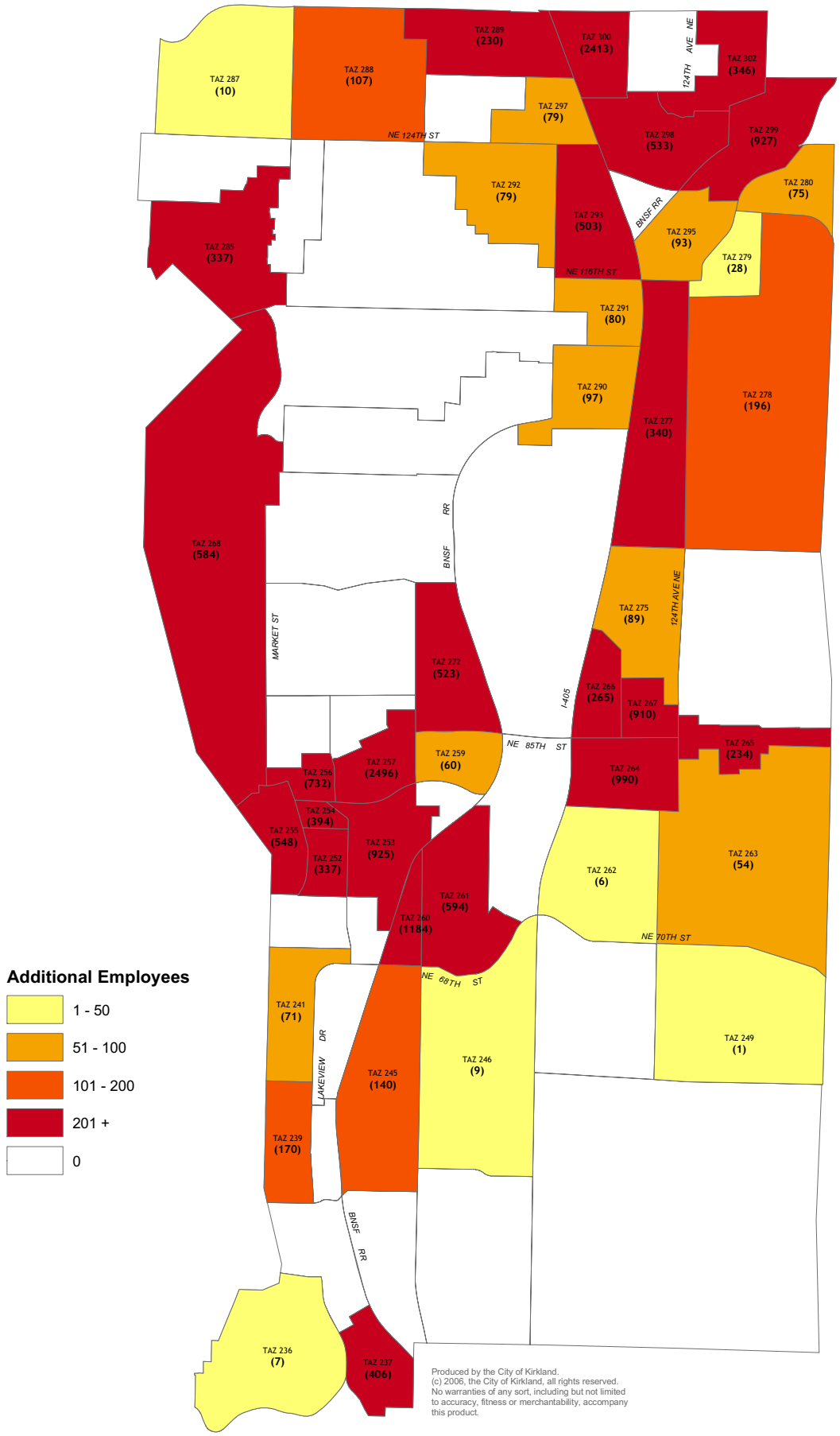
Employment Capacity 2003 - 2022
(Net Additional Employees)



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Housing and Employment Growth

	1991	2000	2003	Increase 1991-2003	Average Annual Increase	2022 Growth Targets	Av. Annual Increase 2003-2022	Comp. Plan Capacity (2003- 2022)
Housing	18,664	21,831	22,120	3456 (19%)	288	27,311	273	27,974
Employment	21,864	32,384	34,843	12,979 (59%)	1081	41,184	333	53,128

Jobs/ Housing Balance

	1991	2000	2003	2020	2022 @ Target	2022 @ Capacity
Kirkland	1.17		1.57		1.5	1.9
King Co.		1.61			1.9	
Metropolitan Area		1.31		1.35		

PATHWAY TO KIRKLAND'S ECONOMIC FUTURE

PREPARED FOR THE KIRKLAND ECONOMIC PARTNERSHIP

PREPARED BY

T·I·P STRATEGIES

MARCH 2005

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strategy three: support prime development areas 9

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b. technical memorandum 2: opportunity phase B-1

c. technical memorandum 3: implementation phase . C-1

ACKNOWLEDGEMENTS

The project team would like to thank the leadership and staff of the Kirkland Economic Partnership, the City of Kirkland, and the Kirkland Chamber of Commerce for contributing their valuable insight and feedback to this study. We are particularly grateful to Betty Spieth for her assistance throughout this process.

PROJECT TEAM

TIP Strategies, Inc.

- Jon Roberts, Managing Director
- Bob Thompson, Senior Associate

executive summary

TIP Strategies, Inc. (TIP) was engaged by the Kirkland Economic Partnership (KEP) to identify a pathway to a strong economic future for Kirkland. The purpose of our work is to assess the many economic alternatives available to the community and make recommendations for action. Kirkland's location in Puget Sound offers unique opportunities. The reputation and image of the city are a key factor in its future growth. TIP believes acceptance of our definition of economic development – *the application of public resources to stimulate private investment* – is critical to understanding our work program, strategic analyses and recommendations.

From the outset, TIP emphasized "quality of place" over all other factors. TIP believes there is an important distinction between "quality of life" and "quality of place." Quality of life is generally inward looking and focused on preserving those elements that have traditionally defined the community. Quality of place, on the other hand, is dynamic and recognizes the importance of growth and the risk of becoming stagnant. This distinction has enormous economic and fiscal implications. Investment is the key concept. Investment occurs as retail spending from non-residents, in commercial development, and in a diversified job base. Without private investment – and the tax and employment benefits this creates – Kirkland's quality of place will decline.

How the city would capitalize on new development opportunities must to be balanced against those factors that have made Kirkland what it is today: one of the most attractive communities in the Northwest.

APPROACH

TIP was engaged by KEP to prepare a strategic plan to help guide Kirkland's future economic development efforts. This plan builds on information compiled and analyzed by the consulting team with input from KEP, city officials, and other key stakeholders. This document is a direct result of these discussions and of additional research conducted by members of the consulting team. The project was conducted in three phases – Discovery, Opportunity, and Implementation. Each phase concluded with a Technical Memorandum and discussion of our findings with the Project Steering Committee. The three Technical Memoranda are appended to this report.

Discovery – This phase consisted of a SWOT analysis and assessment benchmarking of similar communities, and a survey of local attitudes and opinions. Three themes emerged from our survey:

1. Kirkland is a highly desirable place to live and work.
2. Change in Kirkland is slow and often difficult.
3. Residential quality of life is the cornerstone for Kirkland decision-making.

From our SWOT analysis, TIP identified four significant issues that Kirkland must address if the city was to pursue active economic development. These issues included:

1. Lack of undeveloped land.
2. Undesirable perception of business investment environment.
3. Promotion of development in specific areas of the city (Totem Lake and Downtown).
4. Communication.

Opportunity – Specific development opportunities were considered and preliminary strategies were drafted for discussion. We concluded that Kirkland has a highly positive image and local opportunities exceed the physical capability of Kirkland to accommodate existing markets for businesses that might seek to invest in the community. Preliminary strategies addressed four areas:

1. Create a new economic development authority and establish a formal communications strategy for economic growth.

2. Improve the business investment environment.

3. Focus on two prime development areas: Totem Lake area and Downtown.

4. Develop a marketing plan directed toward the Puget Sound market.

Implementation – In this phase, strategies were built-out and action items were offered to the steering committee and city council for review.

The consulting team held meetings in Kirkland specific to each phase and received input from key stakeholders during focus group meetings. Input received from the workshops and focus group meetings was combined with the consulting team's quantitative analysis, benchmarking, and experience to develop the recommendations outlined in this plan. The recommendations were also compared with the city's comprehensive plan to ensure that they were complementary.

KEY FINDINGS

Challenges > As a result of interviews and background analysis, it became apparent that there were significant challenges to the straightforward implementation of an economic development strategy. These challenges revolve around three issues:

- Realizing a shared vision
- Reaching consensus on the appropriate level of business growth and development
- Accepting a regional role

These challenges go to the heart of how Kirkland sees itself. It also touches on what posture Kirkland should take towards retail growth on the one hand, and commercial development on the other.

TIP's recommended response to these challenges included a series of community workshops to explore various scenarios and their implications for the community, a communications strategy for development-related issues, and a city-level review of the final Pathway recommendations and their appropriateness. These three challenges are complex issues that go beyond traditional economic development. In practical terms, this means finding a balance between residential property taxes, income growth from employers, and the amenities represented by retail diversification.

Below is a summary of the key findings, all of which relate to the challenges:

Regional technology growth > There is nothing about the growth of technology that one can take for granted. Countless communities across the country see this as the target sector of choice (even as the definition continues to blur). Nevertheless, Kirkland is extremely well positioned to capture a major cluster of this industry through continued investment in software related businesses. We have made this our top industry sector because the likelihood of success is extremely high, and because the opportunities are varied

Kirkland's economy is strong and diverse. A healthy mix of businesses provides valuable economic returns including varied employment opportunities and high wages, a strong tax base with sustainable revenues that help fund public services, and a broad range of goods and services.

City of Kirkland Comprehensive Plan

enough to justify a multi-phased approach. Kirkland has the opportunity to redevelop existing commercial areas, has access to a dynamic workforce, and is in the path of major new investments.

Strength of the neighborhoods > No one can question that neighborhood quality of life issues are paramount in Kirkland's decision-making. We would argue that a balanced quality of place based approach to commercial and retail development strengthens neighborhoods. It does this in several ways:

Changing demographics and lifestyles. Unlike many suburban cities, Kirkland is much more than a bedroom community to Seattle. Various forces drive that distinction, including the overall expansion of employment on the Eastside. The ability to work near one's home is increasingly appreciated and is one of the hallmarks of progressive communities. As the population ages, this will become increasingly valued.

Value of amenities. Every neighborhood values a diversity of services and entertainment and, indeed, the demands for these amenities are dynamic and increasing. Overall business growth increases the likelihood that retail (from restaurants to boutique shopping) and other amenities will flourish. It is clear from our analysis that these services cannot flourish in Kirkland solely in support of local residents. To sustain themselves, most local suppliers rely on businesses located throughout the region and on visitors to the City of Kirkland.

Tax structure. Kirkland is in a strong fiscal position. A balanced approach to residential and commercial property taxes has served the community well and should be maintained.

Communications and organization > A well-managed communications strategy is essential to a successful economic development effort. This matters from a variety of perspectives: public support for projects requiring city infrastructure investment, and maintaining close relations with the city, business organizations and citizens at large. It is also a critical component of how Kirkland is seen in the region: how Seattle newspapers and television portray the city, and how developers and investors perceive the city as a location for investment.

The creation and underwriting by the City of the Kirkland Economic Partnership (KEP) was, in part, an effort to give economic development a higher profile, especially in communications and marketing. It was also intended to improve relations between the business community and the city as a whole. The efforts of KEP in many important areas (e.g., KirklandProspector, website, and the Pathways study) have been excellent. In fact, the www.Kirklandnow.com website is a model of an effective tool, with its fresh, up-to-date look. Despite these achievements, the organization has lacked the financial and organizational support as well as professional Economic Development expertise required to carry out a true economic development effort. KEP should be viewed as a good ***first*** step. With the adoption of an economic development strategy and the implementation of its recommended actions, realization of the economic development vision contained in the City's Comprehensive Plan is possible.

Market position > Kirkland has several areas in which redevelopment can occur, and this process is beginning. In comparison to other Eastside communities there have been no major new business oriented investment in the city over the last decade – despite rapid growth on the Eastside. In view of the strength of both the local and the regional market for commercial development this suggests that a re-evaluation of economic development is in order.

STRATEGIES

In many communities, economic development activities are undertaken in a vacuum—as if "jobs" were somehow independent of the people who hold them. Workers need places to live, amenities, and educational opportunities. Quality housing, good restaurants and good schools,

and leisure time activity opportunities are not luxuries for an educated workforce—they are necessities. These strategies are about quality of place. By meeting a balance between growth and the needs of existing residents, Kirkland will thrive.

The following strategies provide a pathway to a strong economic future for Kirkland. While the specific recommendations have undergone changes with each review by the city, the framework has remained the same. The emphasis on quality of place, regional growth, local development sites, and communications and organizational issues are the backbone of the plan.

Strategy One: Capitalize on Regional Growth > Kirkland is in an ideal position to take advantage of the regional expansion of knowledge industries. Among these industries, software, medical, and professional services are the prime targets. Strengthening the city's relationship with technology companies (especially on the Eastside), and supporting the growth of professional services – from medical to legal to design – is the first priority.

Strategy Two: Improve the Business Investment Environment> Business climate issues are invariably contentious. Kirkland needs to be perceived as a good place for business investment – not just a good business address. Striking the right balance between new growth and an appreciation of why residents chose the community in the first place is daunting. This strategy addresses the cooperation and support needed to ensure responsible development by integrating planning and zoning issues with the needs of businesses and developers.

Strategy Three: Business Growth Areas > Several areas of Kirkland are suited for – and are already experiencing – new development. How the city supports this growth and where it places its priorities are of immediate importance. Totem Lake, the downtown, and the 85th Street corridor are the most conspicuous examples. Juanita Village, already nearing completion, provides an excellent example of how redevelopment can provide additional housing and retail opportunity while enhancing the quality of place.

Strategy Four: Communications and Organization > Successful economic development occurs when local government, citizens, local business organizations, and the media are in concert. This can be achieved through specific actions that include a media strategy, coordinated public input, and a person or entity with clear responsibility for economic development.

KEY QUESTIONS

- Is software a solid investment for Kirkland?
- Is the timing right for software recruitment?
- How can Kirkland capitalize on regional growth?
- Is there a danger of Kirkland becoming too dependent on knowledge industries?

strategy one: capitalize on regional markets (SOFTWARE, MEDICAL, & PROFESSIONAL SERVICES)

A commitment to an industry sector means that it represents a solid investment capable of paying back dividends to the community. These "dividends" can come in four forms:

- increased higher-wage employment.
- greater tax revenues.
- higher community visibility and an improved image.
- increased amenities that contribute to quality of place.

Non-residential development can increase tax revenues in a number of ways. First, commercial zones typically have higher assessments and require fewer municipal services than residential areas. Successful developments can also spur development or re-development of adjacent properties. Commercial development, such as office buildings, can even have a greater fiscal benefit than industrial development, which frequently receives tax abatements and may require costly infrastructure investment. In the absence of business activity, the burden of funding city services falls disproportionately on residential property owners. Because of this, municipalities typically seek a balance between business and residential assessment.

The software sector has been chosen as the first and most important of Kirkland's targeted industries. Among the software sectors, enterprise software holds the most immediate promise. Not only is the region replete with senior-level software engineers, there is a venture capital firm (OVP Venture Partners) already located in Kirkland. This unusually advantageous situation can translate into success. While most cities struggle to capture this kind of opportunity, Kirkland has the capacity to realize it. Additionally, digital gaming development has significant expansion potential. Kirkland already is home to several companies in this industry. Kirkland should better understand the requirements and attractions for these companies, some of whom are backed by major entertainment industry funding.

We believe that Kirkland must act promptly to capitalize on this targeted industry and not simply rest on its image. The reason for prompt action has more to do with the City's land capacity than with any weaknesses in enterprise and application software. In other words, TIP believes that targeting this sector will take a combination of recruitment as well as developer/investor relationships to ensure the necessary facilities become available in Kirkland.

Two other sectors round out TIP's recommendations: medical service and professional services. In the case of medical services, Evergreen Hospital and nearby medical support services provide an ideal growth sector. Medical services and medical technology includes not only physicians, but also a wide range of technicians. The active involvement of the city in support of this sector (with special emphasis on specialization) will yield tangible results. Professional services, while not a typical industry target, are ideally suited for Kirkland. Capturing a portion of this sector will require careful work with the development community, and cannot rely on a traditional marketing campaign.

ACTIONS

1. Support the expansion of enterprise software companies in Kirkland >

Specific tasks:

Identify software companies within the greater Seattle area. Contact these employers to determine their expansion potential, current and future workforce requirements, desirable physical facilities, timing requirements and need to link to other firms. The purpose of this task is market research. To be effective in promoting Kirkland as a desirable location for software development, an understanding of the criteria for decision-making in selecting a business location is paramount. Kirkland can then ensure that it meets market preferences.

Work with venture capital companies and other financiers, both in Kirkland and in the region, to foster entrepreneurial growth and financing options. The primary goal for this task is to identify the criteria used by financial investors in selecting locations for investment and ensuring that Kirkland can meet those requirements.

Work with the Seattle King County EDC to identify prospects from outside Puget Sound.

Pursue further efforts to expand higher education capacity in Kirkland, with emphasis on software engineering and marketing curricula. While the question of funding large educational institutions is beyond the scope of the KEP, support should be given to the continued success of ***existing*** *higher education facilities in the city, particularly where linkages to Kirkland-based businesses are evident. The first step is to identify the needs of facilities in the area, such as DigiPen, and determine if there is a way for local institutions to provide it.*

2. **Encourage medical technology >** The expansion of Evergreen Hospital offers economic development opportunities. Medical services and medical technology includes not only physicians, but also a wide range of technicians.

   Specific tasks:

   Build upon recent involvement with the hospital planners to identify and capture opportunities.

   Ensure communication links are established to medical support activities and that appropriate type of development is possible in the medical precinct.

   Ensure the availability of amenities for employees in this area.

3. **Expand professional services >** Service employers – such as customer service centers, corporate headquarters, and mid-level professional service providers – provide high wage jobs with a relatively small impact on the community (i.e., no environmental issues, no increase in truck traffic, and no emissions).

   Specific tasks:

   Recruiting these firms will require some of the following elements:

   - *close cooperation with the development community*
   - *an understanding of how zoning and approval issues affect particular sites*
   - *nearby housing availability*
   - *availability of nearby amenities*

KEY QUESTIONS

- What is the best way to balance business growth with neighborhood needs?
- What is the best way to address development barriers?
- How does city activity relate to economic activity in general?

strategy two: improve the business investment environment

A Kirkland business address has a desirable cachet in Puget Sound. The pattern of commercial development over the last decade on the Eastside demonstrates, Kirkland is not viewed as a good business investment location. The perception of potential business investors is critical to successful economic development and it must be addressed in Kirkland if it is to secure a strong and balanced economic future.

There is no question that this is a sensitive issue. TIP feels that concerns about the investment environment are valid and must be integrated with city planning and the benefits to residential neighborhoods. Businesses that locate in Kirkland have expectations for how they will be viewed and how they will be supported. Without a larger commitment, even those companies that do move to the community might well identify more with Seattle than with Kirkland. They may—and some have—created a business address that links them entirely to Seattle.

KEP's efforts to identify and articulate business investment concerns has been important, and its role in this strategy can continue to be significant. Some of the actions listed below have already seen progress. TIP's emphasis on these items is meant to reinforce their importance and their specific role in the larger strategy.

ACTIONS

1. **Continue to expand the inventory of existing businesses and prospects >** Kirkland database of existing businesses and prospects is an important tool and should be maintained. And expansion of the GIS-based real estate site would be of great value. A clear understanding of the types of businesses already in the community, in addition to keeping tabs on new locations and expansions, is key to on-going economic development.

   Specific tasks:

   Link the city's GIS capacity to business information. Extract information for periodic analysis. (For example business mix change, sales tax generation, land values and assessment). Tax records, utility hookups, and ownership transfers can be important sources for information.

   Generate prospect management initiatives in conjunction with developers, brokers, and site selectors.

2. **Review regulations, procedures, and policies for their impact on business investment. >** Several business people interviewed indicated that city procedures generated significant friction on their business investment activities. In a competitive environment, such as the Seattle metro area, this has a negative impact on recruitment efforts and can even hinder the expansion and retention of existing businesses.

   Specific tasks:

   The Department of Planning and Community Development has worked hard to improve communications. Nevertheless, the risk and uncertainty for projects at their initiation remains high. Particular attention should be paid to timing and approval procedures from initial inquires to final approval.

Create an ombudsman strategy to serve all Kirkland businesses, not just new and small businesses (also see Strategy Four).

3. **Consider an incentive policy in light of broader target industries >** Incentives policies are not limited to tax abatement or financial inducements. Kirkland has the ability to provide infrastructure support and other incentives in support of desirable employers.

   Specific tasks:

   A list of non-financial incentives that the City of Kirkland may contribute should be compiled, and criteria for their availability established.

   Kirkland should implement policies that target industries based on the following priority:

   - *software*
   - *knowledge industries other than software (qualified by sector, i.e., technology intensive, and by wages). The digital gaming industry has been suggested as an opportunity.*
   - *professional service providers*
   - *R&D*

   The policies should address issues such as infrastructure support, creative land assembly strategies, and custom tailored development agreements. Development agreements are formal agreements between the developer and the city that outline the conditions each party to the agreement must meet. They can be structured in a number of ways, ranging from simple letter agreements between contracting parties, to more detailed agreements that require specific performance criteria where the public contribution may be recaptured if the criteria are not met. In addition to providing some certainty for the parties, a development agreement can provide specific benefits to the City of Kirkland in addition to support for the development itself. This may be as simple as making tennis courts available to neighborhood residents or it may involve a contribution to the cost of a neighborhood transportation facility such as a pedestrian and bike path connecting the medical precinct to Totem Center.

4. **Establish relationships with capital sources >** Economic development organizations greatly expand their influence when they can bring financial resources to a deal. The difference between merely identifying sources and forming working relationships with financiers is an important one. These relationships are nurtured through membership in professional associations, one-on-one meetings, and participation in joint projects.

   Specific tasks:

   Identify and visit venture capital and other start-up financing sources in the Greater Seattle area to document their needs and ensure they understand the opportunities in Kirkland.

   Expand and strengthen relationships with bankers, brokers and other real estate investors

   Use financial sources to understand investment conditions necessary for Kirkland

KEY QUESTIONS

- What is the function of Downtown Kirkland?
- Is Totem Lake a second "downtown?"
- How is a significant investment in commercial center infrastructure justified?
- Does it matter where the "downtown" is?
- How are Kirkland's commercial centers affected by:
  - ✓ Transportation
  - ✓ Redevelopment potential
  - ✓ Neighborhood expectations
  - ✓ History
- What are the economic spin-offs for major employers and for new residents?

strategy three: support prime development areas (TOTEM LAKE, THE DOWNTOWN AND 85TH STREET)

Greater Seattle is a highly competitive business investment environment. The type of retail mix, available housing products, variety and availability of amenities for employees, and business perception of the community all help determine whether economic development objectives can be realized.

TIP feels that emphasis on specific redevelopment areas can enhance of Kirkland's economic growth by:

- Creating distinctive "urban center" identities as a focus for growth.
- Allowing retail opportunities that respond to current market preferences and trends.
- Providing housing products that complement urban center activities.
- Developing suitable commercial space for professional service firms that can serve small to mid-size companies.

BACKGROUND

One of the older cities in the Puget Sound area, Kirkland is almost fully developed and, unlike the surrounding communities, has little vacant land. As the original settlement grew, a number of commercial areas emerged. Some of these commercial areas served small market areas – others catered to a larger, citywide or regional market. Three commercial centers in Kirkland - Totem Lake, Downtown, and 85th Street, are significant in the pursuit of a strong economic future for Kirkland. They comprise the majority of redevelopment opportunity, and they already attract a market that is larger than Kirkland. Other commercial areas in the city are of smaller scale and will redevelop as local opportunities are recognized (e.g., Juanita Village).

Totem Lake

The single dominating factor of this area is Interstate 405 and its interchange. This infrastructure created immediate development potential not available anywhere else in the city. The existing commercial activities have emerged haphazardly, with distinctive sub-areas that bear little relation or connection to each other:

- the hospital district
- the four corners of the prime intersection (which remain unrelated to each other)
- Parmac

Partly because of the haphazard growth, there is significant redevelopment potential in each of the areas. While a major mall redevelopment is in discussion, there is no definitive development scenario. The proposed scenario shows little integration with the other areas at Totem Lake.

The comprehensive plan policies for the Totem Lake Plan describe the desirable outcome for the redevelopment of the area, but very little is said about how this would be done. A plan of action by the City of Kirkland to ensure that this redevelopment takes place is required. A design charrette involving businesses, property owners, and potential investors working with professional urban designers (with the specific goal of identifying ways to overcome the

massive transportation-imposed barriers that segment the area) could be commissioned by Kirkland as a first step in developing this plan. A strong focus for Totem Lake Center can be identified through this approach and designed to serve as a unifying element for the six discrete areas of this future urban center.

Downtown Kirkland

Downtown Kirkland at one time was the commercial center for the Eastside, second only to downtown Seattle. In the past 25 years, downtown has decreased in importance as a retail and business service center for Kirkland and the surrounding region and is now a leisure time activity center (for both residents and visitors to Kirkland) with some elements of local retail and business service activities and an emerging specialty (niche market) center. Downtown is clearly not the primary retail destination for Kirkland residents and it has not been a focus of commercial office development. Downtown does have a significant number of redevelopment opportunities that can play a role in Kirkland's economic development.

85th Street Commercial Area

The 85th Street commercial area is a highway oriented "strip development" that depends heavily on the high volume of traffic passing through the zone. With the exception of servicing the commercial needs of the nearby neighborhoods of North and South Rose Hill, it is not a strong commercial destination. The redevelopment capacity of the 85th Street Area, while not insignificant, is substantially less than the Totem Lake and downtown areas where a different (i.e., more regional) market will be in play. The major issues in the redevelopment of 85th Street commercial area will relate to parcel size and configuration.

If Kirkland public resources are used for the attraction of private investment, it is our opinion that these resources should be allocated to areas where they would provide the most benefit to the city. The NE 85th Street Commercial Area, while an important retail corridor, does not require the same level of public resources to attract private investment as Totem Lake and downtown. With the exception of addressing parcel size and configuration issues, special attention is not required in this area beyond the general elements outlined in Strategies 1, 2 and 4 which apply to all business areas of the city.

Commercial Office Issues

Professional office space—designed to accommodate small practices providing health care, legal services, and similar employment—is typically an important part of a successful community. In Kirkland, professional office space will also include the work places for the target industries identified in Strategy 1.

The appeal of living closer to work may encourage professionals already residing in Kirkland to locate their practice in the preferred development areas (especially downtown), or draw new residents to the community. Housing within walking distance of the place of employment is a constant theme of this report and Kirkland can realize this vision in ways that few suburban communities can. There is the opportunity for a range of housing types including urban housing, lofts, town houses and live/work units. This expands the types of housing that are needed to accommodate young and old, single, married and families. It allows us to live close to our grown children and our older parents.

In this model, building sizes vary, although all are "human" in scale with limits placed on building heights and total square footage. Town centers are designed with a pedestrian orientation, and the majority of parking is consolidated at the rear of buildings or center of the block. While modern lifestyles require that automobile traffic be accommodated, parking requirements can often be reduced because of the mix of uses. Design standards can be used to enhance the small town feel of a town center by requiring attractive and varied building facades, encouraging quality landscaping and lighting design, and making parking less obtrusive.

In addition to a balanced mix of uses, strong design standards and attractive streetscapes, successful town centers require consensus and cooperation between public and private

stakeholders. The willingness to link this design to employment (through a coordinated marketing strategy) is an important element in determining economic success. In other words, housing should link to professional service and "knowledge industry" employment, which in turn can fuel retail sales and strengthen the housing market.

TIP has also reviewed the draft Kirkland Industrial Zoning Study prepared by UrbanAdvisors. We feel that the findings of that study are congruent with our recommendations and approach. Specifically:

> *"Employment trends projected by PSRC indicate that Kirkland is likely to have a greater need for office space than for industrial flex space over the next 25 years. The current vacancy and strong rental rates indicate that Kirkland is a desirable area for office location."*

Retail Issues

The question of retail growth has already been mentioned several times. Since retail sales tax plays a large role in city revenues, we feel that it is shortsighted not to emphasize retail growth. As a result, a separate strategy for retail attraction can be important to Kirkland.

Traditional economic development operates on the assumption that the service sector does not "drive" the economy. It holds to the view that public entities need only concern themselves with primary jobs, and that incentives and other support are best reserved for manufacturing. The immediate consequence of this view is that our expectations for growth are largely unmet, while some of the greatest opportunities for job growth are overlooked.

TIP believes that the service sector in general, and retail in particular, is deserving of the same attention and strategic consideration normally reserved for other sectors. National trends indicate that future job growth will be found primarily in the service sector, including retail. And our experience suggests that the type and scale of retail development will have a profound impact on a community's ability to attract and retain workers.

- **Retail is increasingly seen as an amenity without which other economic sectors find it difficult to recruit workers.** While traditional theory sees retail as a spin-off effect from the manufacturing sector, many successful communities now recognize that a thriving retail sector helps attract large employers to a region. The increasing emphasis on what Richard Florida calls "the creative class" has forced a reconsideration of the amenities and benefits of a community quite apart from the immediate availability of employment. People want and expect retail, and they have become increasingly refined in their specific interests. These interests extend beyond large shopping malls and now include specialty retail in the downtown, open-air lifestyle malls, and locally owned boutiques.

- **The sales tax effects of retail growth have tremendous ramifications for a city's overall budget.** While Kirkland has a relatively balanced revenue stream, the loss of retail growth to surrounding communities has impacts that may be comparable to the loss of manufacturing and technology jobs. In fact, the benefits of regional employment in the "primary" job sector may not exceed those in the service sector. Where workers spend their money matters, and it may matter more than where the primary job is based.

- **Urban development patterns are heavily influenced by the scale and location of retail centers.** Whatever the economic theory behind job growth, communities have other reasons to support a retail strategy, regardless of the economic theory behind job growth. Where retail centers locate matters to infrastructure investments: to transportation and to sewer and water. It is no exaggeration to say that Kirkland is already vested in a retail strategy – albeit one that is not explicit. We can say this because retail development – whenever it occurs – goes forward with implicit public support. This support is based on assumptions and values that are often not articulated, but which can run squarely into the concerns of neighborhoods, environmental groups, or other developers. Without a well-articulated strategy, a city is put at risk. Vacant retail space and empty parking lots dot

our urban landscape, testimony to bad public and private investment decisions. With a clear strategy, we influence future growth across a broad economic and social spectrum.

ACTIONS

1. **Ensure that Totem Lake and the downtown expand on commercial office space, retail, and housing >** The development strategies for these areas have arisen almost entirely through the city's planning department. There appears to be no specific economic focus for these plans and, as a result, employment opportunities have been identified in a theoretical, not a practical, framework.

   Specific task:

   Review existing plans and proposals to ensure redevelopment with a mix of employment opportunities congruent with the targeted industries.

2. **Conduct city and developer workshops to enhance the potential for success in redeveloping these areas >** The broader development community should be actively engaged in design and build-out options for all the specified areas.

   Specific tasks:

   Hold development workshops.

   Prepare preliminary development cost estimates for respective sites.

   Explore the possibility of a town center as part of the Totem Lake development.

3. **Prepare a retail strategy >** To maximize mixed use planning, retail targets should be selected based on their ability to contribute to the city's overall economic growth by providing alternatives to destination shopping in Seattle and the other Eastside communities.

   The consulting team recognizes that the Kirkland economic development focus on software and "knowledge industry" growth is the central task. We also appreciate the fact that retail recruitment is not an accepted economic development target. Nevertheless, this plan encourages the city to assist in a retail strategy.

   Specific tasks:

   Conduct a retail assessment of the Eastside market area. This assessment can be prepared in-house based on existing market data.

   Examine data on consumer spending patterns of existing residents.

   Develop high profile targets based on the ability of those retailers to attract dollars from outside of Kirkland (i.e., other than purely local service).

   Identify development sites for retail clusters.

strategy four: communications and organization

Kirkland is a community with a well-respected and professional staff and has achieved several notable developments The city can – and should – leverage those assets and its reputation on behalf of future growth. Since there is little question that Kirkland will grow, the question is how and where. In other words, the city should not take success and high value development for granted. Kirkland's future development opportunities can be better managed and have broader benefit to the city and its citizens when it speaks with a single voice on economic development. Kirkland would benefit from improved communications regarding development issues.

ACTIONS

1. **Create a new focus for economic development >** While a specific organizational recommendation is premature (pending the outcome of various retreats, workshops and public discussions), it is TIP's considered view that Kirkland would be best served by a single focal point for all economic development activity. This "new focus", would be responsible for the implementation of the City's economic development strategy. This new economic development entity could have advisory committees for targeted areas (such as the Downtown Action Team) to assist in implementing the City's Economic Development Strategy and to monitor and evaluate progress in achieving community goals.

   KEP was intended to play this role, and may still play it, but the commitment must be much greater on the part of the city. This need can be met by a new organization (such as a development authority) or by an individual (combining the role of economic development manager and business ombudsman at the assistant city manager level). The specific mechanism is less important than the willingness to assign responsibility in several key areas. These areas include the following:

   - Implementing a marketing and recruitment campaign for targeted industries (see below)
   - Providing support for existing businesses (retention and expansion)
   - Providing financial and deal structure review for major development projects (including cost benefit and other impact analyses as well as evaluating pro forma requirements for a successful business investment)
   - Liaison with the city council and with the planning department to ensure that comprehensive plan goals are met
   - Acting as an ombudsman for business-related issues

   The benefits of this approach are wide-ranging. Individual projects can be professionally reviewed before they go to council, businesses and developers will have a single point of contact, and new business growth can proceed in a targeted fashion. Most importantly, economic development can occur in a managed way.

2. **Develop a communications strategy >** This strategy should include both internal relations (i.e., citizens, neighborhoods, and city council communications) and a well-managed public relations campaign. Public relations helps establish relationships with those in a position to disseminate information about Kirkland, as well as those who would consider relocating to the community. This would include reporters, state and regional economic development officials, elected officials, and local and regional business and

community leaders. Most importantly, it would include developers with an interest in Kirkland who appreciate the importance of design.

Specific tasks:

Create awareness about what Kirkland has to offer by hosting special events. Examples include:

- *Site location visit. Consider inviting site location specialists, commercial real estate brokers, and land developers to tour the community. The site location consultant could be asked to speak to the Economic Development Advisory Board and city officials regarding impressions of the city and its amenity and opportunities. In exchange for compensating the site location specialist for their time and efforts, the community would gain valuable insight as to how it is perceived by outsiders, as well as establishing a new relationship with site consultants in the targeted industries.*

- *Networking events. Hold meetings and forums on economic development and growth related issues. These events can be held in the Eastside or Seattle as well as in Kirkland, and can be co-hosted with other organizations.*

3. **Prepare a marketing strategy >** An effective marketing strategy pays huge dividends. The specific elements the marketing strategy should include a clear message about Kirkland as a location for business investment; building on the positive image Kirkland has as a business address. This message must be clearly supported by all players in Kirkland's economic development activities from mayor and council to the chamber and existing business operators, as well as residents and neighborhood groups. The marketing strategy should identify likely groupings of companies in Puget Sound, outline a schedule for their approach, and indicate goals that define the success of the marketing strategy. The strategy should be developed and implemented by the entity responsible for economic development in Kirkland. The marketing strategy should be developed after the requirements of potential investors for target markets are understood and found acceptable to Kirkland.

4. **Continue to improve marketing materials >** Brochures, profiles, maps, newsletter, and other promotional materials are most effective when part of a broader effort (including revised web links). These materials convey both Kirkland's image and address the audience's needs for focused, up-to-date information. Current efforts in this direction have been well executed and should be maintained.

Specific tasks:

Use the material developed by KEP to prepare a press kit. A press kit is one of a community's most important media relations tools. It is a set of materials available to initiate interest or respond to information requests from journalists and other writers. Among the materials to be included in the press kit are:

- *Cover letter to answer specific questions or address specific topics the writer is covering, as well as offering to put the writer in touch with potential interviewees.*
    - *Fact sheet about Kirkland.*
    - *List of major employers.*
    - *Unique features of the area.*
    - *Copies of other articles that have been published about Kirkland.*
    - *New expansions and locations in the area.*

Increase visibility in local and regional papers by submitting stories and press releases on a regular basis.

- *Develop list of reporters with key publications and establish a relationship with them.*
- *Based on these conversations and input from city and chamber representatives, prepare a schedule of press releases for distribution to local newspapers and regional publications, like the Puget Sound Business Journal. Focus press releases on a particular event or the release of a new report or key indicator about the area. Think about how press releases and stories can be used to improve communication about events or issues of interest to current residents.*

Identify trade publications for key industries and geographic markets and prepare similar list of contacts and schedules.

Identify other media outlets, such as radio or regional TV broadcasts

SUMMARY

Kirkland has a unique role in Puget Sound. From an economic development perspective, it is the ability to integrate a variety of employment opportunities with a livable and vibrant community. Unlike bedroom communities that emphasize only housing and neighborhood issues, and unlike employment centers that give no thought to amenities and lifestyle, Kirkland has the potential to operate less as suburb and more like a truly autonomous community. That vision is within reach. It is the intent of this plan to help achieve that vision.

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APPENDIX A: DISCOVERY PHASE, OCTOBER 2004

MEMO TO: KIRKLAND PATHWAY STEERING COMMITTEE
FROM: TIP SRATEGIES, INC.

TIP Strategies, Inc. has been engaged to help identify a pathway that will guide the City of Kirkland toward a strong economic future. This memorandum, the first of three to be provided by the Consultant to the Steering Committee, documents our work during the Discovery Phase of the Project. Qualitative information regarding Kirkland's strengths, weaknesses, opportunities, and threats (SWOT) is outlined in this memorandum. Profiles of three benchmark communities are provided in the last section of this report.

Significant quantitative data regarding Kirkland is available in the Community Profile provided in the City's Website. This information has been reviewed by TIP and supplemented by information provided below.

During September 13 through 16, TIP conducted interviews regarding Kirkland's economy with knowledgeable local sources. These personal discussions were supplemented by a number of telephone interviews with additional sources. A SWOT analysis was developed from the interviews with local experts, a review of the quantitative data regarding Kirkland and the Puget Sound Region, an examination of City of Kirkland policy and land use documents, and our experience in evaluating a community's economic potential.

Three themes emerged from our Discovery work:

1. Kirkland is a highly desirable place to live and work.
2. Change in Kirkland is slow and often difficult.
3. Residential quality of life is the cornerstone for Kirkland decision-making.

Broadly speaking, economic development strategies emerge directly from the SWOT analysis. Weaknesses – even if not directly related to economic development – must be addressed, and strengths must be supported and reinforced. Similarly, threats to the economic well being of the community must be anticipated and responded to before they become crises. Opportunities, on the other hand, should be acted upon aggressively and, if possible, collaboratively. This is another way of saying that economic development is not just a plan; it is also attitudes and actions. The commitment of the city government, the local business community, and local neighborhood associations will be essential to securing a strong economic future for Kirkland.

STRENGTHS

The strengths of a community have both a historical and a geographic context. Beyond that, they are linked to leadership and community involvement. In all these regards, Kirkland's strengths place it in a unique position within the region. Since the Puget Sound Region enjoys a national prominence, Kirkland has every reason to be proud of its assets.

Image > Kirkland's location at the center of the King County and the Puget Sound urban region represents a significant asset. With an estimated 3.4 million people in the metropolitan area, Kirkland is able to draw on the mystique of Seattle, Bellevue and Redmond, both from a business standpoint and from a marketing perspective.

The additional perception of the Eastside as a high tech center has immediate benefits to Kirkland. Itself the home of world-renown start-up companies, it is no stretch to imagine Kirkland as an entrepreneurial and innovative community.

POPULATION CHANGE AND COMPONENTS OF CHANGE BY COUNTY: 2000 TO 2004

County	2000 Census	April 1, 2004 (Estimate)	Change 2000 to 2004		Components of Change 2000 to 2004				State Rank	
			Net	Percent	Births	Deaths	Natural Increase	Net Migration	By % Change	By Total 2004 Population
King	1,737,034	1,788,300	51,266	3.0%	88,526	46,614	41,912	9,342	18	1
Kitsap	231,969	239,500	7,531	3.2%	11,921	7,112	4,809	2,722	15	6
Pierce	700,820	744,000	43,180	6.2%	40,575	21,720	18,855	24,327	8	2
Snohomish	606,024	644,800	38,776	6.4%	33,949	15,901	18,048	20,728	6	3
Region Total	3,275,847	3,416,600	140,753	4.3%	N/A	N/A	N/A	N/A	N/A	N/A

Source: 2000 U.S. Census Bureau, State of Washington Office of Financial Management

POPULATION CHANGE: 2000 TO 2004

City	2000 Census	2004 Estimate	Change 2000 to 2004	
			Net	Percent
Bellevue	109,569	116,500	6,931	6.3%
Bothell	30,150	30,930	780	2.6%
Issaquah	11,212	15,510	4,298	38.3%
Kirkland	45,054	45,800	746	1.7%
Redmond	45,256	46,900	1,644	3.6%
Woodinville	9,194	9,915	721	7.8%

Source: 2000 U.S. Census Bureau, State of Washington Office of Financial Management Note: Bothell population was calculated by adding King County partial estimate (16,250) with Snohomish County partial estimate (14,680).

Population growth in King and Kitsap Counties has been driven by natural increase rather than net migration. By contrast, more than half of the growth seen in Pierce and Snohomish Counties during the same period has been the result of migration. While population growth – in itself – is not necessarily a strength or a weakness, it does provide a framework for understanding options available to the community. Kirkland's very modest population increase reveals it as the slowest growing city examined in this assessment. It suggests, variously, that there are a greater number of housing options elsewhere in the region and that the amount of available housing in Kirkland is declining (at all price points). Is this the same as saying that Kirkland is built-out? And if it is, does Kirkland accept the risks associated with being a community whose only growth will come from redevelopment? These are not economic development issues in a direct sense, but they do influence tax revenues and employment options.

Transportation > Despite regional traffic congestion, Kirkland has remarkable accessibility. Direct four lane highway connections are possible in all directions. Interstate 405 (originally intended as the Interstate 5 bypass of Downtown Seattle) connects north and south and directly to SeaTac Airport, as well as to Interstate 90 East. Three I-405 intersections serve Kirkland and State 520 (at the southern Kirkland City border) connects directly west to Seattle, the University of Washington and to I–5. Finally, 520 connects east to I-405 and Redmond and the Microsoft Campus.

Quality of place > Few communities can rival the appeal of Kirkland. An appealing lakeside atmosphere within easy reach of a large urban center is a rare combination. Downtown is "pedestrian scale" with low buildings and no major roadways. Retail businesses offer a broad range of services, especially in proportion to the size of the city. Residences (and many businesses) have superior western views of Lake Washington, the downtown Seattle skyline, and the University of Washington.

Real estate > Kirkland further benefits from its strong standing in a region where it is considered a desirable place to live and work. Real estate brokers consider Kirkland the "hot" location in the regional office market, outside of downtown Seattle. Selected Class A office space in Kirkland, specifically Carillon Point, rents in excess of $30/SF, well-above the South King County

GREATER SEATTLE AREA (INCLUDING KIRKLAND

Source: Mapquest

submarket average, and has been as high as $49/SF. However, a glut of office construction in Bellevue as the dot-com bubble was bursting caused office rents to plummet on the Eastside in recent years.

The greatest concentration of the region's office space (and office-using jobs) is from downtown Seattle eastward across Lake Washington and into the Eastside suburbs. As might be expected, retail space is more evenly distributed geographically; it correlates largely to population density.

The region's industrial space is heavily concentrated from the southside of Seattle down through the Kent Valley and into Pierce County. Within this north-south band, industrial land prices tend to fall as one heads south into areas with greater greenfield availability. The Eastside is home to relatively little industrial space (and few true industrial jobs). The "industrial" space that exists on the Eastside is more likely to be flex/tech space (a hybrid of office and industrial) than warehouse or manufacturing space. This concentration of flex/tech space helps explain why the industrial vacancy rate is relatively high on the Eastside. Recent industrial construction, as the table below indicates, is tending to push from the Kent Valley southward.

MARKET STATISTICS, MID-YEAR 2004

		Seattle (close-in)	South King County	East King County	Snohomish County	Pierce County	Kirkland
Office	Total SF	43,897,897	12,511,377	29,596,560	7,447,054	5,987,243	4,906,000
	Vacant SF	6,320,422	2,676,544	4,269,548	1,330,335	821,339	N/A
	Vacancy rate	14.40%	21.39%	14.43%	17.86%	13.72%	N/A
	Under Construction (SF)	1,339,200	0	0	33,000	57,000	N/A
	Absorption *(1st half 2004)*	763,974	-273,136	225,992	-43,204	111,544	N/A
	Rent *(Class A)*	$22-$26	$18-$22	$18-$24 ($21-$25 Bellevue CBD)	$19-$22	$19-$22	N/A
Retail	Total SF	6,402,581	14,600,385	14,254,914	12,599,241	12,683,356	3,463,900
	Rent	N/A	N/A	N/A	N/A	N/A	N/A
	Under Construction (SF)	48,000	420,000	710,500	310,000	20,000	N/A
Industrial	Total SF	65,420,953	97,148,750	25,592,799	19,827,089	33,928,287	3,349,000
	Vacant SF	3,727,194	8,297,329	3,796,769	3,010,347	3,182,556	N/A
	Vacancy rate	5.70%	8.54%	14.84%	15.18%	9.38%	N/A
	Under Construction (SF)	0	883,500	0	0	59,252	N/A
	Absorption *(1st half 2004)*	231,571	938,556	-76,436	-44,630	863,076	N/A
	Land Values	$10-$30/SF	$6-$9/SF	$9-$15/SF	$3-$6/SF	$2.25-$6/SF	N/A
	Lease Rates	$5.40-$7.20/SF	$3.36-$4.08/SF	$5.40-$7.20/SF	$3.96-$4.80/SF	$3.36-$4.20/SF	N/A

Sources: GVA Kidder Mathews, Kirkland Community Profile, Note: Unless otherwise noted, all rents are expressed annually: $/SF/year

Residential real estate prices (and assessments) in Kirkland have increased faster than commercial assessments. ECONorthwest's *"Tax Burden Analysis"* from May 2001 underscores that fact. Kirkland's non-residential property tax assessments represent the lowest percent of total tax receipts in the region. A growing disproportion of non-residential tax receipts has potentially significant economic implications for a community. While there is no perfect formula for balanced assessment, most cities see great risk in an overdependence on residential property taxes. The reasons for this are apparent to city governments; after all, tax revolts often begin with frustration over residential property tax increases.

REAL PROPERTY ASSESSMENTS FOR SELECTED COMMUNITIES: 2000

Jurisdiction	Non-residential	% of Total	Residential	% of Total	Total Taxable Real Property	Population
Kirkland	$1,050,316,987	21%	$3,857,295,136	79%	$4,907,612,123	45,054
Bellevue	$4,179,277,621	30%	$9,708,789,479	70%	$13,888,067,100	109,569
Bothell *(King Co. portion)*	$390,020,905	30%	$923,268,299	70%	$1,313,289,204	16,185
Kent	$2,450,250,949	45%	$3,039,317,917	55%	$5,489,568,866	79,524
Redmond	$2,287,468,424	43%	$3,059,163,595	57%	$5,346,632,019	45,256
Renton	$1,557,847,778	41%	$2,267,015,077	59%	$3,824,862,855	50,052
Unincorporated King County	$1,107,187,275	4%	$24,975,498,526	96%	$26,082,685,801	352,764

Source: King County Assessor's Office

Community participation > Kirkland benefits from a high level of civic involvement. Both residents and businesses (especially those in the downtown) are heavily vested in the future of the city. This is amply demonstrated by the Kirkland Association of Neighborhoods, Kirkland Downtown by the Lake and the Kirkland Chamber of Commerce. As a result, the decision-making process is highly inclusive, and encourages (and receives) participation from all stakeholders. For example, the City of Kirkland planning process incorporates "Neighborhood Action Teams" to generate consensus in decision-making.

OPPORTUNITIES

> "Kirkland is a highly attractive community with an appealing mix of tourism products and activities of interest to the visitor market. However, it is not an obvious tourist destination."
>
> Kirkland Tourism Program, Marketing Action Plan, November 2002

Opportunities for Kirkland greatly outweigh those of similar suburban communities. Through sound planning, the city has preserved options for itself that have become closed to others. Much of this centers on the fact that Kirkland provides a broad range of amenities and does not rely exclusively on Seattle for cultural attractions and entertainment venues. As a result, Kirkland has a significant opportunity to position itself as a tourist venue for those seeking smaller-scale, more family-oriented entertainment. Existing parks and waterfront activities, restaurants, shops, and downtown cultural activities are attractive to residents, and have begun to draw regional visitors. The possibility of extending this tourist activity through enhanced accommodations, and aggressive marketing efforts could extend visits and greatly increase retail spending.

In addition, Kirkland can establish niche retail and service markets for itself. Such niches might include cultural attractions (re-thinking the art and music scene), retail "themes," and business networking functions (smaller in scale than typical conventions).

Business recruitment and expansion > From the point of view of business attraction, Kirkland can tout all the benefits of the region, and yet position itself as a viable alternative to the congestion and pressure of Seattle. This task is made easier by Kirkland's inclusion in regional marketing initiatives. The continuing opportunity to position Kirkland within the region is available in a number of areas.

Among the immediate targets available to Kirkland are Eastside technology companies that are expanding or spinning off new business ventures. These businesses typically are looking for better quality light industrial facilities and Class A office space. Kirkland currently has over 275 high tech businesses, with over 2575 employees, as identified by the city. In 2001, software and information technologies had the largest percent increase in employment growth of any Washington industry.

Entrepreneurial companies are also legitimate targets. Fox TV and McCaw Cellular, as well as Rosetta Impharmatics, began in Kirkland. The opportunity to build on this tradition, from both a marketing as well as from a facilities standpoint, would be the envy of any city in the country. As the table below indicates, Kirkland has a high share of employees working from home, indicating the level of local entrepreneurial activity. Those "garage" businesses that develop into a larger entity constitute an often forgotten local market.

EMPLOYED RESIDENTS WORKING AT HOME: 2000

	Kirkland	King County	Seattle	Bothell	Redmond	Bellevue
Share of Employed Residents Working at Home	5.3%	4.4%	4.6%	4.3%	5.1%	4.7%
Ratio of Employed Residents Working at Home to Metro Average	121.7%	101.0%	105.6%	98.7%	117.1%	107.9%

Source: 2000 Census

Development potential > The vitality of downtown is one of the economic strengths of the community. New employment opportunity, however, now rests largely with redevelopment throughout Kirkland. The table below documents existing development and potential for business expansion under current regulation for significant neighborhoods. Opportunities for additional business development are clearly concentrated in Downtown (Moss Bay) and Totem Lake.

EXISTING AND POTENTIAL DEVELOPMENT — SELECTED NEIGHBORHOODS

	Existing Development (sq. ft.)				Potential Development (sq. ft.)				TOTAL		
Neighborhood	Commercial	Office	Industrial	Total	Commercial	Office	Industrial	Total	Potential + Existing (sq. ft.)	Vacant (Acres)*	Acres
Everest	50,382	186,581	378,293	615,256	50,448	491,987	65,467	607,902	1,223,158	19	173
Lakeview	96,830	2,005,789		2,158,133	71,738	163,484		235,222	2,393,355	18	293
Moss Bay	792,663	831,805	265,151	2,185,381	482,903	1,368,687	-7,800	1,843,790	4,029,171	7	246
North Rose Hill	428,355	178,892	106,038	1,179,588	398,653	500,542	14,022	913,217	2,092,805	53	760
Totem Lake	1,366,501	1,222,638	2,229,244	6,210,006	1,109,800	539,494		1,649,294	7,859,300	50	620
Subtotal	2,734,731	4,425,705	2,978,726	12,348,364	2,113,542	3,064,194	71,689	5,249,425	17,597,789	147	2,092
All other	729,169	480,055	369,882	2,918,241	597,794	592,319	100,789	1,290,902	4,209,143	116	3,172
TOTAL	3,463,900	4,905,760	3,348,608	15,266,605	2,711,336	3,656,513	172,478	6,540,327	21,806,932	263	5,264

Source: Kirkland Community Profile 2004 Draft Update **includes residential zoning*

Much of downtown could be redeveloped with a retail ground floor and two office or three residential stories, although the office option is clearly less attractive in the current development environment. Such an approach would need to be balanced against the community's overall image of itself. There is little question, however, of the economic benefits of creating additional commercial retail and office space.

A number of downtown projects are already in the planning and approval stages, including Lake Street and Central Ave, 3rd and State, Lakeshore Plaza, and the Quadrant/Transit property. Other downtown sites are ready for redevelopment: the Antique Mall, the Safeway site, and Kirkland Avenue and Lake Street.

In addition, the owners of Totem Mall are intending a major redevelopment and the Evergreen Hospital expansion will generate additional demand for nearby medical services.

Additional redevelopment opportunities could be considered wherever current industrial space is being underutilized or vacated. This approach is also aggressive, but it suggests a scenario that can meet the demands of economic growth without seriously compromising the city's quality and image.

WEAKNESSES

Kirkland has few obvious weaknesses. Among suburbs of major metropolitan cities, it has retained a distinct identity, has a deeply involved citizenry, and remarkable amenities. The threat of regional economic downturns, however, exposes the most significant of weaknesses: the lack of suitable areas for the creation of new employment centers.

Development (and redevelopment) opportunities > The city of Kirkland is largely built-out. There are no major tracts of land available for development. Further, land parcel size and configuration in downtown, and to some extent Totem Lake, are not conducive to redevelopment. The irregular street pattern also makes reconfiguration of existing land and buildings in both areas more difficult.

Land ownership issues further complicate this situation. Absentee landowners of significant parcels are less likely to have any vested interest in redevelopment. Second, there are no significant parcels under single ownership, beyond those already identified. Finally there are always a number of landowners with no obvious interest in redevelopment.

Land prices in Kirkland are high. While this is a benefit for tax revenues, it requires a project with sufficiently high revenues or else the development will not be achieved. The Leland Consulting Group has identified this potential problem for the 85th Street Corridor in a 2000 report.

Tax structure > Kirkland has a heavy reliance on sales tax revenues and residential property taxes. Seen in conjunction with regional economic threats, this reliance suggests a potential structural imbalance. Auto sales, for example, are heavily dependent on low interest rates and stable employment. When these change, sales decline and the city's revenue

stream can turn into a trickle. Housing sales, once driven by lower costs than those in Seattle and surrounding communities, now reflect the high desirability of significant portions of Kirkland as a residential location.

Development regulations > Careful and detailed city regulations and policies are clearly designed to protect residential quality. This naturally creates additional cost for business developments, with little prospect of increased return. Related to this is a lengthy development approval process that discourages investors who require quick turnaround in order to justify their investment. In addition, the neighborhood approval process can result in reduced development opportunity when local residents refuse to accept a development application that conforms to existing regulations.

THREATS

Threats to the economic well being of a community can be both external and internal. It is a mistake, however, to look at either one in isolation. External threats, such as regional economic cycles, can be exacerbated or mitigated by specific actions. Similarly, building strictly on internal strengths (such as community involvement and strong neighborhoods) runs the risk of losing ground in the intensely competitive regional environment in which businesses (and residents) make employment decisions.

Regional dependence > The most obvious threat facing Kirkland is its dependence on the overall economic health of the Puget Sound area. This is not a minor point. It is TIP's view that the *Pathway* should take this fact into consideration in each of its recommendations. In other words, Kirkland can – and should – provide some level of insulation against regional market downturns. The possibilities for doing this are, of course, limited. As Puget Sound goes, so goes Kirkland. But negative effects can be minimized. Employment opportunities in close proximity to one's residence are a powerful draw. So also is a vibrant downtown and retail sector that will continue to draw activity even during a regional downturn. This threat is never more dangerous than when interest rates are low and there is relative complacency. The region, however, has a long history of downward employment spirals. This risk goes beyond Boeing, and includes the regional overdependence on technology companies and a narrow focus on a single emerging business sector (biotechnology).

Land and building costs > The increased desirability of Kirkland as a residential location can result in land too expensive for business. There are specific actions that can be taken to reduce these costs. It would be possible to increase the supply of available land and buildings, linked to changes in zoning and to aggressive redevelopment. While there may be sound reasons not to take this direction, the threat of reduced growth and restricted land availability deserves close consideration.

CONCLUSION

The balance of Kirkland's strengths and weaknesses show in a highly favorable light. The threats and opportunities, however, require additional consideration. This is another way of saying that there is a risk for complacency even – or perhaps especially – in a community as successful as Kirkland.

BENCHMARKING

To better understand the options available to Kirkland, the consulting team selected three communities to benchmark regarding development patterns. Each city, like Kirkland, is an affluent suburb that is approaching complete build-out.

Alexandria, VA (Washington, DC) > While considerably larger than Kirkland in population, Alexandria's land area is fairly similar. Other demographic factors, including education levels, income levels, and household composition, are similar to Kirkland. Alexandria is an example of a community that was built out somewhat sooner than Kirkland and is now further progressed in its developmental evolution and population density.

Cupertino, CA (San Jose) > Cupertino's population, land area, and density are nearly identical to Kirkland. Like Kirkland, the median household income in Cupertino is well above the metro average, as is the ratio of residents who work at home.

Littleton, CO (Denver) > Littleton is similar to Kirkland in population and in most demographic variables. It also has a very similar composition of housing stock. A hospital campus is one of the city's primary employers. Other than that, there are few dominant private-sector employers; most office and retail employers tend to be smaller firms. Like Kirkland, the ratio of residents who work at home is well above the metro average.

SELECTED DEMOGRAPHIC CHARACTERISTICS OF BENCHMARK COMMUNITIES: 2000

Metropolitan Area	Seattle	Denver	San Jose	Washington DC
Comparison Suburbs	Kirkland	Littleton	Cupertino	Alexandria, VA
Population	45,054	40,340	50,546	128,283
Land Area (square miles)	10.68	13.52	10.94	15.18
Population Density (persons per square mile)	4,220	2,985	4,620	8,452
Median Age	36.1	38.6	38.0	34.4
Average HH Size	2.13	2.29	2.75	2.04
Share of Adults (Age 25+) with a Bachelor's Degree or Higher	47.4%	40.1%	65.4%	54.3%
Foreign Born Share of Population	14.4%	5.7%	42.8%	25.4%
Average Travel Time to Work (Minutes)	21.9	24.8	25.8	29.7
Median HH Income	$60,332	$50,583	$100,411	$56,054
Median HH Income as a Share of Metro	114.3%	98.8%	135.1%	90.1%
Non-Hispanic White Share of Population	83.1%	86.8%	47.8%	53.7%
Married Couples with Children as a Share of all HHs	16.8%	20.4%	36.4%	12.4%
Single and Living Alone as a Share of all HHs	35.6%	33.3%	19.6%	43.4%
Single-Family Detached Homes as a Share of Housing Units	44.3%	49.6%	61.1%	14.8%
Share of Housing Units Built 1970-1989	48.6%	40.9%	36.1%	33.9%
Share of Employed Residents Working at Home	5.3%	5.2%	4.1%	3.5%
Ratio of Employed Residents Working at Home to Metro Average	121.7%	115.1%	131.4%	95.7%

Source: 2000 Census

SELECTED CHARACTERISTICS OF BENCHMARK COMMUNITIES

Metropolitan Area	Seattle	Washington DC	Denver	San Jose
Comparison Suburbs	Kirkland	Alexandria	Littleton	Cupertino
Sources of Revenues:	100.0%	100.0%	100.0%	100.0%
Property taxes	24.3%	58.1%	7.9%	13.2%
Sales taxes	30.3%	5.6%	59.1%	31.6%
Other taxes	27.8%	17.8%	0.0%	27.0%
Intergovernmental transfers	12.3%	12.4%	21.0%	13.0%
Fees, earnings, & misc. sources	5.1%	6.0%	12.0%	15.1%
for FY ending:	*31 Dec 2002*	*30 June 2003*	*2002*	*30 June 2003*
Citywide office vacancy rate	N/A	8.9%	13.7%*	24.0%
latest as of:	N/A	*2004Q2*	*2004Q2*	*2004Q2*
Single-family home price	N/A	$474,661	$265,390	$942,875
latest as of:	N/A	*2004*	*2004Q2*	*2004Q1*
Major private employers	Evergreen Hospital (1,863), Lake Washington School District (641), City of Kirkland (581), Kenworth Truck Co./PACCAR (386), Costco Wholesale (300)	INOVA Alexandria Hospital (1,539), Institute for Defense Analysis (1,200), American Diabetes Association (900), Center for Naval Analysis (600), U.S. Boatowners Association (570), Corporation for Public Broadcasting (500)	EchoStar, Quest, Littleton Adventist Hospital, and "lots of small tech companies"	Apple Computer (HQ), Portal Software (HQ), Symantec (HQ), Hewlett-Packard (division), Borland Software (division), Vallco Fashion Park (regional mall)

Sources: Cities of Kirkland, Alexandria, Littleton, and Cupertino; Alexandria Economic Development Partnership; CB Richard Ellis; Dataquest

**Note: Littleton's office vacancy rate is for the Southwest Denver submarket (which includes Littleton).*

ALEXANDRIA VA (WASHINGTON, DC)

What has been the city's role in economic development over the past 10-20 years?

The city formed the Alexandria Economic Development Partnership (AEDP) in 1992 as a public-private partnership. The mayor, the city manager, and a council member have seats on the board (private sector controls the rest). While the city provides some funding, the AEDP is run separately from the city itself. The focus is largely on recruitment and marketing to increase the job base and retail base, but an underlying goal is to shift the city's tax base from 60 percent residential sources to 50 percent. Recruitment has focused on trade associations, technology companies, and professional services.

How extensive is pressure to preserve residential quality of life? What are the trade-offs?

Quality-of-life is a major priority. Citizens are actively involved in the development process, with the preservation of open space taking precedence over economic development.

What have been the local obstacles to expanding commercial/industrial development?

One of the projects that AEDP has struggled with most is the new headquarters complex for the U.S. Patent and Trademark Office (5 of 7 buildings now completed) which relocated from nearby Crystal City. Alexandria residents were deeply concerned about the impact of new traffic in the community, but these issues were eventually resolved and the project went forward. The mayor and the council have been supportive of economic development and this keeps the process moving along.

Are employment centers integrated into the community? If so, how?

Alexandria is an older city and one of the densest suburbs in the U.S., but like most suburbs, a majority of commuter traffic flows out to other areas. Alexandria is fortunate to have four metro stops, but ironically, none of them is densely developed. One of the main future land use goals is to develop these transit stops as integrated, mixed-use live/work communities using "smart growth" principles. King Street (the main retail street in the historic district) has many buildings with ground-level retail and mixed uses above. The city would like to extend this type of development into other targeted development areas, particularly around the metro stops.

How much vacant land is left in the city?

There is "way less than 1 square mile" of vacant land left in the city. There is little industrial-zoned land. Land use is predominately residential, office, and commercial -- not industrial.

What lessons can be learned?

Alexandria offers an example of what a community like Kirkland looks like after it has mostly developed and then begun to redevelop. Quality of life (including preservation of remaining open space) is a very vocal argument that residents express, but citizens' arguments are often weighed against the city's long-term goal of reaching a 50/50 balance in tax revenue sources between residential and nonresidential land uses.

CUPERTINO, CA (SAN JOSE)

What has been the city's role in economic development over the past 10-20 years?

The city's role in economic development has tended to be reactive rather than proactive. There is no dedicated office or officer for economic development promotion. Instead, the city formed an economic development board about 10 years ago. The board includes members from the city, the chamber, property owners, and businesses. The city's general plan includes a "weak" element for economic development.

How extensive is pressure to preserve residential quality of life? What are the trade-offs?

There is pressure to "preserve the character of residential areas". This means that residents do not want the city to grow any denser that it currently is. *Example:* Two projects (Kempton Hotel and Verona Apartments) were recently approved in a non-residential area. There was no vocal protest from residents at the time the projects were proposed. Both developments were 6-8 stories, and their size was not really noticed by residents until construction began. The backlash began after construction was underway. Local residents have now gathered enough signatures to get 3 proposed new initiatives on the November election ballot. These three initiatives propose (1) a maximum height limit of 36 feet; (2) a minimum setback of 35 feet; and (3) a ceiling on residential density of 15 units per acre. Any project that doesn't meet these standards would automatically be thrown to a public vote.

What have been the local obstacles to expanding commercial/industrial development?

There is very little vacant land left, so the city's focus is now shifting to redevelopment. Some older industrial buildings are now in mixed-use zoning districts where some properties have been converted to new uses. The biggest obstacle to development is that land is very expensive; for developers to be profitable, they must have density in their projects. If the proposed ballot initiatives are approved in November, they will likely reduce developer interest in the city.

Are employment centers integrated into the community? If so, how?

In general, office developments are in stand-alone office parks and are not well-integrated into the city. The city is trying to change this by promoting more mixed-use redevelopment, but has had limited success so far. The areas that could best be redeveloped more densely are the large surface parking lots of major employers, but the property owners have thus far been reluctant to do this, mostly for corporate security reasons.

How much vacant land is left in the city?

There is "very little" vacant land left—325 acres. Of the remaining developable land, it is zoned 13% office/industrial, 4% retail/commercial, 5% standard residential, and 78% hillside residential. The office/industrial-zoned land is held by one owner (Hewlett-Packard) that is interested in selling.

What lessons can be learned?

There is tension between the city's long-term goal of redeveloping existing properties more densely and the residents' efforts to obtain direct veto power over high-density projects. If proposed ballot initiatives pass in November, developer interest in the city is expected to wane.

LITTLETON, CO (DENVER)

What has been the city's role in economic development over the past 10-20 years?

The city's economic development policy changed dramatically in about 1987. The city council was "fed up with out-of-town companies" that had no commitment to the community. This view was prompted when Lockheed Martin (then a major local employer) announced a huge layoff. The city decided to abandon any recruiting of large companies, and instead to focus exclusively on helping the community's existing businesses prosper. This has been the policy ever since.

How extensive is pressure to preserve residential quality of life? What are the trade-offs?

Littleton is "affluent and well-educated" and quality of life issues are taken seriously. This means that the focus is on "civic infrastructure." There is a large amount of park space in the community as well as bike trails (one park alone is 650 acres). The development review process is "stiff." The community maintains high standards for landscaping and signage in new developments, and is currently looking at ways to apply these standards to older properties. Officials hope to use incentives to encourage property upgrades and/or higher-density redevelopment for mixed uses. They may consider combining regulatory measures with incentives, but they have not done so yet. The community follows the principle that you have to create an environment that will attract and retain high quality residents.

What have been the local obstacles to expanding commercial/industrial development?

There is a "stiff development review" process. The community focuses on small-scale projects and is generally skeptical about large-scale development proposals. A recent proposal for a 76-acre redevelopment was turned down by the city council. This proposal would have included big-box retail and large amounts of parking, but it was perceived as not a good fit for the city.

Are employment centers integrated into the community? If so, how?

Redevelopment and planning are generally geared toward developing "corridors" within the city. "Corridor studies" are often prepared. The hospital campus is a rather large employment center in Littleton. Light rail reached Littleton in 1999 and there is a stop near (but not at) the hospital; the city has worked with transit operators to develop good bus connections from the light rail stop to the hospital campus.

How much vacant land is left in the city?

Only 200 acres of vacant land are left in the city. Most of the focus is on redevelopment of older areas. There are no significant amounts of industrial or manufacturing land use in Littleton.

What lessons can be learned?

Littleton is an example of a community that has turned its back on large-scale development and instead encourages small-scale development (employers, retail, etc.). The city focuses (successfully) on being a high-amenity community that will attract and retain high-income, highly educated residents.

ATTACHMENT 1: LIST OF TIP INTERVIEWS

September 13 – 16, 2004

Ben Lindenkugel, *Director – Community Relations, Evergreen Healthcare*
Betty Spieth, *Coordinator, Kirkland Economic Partnership*
Teddy Overleese, *Advocate, Kirkland Economic Partnership*
Jim Lauinger, *Council Member, City of Kirkland*
Jessica Greenway, *Council Member, City of Kirkland*
Mary-Alyce Burleigh, *Mayor, City of Kirkland*
Joan McBride, *Council Member, City of Kirkland*
Tom Dillon, *Council Member, City of Kirkland*
Charles Temple, *Accounts Director, Concur Technologies*
Janice Soloff, *Senior Planner, City of Kirkland*
Eric Shields, *Planning Director, City of Kirkland*
Jeremy McMahan, *Planning Supervisor, City of Kirkland*
Marilynne Beard, *Finance Director, City of Kirkland*
David Ramsay, *City Manager, City of Kirkland*
Nancy Cox, *Development Review Manager, City of Kirkland*
Ken Carlson, *Building Services Manager, City of Kirkland*
Brenda Cooper, *IT Director, City of Kirkland*
Keith Maehlum, *President, Maehlum Development*
Douglas Davis, *President, Hallmark Realty*
Bonnie Lindberg, *Associate Broker – Commercial, Hallmark Realty*
Michael O'Brien, *Owner, Toyota of Kirkland*
Karen Tennyson, *Kirkland Association of Neighborhoods*
Jim McElwee, *Kirkland Association of Neighborhoods*

Group discussions were also held with:

Kirkland Association of Neighborhoods representatives
Kirkland Downtown by the Lake Directors
Kirkland Chamber of Commerce Executives

Jon Roberts, Managing Director
E-mail: jon@tipstrategies.com
Bob Thompson, Sr. Associate
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APPENDIX B: OPPORTUNITY PHASE, NOVEMBER 2004

MEMO TO: KIRKLAND PATHWAY STEERING COMMITTEE
FROM: TIP SRATEGIES, INC.

TIP Strategies, Inc. has been engaged by the City of Kirkland and the Kirkland Economic Partnership (KEP) to help identify a path to guide Kirkland toward a strong economic future. This memorandum, the second of three to be provided by the Consultant to the Steering Committee, documents our work during the Opportunity Phase of the project. Building on our assessment of Kirkland's overall economic development environment completed in the initial Discovery phase, we outline a number of strategies to address the strengths, weaknesses, opportunities, and threats identified in Technical Memorandum #1.

PROGRESS TO DATE

Kirkland's location in the "high tech" Eastside of the Puget Sound metropolitan area, transportation connections, and positive image in the region, contribute to a real opportunity for economic development in the community.

Critical elements of the local economic environment influencing the choice of strategies were identified in Technical Memorandum #1. They include: 1) the absence of undeveloped land and other significant opportunities for economic development, 2) a perception of Kirkland as an expensive and difficult location for business investment, 3) high land value – driven by the desirability of Kirkland as a residential location, and 4) sensitivity of city revenues to regional economic conditions.

The first two elements can be addressed by a well-designed and implemented economic development strategy. The third is a result of regional market forces combined with Kirkland's quality of place. The city can wield little influence over this aspect. However, it is important to recognize that, with the current land use regulations, the market value of land for multi-family residential redevelopment in Kirkland can approach (and likely, eventually, exceed) the market value of the same land for commercial development. The fourth element revolves around city revenues. In Kirkland the low proportion of non-residential assessment increases the vulnerability of the Kirkland residential taxpayer.

City revenues for government activities fall into four main categories: sales taxes (25.7 %), charges for services (23.7 %), property taxes (21.5 %), and other miscellaneous revenues. These revenue streams provide the funds for city services (non–utility), and any drop in revenue from one of the categories must either be matched by an increase in another category or a reduction in city services. Sales tax revenue, and to a lesser extent, charges for services, are directly related to Puget Sound regional economic conditions which have a pattern of significant swings. With the next economic downturn, sales tax revenues will fall and Kirkland will be faced with difficult decisions regarding level of government services and property tax rates.

Land zoned for business use in Kirkland comprises 21% of the total assessed real property value, although it occupies only 10% of the total land area in the city. This proportion of non-residential to residential assessment is the lowest of any municipality on the Eastside. Clearly, with no change to the existing pattern of development in the community, the major burden of any increase in property tax will accrue to residential properties.

A **strong tax base with sustainable revenues** to fund public services for Kirkland requires a better balance of residential and non-residential property assessments. The strategies outlined below address this issue.

Three themes emerged from our discussions with Kirkland politicians, city staff, local business owners and operators, neighborhood residents, and knowledgeable individuals in the Puget Sound region. These themes should not be interpreted as the only ones consistent with Kirkland values.

1. Kirkland is a highly desirable place to live and work.
2. Change in Kirkland is slow and often difficult.
3. Residential quality of life is the cornerstone for Kirkland decision-making.

These unique aspects of the Kirkland business environment combined with local attitudes and values are significant in defining Kirkland's economic development environment. The first demonstrates a market demand for additional development. The second theme describes a mode of decision-making in Kirkland that creates an undesirable situation for developers and business investors. The third theme articulates the considerable emphasis on residential quality (despite the broader nature of theme #1). This value, held so dearly by Kirkland residents, is compatible with the pursuit of scenario #3. We believe that it is only through full realization of its business potential that the quality of life enjoyed by Kirkland residents can be maintained.

OPPORTUNITIES

On October 6, TIP conducted a Context Mapping workshop with council members, senior city staff, and representatives of the business and residential communities in Kirkland. This session, which initiated TIP's Opportunity Phase, reviewed milestone economic development activities in Kirkland's past and examined potential appropriate opportunities. The Context Mapping session established two insights into Kirkland's economic development environment: 1) that the perceptions gathered about the community are sound, and 2) that the range of economic development options open to the city – while limited – lend themselves to more aggressive and creative action.

Based on those discussions, and the research and interviews conducted by TIP, three scenarios were presented as the most likely models for future growth. This was followed by a discussion of economic development strategies and actions, within the context of a "vision" for the city.

Scenario One: Current Trends

The first of the scenarios, linked to the strong influence of neighborhood associations, is to limit economic development to the retention of existing businesses, with minimal encouragement for business recruitment, commercial and industrial opportunities, or city policies endorsing aggressive business expansion. Direct support for economic development generally occurs with support for small-scale tourism, festivals, and the inclusion of downtown business organizations in the same manner as residential community groups. This can best be described as a current trend scenario.

Scenario Two: Full Build-out

The second scenario calls for a build-out to existing capacity. Most of the business development opportunity under this scenario occurs in Totem Lake and to a lesser extent in the downtown. This scenario does not specifically call for re-zoning; however, over the next one or two decades, changing markets will demand revised zoning. There should be no expectation of achieving full build out of existing zoned opportunity without creating additional opportunity and permitting adjustments for special circumstances. Business recruitment would again be limited, and would favor retail with some support for professional services.

Scenario Three: Renewed Economic Activity

The third scenario envisions increased economic strength. While the character of the city would remain essentially unchanged (a beautiful and neighborhood-friendly lake-side community), there would be an active and aggressive effort to increase non-residential uses and to expand the base of business beyond retail sales receipts.

TIP will direct its efforts towards the economic development vision stated in the draft Comprehensive Plan:

> *"Kirkland's economy is strong and diverse. A healthy mix of businesses provides valuable economic returns including varied employment opportunities and high wages, a strong tax base with sustainable revenues that help fund public services, and a broad range of goods and services."*

This vision describes a Kirkland as outlined in scenario #3 above. We believe this scenario to be compatible with Kirkland's fundamental values (specifically, the preservation of residential quality) and that it can lead to an improved quality of place if properly pursued. It will however, require changes in both the physical structure of the community as well as the manner in which decisions are made concerning economic development.

PROPOSED STRATEGIES

Six proposed economic development strategies for Kirkland are presented below. These strategies derive from the work undertaken during the Discovery Phase and define the pathway to the vision articulated in the Comprehensive Plan. An economic development strategy is not just a pathway; it is also attitudes and actions. The participation of the city government, the local business community, and local neighborhood associations will be essential to securing a strong economic future for Kirkland.

The first two strategies address the elements identified in the Discovery Phase, those that can be influenced directly by city intervention. These are: 1) the built out nature of the community and the lack of significant opportunities for economic development, and 2) a perception of Kirkland as an expensive, and difficult location for business investment. The two remaining elements help identify parameters that will be the subject of specific actions in the next phase. They also provide a means to measure the effectiveness of implementing the strategies.

The third and fourth strategies relate to specific areas of the city where the majority of redevelopment opportunities are located: Downtown, and Totem Lake.

The final two strategies provide direction on communication about Kirkland's economic development. One deals with marketing and how Kirkland should present itself to the wide array of potential business investors. The final, and perhaps most critical of the strategies, deals with all participants within the city – that is residents, existing business owners and managers, neighborhood groups, business associations as well as civic employees.

Strategy One: Development Opportunities

Unlike most of the surrounding municipalities on the Eastside, Kirkland is essentially fully developed, leaving redevelopment as the primary option. Non-residential redevelopment of existing built sites brings with it issues that must be addressed if development is to be realized. These include: interruption of a revenue stream, dealing with existing structures, historic property boundaries that were determined long ago for significantly different conditions, community resistance to change, and regulatory policies that may no longer be appropriate for a specific site (or today's market). Redevelopment opportunities in Kirkland must compete for business investment within a Puget Sound market dominated by vacant commercial land where these issues are minimal. Kirkland needs to understand how these issues affect redevelopment and ensure that suitable regulations and the application of these regulations do not discourage business investment. There are also opportunities to increase the supply of redevelopment sites by targeting underutilized city land for economic development or through rezoning.

Kirkland should increase the supply of sites available for business redevelopment and improve the opportunities for redevelopment of existing underutilized and inefficient properties.

Strategy Two: Development Climate

In its early years and until the last decades of the 20th century, Kirkland was clearly the business center for the Eastside. Currently, Kirkland's image is positive, and the community is viewed as a highly desirable place to live and work. However, Kirkland does not have the reputation of a business-oriented community. Minimal commercial redevelopment since Park Place, and the slow growth of the non-residential assessment base, gives credence to this perception and highlights the task ahead.

Kirkland is viewed as a desirable business address but it is not a "top of mind" location for regional investors. This is in large part due to the slow and difficult development approval process. Although the city has made policy statements about development potential through such documents as its Comprehensive Plan, and Zoning Plan, these

targets are frequently not realized in the final development. Commercial investors will choose a regulatory environment that is predictable and that results in a realistic development pro forma.

An essential component of this strategy should be directed toward existing businesses. Too many existing business owners consider the actions of the City of Kirkland to be business unfriendly. This perception must change. It can only change if the City of Kirkland is seen to be doing all that it can do to create a business friendly environment. The efforts initiated by KEP in business retention indicate that Kirkland is aware of the importance of this activity. Gaining a clear understanding of the needs of current business owners, and ensuring that business owners understand the limitations on city actions is part of the communication process discussed in Strategy Six.

Kirkland should improve the local business climate. Actions for this strategy should reduce the difficulty and time required for development approvals, ensure that the full potential of each redeveloped site is achieved, and support the existing businesses.

Strategy Three: Totem Lake

For the Totem Lake area, the city's orientation towards retail establishments needs to be re-considered. Of prime importance is a strategy for the attraction of retail spending from throughout the region. The opportunities for additional commercial office development afforded by Evergreen Hospital and other elements of the regional market, combined with the physical potential of Totem Lake, provide a setting whereby a substantial commercial center can be realized. The City has already begun this process by the designation of Totem Lake as a Commercial Center.

Currently, Totem Lake lacks a coherent identity and performs a commercial function that has developed from its location at a major intersection on I 405. The Evergreen Hospital complex at the Northeastern edge of Totem Lake is not part of the area's identity except by proximity. In Totem Lake the legal parcel pattern is convoluted, and many of the parcels are small. The area is highly divided by transportation facilities. Almost all existing business functions are ready for redevelopment. The perception is that this area of Kirkland is poised for significant growth.

The redevelopment of Totem Lake would benefit significantly from city resources. Specific economic development oriented activities would including land assembly, re-zoning, infrastructure investment, and public-private partnerships with the development community.

The City of Kirkland, through an appropriate economic development authority, can provide both the direction and the will to realize the potential of the Totem Lake Commercial Center.

As a designated Commercial Center, the Totem Lake area should be subject to special attention, including a strong commitment by the City to facilitate redevelopment as soon as practicable.

Strategy Four: Downtown

Downtown Kirkland has not benefited from a significant business investment in the past decade. The major focus of downtown development prior to that time was based on multi-family developments that have included ground floor retail. It is well known and appreciated for its small scale, pedestrian friendly environment where restaurants and art galleries are predominant uses. With its parks, recreational and cultural facilities, downtown is a place where Kirkland residents spend their leisure time. The downtown does not have a significant office component. While it does provide a certain number of retail services to Kirkland residents, it clearly is not the retail center of choice for the bulk of Kirkland residents and it has certainly lost ground to the newer, larger Town Centers of Redmond and Bellevue. In addition, retail activity is seasonal and the resulting fluctuations in sales volume can create a precarious situation for business owners.

The city's orientation towards downtown, and retail establishments generally, would need to be re-considered through a strategy that addresses tourism and the attraction of retail spending from throughout the region. Opportunities in

the areas of tourism will draw upon existing dining and leisure activities. Retail outlets that respond to niche markets can attract visitors from outside Kirkland and compete with residential uses in the high cost of land. A substantial component of upper floor offices can support these activities as well.

Kirkland should be active in downtown redevelopment and take a strong role in achieving the full potential for this area.

Strategy Five: Marketing

In order to attract business investment, Kirkland must ensure that its message is available to prospective investors. The current program of providing information through the Internet does make considerable detail available, however it is essentially passive. Given the scale of the opportunity in Kirkland, new commercial markets would be well-positioned in the Puget Sound region. A well thought-out marketing effort would not need to be focused on a specific target group, but would enhance the existing view of Kirkland. Significant opportunities will lie in the business sectors that are already well represented on the Eastside.

Marketing Kirkland will require focused research to identify local companies looking to expand, as well as liaison with real estate professionals who specialize in this activity.

A wide attraction effort is already undertaken by other regional agencies, including the State of Washington, as well as the EDC of Seattle and King County. Kirkland can support and participate in their efforts .

The Kirkland marketing message should be based on quality of place and the amenities available to those who are employed in Kirkland. Opportunities for tenant specified redevelopment will be limited at best and recruitment activities should reflect the available built space at any given time. An effort to attract developers of flexible business space would be appropriate.

The Kirkland economic development authority should develop a marketing plan directed toward companies in the Puget Sound region that are seeking new premises.

Strategy Six: Communication

Successful economic development occurs when citizens, city government, local business organizations, and the local media are all in concert with the goals of economic development and the appropriate message is fully communicated to potential investors. The existing economic development goals as expressed in the Comprehensive Plan vision are neither shared, nor do they appear to be used in decision-making. There is a climate of distrust between the city, residents, and businesses. We believe this derives from a lack of knowledge by all parties. Consequences of economic development (or lack thereof), a limited range of available city actions, the ability to maintain residential quality, as well as the fiscal and physical requirements of a successful business community are all elements that must be understood.

A communications program is achieved through specific actions that include a marketing strategy and a co-coordinated and informed public involvement program. This program should be educational and incorporate a meaningful feedback mechanism into the decision making process. The responsibility for this communication strategy must rest with a single authority. While TIP was not tasked with an organizational review, it is clear that the city, the chamber and local business organizations, and the Kirkland Alliance of Neighborhoods and residents would need to agree on a new entity to pursue these goals. That organization would have full responsibility for actions with respect to economic development, and operate under the normal regulatory controls that are the mandate of a city government. The strategies identified above, while they could be carried out to a limited degree by the city or the KEP, require a broader commitment and a more holistic approach than current staffing (and mandate) allows.

City leaders should establish a formal communications strategy and link that strategy to the formation of a new economic development authority.

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APPENDIX C: IMPLEMENTATION PHASE, JANUARY 2005

MEMO TO: KIRKLAND PATHWAY STEERING COMMITTEE
FROM: TIP SRATEGIES, INC.

Kirkland's economic future is in the balance. As one of Puget Sound's most desirable communities, it has seen explosive growth in residential appraisals. This surge in home values, however, has not been matched by commercial and industrial activity. This has resulted in an imbalance whose effects are becoming increasingly apparent: in the downtown, in job growth, and in commercial property tax receipts.

The Pathways Report takes seriously the economic development vision of the city. This statement stresses a diverse economy and the importance of job growth. In this statement, TIP finds support for the important distinction between "quality of life" and "quality of place." While quality of life is inward-looking, quality of place is dynamic and supportive of growth and diversity. Quality of place recognizes the importance of neighborhoods, but also sees that a community that is not welcoming of outside investment will become stagnant. This distinction has enormous economic and fiscal implications. Investment is the key concept. Investment occurs in the form of retail spending from non-residents, in commercial development, and in establishing a diversified job base. Without private investment – and the tax and employment benefits this creates – Kirkland's quality of place will decline.

TIP recognizes that there are challenges to a straightforward implementation of the strategies we propose. While we have prepared an implementation schedule for these strategies, we have also sought to address the challenges directly. This has two advantages:

1. It recognizes the political realities which constrain elected officials, and
2. It provides a means by which action items can be improved upon through public input.

We recognize that the Pathways Report will require greater involvement of citizens and neighborhood associations, not just the business community. It is our belief, however, that this process will result in a more vibrant and dynamic community.

BACKGROUND

TIP Strategies, Inc. has been engaged by the City of Kirkland and the Kirkland Economic Partnership to help identify a pathway that will guide Kirkland toward a strong economic future. This draft memorandum, the last of three to be provided by the consultant to the Steering Committee, documents our work during the Implementation Phase of the project and will be combined with Technical Memoranda #1 and #2 to produce a final Project Report. This phase builds on our work during Phases 1 (Discovery) and 2 (Opportunity). In this phase, we identify recommended actions for Kirkland and lay out the challenges mentioned above and suggest a process to address these challenges.

DISCOVERY (PHASE 1)

Kirkland's location in the "high tech" eastside of the Seattle metropolitan area, its transportation connections, and its positive image in the region, create a sound opportunity for commercial investment in the community. Land zoned for business use in Kirkland comprises 21% of the total assessed real property value, although it occupies only 10% of the total land area in the city. This proportion of non-residential to residential assessment is low compared to most other cities in the Puget Sound region.

SWOT Analysis > TIP undertook an assessment of Kirkland's economic strengths and weaknesses in the context of the Puget Sound regional economy. In addition, we described and evaluated opportunities as well as threats to Kirkland's future economic development.

From our analysis, TIP concluded that Kirkland has a highly positive image and, as a result, local opportunities exceed the physical capability of Kirkland to accommodate existing markets for businesses that might seek to invest in the community. Our analysis identified significant issues that Kirkland should address if the city wishes to pursue active economic development. These issues included:

1. Lack of undeveloped land.
2. Perception of business investment environment.
3. Development in specific areas of the city (Totem Lake and Downtown).
4. Communication.

Community Discussions > Three themes emerged from discussions with Kirkland politicians, city staff, local business owners and operators, neighborhood residents, and knowledgeable individuals in the Puget Sound region.

1. Kirkland is a highly desirable place to live and work.
2. Change in Kirkland is slow and often difficult.
3. Residential quality of life is the cornerstone for Kirkland decision-making.

The first demonstrates a market demand for additional development. The second theme describes a mode of decision-making in Kirkland that creates an undesirable situation for both developers and business investors. The recent decade of slowed commercial investment in Kirkland is due in large part to the development environment described by the second theme. The third theme articulates the overwhelming emphasis on residential quality. This value, held so dearly by Kirkland residents, can be compatible with increased commercial economic development, although many residents clearly fear that economic development automatically degrades quality of life. We believe that it is only through full realization of its business potential that the quality of life enjoyed by Kirkland residents can be maintained. TIP believes that a community that is not dynamic and responsive to regional trends is stagnant. Our emphasis on quality of place over quality of life seeks to capture that distinction.

OPPORTUNITY (PHASE 2)

To kick off Phase 2, TIP conducted a Context Mapping workshop with council members, senior city staff, and representatives of the business and residential communities in Kirkland. This session reviewed milestone economic development activities in Kirkland's past and examined potential opportunities. The Context Mapping session confirmed that the perceptions gathered about the community are sound. It also explored an economic development vision statement for Kirkland.

The City of Kirkland's economic development vision statement from its draft Comprehensive Plan reads:

> *"Kirkland's economy is strong and diverse. A healthy mix of businesses provides valuable economic returns including varied employment opportunities and high wages, a strong tax base with sustainable revenues that help fund public services, and a broad range of goods and services."*

The Comprehensive Plan vision describes a Kirkland that can only be achieved by an aggressive economic development program. The future described by this vision statement is compatible with Kirkland's fundamental values (specifically, the preservation of residential quality) and can lead to an improved quality of place if properly pursued. TIP considers

this vision appropriate and will use it as the basis for the development of strategies in Phase 2 that address the economic development issues identified in our Discovery Phase.

STRATEGIES

TIP identified four strategies for a strong, dynamic, and balanced economy that will lead Kirkland to a future described by the vision statement. Reduced from the original six, this approach is more streamlined and responds more directly to the challenges described below.

The strategies address critical issues that can be influenced directly by city intervention: 1) the built-out nature of the community and the consequent lack of significant opportunities for economic development, and 2) a perception of Kirkland as an expensive and difficult location for business investment. The strategies also call for special attention in areas where the majority of redevelopment opportunities are located: Downtown, and Totem Lake. A marketing approach to the Puget Sound region rounds out the strategies.

Recommended strategies are:

1. Form a new economic development authority and establish a formal communications strategy for economic growth.
2. Improve the business investment environment.
3. Focus on two prime development areas: Totem Lake area and Downtown
4. Develop a marketing plan directed toward the Puget Sound market.

These strategies were reviewed with the Project Steering Committee in November 2004 and a possible range of actions for Kirkland to undertake in pursuit of these strategies was explored.

IMPLEMENTATION (PHASE 3)

The implementation phase of the Pathways project identifies the actions Kirkland needs to take in order to pursue the strategies identified in Phase 2. Responsibilities, timelines, and cost implications for these actions are also included.

In preparing for this phase, TIP recognized that there would be significant challenges to the implementation of the strategies. Many of the issues identified in the earlier phases cannot – and should not – be treated lightly. As a consequence, we have identified what we believe to be the major barriers and have tried to deal with them directly and forthrightly. Since each of the three challenges has a significant public relations component, it is TIP's view that there should be a process for addressing them. This will influence the roll-out of the final economic development pathway.

CHALLENGES

In reviewing our work to date, TIP has concluded that 3 major challenges face Kirkland's economic development efforts. Until these challenges are fully understood, accepted and properly addressed, we believe Kirkland will be unable to achieve the vision in the draft Comprehensive Plan and TIP's Pathway recommendations.

Challenge # 1 – Shared vision for the future of Kirkland

From our discussions with the Steering Committee, Kirkland residents and residential organizations, and the business community, TIP concludes that a shared, long-term vision for the future of Kirkland is not present in the community. While there is a common view that Kirkland should not compromise its quality of life, there is no shared view of the criteria that ensure that "quality." Broadly, one set of criteria describes residential quality, i.e., those elements that impact what a resident experiences in their neighborhood (for example, minimum traffic, safety, good views, quiet

street, etc.). A second set of criteria is broader, and involves total quality of place elements (variety of shopping and leisure opportunities, availability of work nearby, etc.).

There is an extensive consultation process for development decision-making in Kirkland. This lengthy consultation process results in a statement of general agreement amongst participants on outcomes. Participants, however, often finish the consultation process with different interpretations of the agreed-upon statements. Frequently, those who disagree with its outcome do not recognize the consultation process as legitimate, leading to renewed controversy. This places Kirkland decision-makers in a tenuous position. They are faced with a difficult task when any change from existing physical infrastructure of the city is proposed. The manner in which Kirkland makes decisions about development (i.e. business investment) has clearly discouraged investors. A shared vision is required for successful economic development.

While TIP initially presented the opportunities for economic development along a continuum of choices (with three scenarios), we now believe that there are two basic choices.

Two visions of Kirkland's future:

1. A residential oriented city where commercial activities are directed primarily towards Kirkland's current population. The sole exception for attracting a larger market would be in the Totem Lake urban center. Commercial investment is neither pursued nor easy to achieve in downtown and neighborhood commercial areas.

   Consequences: Non-Kirkland residents have few reasons to come downtown and retail business activities are dependent on nearby residents. These residents are increasingly likely to be well-off singles, "empty nesters" and working couples. Kirkland's image as a desirable place to live has led to higher residential land prices that exceed the values for commercial use. The percentage of Kirkland residents who work in Kirkland has decreased significantly and public transit use has decreased. Totem Lake redevelopment does generate new employment, but it is concentrated in the low wage retail sector. It is likely that regional targets for employment are not met. This is a description of the community that is at the end of the path Kirkland has been following for the past 10 years.

2. An alternative scenario is of a dynamic urban center that provides a wide range of services to local residents **and** attracts significant spending from outside the community. This is the current vision statement of the Comprehensive Plan. Totem Lake/Evergreen Hospital area is developed as a major regional service center and has become the new Kirkland "Uptown".

   Consequences: The downtown is vibrant year-round with multiple leisure activities for Kirkland and other King County residents. Kirkland also becomes a secondary destination where tourists are likely to stay overnight, and shop in the specialty "niche market" stores that have clustered in the downtown. Complementing this area are many restaurants and bars. The downtown is also an office location of choice for smaller technology service companies in the region and their well-paid employees. Regional targets for both commercial and residential growth are met or exceeded.

Either of the two scenarios described above could occur. The first scenario protects the neighborhoods and benefits accrue to individual residential properties. The second focuses on the quality of Kirkland as a place with the capacity for amenities that benefit local residents and draw visitors to the community.

The full implications of each of the scenarios must be understood before a common future is pursued in Kirkland. We believe that much of the current controversy derives from a misplaced fear that commercial investment automatically degrades residential quality of life. A thorough public examination of future options is necessary before agreement can be reached. Specifically, it must be understood that decisions about planning and zoning are an integral part of economic development and about how the future will unfold.

Challenge # 2 – Commitment to a strong development approach

A second major challenge currently facing Kirkland economic development is the lack of commitment to commercial and industrial development. The difference between the future described by policy documents and the actions taken by the community creates confusion among Kirkland taxpayers as well as potential investors. An alarming manifestation of this lack of a shared vision is clear dissonance between Kirkland City policy statements and formal regulatory requirements, and the physical changes that have actually taken place in Kirkland over the past ten years.

Surrounding communities have attracted considerable business investment as well as extensive development of residential properties in the last decade; Kirkland has seen only a minor increase in residential activity and little significant business investment. Policy and regulatory documents that have remained basically the same over the past ten years provide for up to 6.5 million additional square feet of commercial development and 7,000 additional residents in the community. Continued declining interest in investment in Kirkland can be expected to lead to a deteriorated commercial (and residential) infrastructure. Change and continued investment are fundamental elements of a healthy city that seeks to maintain an outstanding quality of place. Otherwise the city will stagnate.

Kirkland must not only make a commitment to a specific future; it must also establish mechanisms that deliver on that commitment.

Challenge # 3 – Acceptance of Kirkland's role in the region

Kirkland's economic environment is very much influenced by forces outside of the community. Kirkland must be knowledgeable of those forces, accept their influence on the community and take actions that will exploit their positive aspects to ensure that the community remains a location of choice in the Puget Sound region. The surge in residential assessment values compared to commercial values in the recent past is a disturbing trend, influencing the perception of Kirkland as a poor place for business investment. The consequences of this regional trend in market choice need to be understood and Kirkland must take action to ensure desirable consequences are the result.

Trends that will influence the future of Kirkland include: retail shopping habits and preferences, demographic shifts (such as the aging population), housing purchase patterns, attitudes toward downtown as a leisure destination, and increased demand for diverse retail spending. These are well understood by investors who make their decisions in anticipation of benefiting from these trends. Kirkland should do no less in making decisions about its future.

From the opportunity (market) perspective, Kirkland is clearly poised to become a desirable urban center in Puget Sound, one where quality of place is unexcelled. Conditions are in place. The market available to Kirkland is upscale, accessible, and appealing to developers. Kirkland is well positioned in the Puget Sound region, with good access to all areas. The image of the community as a location of choice is among the best in Puget Sound. The community has the physical opportunity to accommodate substantial business investment – outside of existing residential neighborhoods and without a significant change in land use.

RECOMMENDED RESPONSE TO CHALLENGES

TIP believes that a concerted and well-orchestrated response is essential to meeting the challenges. This response must begin with the city itself: its elected leaders and its staff. Since the critical issue centers on a shared vision for economic growth, we feel that the following steps will be necessary:

1. Arrange for a series of "community summits" (or comparable forums) in which the consequences of the scenarios are open to a wide-ranging discussion. Specific attention should be paid to how the vision would be realized in practical ways, e.g., how planning and zoning will affect development patterns, how economic development incentives apply to downtown, how neighborhood associations view commercial development and the value of amenities.

2. Develop a communications strategy specific to development-related issues. This strategy should include direct communications with residents, with neighborhood associations and with businesses. It should also address regional players who may be considering investment in Kirkland. This is especially important in light of TIP's strategy for regional marketing.

3. Reexamine the strategies and the Pathway actions recommended by TIP and confirm (or reject) their validity. This is the final step before formal adoption of the plan. Since the action items commit Kirkland to a higher business profile in the region, supported by an independent economic development authority, this is a necessary response. Without this response, the plan would be destined to lie dormant.

ACTIONS

The following are the actions that support the strategies. An implementation table identifying responsible parties and time frames supplements this section.

Strategy 1: Form a new economic development authority and establish a formal communications strategy for economic growth.

There is no identifiable agency with responsibility for economic development in Kirkland. Activities are carried out by several public and private agencies whose mandates are largely self-defined, imprecise, and uncoordinated. No individual is committed to economic development on a full-time basis and those persons who do economic development frequently do so as one additional assignment that may not be appropriate to their full-time responsibilities. Perhaps more importantly, there is no shared economic vision and a clear lack of trust between the residential and business communities (and their organizations) that manifests itself in extensive public debate with Council over business investment proposals. No agency or individual has been recognized in all of our discussions to date that can bridge this confidence gap. A new economic development authority—independent, knowledgeable, professional, and able to establish the trust of varied interests—is required in Kirkland.

The single purpose of this authority would be to advance economic growth in Kirkland. The responsibilities of this organization would be broad and its initial task would be to implement the activities outlined in this report. This authority should be a true partnership of the public and private sectors. It should have the ability to independently report to Council on matters of economic development, but would have no authority in the area of development approval.

In addition to the need for an economic development authority, Kirkland should put in place a communications strategy for development issues. This strategy – referenced in the Challenge section – should precede public discussion of the economic development authority.

Specific actions to be undertaken include:

1. Prepare a formal mandate for an Economic Development Authority and create the authority. The authority should operate under auspices of a board of directors, consisting of public and private organizations. The following structure is representative of a typical 10 member board:

    Developers (3)

    City manager or mayor (1)

    City attorney (1)

    Public-at-large and neighborhood associations (3)

    Business representation, small and large (2)

    Staffing for the Authority should consist of an executive director, a marketing director, and at least one administrative assistant.

    The legal structure of the organization should be established by the city, presumably as a 501(c)(3).

2. Prepare a communication strategy, to be managed by the city, for the primary purpose of advancing economic development understanding in Kirkland. A "communications manager" with experience in public relations would be the ideal candidate for this position. Economic development would not necessarily be the only function of this staff person,

but it would be an important priority. In addition to coordinating press releases and preparing informational material, the manager would also schedule and conduct public meetings.

Strategy 2: Improve the business investment environment.

Although there are indications of strong market opportunities in Kirkland, the community is perceived as a difficult location for new development. The pace of new investment has slowed in relation to surrounding communities. A commitment to the redevelopment of existing, underutilized properties is an important priority. Land availability, assembly and reconfiguration, displacement of existing uses, community expectations, and the revision of regulations are all factors in changing the business climate. Changing market demands, and the competitive pressure of communities in Puget Sound, must be addressed if investment is to be attracted to Kirkland.

Specific actions to be undertaken include:

1. Review existing policy and regulatory requirements for areas suitable for redevelopment and identify how those policies can be amended to enhance the potential for new investment. This activity may lead to rezoning of specific areas and to incentives and other inducements to ensure responsible growth.

2. Conduct a complete audit of the city's relationship to business licensing, building permits, and related development procedures. Time and cost requirements should be evaluated, as well as the relationship to public comment and city council review of projects.

3. Prepare a template for improved interaction with the business and development community. This "template" should Identify needs and offer a positive response to existing businesses and to prospective investors.

These actions are not dependent on the formation of an economic development authority. They should, however, be linked to the communications strategy and Kirkland should re-position itself as a desirable location for business investment (see Strategy 4).

Strategy 3: Focus on two prime development areas: Totem Lake and Downtown

The majority of economic growth for Kirkland will occur in these two areas. By focusing resources, the potential benefits to the community are significant. While other commercial centers will attract investment, they are of significantly smaller scale and are less concentrated.

Totem Lake

Specific actions to be undertaken include:

1. Develop and publish a long-term vision for this area that recognizes current market requirements for an urban center. This center should be a mixed-use development incorporating retail venues with housing, entertainment, and commercial activity. This vision should encompass the entire Totem Lake Commercial district, including the Evergreen Hospital and Parmac Business Park.

2. Through the Economic Development Authority, the City should increase investment in this area. While transportation and related physical improvements (sewer and water) are already planned, the vision for a vibrant commercial district can be enhanced. This would include recruitment of technology-intensive businesses and health care related activities, as well as working with the developer(s) to identify Class A office tenants.

Downtown

Specific actions to be undertaken include:

1. Similar to the Totem Lake approach, develop and publish a long-term vision for this area that recognizes current market trends for a vibrant and active downtown. Exploring the opportunities for niche and tourism commercial opportunities and identifying specific targets for investment in these sectors should precede this vision.

2. Investigate the opportunities for City of Kirkland participation in investment in this area. This may include redevelopment of existing city properties, creation of new civic infrastructure, establishment of additional civic amenities or restructuring the transportation system.

3. Undertake an expanded tourism initiatives project with the specific objective of increasing the length of stay for visitors to downtown Kirkland.

4. Identify and promote a "signature development" proximate to the downtown.

These two areas represent enormous potential for the City. While development at Totem Lake is likely to occur in any event, a more holistic approach (i.e., one that enhances Kirkland's "quality of place") will need a higher level of public involvement. Without an economic development authority, it is unlikely that this holistic approach will be successful. In the case of Downtown, a specific retail strategy that involves existing businesses and helps identify and recruit new merchants is crucial.

The signature project of Action 4 is completely dependent on the Economic Development Authority. It is also a major reason for having a communications strategy in place.

Strategy 4: Develop a marketing plan directed toward the Puget Sound market.

Kirkland does not operate in a vacuum. New commercial and office development must be competitive in the region. At the same time, business expansion on the Eastside offers specific opportunities to the city. A marketing and recruitment strategy aimed at technology-intensive businesses and high-value service providers is likely to yield tangible benefits.

Specific actions to be undertaken include:

1. Prepare a marketing message that emphasizes Kirkland's willingness to attract investment.

2. Promote Kirkland regionally and solicit individual companies in cooperation with developers and city officials.

3. Assemble a "tool kit" of economic development incentives and inducements that are compatible with Kirkland's vision for balanced growth.

IMPLEMENTATION SCHEDULE

ACTION	PURPOSE	RESPONSIBILITY	TIME FRAME	BUDGET
Develop shared vision	To ensure the entire community is supportive of economic development actions	City of Kirkland	Immediate	
Establish responsible party or extend KEP	To advise Council and be responsible for a balanced Kirkland economy. To act and be seen as an independent source of information in Kirkland decision-making	City of Kirkland Business Community Residential Communities	Immediate	
Review regulatory and procedural requirements	To create appropriate opportunities for economic development	City of Kirkland to implement changes	Ongoing - upon completion of visioning	
Use City land for economic development objectives	To initiate business investment in critical areas To generate funds to pay for economic development activities	EDA (as agent for City)	Early	
Provide support to existing business	To ensure existing business infrastructure remains viable	EDA	Early	
Undertake signature project(s)	To provide an initial project in a critical area	City of Kirkland Business Community (PPP)	As Appropriate	
Tourism initiative	To increase tourism spending in Kirkland	Business Community (Tourism Committee) City of Kirkland	Upon completion of visioning	
Marketing	To attract investment	EDA	Upon completion of Challenge activities	
Support state and regional ED activities	To attract investment	EDA	Immediate and ongoing	

Kirkland Industrial Zoning

Prepared for:

City of Kirkland Planning

April 12, 2005

By:

UrbanAdvisors Ltd

Executive Summary

The City of Kirkland retained Urban Advisors Ltd to assist in providing information for making decisions regarding the current industrial zoning policies. Three issues prompted this inquiry:

- First, given the industrial zoning specified, whether lands designated for industrial or manufacturing uses will likely retain and attract the businesses intended or whether the demands and needs of new users will find the overall characteristics of the area insufficient for their locational needs; and
- Second, based on the study findings, what types of City actions might be needed to attract or retain manufacturing/industrial uses in Kirkland?
- Third, if industrial is less likely, what are the alternatives and how is the transition between uses accomplished?

The Study Areas

Urban Advisors was given six industrial areas, broken into six study sites, to evaluate: Upper Totem Lake (Area A), 405 Business Area (B1), Parmac (B2), Norkirk (Area C), Moss Bay (Area D) and Rose Hill (Area E). While the intent of current zoning is to provide land for industrial, light industrial and "tech" employment, much of the built space in the industrial areas is zoned for and used otherwise.

Change in Employment and Demographic Profile

The primary purpose of industrial zoning in Kirkland was, historically, to provide sufficient space for local jobs at family-wage incomes. Over the years, however, the bulk of employment in Kirkland has shifted to other occupations (classified as Financial Insurance Real Estate and Services by the Puget Sound Regional Council) than either skilled or unskilled occupations involving manufacturing or the trades. Projections to year 2030 by PSRC indicate that this trend will continue. As employment has shifted, the demographic profile of Kirkland has changed.

When we examine household change by age and income we find that in general, households with annual incomes below $75,000 are decreasing, while those with incomes above $99,000 are increasing. This indicates that while some households are gaining in income there is also some amount of replacement taking place in which lower income households leave and higher income households move in.

In response to demographic change housing pricing in Kirkland has increased. According to the Kirkland Community Profile, average rents in Kirkland increased from $624 in 1990 to $1,241 in 2001, and average home sale prices increased from $172,196 in 1996 to $267,508 in the first quarter of 2000. According to the 2000 census, the average value of an owner occupied unit (all units, not just those for sale) in Kirkland was $318,000, and estimates from ESRIBIS indicate that this value has increased to $399,000 in 2004. Should this trend continue the average home value is expected to rise to approximately $497,000 by 2009.

The implications of age shift and income shift are that given the limited land base, housing prices have been bid upward out of the price range of moderate income households, and that

more residents in Kirkland will be working at higher wage jobs as this change continues. To balance the demographic and housing changes with employment will require a shift from lower to higher wage employment within the city if provision of local employment for residents is a policy goal.

Interview Results

As part of the process for this study, interviews were conducted with current tenants, owners and brokers of industrial land in Kirkland. Their comments reflect a history of the change in Kirkland, assessments of current conditions for industrial use, speculations on future use, and ideas for the retention of existing local businesses. The interview comments are summarized below.

Land Pricing for industrial has risen to $12 per square foot, expensive for distribution but not unreasonable for offices. Interviewees expressed that the lack of available land and rising land pricing are an issue for continued industrial flex space development. All of those interviewed felt that use is shifting toward non-industrial and high-tech uses. The market rent for industrial for existing stock in Kirkland was seen as less competitive than other areas. It was felt by interviewees that the zoning no longer matches the needs of the market.

Those interviewed felt that much of the industrial labor force had to come from outside the city because wage rates would not support housing ownership in Kirkland. It was felt that the local labor force is shifting toward office-based employment including professional services, high-tech occupations and financial occupations (this is confirmed by the enumeration of employment by residence cited in the Kirkland Community Profile as well as long-range trending by PSRC).

Summary of Conclusions

The first major conclusion regarding industrial zoning in the study areas is that the shift from manufacturing, warehouse and distribution uses to other uses is already a factor in the leasing of industrial/flex space. Finding industrial users is increasingly difficult, and warehouse and distribution uses are moving regionally to areas with newer, less costly stock and a local labor force that can live in reasonably close proximity at moderate wage rates. The trend in spec built industrial and warehouse space is occurring elsewhere on less valuable land with highway access.

The combination of demographic change, home pricing, rising land values, regional traffic congestion, and shifts in projected employment militate against the continued feasibility of low-cost space for industrial that can remain competitive in regional and international markets. The trends indicate, on the contrary, that an emphasis should be placed on the creation of higher density employment space for financial, insurance, real estate, services and “tech” uses that can employ higher wage local residents of Kirkland and can afford the land and development costs for higher density.

The most effective change possible is not in the hands of the city, but in the inclinations and actions of property owners of obsolete stock. Because of market changes, industrial zones have become targets for non-industrial use seeking lower rents. As old industrial stock becomes less

useful for its intended use it is leased for other uses to the point that true industrial use becomes isolated. As noted in the Comprehensive Plan, businesses cluster together. When an area becomes predominantly non-industrial, it is less attractive to industrial users.

In considering city actions for these areas it is suggested that the idea of clustering business, providing buffers or transition zones between uses and re-aligning ideas of what is required to attract new business be made the focus of changes. For instance, many retail uses allowed currently do not fit well with industrial use but would be excellent land uses as transitions between industrial and residential land uses. In some cases higher density residential could augment and act as a transition buffer between lower density residential and office/tech use. Office/tech can act as a transition between industrial and commercial areas. At the same time, the "new employment" desired does not need to be placed under industrial zone regulations, but may be an entirely different employment center with its own guidelines for streets, setbacks and mix of uses.

Actions to Retain Business

- Zone for industrial with a finer grain than is done currently
- Buffer needed industrial from neighborhoods and other high traffic use that could cause conflict with truck traffic, noise issues and working hours - create buffers as transition zones that allow the range of non-industrial businesses retail and sevice specified in the current ILC and LIT codes
- Make an Auto Row Designation separate from Tech land use – group with wholesale trade and distribution use, strip centers or buffer from tech and business park areas

Actions to Enhance Redevelopment

- Adjust zoning for sites overtaken by non-industrial use to better match future employment and neighborhood trends
- Consider some conversion to residential buffers where adjoining residential areas and current use make industrial infeasible
- Resolve zoning to allow very clear certainty for redevelopment.

Actions to Create Conditions for New Business

- Alter code for tech/professional office/FIRE areas in LIT, ILC and PLA areas so that they can be designed for amenities with ancillary retail, services, etc., supportive of other uses
- Adjust height limits and floor area ratios in ILC and LIT to enable conversion to higher density employment
- Setbacks – create differing standards for tech/office areas and industrial areas
- Create separate standards for Truck streets vs. Pedestrian Streets to match intended use, i.e. warehouse/distribution versus tech office areas

Introduction

The City of Kirkland retained Urban Advisors Ltd to assist in providing information for making decisions regarding the current industrial zoning policies. Three issues prompted this inquiry:

- First, given the industrial zoning specified, whether lands designated for industrial or manufacturing uses will likely retain and attract the businesses intended or whether the demands and needs of new users will find the overall characteristics of the area insufficient for their locational needs; and
- Second, based on the study findings, what types of City actions might be needed to attract or retain manufacturing/industrial uses in Kirkland?
- Third, if industrial is less likely, what are the alternatives and how is the transition between uses accomplished?

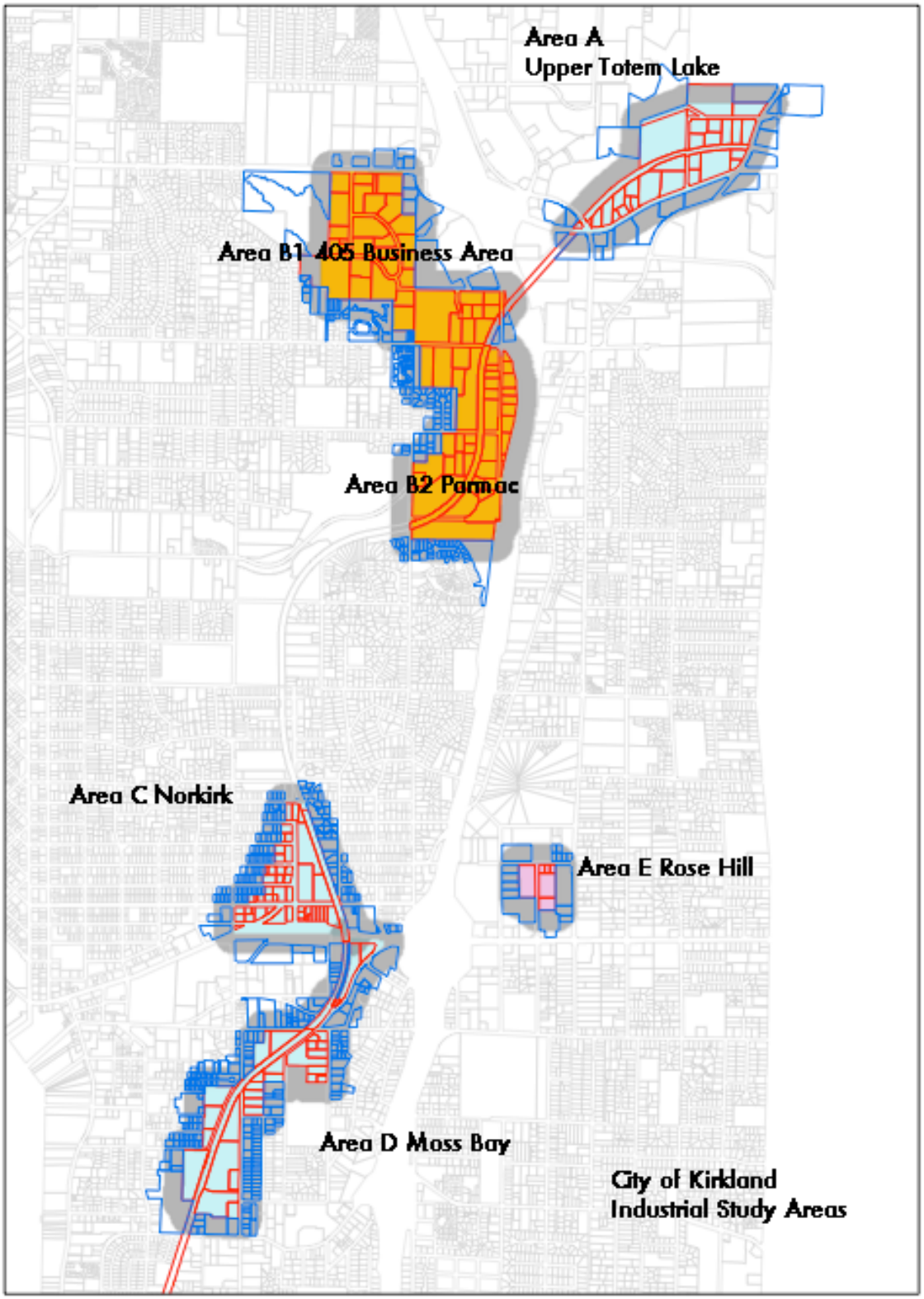
To begin the study, Urban Advisors toured the industrial zones in Kirkland to understand access and site conditions as well as adjacency of other uses to the industrial area. After the tour of industrial sites, Urban Advisors acquired data on industrial trends, both national and local, and from the City Geographic Information System (GIS) database to identify industry clusters, property values and intensity of land use. Urban Advisors also obtained demographic projections from ESRI Business Information Systems and long-term employment projections from the Puget Sound Regional Council (PSRC) in order to understand the dynamics of the labor market in Kirkland.

Following initial data collection Urban Advisors interviewed industrial property owners, tenants, and brokers regarding the current state of the markets for the uses permitted in the industrial zones in the study area. After the interviews Urban Advisors reviewed the data and drew findings based upon the data and the interviews regarding the viability of current zoning and its likely use in the future.

After a review of the information provided from the City's excellent GIS database some further questions regarding land use arose: Why is so little space taken by the intended high-tech uses? Should some office users in pre-1990 space (Financial, Insurance, Real Estate, Services, Professional) be more logically located in space that is more efficient? Should institutional uses co-exist with industrial given the inherent conflicts between use types? Should land intensive uses such as automobile sales be located in industrial zoning areas, precluding more intense use for future jobs if employment is a priority? And finally, is the zoning effectively promoting the re-use of the valuable land resources?

The Study Areas

Urban Advisors was given six industrial areas, broken into six study sites, to evaluate: Upper Totem Lake (Area A), 405 Business Area (B1), Parmac (B2), Norkirk (Area C), Moss Bay (Area D) and Rose Hill (Area E). These areas are illustrated in the map on the following page. Within the entire study area (which includes business commercial in Area E as well as industrial) Kirkland includes six zoning designations comprising a total area of approximately 303 acres of which approximately 38 acres are rights of way. Two of the six zones are industrial/light industrial zones intended for industrial, technology and manufacturing uses: Industrial Limited Commercial (ILC) at 21.45 acres acres, and Light Industrial Technology (LIT) at 155.82 acres (not including rights of way).



Source: City of Kirkland GIS

The study area also includes three Planned Light Industrial Areas (PLA's 6G, 10B and 11) of 84.5 total acres. In addition there is land zoned BC (Business Commercial) comprising another 2.84 acres of land.

Zoning in the Study Areas

	Study Area						
Zoning	A	B1	B2	C	D	E	Totals
BC						2.84	2.84
ILC	21.45						21.45
LIT	20.46		68.21	25.96	37.23	3.96	155.82
PLA 6G					10.01		10.01
PLA 10B		52.80					52.80
PLA 11		21.65					21.65
Totals	41.91	74.45	68.21	25.96	47.24	6.80	264.58

The Intended Use of the Industrial Zones

The industrial zoning designations LIT and ILC allow the following uses:

LIT Zone Allowed Uses
Manufacturing
Retail Storage Service
Warehouse Storage
Industrial Laundry
Wholesale Printing/Publishing
Wholesale Trade
Contracting Services (Plumbing, etc.)
Retail Banking and Financial Services
High Tech
Office Use
Auction Houses
Kennels
Day Care Centers
Recycling Centers
Public Utility Use
Government and Community Facilities
Hazardous Waste Treatment
Vehicle/Boat Sales and Repairs
Fast Food Restaurants
Public Parks

ILC Zone Allowed Uses
Manufacturing
Retail Storage Service
Warehouse Storage
Industrial Laundry
Wholesale Printing/Publishing
Wholesale Trade
Retail Contracting Services (Plumbing, etc.)
Retail Banking and Financial Services
High Tech
Office Use
Auction Houses
Kennels
Day Care Centers
Recycling Centers
Public Utility Use
Government and Community Facilities
Hazardous Waste Treatment and Storage
Vehicle/Boat Sales and Repairs
Fast Food Restaurants
Public Parks
Retail Rental Services
Retail Dept Store, 75,000 Square Feet or More
Mixed Use with 7 or more uses
Athletic Instruction
Hotel or Motel
Retail Printing/Publishing
Vehicle Service Stations

As industrial zones, ILC and LIT are somewhat unusual in the range of use allowed. The exact requirements for each use are given in sections 55.15 and 57.15 of the Kirkland Zoning Code. Height limits are between 25 and 35 feet, making two building stories the upper limit in both zones.

The Kirkland Comprehensive Plan outlines a series of concepts and goals regarding land use. Among those that are significant for planning the land use for employment zones are the following.

> The Land Use Element:
>
> "Seeks a balanced and complete community with shops, services and employment close to home…"
>
> Policy LU-6.1: Provide opportunities for light industrial and high technology uses.
>
> Policy LU-6.2: Encourage and support locations for businesses providing primary jobs in Kirkland
>
> The Economic Element:
>
> "Policy ED-1.5.: Encourage clusters of complementary businesses Industry clusters are geographic concentrations of mutually supportive businesses. In 2003, the prominent business clusters were in the areas of automobile sales and services, art galleries, healthcare, restaurants, high technology, and furniture sales. Encouraging clustering of complementary businesses helps diversify our local economy. Businesses can foster a competitive economic advantage by locating near each other to draw consumers, to be near the wholesale distributor or to attract employees."

Two major themes are implicit in these statements: that balance requires local jobs for local residents, and that a balanced employment area will offer the possibility of aggregation of business clusters to serve business. A logical result of such policies would be zoning to create employment centers that actually employ local residents, and zoning that reduces conflict between incompatible clusters of uses.

Because of trends in employment and land pricing, industrial use is less competitive than other land uses. The average household income in Kirkland is much higher than the wage provided by industrial or warehouse/distribution employment, and many employees are not residents but commuters from other areas. Land pricing is an issue, as those interviewed have pointed out, because it is now difficult to create an industrial use that can afford the cost of a Kirkland location. To serve the need for local employment posited in the Land Use Element would require businesses that pay significantly higher wages than industrial use does currently.

Business clusters are not only complementary, they are also exclusive, i.e., they locate near like businesses but also avoid areas with unlike businesses or areas with businesses that preclude the provision of a suitable working environment. As an example, automobile dealerships aggregate together and high-tech firms aggregate together, but automobile sales and high-tech do not cluster with each other. High tech firms tend to cluster in two settings: park-like campuses or areas with urban amenities. Automobile sales create large paved areas without urban amenities that depend

upon traffic volume for visibility and access. Both uses are necessary in Kirkland for a balanced economy, but they are not necessarily complementary.

Current Use of Industrial Land

While the intent of current zoning is to provide land for industrial, light industrial and "tech" employment, much of the built space in the industrial areas is zoned for and used otherwise. Services is the largest use, occupying approximately 19 percent of the space, followed by wholesale/distribution at 14.9 percent, manufacturing at 13.8 percent, "tech" business at 12.2 percent, professional offices at 10.5 percent, automobile sales and service at 9.6 percent, retail at 7.5 percent, contractors and construction at 5.7 percent, Financial/Insurance offices at 4 percent and educational/institutional uses (including churches, daycares, dance studios, and education) at 2.8 percent.[1] The average intensity of land use is a floor area ratio of 0.20.[2]

Table 1: Industrial Area Use by Business Type

	Study Area						Percent/Use
	A	B1	B2	C	D	E	All Areas
Auto	32.7%	0.0%	14.1%	14.6%	0.4%	0.0%	9.6%
Contract	6.6%	0.0%	12.9%	3.1%	4.4%	1.3%	5.7%
FIRE	2.2%	8.6%	0.0%	0.9%	7.4%	0.0%	4.0%
Institutional	1.2%	7.6%	0.0%	2.1%	2.5%	0.0%	2.8%
Manufacturing	15.2%	1.8%	14.3%	11.1%	30.4%	0.0%	13.8%
Professional	1.6%	19.6%	4.8%	3.7%	6.7%	73.9%	10.5%
Retail	9.6%	5.5%	11.1%	4.1%	6.3%	5.5%	7.5%
Tech	4.6%	39.6%	4.8%	2.7%	0.6%	2.8%	12.2%
Services	17.0%	10.1%	18.3%	34.6%	23.3%	14.7%	19.0%
Wholesale	9.3%	7.1%	19.7%	23.0%	18.0%	1.7%	14.9%
FAR of Use	0.14	0.17	0.21	0.25	0.22	0.24	0.20

Source: City of Kirkland GIS

To understand space use, building and use by decade were examined. Table 2 and Chart 1, below, show the percentage of space built by decade. Approximately 24 percent of space was built in the 1990's, very little before 1960 and the bulk from 1960 to 1989.

[1] Services include businesses that do things as opposed to businesses that only sell things. It is a wide category that includes everything from auto shops to beauty shops and hotels. For the purposes of this study, professional services and education have been recorded separately. Restaurants have been classed under Retail. The term TECH has been applied to anything to do with software and computers whether services or sales.

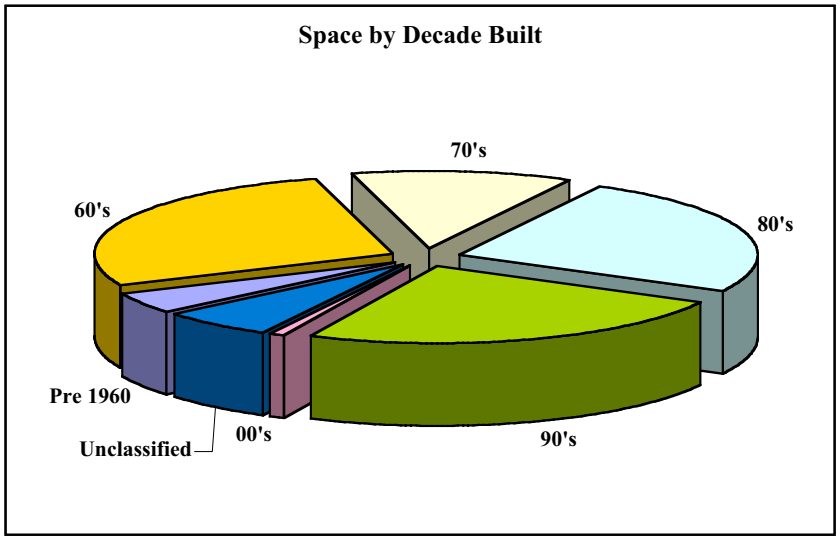
[2] Floor Area Ratio is defined as the square feet of use divided by the square feet of land on which the use is sited so, for instance, a 10,000 square foot building on a 20,000 square foot lot would have a floor area ratio of 0.5. A ratio of 0.19 would yield a building of 3,800 square feet on a 20,000 square foot parcel.

Table 2
Industrial Area Space Built by Decade

	Square Feet	Percent
Pre 1960	96,116	5%
60's	585,647	28%
70's	251,666	12%
80's	533,181	25%
90's	514,661	24%
00's	18,000	1%
Date Unkown	128,168	6%
Total	2,127,439	100%

Source: City of Kirkland GIS

Chart 1: Space by Decade

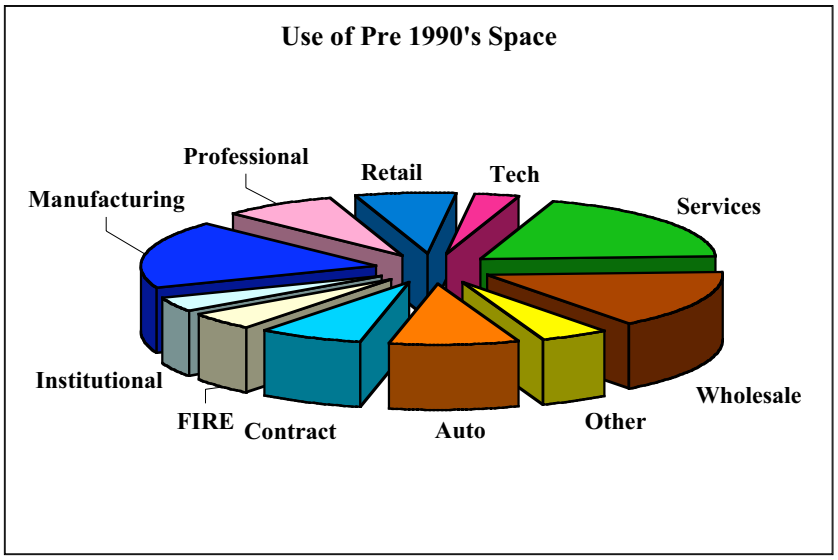


Source: City of Kirkland GIS

The age of structures has an impact on users location choice as is shown in the Charts 2 and 3. Space built before 1990 has been occupied by a number of uses, led by services manufacturing and wholesale/distribution categories, with significant area used for contracting, automobile sales and service, retail, institutional, office and professional uses.

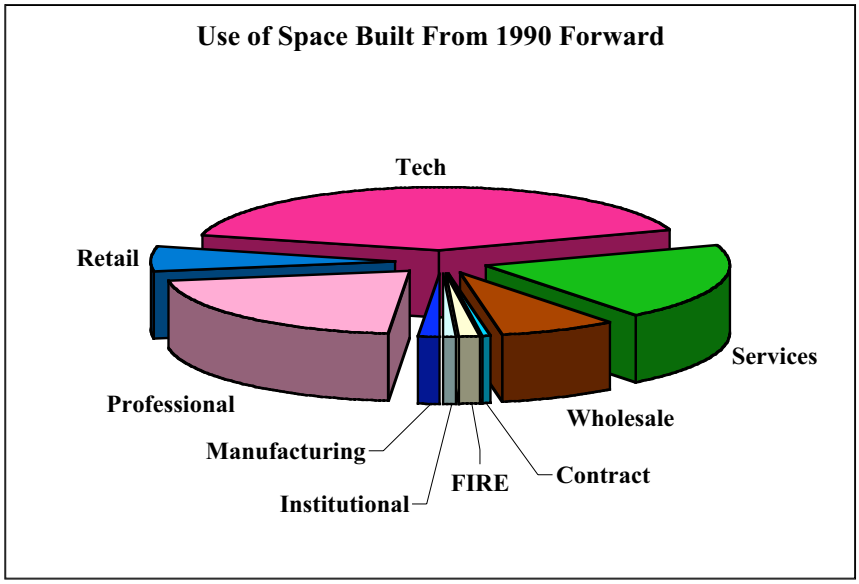
In contrast, 41 percent of newer space is occupied by "tech" business, with the bulk of the remainder going to Professional offices, services, and wholesale distribution. One of the national trends in industrial/tech space has been the choice of buildings, either of historic value and renovated to spec, or newer with electrical and communications systems and a lack of interior barriers to use.

Chart 2: Users of Pre-1990 Space



Source: City of Kirkland GIS

Chart 3: Users of Space Built from 1990 Forward



Source: City of Kirkland GIS

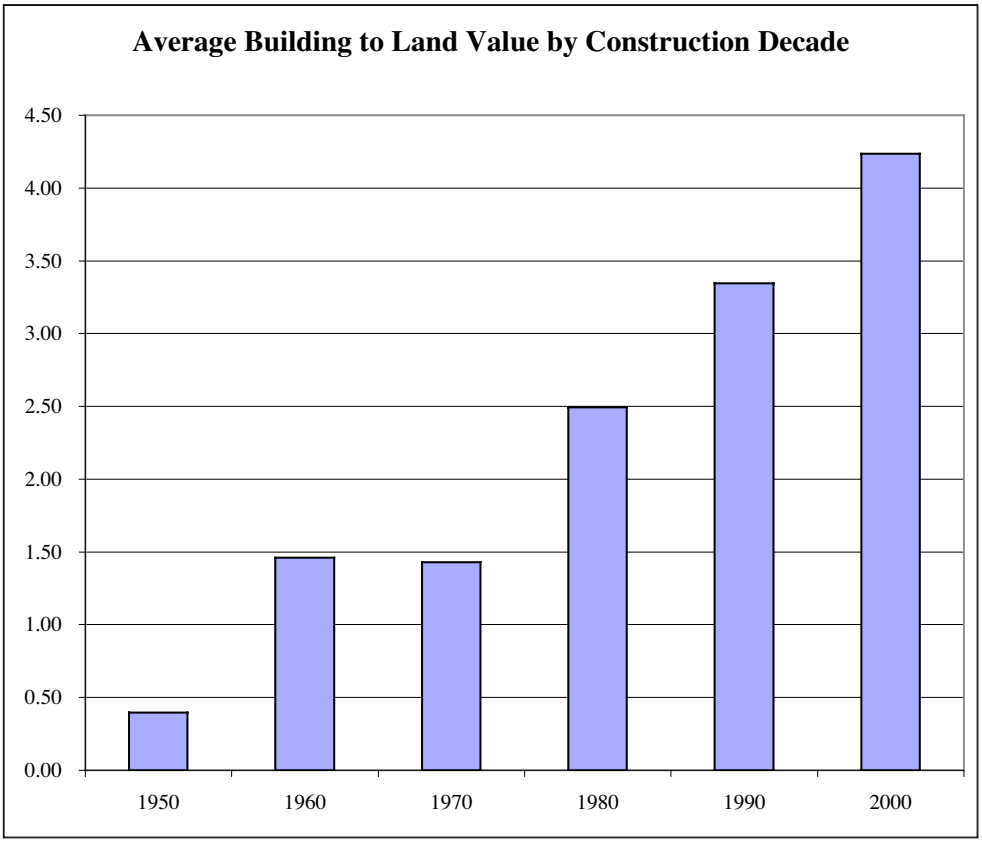
What these charts seem to be telling us is that the stock created before the 1990's is not as attractive to the industries the City of Kirkland has hoped to attract through its light industrial tech zoning. Combined with the difficult economy that was a result of the stock market devaluation of 2000, this has resulted in the use of industrial/flex space for non-industrial uses. Some areas such as the east side of 405 are an artifact of changing zoning in response to changing market conditions. Retail is primarily non-main-street uses that seem to support other uses in the

area (such as flooring, tools and water heaters) and maintains a similar proportion in pre and post 1990 space.

Another factor to be considered is the intensity of land use desired in the City. Given that the current use in the area is of very low intensity even for uses that are now normally developed in Kirkland at much higher intensity, and further, that some inventory can be expected to redevelop because of its age and relative obsolescence (both functional and financial), planning for the future will require examining higher intensity scenarios for appropriate uses, to estimate the capacity in land that may be available in the future.

The economic value of existing building stock is also an issue in redevelopment, as is the effect of zoning restrictions on site coverage and building height. One measure of the viability of building stock is the relative value of buildings to land. Chart 4 below demonstrates the ratio of building to land value by decade of building construction.

Chart 4: Value Ratios



Source: City of Kirkland GIS

The ratio of building to land value by decade built suggests that, in order to achieve financial feasibility, higher value and higher density structures have been created in later decades to offset rising land pricing in Kirkland. It also suggests that for successful redevelopment to take place, should this be necessary, that recapturing the value of land will require densities and types of use

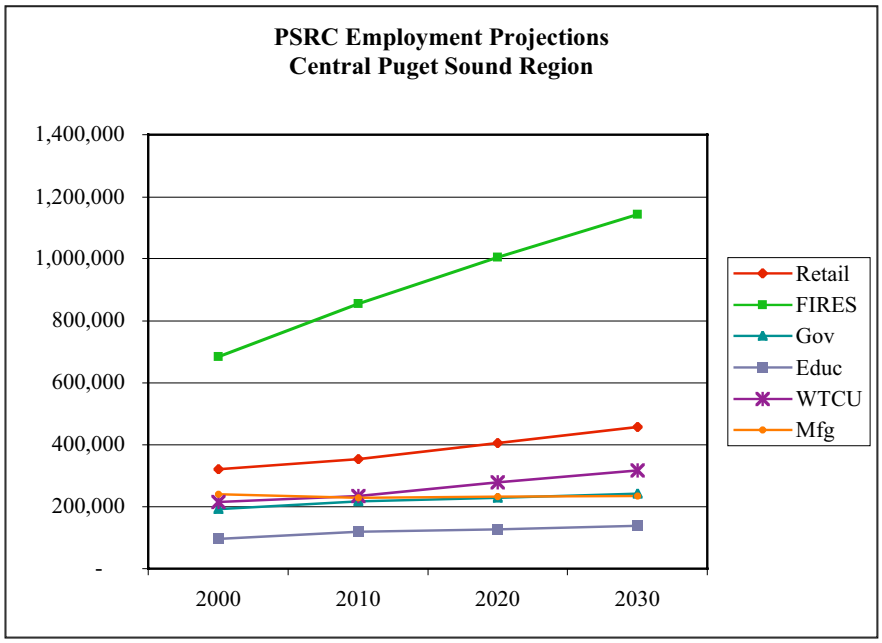
that may not fit traditional single story, low-density industrial development types designated in the zoning.

The patterns of use noted in this analysis raise questions regarding the intended use (and planning comprehensively for future use) that were asked in the introduction. Answering such questions requires understanding trends in industrial real estate in the region and nationally, as well as the space needs of future employment. All of this must also be balanced with the planning requirements of the Urban Growth Area to provide sufficient space for all of the projected future uses including housing, commercial real estate and industrial space.

Industrial Employment Trends in the Central Puget Sound Region

Industrial employment is composed primarily of manufacturing and distribution. According to PSRC, manufacturing employment in the central Puget Sound region is projected to decline slightly from 2000 to 2030, while other sectors grow (see Chart 5). The greatest growth is expected in the Financial, Insurance, Real Estate, Services (FIRES) sector, with an increase of approximately a 460,000 employees to 1.1 million employees, at which point this sector will represent 45 percent of all employment. FIRES employment is followed by retail, with an increase of approximately 137,000 jobs. Wholesale trade, transportation, communications and utilities (WCTU) are expected to increase over the long term by approximately 103,000 jobs. By 2030 manufacturing employment (235,491) is expected to comprise only nine percent of all employment in the Seattle region.

Chart 5: Regional Employment Projections



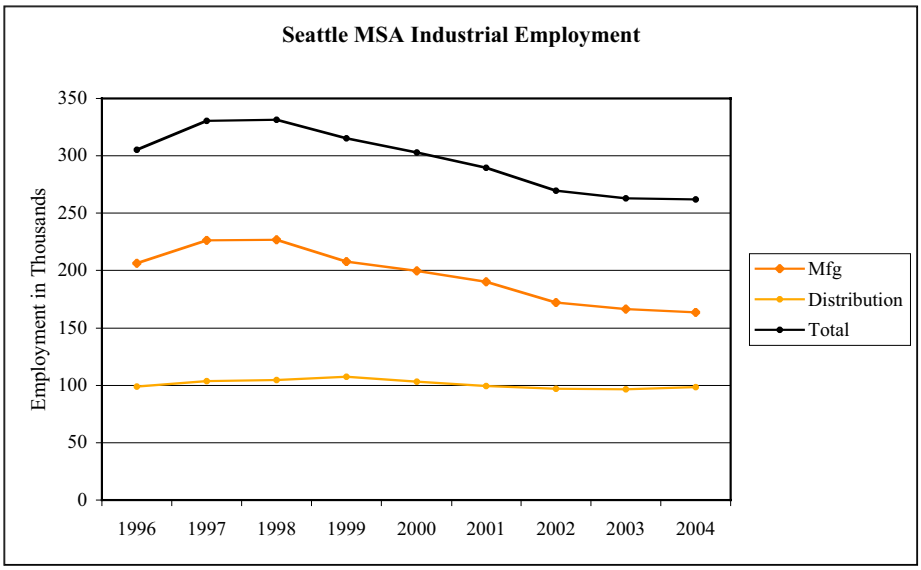
Source: PSRC

In the short term, according to TortoWheaton Research, regional manufacturing is projected to lose employment through year 2004, while distribution remains relatively flat (see Chart 6). Over time, it is clear that the need for new development in the four county region will be spurred by office employment, services, and retail sectors rather than manufacturing and distribution. Trends in employment within Kirkland adhere to a similar pattern.

Kirkland Employment Trends

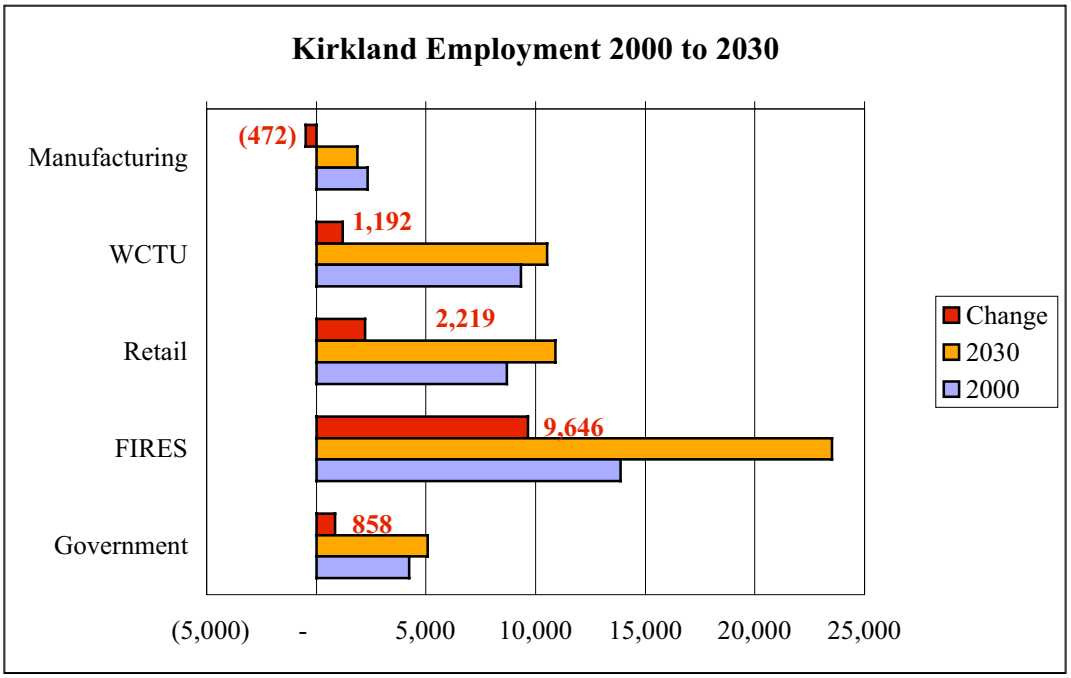
The primary purpose of industrial zoning in Kirkland was, historically, to provide sufficient space for local jobs at family-wage incomes. Over the years, however, the bulk of employment in Kirkland has shifted to technical occupations rather than either skilled or unskilled occupations involving manufacturing or the trades. Kirkland had approximately 39,000 jobs and 45,000 residents in year 2000. Trends from PSRC indicate that employment is shifting from manufacturing to other categories in Kirkland (see Chart 7 below). Consistent with the shift in employment is a demographic shift to higher income groups (see the section on demographics). The demand for housing has resulted in housing values out of the reach of typical industrial employees unless they are long-term residents with existing equity.

Chart 6: Recent Seattle MSA Industrial Employment Trends



Source: TortoWheaton Research

Chart 7: Kirkland Employment From 2000 to 2030

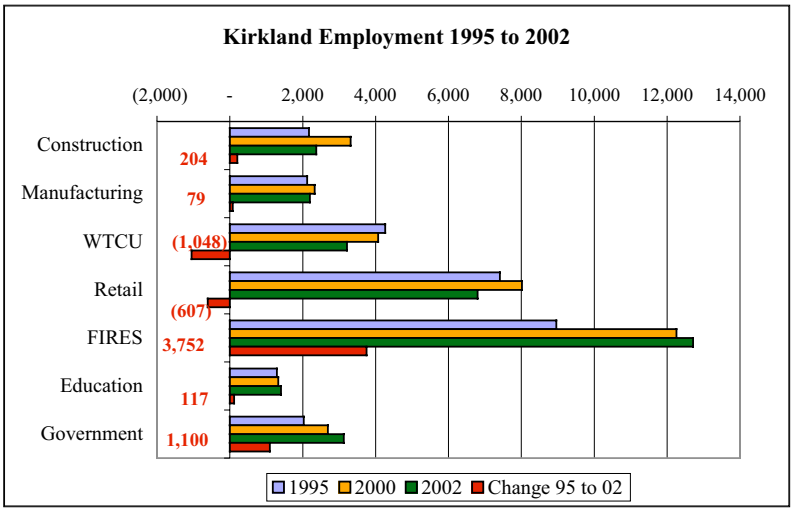


Source: PSRC

Kirkland employment trends projected by PSRC from 2000 to 2030 are presented in Chart 7, above. The largest sector by far is in FIRES employment with over 13,800 jobs. In the case of Kirkland, many of the office jobs are not only in finance or real estate but are office jobs for various sectors including technology. The next sector is Retail with over 8,600 jobs, followed by Warehouse and distribution, Communications, Transportation and Utilities (WCTU) with slightly over 9,300 jobs. In terms of growth in employment by sector, the greatest numbers of new employees were in FIRES, followed by WCTU, Retail, Manufacturing and then Construction. By 2030, 24 percent of jobs are expected to be in industrial land use sectors, (compared with 36.5 percent in 2000), 45 percent in office and services categories, 21 percent in retail and 10 percent in government.[3]

[3] Jobs that use industrial land (not necessarily the broader range of uses allowed by zoning) include construction, manufacturing and warehouse, transportation, communication and utilities (WCTU).

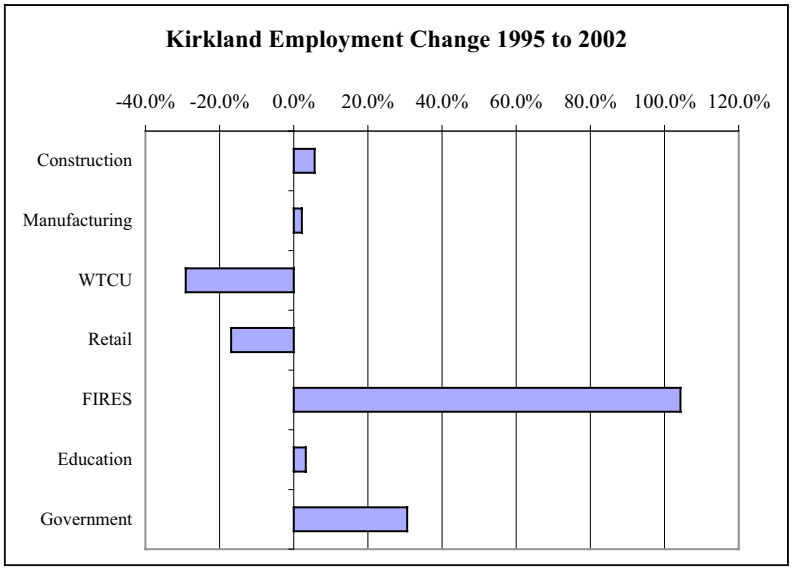
Chart 8: Kirkland Employment Change 1995 to 2002



Source: PSRC

The rate of change by employment sector reveals some interesting trends. Chart 8 shows employment change from 1995 to 2002 while Chart 9 shows *percentage* of employment change from 1995 to 2002.

Chart 9: Percent of Employment Change 1995 to 2002



Source: PSRC

WCTU employment declined approximately 29 percent from 1995 to 2002. FIRES employment grew approximately 104 percent. Manufacturing grew by 2 percent in the same period. Construction provided support services for residential development and the change in office employment. Manufacturing as a primary industry served less of this support function and, in line with national trends, experienced lower growth rates than the other sectors. The decline in

WCTU and Retail shown is consistent with national economic downturn in which fewer goods were shipped, stored and sold.

Jobs provided in Kirkland are not the same as jobs held by residents of Kirkland. As of year 2000, Kirkland residents held 27,454[4] jobs while employment in Kirkland was 38,827. Because of the way data is collected it is not clear whether residents are employed in the city or in other cities, but it does show that at 11,373 must have commuted from outside the city. What is more significant is that of the 19,841 jobs in construction, wholesale trade, warehousing, transportation, utilities and retail, only 7,140 Kirkland residents were employed in these sectors. This means that at least 12,671 people or 64 percent of the employees must have commuted from elsewhere. In contrast, FIRES jobs and residents employment are roughly in balance.

The implications for land use and transportation policy are not clear, but one possible conclusion is that there may be a need for more housing at appropriate pricing for employees for sectors with lower wage employees. Alternately, one might foresee that, over time, shifting demographics will encourage employers to move where their employees live in order to capitalize on lowered commute costs, and employment will shift to higher income jobs that better match the income profiles needed to afford housing in Kirkland. Neither of these possible conclusions is mutually exclusive; as markets change, projections indicate increasing employment in FIRES jobs, and industrial space trends seem to indicate that industrial uses are moving elsewhere, but there will still be a need for housing for people in the other workforce categories which will still be a vital and necessary part of the local economy.

Kirkland Industrial Space Market Costs and Trends

The Seattle metropolitan area industrial real estate market is broken up into 5 submarkets: Downtown, Eastside, Northend, Southend and Tacoma. Kirkland, part of the Eastside submarket, is competing directly with the Northend and Southend submarkets[5]. According to the Kirkland Community Profile, Kirkland currently has 3.2 million square feet of industrial space, at a vacancy rate over 20 percent according to interviews with local brokers. Kent Valley, on the other hand has over 48 million square feet of space. The entire Southend submarket, Kirkland's immediate competition, has over 111,000,000 square feet of space at a vacancy rate of 11 percent. Asking shell rates for Kirkland space are $6.24 per square foot, higher than in Kent Valley ($3.96 to $5.28 per square foot) or other Southend locations except for SeaTac, which has airport related businesses paying more for proximate locations. The triple net charges in Kirkland (costs over and above the rent paid by tenants) are around $0.15 in Kirkland, approximately half of industrial shell rents in Kent. With triple net charges, leasing industrial space in Kirkland can cost much more than industrial space in purely industrial areas such as Kent Valley, but is on a par with Redmond which is experiencing the same shift to non-industrial use as Kirkland.[6]

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[4] Number s from the Kirkland Community Profile

[5] The Eastside submarket includes Bellevue, East King County, Kirkland, Newport/Issaquah, Kirkland, Woodinville, and the I- 90 and 520 corridors. Northend includes Bothell/Kenmore, East Snohomish County, Edmonds/Lynnwood, Everett, Mill Creek/N Creek, North Snohomish County, Northgate/North Seattle and South Everett/Harbor Point. Southend includes Auburn, Federal Way, Kent Valley, Parkland/Spanaway, Puyallup/S Hill, Renton, SeaTac/Burien and Tukwila.

[6] While Kirkland industrial vacancy sounds high, it is comparable to the Bellevue CBD at 25%, Redmond at 18 percent, and better than areas of Seattle such as the Denny Regrade at 42 percent. Rates for space in Bellevue are $0,60 per square foot, while in Redmond rates are at $0.56 per square foot. Redmond has been experiencing a similar shift in industrial to other business as seen in Kirkland.

One of the trends in the current industrial market is for tenants to move from old space to new, more efficient build-to-suit space. This is made feasible by low financing rates. The result is that older space on the market has more difficulty in leasing for its intended use. The current land use trends in Kirkland confirm this, with older industrial/flex space being leased to a variety of non-industrial uses and all industrial use now of light industrial types.

Short-term projections by TortoWheaton Research for industrial space in Kirkland forecast continued high availability rates and low annual absorption. To understand whether there is a continued need for promotion of manufacturing or industrial zoning as a means to support living wage jobs for the residents of Kirkland, one must assess the demographic change in Kirkland and the projected changes to come in the next five years (see the section on demographics, Page 14).

Kirkland Office Market Trends

Kirkland has approximately 4.5 million square feet of office space according to the Kirkland Community Profile. Direct vacancy in 2004 is around seven percent, or 10.6 percent with sublease space included, a lower rate than all eastside markets other than Redmond and the I-90 corridor. Average rents in Kirkland are slightly over $25 per square foot, virtually the same as the downtown Seattle average, and higher than all other eastside submarkets.

Employment trends projected by PSRC indicate that Kirkland is likely to have a greater need for office space than for industrial flex space over the next 25 years. The current vacancy and strong rental rates indicate that Kirkland is a desirable area for office location. Given the relative value of office space rents to industrial rents, office development is also more likely to be economically competitive than industrial/flex space. Currently, office development is somewhat restricted in the industrially zoned areas due to height restrictions of 25 to 35 feet from floor elevation. A typical low or mid-rise office building would be between four and six stories, or 60 to 75 feet in height. Typical retail/office mixed use buildings would be in the range of 65 to 80 feet (the first floor of retail is normally a 15 foot floor height as opposed to office space at 12 feet).

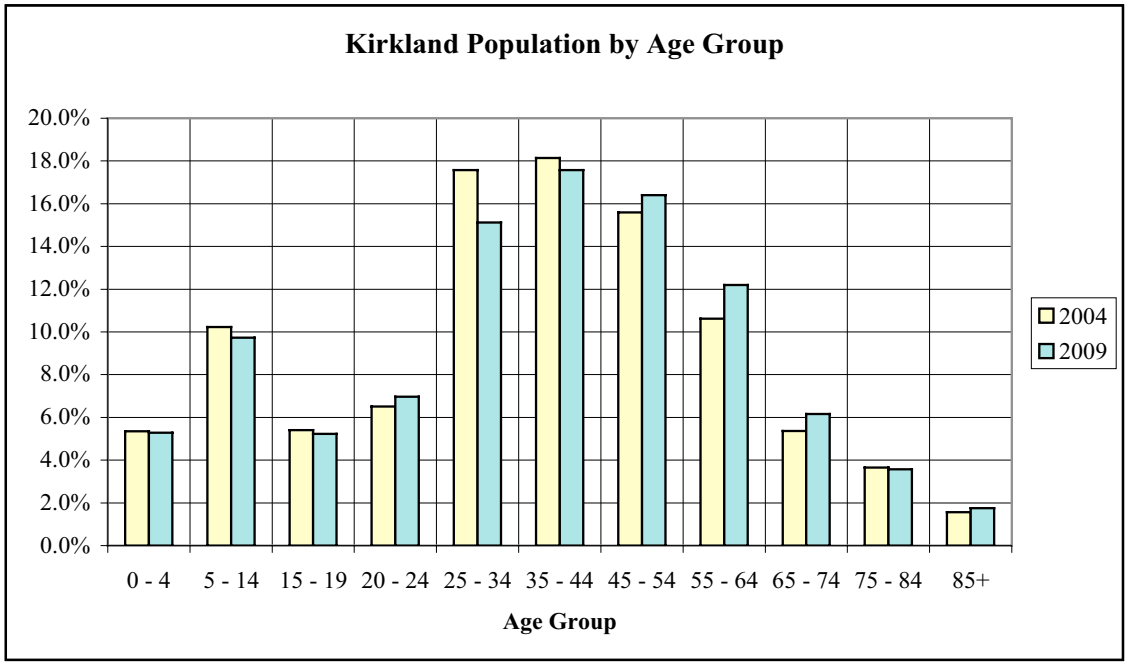
Office users are also sensitive to surrounding land use. According to the Urban Land Institute, "new economy" users are looking for offices with nearby amenities such as cafes, restaurants, banking or ATM's, and services to support long hours at work, such as convenient access to drycleaners and daycare. They also tend to cluster in areas where there are other like businesses and an available workforce. Downtown Kirkland fulfills these requirements, but the industrial areas are less attractive due to the mix of auto sales, older strip malls and other auto-oriented businesses seeking low space rents.

If we examine the employment trends from PSRC, it would appear that Kirkland will have need of something in the range of 2 million more square feet of office space by 2030. In order to develop office for the future through redevelopment it will be necessary to reconsider height limits and surrounding land use for the office use to be feasible and also appeal to the higher end jobs that would employ local residents. The only way to accomplish development on this scale with the existing land resources is to achieve higher floor area ratios. Higher intensity development can make redevelopment a viable option for many properties that are losing market viability because of industrial competition regionally, nationally, and internationally.

Kirkland Demographic Trends

This section discusses current demographic trends in Kirkland, their implications for local employment and for people locally employed to afford living and working in Kirkland. Data were acquired from the 2000 Census and ESRI Business Information Services (ESRIBIS). Projected population change in Kirkland shows a shift toward older households, as shown in Chart 10 below.

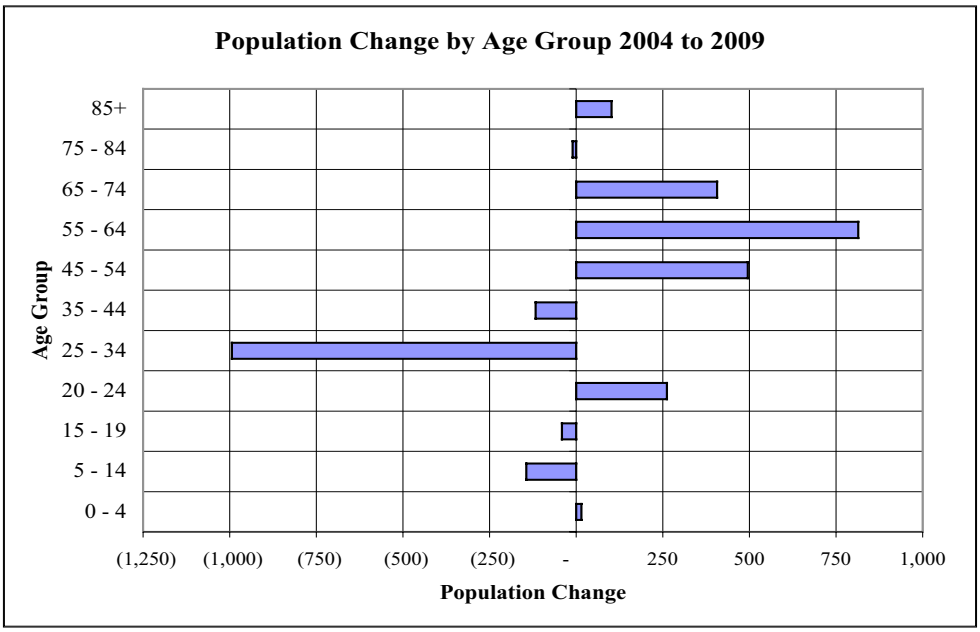
Chart 10: Population by Age Group



Source: ESRIBIS

In order to understand the trend in change, existing population was subtracted from projected population and the result is shown in Chart 11. The greatest positive change is in population between 45 to 74 years of age, and the greatest negative change is in population between 25 to 44 years of age. Some change is simply from age shift occurring over a five year time period, but the trend is marked enough to allow the conclusion that Kirkland is shifting from younger family households to older, smaller households likely to have fewer children at home.

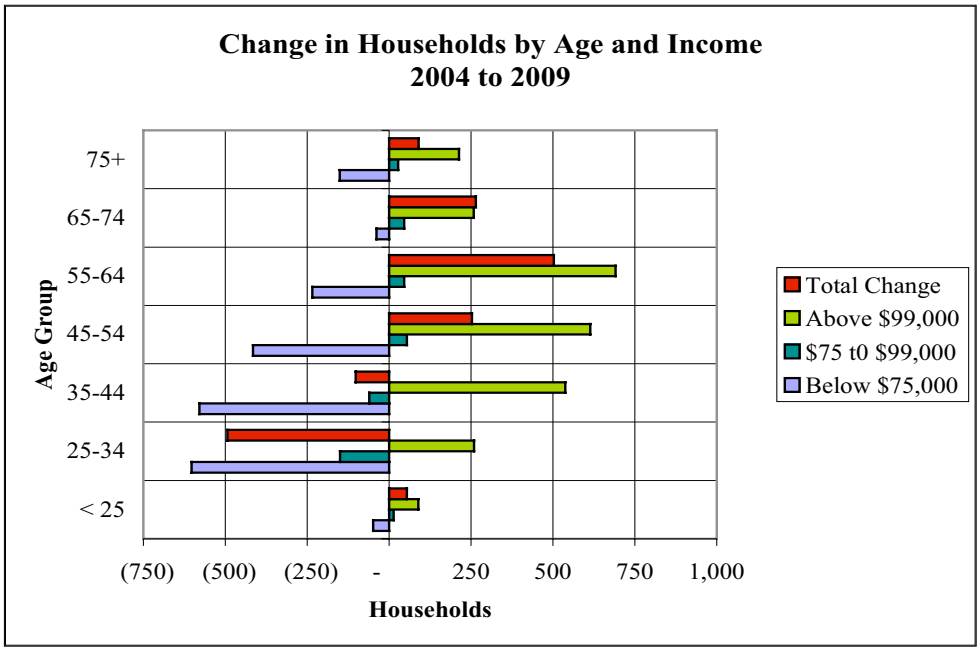
Chart 11: Population Change by Age Group



Source: ESRIBIS

To further understand change in Kirkland household change by age and income was examined and is illustrated in Chart 12.

Chart 12: Household Change by Age and Income

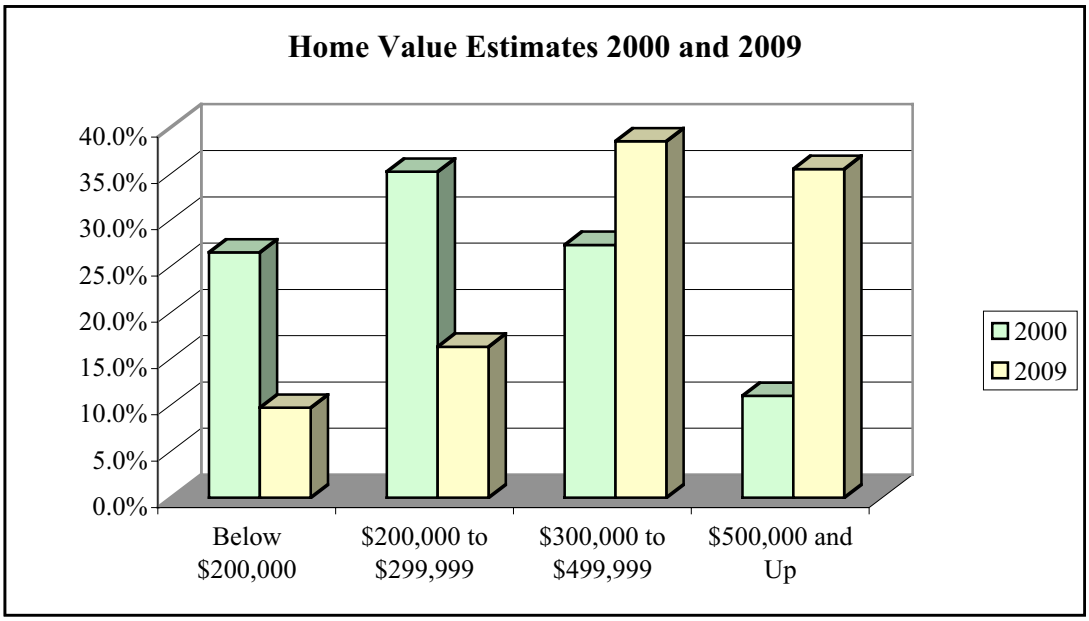


Source: ESRIBIS

When we examine household change by age and income we find that in general, households with annual incomes below $75,000 are decreasing, while those with incomes above $99,000 are increasing. This indicates that while some households are gaining in income there is also some amount of replacement taking place in which lower income households leave and higher income households move in.

In response to demographic change housing pricing in Kirkland has increased. According to the Kirkland Community Profile, average rents in Kirkland increased from $624 in 1990 to $1,241 in 2001, and average home sale prices increased from $172,196 in 1996 to $267,508 in the first quarter of 2000. According to the 2000 census, the average value of an owner occupied unit (all units, not just those for sale) in Kirkland was $318,000, and estimates from ESRIBIS indicate that this value has increased to $399,000 in 2004. Should this trend continue the average home value is expected to rise to approximately $497,000 by 2009.

Chart 13: Home Values 2000 to 2009



Source: Census Bureau and ESRIBIS

Chart 13 shows home values from the 2000 Census and estimated values by 2009. It illustrates that homes below $200,000 in value will constitute less than ten percent of the housing stock, while homes over $500,000 will rise from ten percent to approximately 40 percent of stock by 2009. In aggregate, in 2000, homes under $300,000 in value made up about 64 percent of stock. In 2009, homes with values *over* $300,000 will make up about 70 percent of stock; those below $300,000 will make up about 30 percent.

The implications of age shift and income shift are that given the limited land base, housing prices have been bid upward out of the price range of moderate income households, and that fewer residents in Kirkland will be working at lower wage jobs as this change continues. To balance the demographic and housing changes with employment will require a shift from lower to higher wage employment within the city if housing-jobs balance is a policy goal.

Kirkland Industrial Trends Interviews

As part of the process for this study, interviews were conducted with current tenants, owners and brokers of industrial land in Kirkland. Their comments reflect a history of the change in Kirkland, assessments of current conditions for industrial use, speculations on future use, and ideas for the retention of existing local businesses. The interview comments are summarized below. These comments are the opinions and perceptions of those interviewed. While one can agree or disagree on some points, and individual comments may not be in agreement with others, they are important because they reflect the perceptions and beliefs of current users, tenants, owners and brokers of industrially zoned land uses in Kirkland.

Land

Land Pricing for industrial has risen to $12 per square foot, expensive for distribution but not unreasonable for offices.

Interviewees expressed that the lack of available land and rising land pricing are an issue for continued industrial flex space development. One business user noted that at current land prices a new industrial or wholesale business could not afford to locate in Kirkland.

At the same time, one interviewee believes that while manufacturers are unlikely to locate in Kirkland, they would locate their offices in Kirkland's industrially zoned land.

Trends in Use

All of those interviewed felt that use is shifting toward non-industrial and high-tech uses. It was noted that heavy industrial has left Kirkland and that leasing of older industrial/flex facilities is going to retail and services such as Pump It Up, uses requiring large spaces such as batting cages, and various types of office use.

Recent departures of several large tenants have produced the major vacancies in Kirkland. These include the Sedorco facility, and the Totem Lake Commerce Center. Reasons quoted include difficulty re-leasing included obsolete building type and lack of built-in building systems or difficulty in building configuration. The soft markets in industrial and office were also quoted as difficulties. The market rent for industrial for existing stock in Kirkland was seen as less competitive than other areas.

Another factor quoted was a lack of agglomeration, i.e. that with diminishing industrial use, prospective tenants of industrial space believed that they would be "isolated" and perhaps subject to complaints about noise, traffic, or round-the-clock work shifts.

It was felt by all interviewed that land pricing makes higher density use necessary to pay for the land.

Perceptions of Regulation

Interviewees differed in their opinions on working with the city. Opinions ranged from "easy, much better than Redmond," to "change is too difficult."

It was felt by interviewees that the zoning no longer matches the needs of the market in several ways. Industrial density limitations are seen as precluding higher uses that would allow the re-use of old industrial sites. The relative proximity in some areas of residential and nearby retail and service use are seen as conflicts for industrial use that could be opportunities for future use if zoning were changed to allow office, or mixed use at higher density.

Automobile sales were cited as incompatible with high tech and professional office use, but not incompatible with construction supply uses or warehouse/distribution uses.

When asked how zoning should be altered for the areas it was felt that the current flexibility for retail and services is useful but that the industrial construction types outlined in the code (including height) were hampering redevelopment.

Several interviewees felt that there was a need for greater certainty in the approval process, both in achieving approvals but also in not approving uses in areas where they are incompatible with existing uses or planned proposed uses.

Labor

Those interviewed felt that much of the industrial labor force had to come from outside the city because wage rates would not support housing ownership in Kirkland. One interviewee noted that only employees who arrived in Kirkland before the current pricing rises were able to afford the area.

It was felt that the local labor force is shifting toward office-based employment including professional services, high-tech occupations and financial occupations (this is confirmed by the enumeration of employment by residence cited in the Kirkland Community Profile as well as long-range trending by PSRC).

Conclusions on Industrial Zoning in Kirkland

This study was started with a series of questions to be answered:

- First, given the industrial zoning specified, whether lands designated for industrial or manufacturing uses will likely retain and attract the businesses intended or whether the demands and needs of new users will find the overall characteristics of the area insufficient for their locational needs;
- Second, based on the study findings, what types of City actions might be needed to attract or retain manufacturing/industrial uses in Kirkland?
- Third, if industrial is less likely, what are the alternatives and how is the transition between uses accomplished?

To answer the first question, the first major conclusion regarding industrial zoning in the study areas is that the shift from manufacturing, warehouse and distribution uses to other uses is already a factor in the leasing of industrial/flex space. Finding industrial users is increasingly difficult, and warehouse and distribution uses are moving regionally to areas with newer, less costly stock and a local labor force that can live in reasonably close proximity at moderate wage rates. The

trend in spec built industrial and warehouse space is occurring elsewhere on less valuable land with highway access.

The combination of demographic change, home pricing, rising land values, regional traffic congestion, and shifts in projected employment militate against the continued feasibility of low-cost space for industrial that can remain competitive in regional and international markets. The trends indicate, on the contrary, that an emphasis should be placed on the creation of higher density employment space for financial, insurance, real estate, services and "tech" uses that can employ higher wage local residents of Kirkland and can afford the land and development costs for higher density.

At the same time, employment trends through 2030 indicate a continued demand for space for WCTU land uses. To remain competitive these uses will require newer buildings wired and constructed for the integration of information technology into operations. This will likely require redevelopment, rather than refitting of older building stock.

The answer to the second question is more complicated and requires elaboration. Zoning does not match current use or market conditions, but it appears that redevelopment can occur if higher-density use is allowed where appropriate. As noted in the section on current land use, the existing floor area ratios are very low for many of the current uses such as office and retail use. To understand the implications of allowing densities that would match market conditions, the capacity of the area under redevelopment was examined and is illustrated in Table 3 and Table 4, below.

Future Capacity at Higher Densities

Between 2000 and 2030, Kirkland is projected to gain over 10,000 new employees. Using typical ratios by type of employment, the total need for future space for new employment is almost four million square feet in FIRES, Manufacturing and WCTU categories (see Table 3).

Table 3
Land Needed for Employment Change 2000 to 2030

	FIRES	MFG	WCTU	Totals
Employment Change	9,646	(472)	1,192	10,366
Square Feet/Emp	221	570	655	255
Use Square Feet	2,131,766	(269,040)	780,760	2,643,486
FAR	1.00	0.25	0.25	0.63
Land Square Feet	2,131,766	(1,076,160)	3,123,040	4,178,646
Acres	49	(25)	72	96

If one assumes current feasible floor are ratios for each type of employment space, the land required is approximately 96 acres (not including rights of way). If redevelopment of obsolete space is assumed for the industrial areas at typical floor area ratios (see Table 4), it may be possible to accommodate 70 percent of office for FIRES use and all Manufacturing and WCTU use within the existing industrial zones, with a reserve of land for future employment or other uses. Keeping in mind that the time horizon for change is 25 years, it is not implausible that redevelopment can produce more efficient land use in Kirkland. The question is not whether

these uses will ever take place, but rather how to seize the opportunity that future employment change represents for the citizens, businesses and landowners in Kirkland.

Table 4

Current Building Space Use Use

	A	B1	B2	C	D	E	Total Use SF
Auto	84,804	0	90,700	40,470	1,750	0	217,724
Contract	17,252	0	82,882	8,700	20,140	926	129,900
FIRE	5,713	48,299	0	2,587	34,074	0	90,673
Institutional	3,100	42,761	0	5,685	11,400	0	62,946
Manufacturing	39,500	10,100	92,091	30,800	139,431	0	311,922
Professional	4,027	109,488	30,524	10,227	30,662	52,218	237,146
Retail	24,900	31,023	71,011	11,500	28,756	3,900	171,090
Tech	12,015	221,481	31,000	7,600	2,680	2,000	276,776
Services	44,100	56,360	117,674	95,888	106,715	10,419	431,156
Wholesale	24,139	39,583	126,490	63,700	82,409	1,200	337,521
Total Use	259,550	559,095	642,372	277,157	458,017	70,663	2,266,854
Land Area	1,825,629	3,243,100	2,971,353	1,130,816	2,057,942	296,095	11,524,935
FAR of Use	0.14	0.17	0.22	0.25	0.22	0.24	0.20

Land Needed At Efficient Floor Area Ratios

Fire/Pro Space	9,740	157,787	30,524	12,814	64,736	52,218	327,819
Land @ FAR of 1	9,740	157,787	30,524	12,814	64,736	52,218	327,819
Retail/Services/Tech	81,015	308,864	219,685	114,988	138,151	16,319	879,022
Land @ FAR of 0.4	202,538	772,160	549,213	287,470	345,378	40,798	2,197,555
Con/Mfg/Wh	80,891	49,683	301,463	103,200	241,980	2,126	779,343
Land @ FAR of 0.3	323,564	198,732	1,205,852	412,800	967,920	8,504	3,117,372
Land Req w/o auto	535,842	1,128,679	1,785,589	713,084	1,378,034	101,520	5,642,746
Plus Auto Land	853,421	0	521,453	259,784	136,911	0	1,771,569
Total Land Required	1,389,263	1,128,679	2,307,042	972,868	1,514,945	101,520	7,414,315
Acres	31.89	25.91	52.96	22.33	34.78	2.33	170.21

Future Land Scenario After Redevelopment

Total Currently Used	41.91	74.45	68.21	25.96	47.24	6.80	264.58
Less Efficient Use for Current Space	(31.89)	(25.91)	(52.96)	(22.33)	(34.78)	(2.33)	(170.21)
Less Future Need for Mfg/Wh/Dist/Comm/Trans/Utils							(46.99)
Less Future Need for 70% of FIRE/Tech/Services (from PSRC)							(34.26)
Remainder							13.12

Table 4 above outlines how much land would be required to meet future needs for employment based upon redevelopment of obsolete stock and achieving more efficient land use. If land use can be made more efficient through redevelopment, the current level of use will take approximately 101 fewer acres and the city will be able to accommodate all of its WCTU employment through 2030 with currently zoned land resources (manufacturing employment is expected to decline and thus use less land than today). A further assumption was that 70 percent of office use (FIRES) could be placed within the study area. With these assumptions there is still a reserve of land for future use

The third question regards city actions to achieve the best use of the industrial areas given the conclusions above. While there is no crystal ball available to tell one exactly what areas of business and commerce will be important over the long time period discussed in projections, several areas of action suggest themselves: actions to retain industrial businesses, actions to enhance redevelopment and actions to create the conditions that will attract new business. Needless to say, many of these actions overlap the categories and to make a transition from existing to future use a number of possible actions should be evaluated.

The most effective change possible is not in the hands of the city, but in the inclinations and actions of property owners of obsolete stock. Because of market changes, industrial zones have become targets for non-industrial use seeking lower rents. As old industrial stock becomes less useful for its intended use it is leased for other uses to the point that true industrial use becomes isolated. As noted in the Comprehensive Plan, businesses cluster together. When an area becomes predominantly non-industrial, it is less attractive to industrial users. Over time, in areas where industrial use has diminished, owners of industrial properties will seek to lease to other uses, making conflicts of use even more likely for remaining industrial uses. This trend is also likely to drive up land pricing faster than would occur in primarily industrial areas.

In considering city actions for these areas it is suggested that the idea of clustering business, providing buffers or transition zones between uses and re-aligning ideas of what is required to attract new business be made the focus of changes. For instance, many retail uses allowed currently do not fit well with industrial use but would be excellent land uses as transitions between industrial and residential land uses. In some cases higher density residential could augment and act as a transition buffer between lower density residential and office/tech use. Office/tech can act as a transition between industrial and commercial areas. At the same time, the "new employment" desired does not need to be placed under industrial zone regulations, but may be an entirely different employment center with its own guidelines for streets, setbacks and mix of uses. These ideas are elaborated in the actions listed below.

Actions to Retain Business

- **Zone for industrial with a finer grain than is done currently**

Current zoning applies to large areas that contain a wide variety of conditions. It is suggested that zoning be examined around existing viable industrial flex and that smaller industrial areas be identified and reserved for retaining industrial use for existing facilities and future WCTU employment. In these identified areas zoning should perhaps be less broad than the current regulations, which allow a number of uses that are eroding the industrial character.

- **Buffer needed industrial from neighborhoods and other high traffic use that could cause conflict with truck traffic, noise issues and working hours.**

Upon identifying the areas where industrial flex is to be retained, create buffers as transition zones that allow the range of non-industrial businesses specified in the current ILC and LIT codes, such as the retail and service uses that could also interface with the edges of surrounding commercial and residential zones.

- **Make an Auto Row Designation separate from Tech land use – group with wholesale trade and distribution use, strip centers or buffer from tech and business park areas**

Automobile sales are a high value use for the city and the sales agencies tend to cluster together. They can group well with wholesale and distribution uses in areas with high visibility not needed by more industrial types of use. They are not as good a fit with professional, office, and high tech users. Because the zoning for tech areas also allows auto sales without any specification regarding location, any site can be converted to auto sales by right and lessen the potential for attracting new office uses. For this reason, it is suggested that actual areas be designated for auto sales rather than simply an inclusion in the code that is not site specific. This would encourage the clustering of auto-oriented businesses without producing conflict for other uses that are not inherently auto oriented. If done carefully, such areas can also act as land banking for more intensive uses if the auto-oriented uses become less viable over time.

Actions to Enhance Redevelopment

- **Adjust zoning for sites overtaken by non-industrial use to better match future employment and neighborhood trends**

There are sites currently zoned industrial that are now surrounded by non-industrial use and could be better used for more intense development. For these sites, the only option for owners is to lease to non-industrial uses or to redevelop. Some sites may now be appropriate for office use but cannot be feasibly redeveloped under existing height and use restrictions. Keeping in mind what has been suggested regarding reserving and retaining areas for industrial use, a careful re-evaluation of areas not so reserved could allow redevelopment for future office or tech use and such redevelopment can act as a buffer to more industrial or more residential use adjoining depending upon the character of the area.

An example might be a site in the LIT zone with has an existing obsolete industrial structure surrounded by retail and low-intensity office use. Such a site when redeveloped could accommodate live/work space, mixed-use office/retail, professional offices or tech uses, or a combination of these uses. The difficulty for such a site is that current limits preclude this intensity of redevelopment. As a result the owner is likely to lease to short-term business and non-industrial uses. A four-acre site could be programmed for 150 live/work units, 160,000 square feet of office, 100,000 square feet of office with another 30,000 to 40,000 square feet of retail, or a mix of these uses to match the conditions of the adjoining properties. This would convert an underused liability for the owner into a catalyst for future development.

- **Consider some conversion to residential buffers where adjoining residential areas and current use make industrial infeasible**

Where surrounding use is primarily residential and non-industrial uses predominate, it may be most useful to redevelop some sites into residential types that can act as a buffer between low-density neighborhoods and higher intensity office/tech. Medium-to-high density residential and office tech use are not in conflict and residential can act as an effective buffer that reinforces and preserves adjoining residential while providing residential opportunities for employees of the adjoining employment area.

- **Resolve zoning to allow very clear certainty for redevelopment.**

There is such a wide variety of uses allowed in the industrial zones that a user seeking a high quality employment area has no certainty that new use on an adjoining property will not be for low-density uses that may not be compatible. While areas are needed for all the retail and service uses included in the code, the uses are a grab-bag, with some that are compatible with future employment trends and many that are not. It is suggested that in areas where office tech uses are desired that many of the current allowed retail and services not related to business or services needed by business and employees be made conditional, and that purely auto-oriented services be allocated to other areas.

Actions to Create Conditions for New Business

- **Alter code for tech/professional office/FIRE areas in LIT, ILC and PLA areas so that they can be designed for amenities with retail, services, etc.**

Tech and office users favor different environments than do purely industrial users or wholesale and distribution users. Tech/office can exist in an environment with shared parking, retail and business services. They do not need industrial type street or parking standards and can appreciate a greater mix of uses. Amenities such as pedestrian-oriented development that includes cafes and restaurants, daycare services, dry-cleaners, banking or ATM facilities, software sales, and potentially even live-work space are feasible and attractive. Other tech users may want an "office park" type of environment that does not include auto-oriented uses but does have trails and open space, with limited business serving retail within the park.

- **Adjust height limits and floor area ratios in ILC and LIT to enable conversion to higher density employment**

The current height limits in ILC and LIT are too low for the financial feasibility of redevelopment. The PLA zones in this study allow six stories. The code should be re-examined and refined with regard to specific areas for redevelopment, and in identified areas for redevelopment to attract office/tech uses height limits and floor area ratios should be raised.

- **Setbacks – create differing standards for tech/office areas and industrial areas**

The setbacks required in industrial areas are inappropriate and unnecessary for office/tech uses. There is no reason for office buildings not to adjoin sidewalks, and less necessity for screening landscaping and other site mitigations seen in industrial areas designed aesthetically for passing

auto traffic. Large setbacks prevent the viability of mixed-use business by precluding a pedestrian environment that is inviting.

- **Truck streets vs. Ped Streets**

Industrial area streets are typically designed for large trucks, with standards requiring large rights of way without parking. These are unnecessary for tech and office uses and their associated retail and service businesses. It is suggested that street standards for tech/office areas approximate business district standards to allow on-street parking, pedestrian street width, pedestrian sidewalks (twelve to sixteen feet), pedestrian lighting and minimal building setbacks. The object of this is to create employment centers that have a distinct and identifiable sense of place, with pedestrian oriented amenities for employees.

The Individual Areas

- **Area A Upper Totem Lake**

Current Use: Automobile oriented 33 percent, services 17 percent, retail 9.6 percent, wholesale 9.3 percent, other uses minor

Buffer Uses: Retail, service automobile, minor tech use, residential where appropriate

Potential Actions: Possible auto row location along NE 124th Street with good freeway and arterial visibility and access

- **Area B1 405 Business Park**

Current Use: Technical 40 percent, professional 20 percent, Institutional 7.6 percent, wholesale 7.1 percent, retail 5.5 percent, stock from the 80's and 90's

Buffer Uses: Retail and service

Potential Actions: Area is mostly built out, but there may be opportunity for infill office and some opportunity for adjoining housing

- **Area B2 Parmac**

Current Use: Wholesale 19.7 percent, services 19.3 percent, manufacturing 14.3 percent, professional offices 9.6 percent, minor technical use, approximately 60 percent of stock from 1960's

Buffer Uses: Mostly residential built within the last 25 years

Potential Actions: This area represents a major redevelopment opportunity for the city with over 400,000 square feet of stock from the 1960's at very low floor area ratios. At the same time it includes a number of viable businesses in existing older stock. It is suggested that the

manufacturing and services zoning be retained but that the longer term planning focus engage redevelopment potential through a relaxation of height limits, setback standards, street standards and other aspects of purely industrial zoning. There are many retail and service uses that may be compatible here but the intent is not to allow typical one-story low cost buildings even if new. Higher density, higher intensity and mixed use is preferred. This is an area where live/work or higher density housing could act as a buffer between existing uses while the area transitions to higher density use over the time period of the PSRC projections (2030). The ultimate use of the area could be a new employment zone as suggested above. Because of the surrounding residential use this area has a high potential in the long term horizon for creating employment that would correspond directly to the residential communities surrounding it with pedestrian streets, retail mixed use and technical and professional employment.

- **Area C Norkirk**

Current Use Services 35 percent, wholesale 23 percent, automotive 15 percent, manufacturing 11 percent, most stock built in the 1980's

Buffer Uses: Mostly residential, with CBD6 commercial and small amounts of PLA 5c, 5d

Potential Actions: Consider some rezoning to uses such as live work or two story mixed use employment as buffer to reduce conflict between single family residential and existing vital services, wholesale and manufacturing uses

- **Area D Moss Bay**

Current Use: Manufacturing 30 percent, services 23 percent, wholesale 18 percent, office/professional/tech 14 percent

Buffer Uses: mixed between PLA 5e, 5d, 6d and 6f, and BC and residential

Potential Actions: On obsolete sites consider clustering office or mixed use, buffer residential by allowing some conversion of zoning, keep retail focused in one area to maximize its value and limit non-industrial uses in viable manufacturing and wholesale zones to preserve existing vital business.

- **Area E Rose Hill**

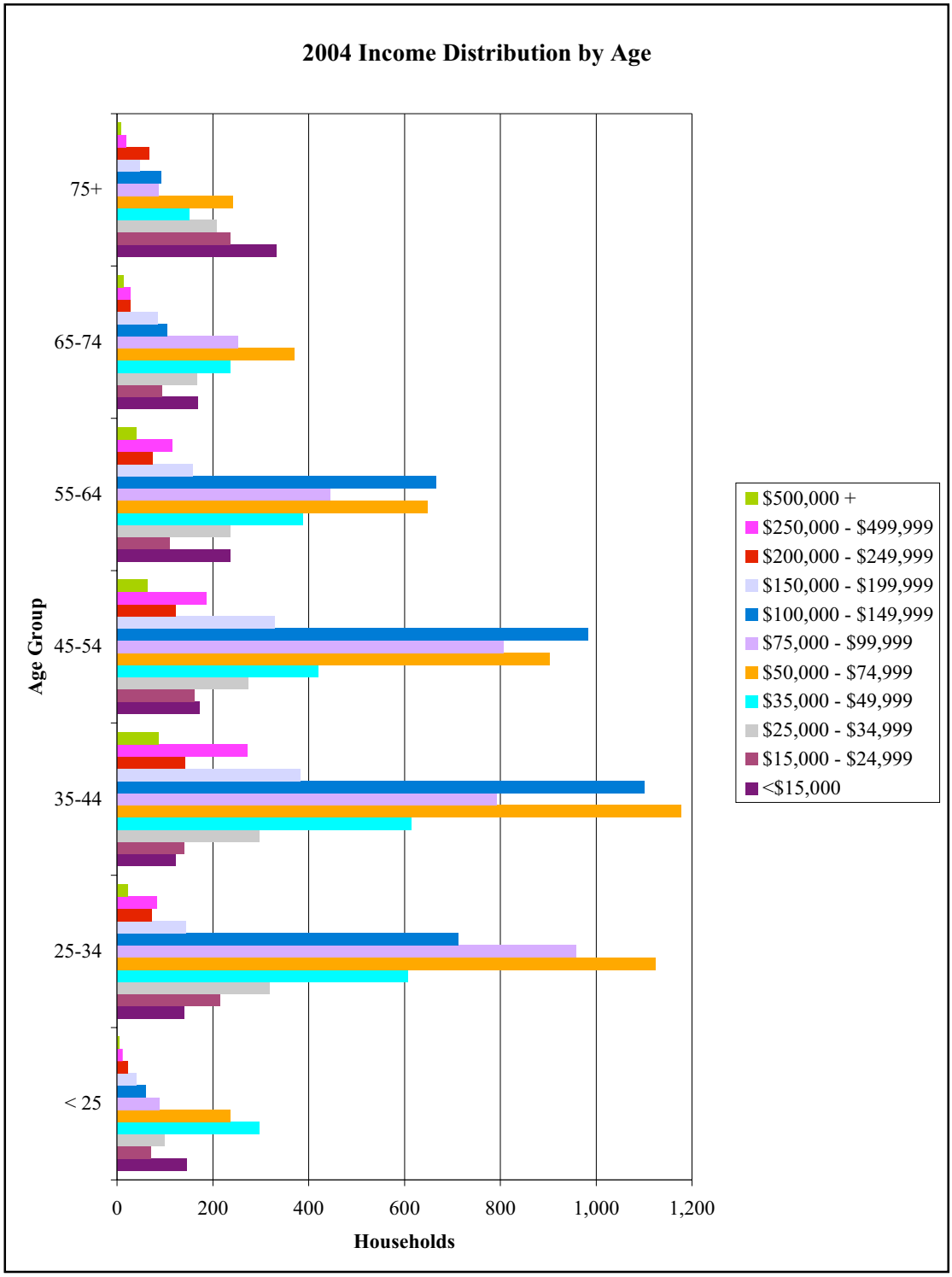
Current Use: Mainly Technical/professional at 76.7 percent.

Buffer Uses: Mostly retail and services

Potential Actions: Suggest rezoning to a new employment zone to allow intensification of major uses.

Appendix

Age By Income 2004
Zoning Codes in the Study Areas



Source: ESRIBIS

Zoning Code in the Study Areas

BC	Section 45.10
LIT	Section 55.15
ILC	Section 57.15
PLA 6G	Section 60.87
PLA 10B	Section 60.142
PLA 11	Section 60.152

Attach Sheets to Document

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A VIEW FROM CORPORATE AMERICA

THIRD EDITION

FINAL REPORT
SEPTEMBER 2002

I

INTRODUCTION AND METHODOLOGY

In 1996 and then subsequently in 1999, Development Counsellors International (DCI) conducted surveys of corporate executives to determine the "customer's perspective" on the most effective strategies and techniques in economic development marketing. **In 2002, DCI directed a follow-up survey to determine changes in the perceptions of corporate leaders in the United States.**

A random selection of 2091 companies with annual revenues of $100+ million was selected. The survey targeted executives with direct site selection responsibilities and was heavily weighted toward the following business titles: "Chief Executive Officer," "President," "Chief Financial Officer," and "Vice President." In addition, 158 U.S.-based site selection consultants were included in the survey sample.

Questionnaires were accompanied by a personalized letter from DCI's President, Andrew Levine, and were mailed to the survey audience.

Completed questionnaires were returned to DCI for processing. A total of 287 completed surveys were received. All surveys were edited for completeness and the responses to open-ended questions were coded. A copy of the questionnaire and cover letter can be found in Appendix A.

Every sample survey is subject to sample error, that is, the amount the actual data would be expected to vary from results that would be obtained if the entire population, as defined, were interviewed. The maximum expected sampling error for this study of 287 corporate executives is ±5.5% at a 95% confidence level. That is, if 100 samples were drawn from the same population of businesses, 95 times out of 100, the responses would vary 5.5 percentage points from what would normally be obtained if a complete census of the same businesses were conducted.

It is important to note this is a study of perceptions. A perception is an attitude, belief or impression and not necessarily a reflection of reality. Business executives have certain identifiable opinions and beliefs about doing business in the United States and Europe. Some of these perceptions may be accurate and some may be genuine misperceptions.

II

COMPARATIVE RATING OF INFORMATION SOURCES INFLUENCING PERCEPTIONS OF BUSINESS CLIMATES

In all three studies, the respondents were asked to select the "three leading sources of information" influencing their perceptions of a state or region's business climate. The 1996 study had 12 possible sources – *articles in newspapers and magazines, business travel, dialogue with industry peers, direct mail, meetings with economic development groups, national surveys, personal travel, print advertising, TV/radio advertising, TV/radio newscasts/shows, word of mouth and other.* In the 1999 and the current studies, *on-line sources* was added to this list.

In the recent study, the three leading sources of information overall were identified as:

- Articles in newspapers & magazines 62%
- Dialogue with industry peers 56%
- Business travel 47%

In fourth place, "word of mouth" follows at a distant 29%. "National surveys" and "Meetings with economic development groups" follow with 23% and 21%, respectively. The remaining sources listed were identified by 20% or less of the respondents.

The following table illustrates the findings of the 2002 survey.

Table 1:
LEADING INFORMATION SOURCES ON BUSINESS CLIMATE
(2002 Survey)

Sources	Respondents	Change since 1999
Articles in newspapers & magazines	62%	⟷
Dialogue with industry peers	56%	↓
Business travel	47%	⟷
Word of mouth	29%	↑
National surveys	23%	↓
Meeting w/ economic development orgs.	21%	↓
TV/Radio newscasts/shows	14%	↑
Personal travel	14%	↑
Other	14%	↑
On-line sources	9%	⟷
Print advertising	4%	⟷
Direct mail	2%	⟷
TV/Radio advertising	0%	⟷

These results when compared to the 1996 and 1999 responses show significant changes. **As the table below demonstrates, while U.S. corporate executives remain steadfast in the three leading sources information influencing their perceptions of an area's business climate, the relative importance of these sources has shifted.** "Articles in newspapers in magazines" has moved into first place for the first time.

Table A:
COMPARATIVE INFORMATION SOURCES
(20002 v. 1999 v. 1996 Surveys)

Sources	**2002**	**1999**	**1996**
Articles in newspapers & magazines	62%	61%	60%
Dialogue with industry peers	56%	71%	68%
Business travel	47%	45%	52%
Word of mouth	29%	21%	24%
National surveys	23%	31%	34%
Meeting w/ economic development orgs.	21%	27%	24%
TV/Radio newscasts/shows	14%	7%	4%
Personal travel	14%	8%	21%
Other	14%	8%	15%
On-line sources	9%	9%	-
Print advertising	4%	3%	4%
Direct mail	2%	3%	1%
TV/Radio advertising	0%	1%	0%

It is important to note that although "articles in newspapers and magazines" moved into first place, the percentage of executives to choose this source remained stable. "Dialogue with industry peers," in the number 2 spot, dropped significantly from its high point at 71% in 1999 to only 56% in 2002. "National surveys" also dropped significantly, from a high of 34% in 1996 to a 23% rating. **"On-line sources" which was expected to gain in importance, instead garnered the same percentage of responses in 2002 as in 1999, 9%.**

III

COMPARATIVE RATING OF MARKETING TECHNIQUES

The respondents were asked to rate the effectiveness of eight marketing techniques used as a means of reaching corporate leaders considering a new site location. These techniques, frequently used in economic development marketing, were rated on a 1 to 5 scale, where 1 equals "poor" and 5 equals "excellent."

When combining the percentage of responses which were either a "4" or a "5", "planned visits to corporate executives" received 53%. This technique also received the highest rating in the 1996 and 1999 studies. In the 2002 study, the ratings were as follows:

TABLE 2:
MOST EFFECTIVE MARKETING TECHNIQUES
(% Rating 4 or 5 on a 5-point scale)
(2002 Survey)

Technique	Percentage	Change since 1999
Planned visits to corporate executives	53%	⇧
Public relations/publicity	40%	⇔
Hosting special events	37%	⇔
Internet/Web site	34%	⇔
Direct mail	33%	⇧
Trade shows	32%	⇩
Advertising	21%	⇔
Telemarketing	4%	⇔

Once again, U.S. data from the 1999 study and the original 1996 data were used to draw comparisons with the most recently collected. The following table illustrates this comparison.

Table B:
COMPARATIVE MARKETING TECHNIQUES
(% Rating 4 or 5 on a 5-point scale)
(2002 v. 1999 v. 1996 Surveys)

Techniques	2002	1999	1996
Planned visits to corporate executives	53%	46%	53%
Public relations/publicity	40%	38%	39%
Hosting special events	37%	42%	39%
Internet/web site	34%	37%	18%
Direct mail	33%	25%	25%
Trade shows	32%	45%	39%
Advertising	21%	19%	19%
Telemarketing	4%	6%	7%

It is noteworthy that "public relations/publicity" moved up in the ratings, returning to the number 2 spot it held in 1996. "Internet/website" moved from the number 5 spot to number 4, though with a slightly smaller percentage than it had in 1999 (34% v. 37%). "Trade shows" lost ground since our last study, losing 13 percentage points and falling to sixth place.

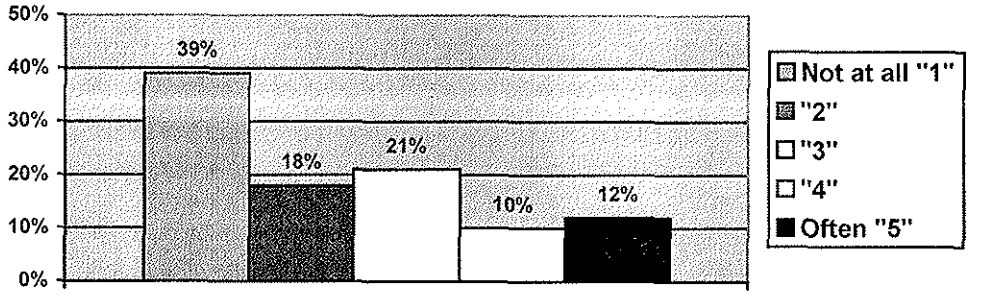
IV

THE INTERNET'S ROLE IN CORPORATE SITE SELECTION

The respondents were asked how often the Internet was used as a source for information in their last site search. A scale of 1-5, where 1 equals "Not at all" and 5 equals "Often," was used. **A lower than expected, twenty-two percent indicated either "4" or "5" in response to this question.**

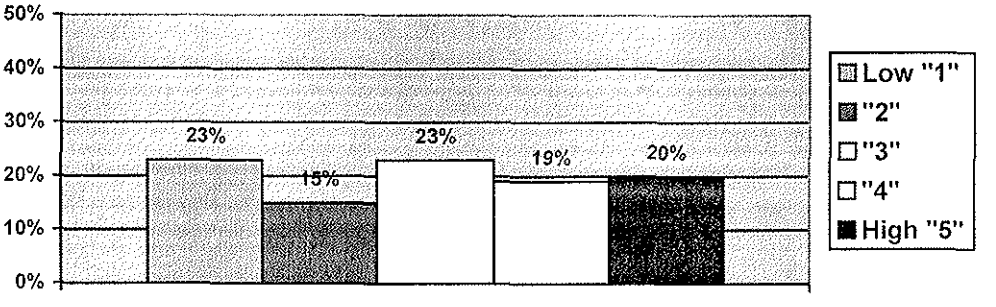
The breakdown of all responses follows.

Chart 1:
USE OF THE INTERNET DURING SITE LOCATION SEARCHES



Respondents were also asked the **likelihood of visiting an economic development organization's website during their next site location search.** Thirty-nine percent answered "4" or "5", on a scale from 1 to 5, where 1 equals "low" and 5 equals "high." The following chart summarizes all responses.

Chart 2:
LIKELIHOOD THAT AN ECONOMIC DEVELOPMENT ORGANIZATION'S WEBSITE WOULD BE VISITED DURING NEXT SITE SEARCH



Respondents were presented with a list of twelve features that are commonly included in the design of an economic development organization's website:

- *directory of available buildings & sites,*
- *list of leading local employers,*
- *demographic information (e.g. population size, average income, age distribution),*
- *information on local schools (including colleges and universities),*
- *information on available incentives,*
- *news section that describes current developments,*
- *testimonials from local companies,*
- *photos/maps of the community,*
- *information on quality of life (e.g. residential neighborhoods/ recreation options),*
- *information about the community's target industries,*
- *current comparisons to competitor locations (e.g. cost comparisons) and*
- *website sitemap.*

Survey participants were asked to select the features that are most important to the usefulness of the website.

The top three responses were:

- Information on available incentives 78%
- Demographic information 75%
- Directory of available buildings & sites 61%

All responses are presented on the following page.

TABLE 3:
MOST USEFUL FEATURES OF AN ECONOMIC DEVELOPMENT ORGANIZATION'S WEBSITE
(% of respondents who selected each feature)
(2002 Survey)

Feature	2002
Information on available incentives	78%
Demographic information	75%
Directory of available buildings & sites	61%
Current comparisons to competitor locations	45%
List of leading local employers	44%
Information on the community's target industries	30%
Information on quality of life	28%
Information on local schools	25%
Photos/maps of the community	21%
News sections that describes current developments	17%
Testimonials from local companies	16%
Website sitemap	9%

These questions were not asked in previous surveys, therefore comparative data is not available.

V

REGIONAL RANKING OF BUSINESS CLIMATES

The survey once again included an opportunity for the respondents to rate regional business climates in the United States. A map of the U.S. (see sample survey in Appendix A) divided the country into six regions – Northeast, Midwest, Mountain West, Pacific, Plains and South.

Using a 1 to 5 scale (1 equals "poor;" 5 equals "excellent,") the respondents were asked to rate their opinions of the business climate of each region. The following table provides the responses for the participants of this survey. The number in parentheses after each percent indicates the rank order of the region.

Table 4:
PERCEIVED BUSINESS CLIMATES OF U.S. REGIONS
(% Rating 4 or 5 on a 5-point scale)
(2002 Survey)

Business Climates	Aggregate
South	71% (1)
Midwest	52% (2)
Plains	37% (3)
Mountain West	33% (4)
Pacific	32% (5)
Northeast	27% (6)

While the South and Midwest remain in the top two spots overall, the Plains region moved into third in the 2002 study. The Mountain West region moved up in the rankings, while the Pacific region fell to fifth place. The Northeast retained its sixth place position.

The chart on the following page shows changes over time.

WINNING STRATEGIES IN THE ECONOMIC DEVELOPMENT MARKETING GAME

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EXECUTIVE SUMMARY

Development Counsellors International (DCI) conducted a third survey of corporate executives with site location responsibilities to measure trends in the most effective strategies and techniques in economic development marketing. The seminal report "*Winning Strategies in the Economic Development Marketing Game*" was presented in 1996, and was based on the responses of 173 senior executives (chief executive officers, presidents, vice presidents and corporate real estate executives) from U.S. companies. A follow-up report, "*Prospects for the New Millennium: Winning Strategies in the Economic Development Marketing Game*" was completed in 1999 and included business leaders from the United States and Europe.

In the current study, "*A View from Corporate America: Winning Strategies in the Economic Development Marketing Game,*" only U.S. executives are included. The following summary is based on the aggregate responses of 287 business leaders.

As in the previous study, the respondents represent senior level executives from companies with over $100 million in annual gross revenue.

Key findings:

1. **For the first time, *"articles in newspapers & magazines"* surpassed *"dialogue with industry peers,"* as the leading source of information influencing the executives' perceptions of a state or region's business climate.** "*Business travel*" was selected as the third most influential source of information.

2. "*Planned visits to corporate executives,*" "*public relations/ publicity,*" and "*hosting special events*" received the highest ratings among all economic development marketing tools.

3. **Forty percent of respondents indicated a strong likelihood that they would use an economic development organization's website in their next site location search.** The executives named "*information on available incentives,*" "*demographic information*" and "*directory of available buildings & sites*" as the most useful features of an economic development organization's website.

4. **The South continued to be rated as the region with the most favorable business climate in the United States.** The Pacific region experienced a significant drop in the business climate rating.

5. When asked to list the most favorable business climates among the 50 states, **Texas, North Carolina and South Carolina received the highest tally (in order of selection).**

6. The least favorable rating of business climates among the U.S. states was given to California, New York, and Massachusetts.

7. **The United Kingdom was perceived as having the most favorable business climate among 17 countries in Western Europe, followed by Ireland and Germany.**

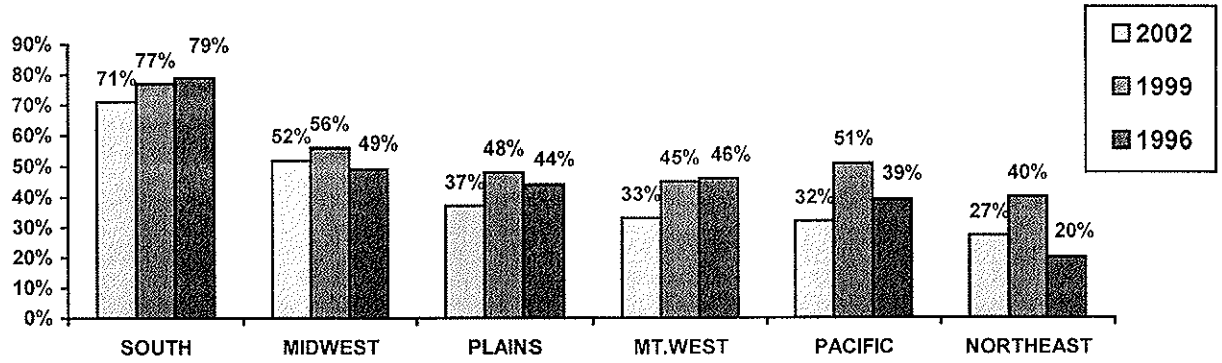
8. Overall, France was considered to have the least favorable business climate in Europe, followed by Germany (as already noted, also selected among the best business climates in Europe) and Italy.

9. Sixty-three percent of the respondents indicated having worked with economic development organizations. These organizations were viewed favorably by the majority of respondents.

10. "Information/assistance in obtaining financial/tax incentives" was identified as the most important service provided by economic development groups. This was followed by "general information about the community," "information/assistance with workforce/training resources," and "contact/coordination with local authorities/ elimination of "red tape."

11. **When asked to identify the most likely candidate for their company's next move or expansion, *"manufacturing/production plant,"* was the most common response.** This was followed by *"corporate, division or regional headquarters," "distribution center"* and *"regional sales office or service center."* When compared with the 1999 survey, the current findings reflect a strong shift away from regional sales or service facilities.

Chart 3:
PERCEIVED BUSINESS CLIMATE COMPARISON
(% Rating 4 or 5 on a 5-point scale)
(2002 v. 1999 v. 1996 Surveys)



U.S. executives continued to rank the South and the Midwest favorably with these two regions remaining in the first and second places respectively over the course of the six years since 1996. Corporate leaders in this study continue to have strong impressions of these regions, particularly in the South, as a good place to do business.

It is also worth noting the fall in the Pacific region's rating. After gaining 12 percentage points between 1996 and 1999, it lost 19 percentage points in 2002.

The chart above also reveals a slight downward movement in perceptions of every region's business climate. No region scored higher in 2002 than in 1999 and only two, the Northeast and the Midwest scored higher in 2002 than in 1996. This may be attributed to current uncertainties about the U.S. economy as a whole.

VI

FAVORABILITY RATINGS OF U.S. STATES

Most Favorable Rating

When asked to list the states that are perceived as having the most favorable and least favorable business climates among the 50 states, the corporate respondents' answers varied. **Overall, Texas was mentioned as having the most favorable business climate, followed by North Carolina and South Carolina.** Florida and Georgia rounded out the top five. The percentage rating was:

1. Texas 25%
2. North Carolina 20%
3. South Carolina 18%
4. Florida 18%
5. Georgia 15%

When compared to the 1999 survey, California is the only state to be dropped from the top 5. The table on the following page shows the comparisons of the 2002 data with 1999 and 1996.

Table C:
MOST FAVORABLE BUSINESS CLIMATE
(2002 v. 1999 v. 1996 Surveys)

2002	1999	1996
Texas (25%)	Texas (30%)	North Carolina (33%)
North Carolina (20%)	California (22%)	Texas (28%)
South Carolina (18%)	North Carolina (20%)	Georgia (27%)
Florida (18%)	Georgia (17%)	South Carolina (21%)
Georgia (15%)	Florida (14%)	Tennessee (20%)

Appendix B shows the number and percentage of respondents for all U.S. states.

Least Favorable Rating

Negative perceptions of California's business climate have increased substantially among corporate executives. While in 1999, about 25% of U.S. executives named California as having a "least favorable" business climate, in 2002, 57% named California in this category. Overall in 2002, California, New York, and Massachusetts were rated the three least favorable business climates.

The states judged to have the least favorable business climates were:

1. California 57%
2. New York 36%
3. Massachusetts 18%
4. New Jersey 15%

The ratings among the remainder of the states were quite diffuse. A fifth place state could not be ascertained accurately.

There is little movement among the ranking of the least favorable states when comparing the 2002 study with the 1999 and 1996 studies. New York and California switch first and second places in 2002. For the first time, Connecticut fell out of the top 5 in 2002.

Table D:
LEAST FAVORABLE BUSINESS CLIMATE
(2002 v. 1999 v. 1996 Surveys)

2002	1999	1996
California (57%)	New York (29%)	New York (55%)
New York (36%)	California (25%)	California (47%)
Massachusetts (18%)	Massachusetts (19%)	New Jersey (20%)
New Jersey (15%)	New Jersey (14%)	Massachusetts (19%)
	Connecticut (10%)	Connecticut (9%)

Appendix B shows the number of answers and the percentage of respondents for all U.S. states.

VII

FAVORABILITY PERCEPTIONS OF BUSINESS CLIMATE IN EUROPE

The 1999 survey introduced the question rating business climate favorability among 17 western European countries. The 17 countries were:

- Austria
- Belgium
- Denmark
- Finland
- France
- Germany
- Greece
- Ireland
- Italy
- Luxembourg
- The Netherlands
- Norway
- Portugal
- Spain
- Sweden
- Switzerland
- United Kingdom

In 2002, the question was repeated.

Most Favorable Rating

The rating among the respondents was very strong, with 68% citing the United Kingdom as having the most favorable business climate. Ireland followed with 46%. The list below gives the top five European countries rated with a most favorable business climate.

1. United Kingdom 68%
2. Ireland 46%
3. Germany 36%
4. Spain 29%
5. The Netherlands 23%

These responses mirror the responses from 1999. Once again, the U.K. was considered as having the most favorable business climate. The table presented on the following page shows how consistent executives' opinions of European business locations have been.

TABLE E:
MOST FAVORABLE EUROPEAN BUSINESS CLIMATE
(2002 v. 1999 Surveys)

2002	**1999**
United Kingdom (68%)	United Kingdom (65%)
Ireland (46%)	Ireland (52%)
Germany (36%)	Germany (36%)
Spain (29%)	Spain (32%)
The Netherlands (23%)	The Netherlands (24%)

Least Favorable Ratings

Sixty-three percent of respondents consider France to have the least favorable business climate among the European countries; this represents a spike in France's negative rating, which in 1999 was only 47%. Germany, which is also considered as having a most favorable business climate, follows with 34%. Italy with 32% and Greece with 28% round out the list. The remaining responses were very diffuse. A fifth place country could not be ascertained accurately. The list below provides a breakdown of responses.

1. France 63%
2. Germany 34%
3. Italy 32%
4. Greece 28%

When compared to the responses from the U.S. corporate executives in 1999, these responses show a change in the ordering of the countries, though the list remains the same. Once again, France was considered as having the least favorable business climate. The table below shows the change in U.S executives' opinions of European business locations.

TABLE F:
LEAST FAVORABLE EUROPEAN BUSINESS CLIMATES
(2002 v. 1999 Surveys)

2002	1999
France (63%)	France (47%)
Germany (34%)	Greece (39%)
Italy (32%)	Italy (35%)
Greece (28%)	Germany (29%)

Appendix C shows all European states and the number of responses garnered for "most favorable" and "least favorable" business climate.

VIII

PERCEPTIONS OF ECONOMIC DEVELOPMENT ORGANIZATIONS: A COMPARATIVE VIEW

Overall, 63% of the respondents indicated having worked with economic development (ED) organizations.

Respondents were also asked to rate their overall impression of economic development organizations with whom they have worked. Using a 1 to 5 scale (1 equals "not favorable;" 5 equals "highly favorable"), about 53% of the business leaders in the current study selected a "4" or "5" rating which indicates a most favorable response to working with ED groups.

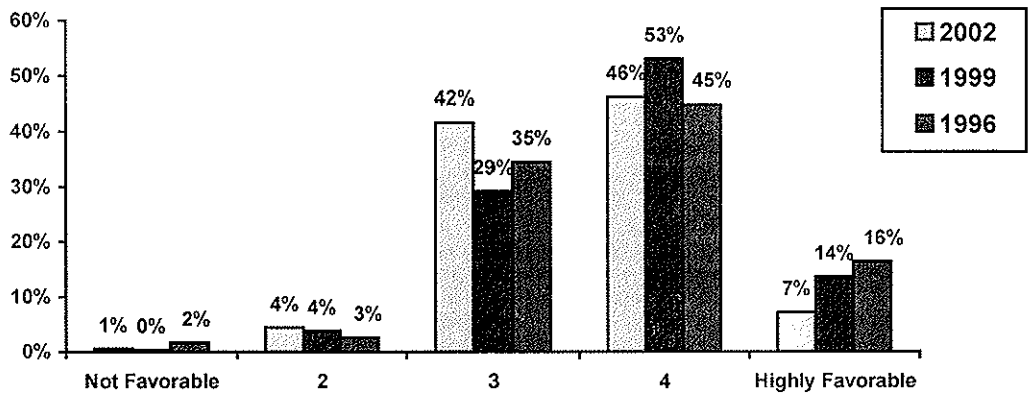
The following table provides a breakdown of the 2002 results to this question.

Table 5:
OVERALL IMPRESSIONS OF ED ORGANIZATIONS
(2002 Survey)

Rating	Respondents
Highly favorable "5"	7%
"4"	46%
"3"	42%
"2"	4%
Not favorable "1"	.6%

The chart below compares how U.S. corporate executes rated economic development organizations in 1996, 1999 and 2002.

Chart 4
RATING COMPARISON:
CORPORATE IMPRESSIONS OF
ECONOMIC DEVELOPMENT ORGANIZATIONS
(2002 v. 1999 v. 1996 Surveys)



When asked the open-ended question "*In a typical site location search, what is the most important thing an economic development organization could do for you or provide to you?*" the responses were varied. Frequent responses included:

- Information/assistance in obtaining financial/tax incentives 54%
- General information about the locale, including available sites 29%
- Information/assistance with workforce/ training resources 12%
- Contact/coordination with local authorities; elimination of "red tape" 11%

An accounting of all responses is provided in Appendix D.

IX

FACILITY MOST LIKELY TO BE INVOLVED IN THE NEXT SITE SELECTION DECISION

As in the1999 and the 1996 studies, survey participants in 2002 were asked: "*The next time you move, expand, consolidate or add a new facility, which of the following would be the most likely candidate for such a change?*" Respondents were asked to choose one from the following list of options:

- Corporate, division or regional headquarters
- Manufacturing/production plant
- Regional sales office or service center
- Distribution center
- Back office facility (financial services, data processing or telemarketing center)
- Other

Overall, 44% of the respondents selected manufacturing or production plant as the most likely candidate for the next corporate change. This was followed by 19% choosing corporate, division or regional headquarters and 15% favoring distribution centers. The following table provides a breakdown of all responses.

Table 6:
NEXT CHOICE FOR CORPORATE FACILITY CHANGE
(2002 Survey)

Facility	Respondents	Change since 1999
Manufacturing/production plant	44%	⇧⇧
Corporate, division or regional headquarters	19%	⇔
Distribution center	15%	⇧
Regional sales office or service center	14%	⇩
Back office facility	8%	⇩
Other	7%	⇔

When compared to the 1996 and 1999 studies, the current findings reflect a dramatic shift back towards manufacturing facilities. In 1999, manufacturing/production plant facilities decreased 17%, moving into third place.

Another significant change is that regional sales office or service center falls to fourth place in 2002. It had been rated first among the six choices in 1999, up from third place in 1996.

Table G:
COMPARATIVE CHOICES FOR FACILITY CHANGES
(2000 v. 1999 v. 1996 Survey)

Facility	2002	1999	1996
Manufacturing/ production plant	44%	20%	37%
Corporate, division or regional headquarters	19%	21%	22%
Distribution center	15%	10%	8%
Regional sales office or service center	14%	28%	17%
Back office facility	8%	14%	13%
Other	7%	8%	3%

X

DEMOGRAPHIC PROFILE OF RESPONDENTS
(2002 Survey)

Business Type

Manufacturing	60%
Non-manufacturing	40%

Gross Revenue

$500+ million	43%
$250-499 million	21%
Less than $250 million	36%

XI

A WORD ABOUT DCI

DCI is the only firm that specializes exclusively in all phases of economic development marketing. Since 1960 DCI has served clients in both the U.S. and abroad including 35 U.S. states, 23 countries, six Canadian provinces and more than 100 regions and communities.

Our areas of expertise include:

- Editorial Placement/Public Relations
- Direct Mail/Telemarketing
- Special Events
- Corporate Executive/Media Audits
- Sales Literature
- Prospect and Site Selector Meetings
- Marketing Blueprints
- Themeline Development
- Tourism Development

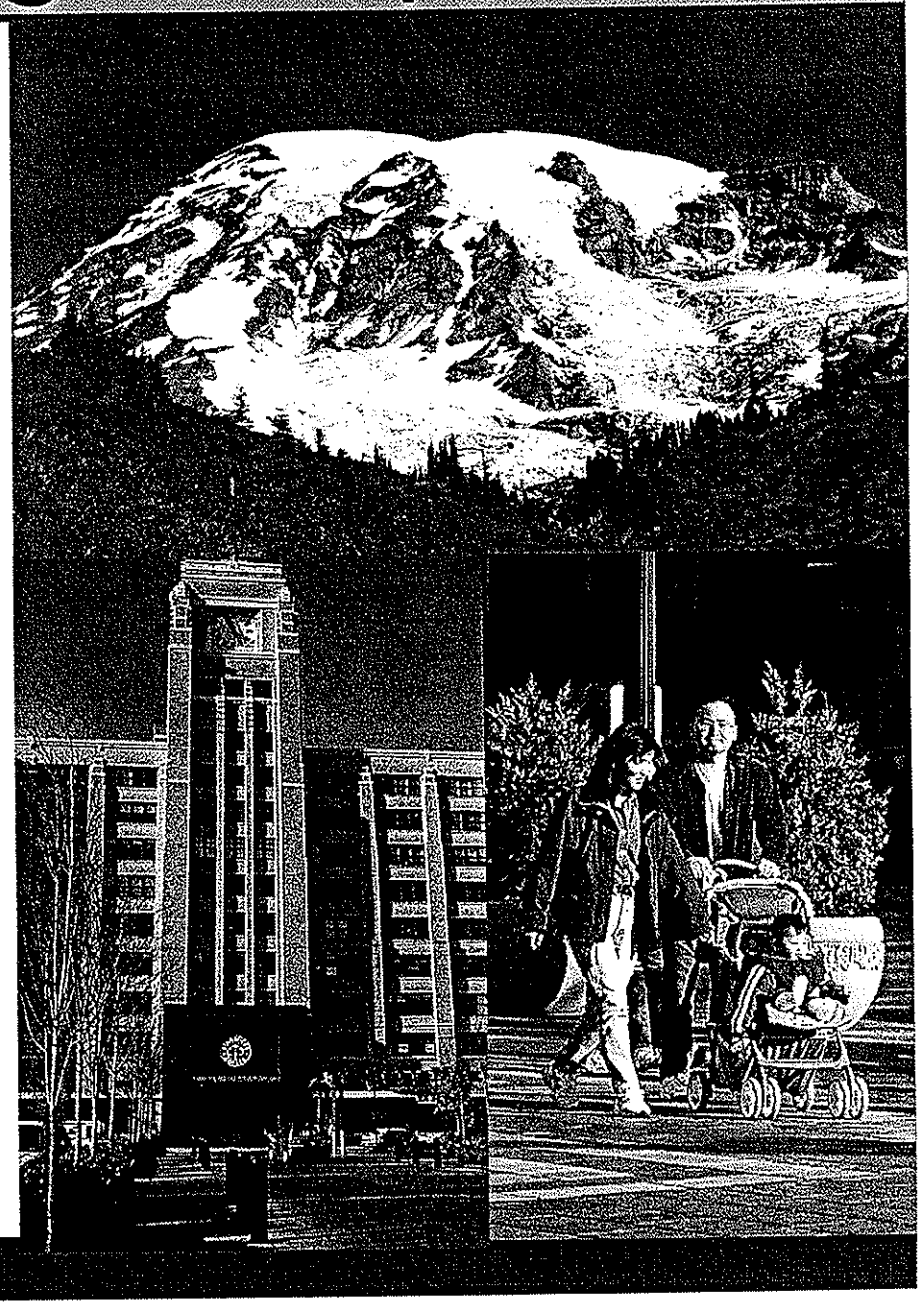
Located in the media capital of the world, DCI has worked with more economic development groups than all other marketing agencies combined. The firm also has frequently formed alliances with local advertising, public relations and marketing agencies providing specialized, economic development input.

The Changing Economic Situation

- The way the world does business is changing
- Regions have emerged as the basis for global competition for jobs and resources
- Many of the world's most prominent companies can be headquartered anywhere on the globe
- Businesses will locate where there is a high quality of life, good infrastructure and supportive government policies

Six Guiding Principles

1. People living here have good jobs and earn good incomes
2. Jobs are created by businesses
3. Embracing our region's diversity is good for business
4. The region has vibrant cities and thriving communities
5. The region has a healthy and beautiful environment and a good quality of life
6. Regional collaboration on a shared economic agenda ensures our region's long term, sustainable economic prosperity



Work Program

- Coalition Building
  - 7 Co-chairs
  - 125+ Partner Organizations
  - 3,500+ Communications/Email Network

- Strategy Development
  - Understanding our strengths and weaknesses
  - Identifying our best economic opportunities and changes required to succeed
  - A commitment to taking action
  - 5 Pilot Clusters, with 27 action teams
  - 6 Foundation Initiatives

The Strategy: A Two Pronged Approach

Cluster Approach

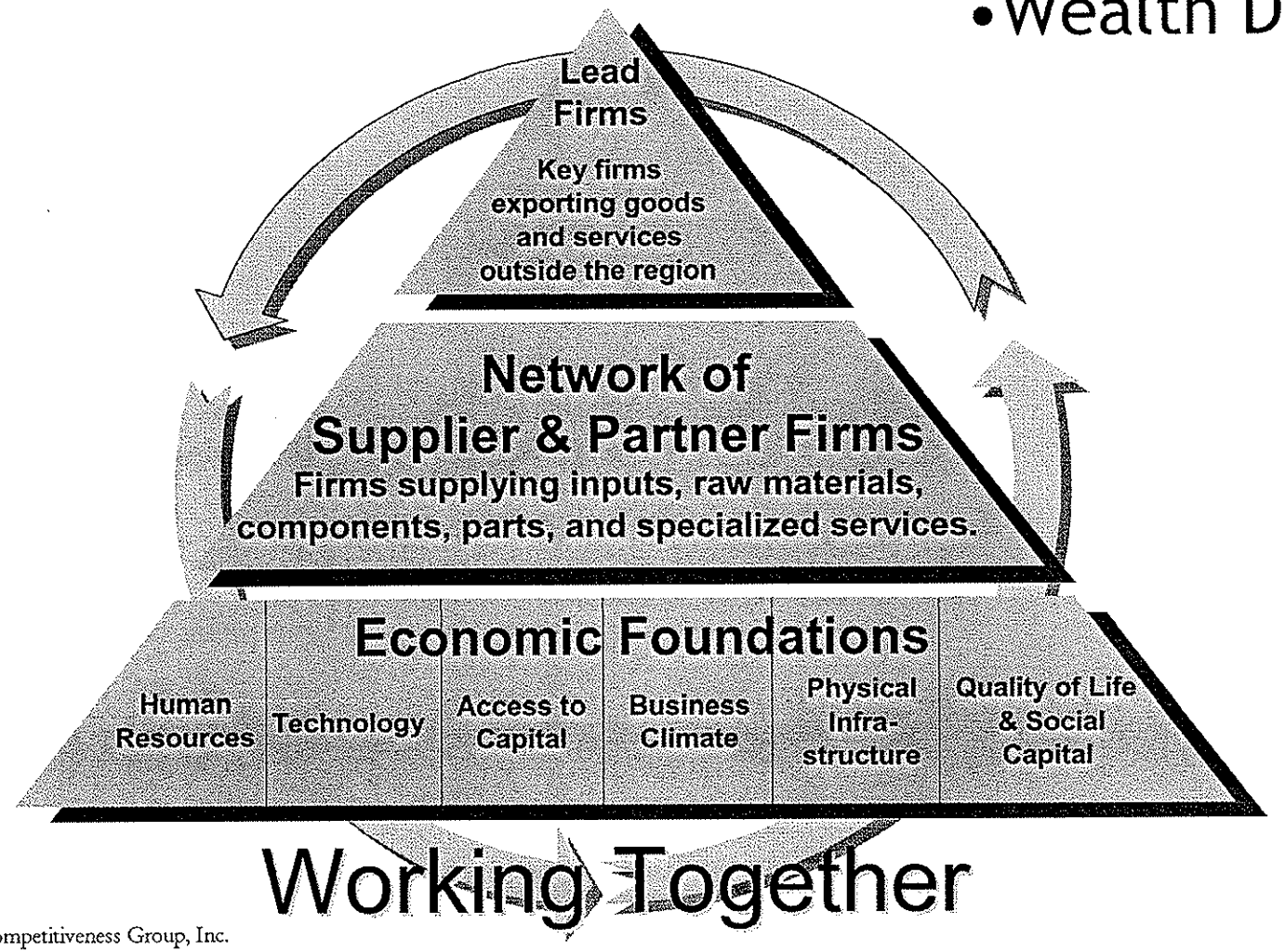
1. Examining the unique needs of individual clusters and collaborating regionally to meet those needs *(new way of looking at economy)*

Foundation Approach

1. Improving the regional economic foundations common to all clusters and the local-serving economy to meet the changing needs of the market *(new way of working together on major issues)*

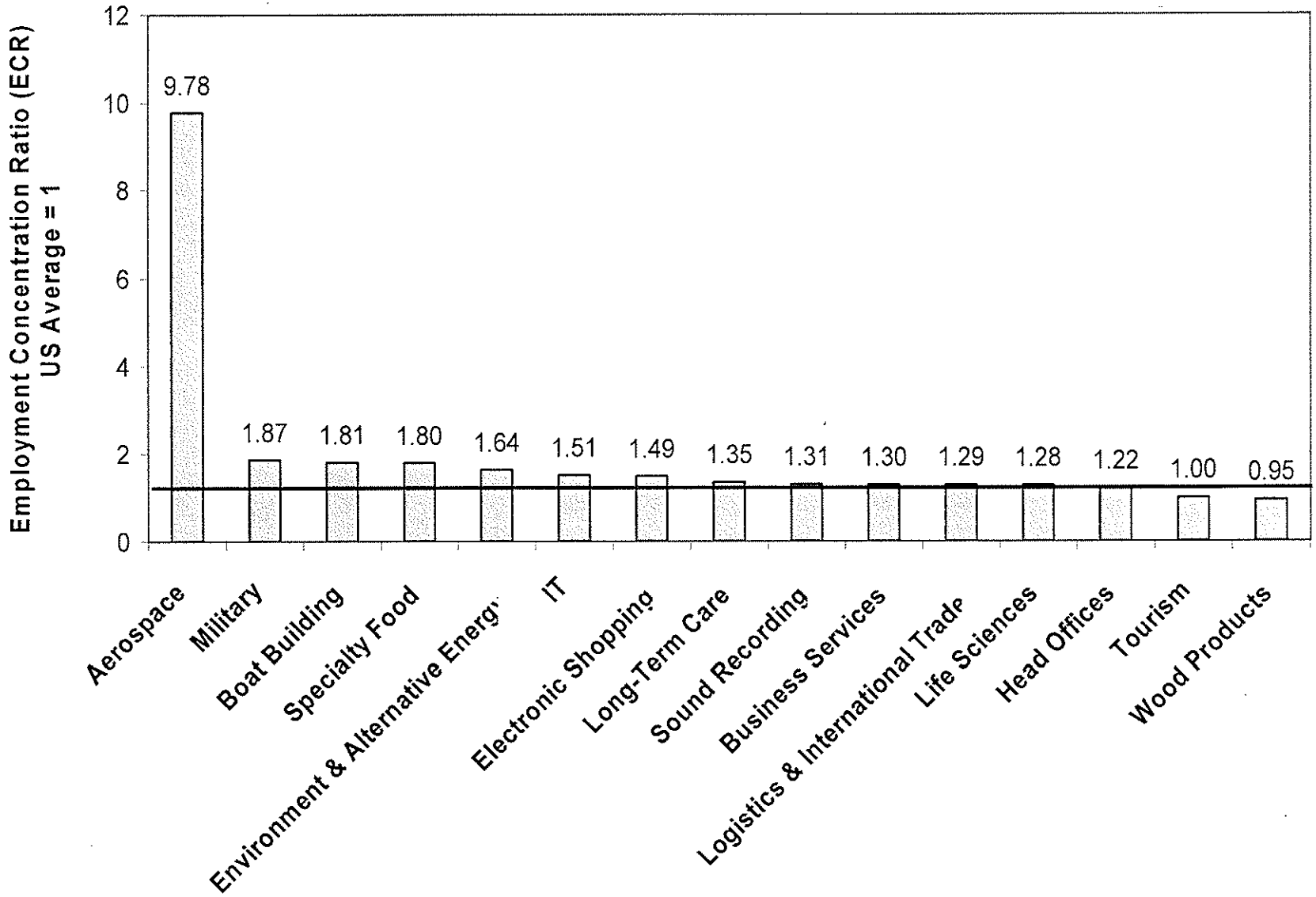
What Is a Cluster?

- Export-Oriented
- Wealth Drivers

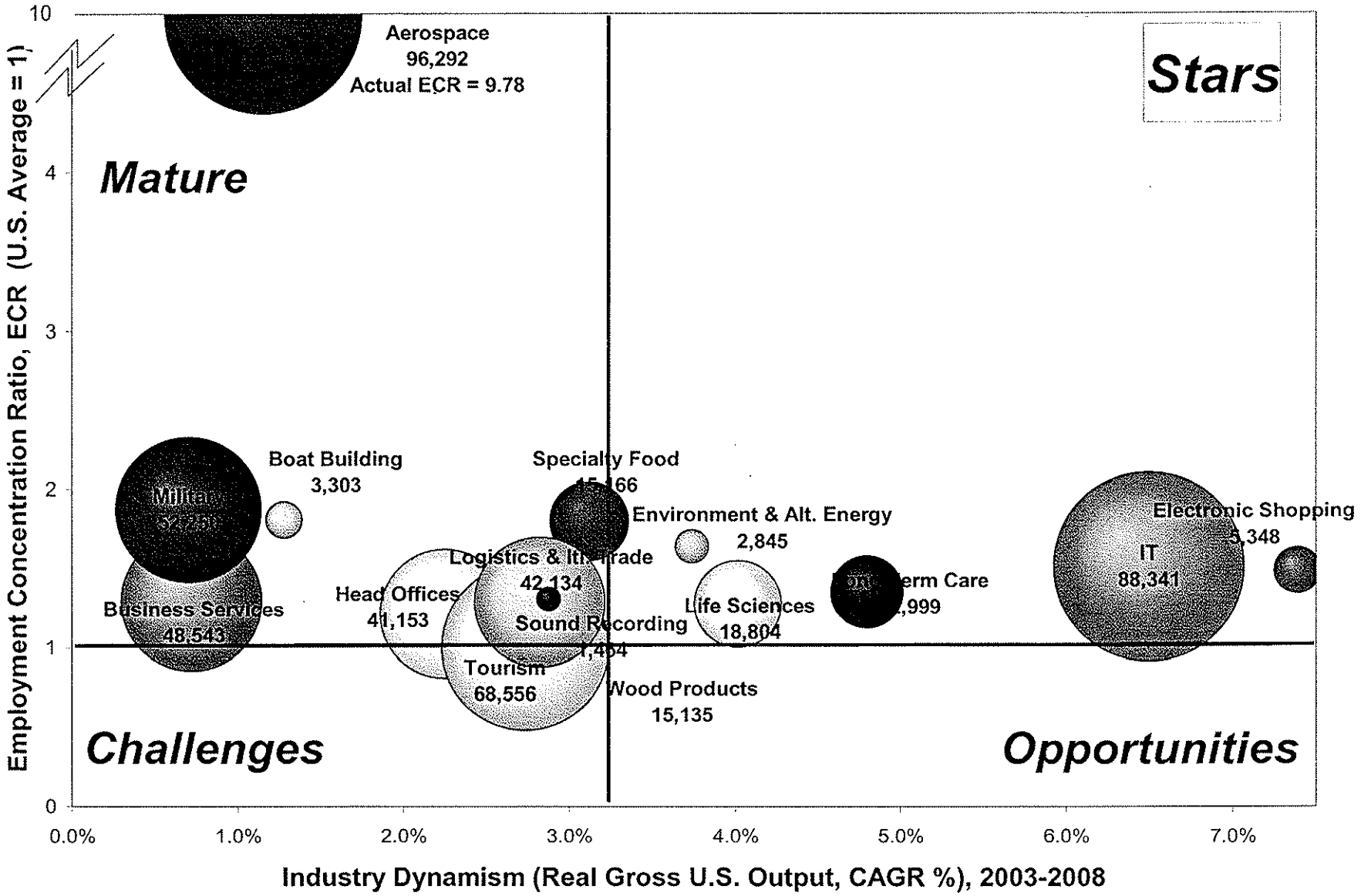


2001 Economic Competitiveness Group, Inc.

Region's Economic Structure – 15 Clusters at or above average



Puget Sound's Clusters



Technology-Led Economic Development

What Companies Seek from Communities
Tools to Respond

Presented to: American Planning Association
Presented by: Dr. Rhonda Phillips, CED, AICP, rhondap@ufl.edu
Director, Center for Building Better Communities
University of Florida, http://web.dcp.ufl.edu/urp/

Small town tech

- Biotech in the back 40…can small communities compete for tech-based economic development?

Goals:

- 1. Review the "site selection" factors tech companies use
- 2. Present a response communities can develop

1. What Tech Companies Seek from Communities

- 12 factors that influence technology business locations.
  - A. Government and Public Policy
    - Interaction and relationship between public and private sectors; support for research institutions;
    - Look at examples of combinations of government policy and private sector cooperation….

B. Workforce

VIRGINIA BIOTECHNOLOGY CENTER

- Adequate supplies of high-skill labor biggest challenge facing tech
- Skills, costs, productivity, and education are evaluated simultaneously

C. Geographic Location and Industry Clusters

- Clusters offer benefits – urban advantage, yet…
- Also academic/research facilities
- Example: DeLand, FL for biotech manufacturing

- D. Transportation
  - Express delivery, air freight important
  - Most prefer locations within 60 to 90 minutes of a major hub airport
- E. Taxes and Incentives
  - Simple business/personal tax structure locations preferred
  - Can be tie-breakers, all other factors being equal

F. Telecommunications Infrastructure

- Essential for most tech companies
- Fiber-optic at minimum
- Redundant connections
- Example: LaGrange, Georgia

- G. Educational Institutions, Research Centers, Training Facilities
  - Preparing the workforce
  - Availability of sites
  - See Paducah, KY example
- H. Community Responsiveness
  - Like to move quickly through the site selection process
  - Flexibility

- I. Utilities
  - Uninterrupted power supply crucial to most
  - Sufficient capacity
  - See Littleton, CO's three levels of infrastructure approach
- J. Building and Site Requirements
  - For those without stringent requirements, quickly available leasable space is preferred
  - First to market syndrome

- K. Quality of Life
  - Subjective, but very real
  - Cultural/recreational (again, the university link); affordable and attractive housing; medical services; climate
- L. Local Government's Influence
  - Can significantly influence tech companies
  - Like to see "community improvement" mentality

2. Tools to Respond

- 3 Categories of "tools"
  - 1. Policies and regulations
  - 2. Financial and nonfinancial incentives
  - 3. Real estate and facilities

Modifying the "typical" development approach

- The TRIAD:
  - 1. Recruitment of external economic activities
  - 2. Retention and Expansion of existing firms
  - 3. Indigenous entrepreneurship

TED Category	Recruitment	Retention and Expansion	Indigenous Entrepreneurship
(1) Policy/Regulatory	Regulatory environment supportive of technology business	Ensure that local policy or regulatory environment is not hindering success of existing businesses	Small business development assistance programs; workforce training and skill development
(2) Financial/Incentive based	Financial incentives are particularly relevant when technology companies are starting out.	Make incentives available for existing businesses	Incentives available for new start-up technology firms,
(3) Real estate based	Technology parks typically offer advanced telecommunications infrastructure as well as other benefits	Survey current and future space needs of technology businesses	Technology business incubator programs to foster start-up and growth of new technology businesses,

Structuring the Response

- Before *any activity* – a TECHNOLOGY AUDIT

The Technology Audit

- Typically includes:
  - Local and regional economy analysis
  - Inventory of existing industries and their needs
  - Assessment of physical and knowledge infrastructures
  - Identify competitive strengths (and weaknesses)
  - Catalogue of supporting programs, policies, organizations

Audit • • Technology Plan

- Local government and nonprofit organizations
- Audit provides information to construct the plan of action
  - Target industries
  - Programs to develop, etc.

Inspirations

- Small town tech
  - Winchester, VA
  - Clallam County, WA
  - Alachua, FL

Resources

- Phillips and Robert Pittman. *Technology-Based Economic Development*, IQ Report Vol. 34/No. 5, May 2002. ICMA (http://bookstore.icma.org)
- Phillips. *Evaluating Technology-Based Economic Development, Gauging the Impact of Publicly-Funded Programs and Policies,* The Edwin Mellen Press, 2003 (www.mellenpress.com)
- State Science and Technology Institute, www.ssti.org

LEASING ISSUES WITH TECHNOLOGY INTENSIVE TENANTS

Summary: Various lease issues frequently arise in leases to tenants whose business is involved with or relies heavily upon technology, such as:

- **Credit enhancements when leasing to dot.coms and Startups:** These tenants often have a very short operating history, low capitalization, and weak credit. As a result, landlords generally require a high level of security for the Lease and are sometimes more restrictive in various lease provisions than they normally would be with other tenants. Also, some landlords are requesting (and obtaining?) portfolio liens. I have no experience with this type of security but you might call other attorneys in your network to learn more about this.

- **Infrastructure:** These technology intensive tenants often place a higher than normal burden on the electrical power and HVAC system of the building.

- **Building Burden:** Often the staff of the high technology tenant work very extended hours and/or multiple shifts. In addition, in order to keep their overhead low, these tenants often have a very high concentration of people within their premises – much higher than office tenants generally. The additional concentration of staff and the longer working hours place a much higher burden on the building. The burden is seen in areas such as bathroom supplies, accelerated wear and tear on the common area improvements (carpeting, wall coverings, etc.), and increased frequency of cleaning being required in common areas. In addition, with large numbers of people coming and going at all hours, frequently increased security is required. We will discuss the importance of anticipating this additional burden and the how to address the burden in cost reimbursements (to avoid spreading the additional cost to other tenants) and allocations of responsibility for tenant caused damage.

- **Flexibility**: These tenants desire great flexibility in their occupancy. They want options to expand, rights of first refusal, rights to terminate, etc.

- **Communications Equipment:** Frequently, these tenants require the right to bring in additional communications capabilities, sometimes including dedicated fiber optics, and including use riser space to route communications. Also, they often require the right to install antenna or satellites on the roof. In addition, these tenants need category 5 wiring, T1 and T3 lines, and fiber optics and conductivity. These tenants may also request the right to bring alternative telecommunications providers into the building.

Tousley Brain Stephens PLLC
700 Fifth Avenue, Suite 5600
(206) 682-5600

EASTSIDE BUSINESS March 2006

Business Development Center Established at UW Bothell

University of Washington Bothell Interim Chancellor Steven G. Olswang recently announced the establishment of the Business Development Center at UW Bothell. The center will provide assistance to small business clients with special focus on start-ups in emerging industries, existing companies seeking to leverage technology to develop their businesses and women- and minority-owned businesses.

"Like most areas, this part of the Puget Sound region is populated by small businesses providing necessary goods and services that make up approximately 80 percent of known employers. These small businesses often need technical assistance to grow. This is where the University of Washington Bothell (UWB) can help," Olswang stated.

The Business Development Center (BDC) will be an administrative unit of UWB's Business Program and will provide one-on-one business counseling on the Bothell campus. In addition, student consulting teams at UWB and at educational institutions partnering with the BDC will provide technical assistance to business owners. Partner institutions currently include Cascadia Community College, Edmonds Community College, Everett Community College, Lake Washington Technical College and Shoreline Community College.

Dr. Steve Holland, Professor and Director of the Business Program stated, "By engaging students in assisting with the growth and expansion of area businesses, the Center will simultaneously support student learning and contribute to economic development in the region."

Recognizing that such centers contribute to local and regional economic development, King County and the cities of Bothell, Kenmore and Woodinville committed funds to establish the BDC. According to the Small Business Administration, programs similar to this one have historically generated at least $3 in additional local tax revenue for every $1 of investment.

Manny Ocampo, Assistant City Manager and the City of Bothell's liaison to the Business Development Center said, "The City of Bothell is excited about partnering with the University of Washington Bothell in this vital economic development resource that will contribute to the quality of life. The Business Development Center is a catalyst for public, business and educational collaboration that will ensure this region continues to prosper and will only strengthen the overall community sustainability."

Walter Freytag, a faculty member in the UWB Business Program, will be directing the operations of the BDC. Dr. Freytag was instrumental in the development of an organization with a similar mission, the Bellevue Entrepreneur Center, and continues to serve as its Vice President. The BDC will also be closely allied with the highly successful Business and Economic Development Program at the University of Washington Seattle.

"Seeing first-hand the benefits that centers such as these bring to the area's businesses, including job creation and retention, is truly gratifying. Being able to bring these benefits to businesses in the north Puget Sound region is a great step forward," said Dr. Freytag.

The University of Washington Bothell campus was founded in 1990 to serve King and Snohomish counties and north Puget Sound area students seeking four-year degrees. UW Bothell offers degree programs in business, nursing, education, computing and software systems, and the interdisciplinary arts and sciences. With the Fall Quarter 2006, UW Bothell welcomes its first freshman class as it becomes a full four year university.

For further information about the Business Development Center and its services contact Walter Freytag at wfreytag@uwb.edu.

Netstar Communications, Inc.

Netstar is a telecommunications expense and inventory management company owned by Tony Cheng and his wife, MaryPat Theiler-Cheng. The company, located in Bellevue, helps businesses get more out of their telecom services with fewer headaches and a better bottom line. Netstar helps companies manage their telecom inventory and save money in the process. It works with their clients to design unique solutions single carriers can't offer. Netstar simplifies the process of purchasing and managing telecom accounts by providing a single point of contact for the business entity. They save clients significant amounts of money by leveraging their relationships with carriers and by applying their extensive knowledge of the telecom market. The company started in the Puget Sound area and now serves clients across the country.

Netstar was paired with City University School of Business and Management students. The students held different specialties in marketing, finance, and operations, and were tasked with developing a business plan for the company that will take them through the next two years. They worked directly with the Chengs, effectively functioning as senior consultants to the company. The experience was not only rewarding for the students, but also for the Chengs.

The outcomes were very positive. The firm experienced 25% growth in revenues in 2004. They are now focused on a website, brand development, a marketing plan, and customer management software. MaryPat concludes that "business owners tend to suffer from a sense of isolation; when you work with a student team you are challenged to dig deeper, get beyond your walls and think of many more ways of making progress." Tony adds that working with the student team "made it fun."

City University began participating in the BEC program last year. Currently, over 36 students participate, averaging 150 hours per team. Student teams focus on four core areas: management, project management, marketing, and accounting. Through this partnership students are able to build lasting relationships with business owners, often times resulting in a lifelong mentor, and business owners receive hands-on senior-level counsel on key aspects of their business. It's the perfect example of a win win learning opportunity.

Magellan Architects

Magellan Architects, located in Redmond, WA, was one person's dream to own their own business. Pedro de Magalhães Castro was born and raised in Rio de Janeiro. He attended Washington State University. Then, after assembling the right credentials and working for MulvanneyG2, an internationally recognized Bellevue firm, Pedro opened the doors of his own company, Magellan Architects, on February 1, 2001. Like a true start-up, Pedro started from scratch with a lot of knowledge about architecture but only a little knowledge about what it takes to run a business. A search for help led him to Corey Hansen, the Bellevue WSBDC business counselor. Corey suggested that Pedro also work with a student consulting team from the University of Washington-Bothell.

The team worked on a number of products including a market analysis, an identification of competitors, a phone survey to determine satisfaction with the firm's services, and special niches that the firm might pursue including biotech and environmentally sustainable architecture.

King County Business Journal reported that Magellan was the fourth fastest growing minority-owned business in the state of Washington. Pedro reports that his company is adding an employee every six months with the goal of a staff of ten people, including six architects and four support staff. To safeguard his investment from dot-com bombs and other unforeseen market downturns, Pedro's company is already diversified – currently work is distributed among residential (20%), retail (40%), schools (20%), and tenant improvement (20%) projects. Most important is to provide client-oriented services and solid quality design.

Bellevue Entrepreneur Center
227 Bellevue Way NE, PMB 355
Bellevue, WA 98004

Bellevue Entrepreneur Center

Annual Report 2004

The BEC welcomes ~
Victoria Van-Nguyen, Executive Director,
425-564-2548; 425-564-4023 - FAX
vvannguyen@msn.com
www.beconline.org

Meeting the Needs of Emerging Business

The Bellevue Entrepreneur Center accelerates the development of emerging businesses in culturally diverse communities on the Eastside. In partnership with local organizations the BEC assists with financing, marketing, and operations.

www.beconline.org
Tel: 425.564.2548

History

In May 2002, a City of Bellevue-sponsored focus group of minority- and women-owned businesses in the Crossroads neighborhood indicated many challenges to growing businesses. Lack of information, access to business assistance programs, language, and cultural constraints were the primary challenges that needed to be addressed.

From this beginning, the Bellevue Entrepreneur Center (BEC) was created to organize many scattered resources into a single network for those seeking to start or expand a business. By strengthening relationships among business service providers and offering convenient multiple locations to access these services, the BEC helps Eastside emerging businesses accelerate growth and contribute to the prosperity of the community.

BEC Eastside Microloan Fund

It has long been recognized that in addition to technical assistance, early stage businesses also need access to capital. However, traditional sources are often not available to start-ups, and this is particularly true for the BEC's target clientele, women, and minority entrepreneurs.

To meet this need, the Bellevue Entrepreneur Center launched a Microloan Fund in the latter part of 2004. Capitalization for the fund has come from contributions by Community Capital Development and Eastside Commercial Bank. During 2005, we anticipate growing the fund through additional contributions.

Qualified businesses can borrow up to $35,000 to start and grow their businesses. A business plan and ongoing technical assistance from a BEC business counselor are required. The BEC made its first loan in December, 2004, for $5,400. Carole Butkus, former Director of the Women's Business Center in Seattle, has been retained as the BEC's Microloan Officer. She will also be providing business counseling to microloan clients.

Demonstrated Need

National statistics indicate that immigrant and minority populations frequently turn to self-employment and small business ownership and that minority and women entrepreneurs receive more direct benefits from technical assistance than majority males. According to the 2000 census, minorities now number at least 24.5% of Bellevue's population (vs. 13.3% in 1990). Minorities and women are approximately 60% of the clients at Bellevue Community College's Washington Small Business Development Center. Targeting these populations for enhanced business assistance services is an effective strategy for Bellevue's and the Eastside's overall economic development.

BEC 2004 Performance

Counseling and Consulting	2003	2004
Business Assistance Requests	1,100	910
Business Counseling Clients	115	209
University Consulting Projects	12	12
TOTAL	**1,227**	**1,131**
Hours of Counseling/Consulting	7,573	5,447.5*
Estimated Market Value	$818,500	$691,000
Business Training Attendees**	250	2,029
Economic Impact		
Jobs Retained and Created	200.5	215
Reported Revenues	$15,532,650	$24,472,913
Loans & Equity Investment	$4,541,000	$6,651,215
Estimated Economic Impact***	$11,558,600	$17,401,200

* Lower 2004 consulting hours are due to changes in UW Bothell student consulting course length and calendaring.

** Training programs are offered by the Bellevue Entrepreneur Center in partnership with WSBDC@BCC, WSBDC/NW Entrepreneur Network, WSBDC/Eastside Women's Network, and the Department of Labor.

*** Based on Washington State Small Business Development Center (WSBDC) data.

BEC Financial Statement

For the year ending 12/31/04

Revenues	
UW-Bothell, BCC, and City U. Services	$361,000
Small Business Administration Funding	58,000
Legal and Accounting Services	3,000
Donations	26,250
TOTAL REVENUES	**$448,250**
Expenditures	
Counseling Staff	$15,815
Rent	15,580
UWB, BCC, and CU classes	342,900
WSBDC at BCC	52,200
Marketing	2,080
Admin. Staff	3,667
Misc.	4,530
TOTAL EXPENSES	**$436,772**
Surplus	**$11,478**

These numbers include both cash and in-kind contributions.

BEC Partners/Supporters

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And special thanks to Curtis Y. Nakayama, C.P.A., of James Erickson & Co., P.S., Alex Modelski, Attorney at Law, Business & Technology Law, and Daniel J. Silthorp, University of Washington Board Fellows Program, for their services to the BEC.

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The BEC focuses on the needs of under-served communities but provides free and confidential assistance to any small business owner on the Eastside. In 2003, over 1,000 requests for service received immediate service to start, expand, or save their business. The net impact in 2003 was over $6,000,000 and in 2004 is over $17,000,000. BEC training, sponsored by the WSBDC@BCC, is hailed as one of the best small business training programs in the state. Events co-sponsored with organizations such as the Eastside Women's Network for Entrepreneurial Training and the Northwest Entrepreneur Network, collocated with the BEC at BCC, attract hundreds more entrepreneurs.

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CITY OF KIRKLAND
City Manager's Office
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MEMORANDUM

To: Dave Ramsay, City Manager

From: Marilynne Beard, Assistant City Manager
Tracy Burrows, Senior Management Analyst
Sandi Miller, Financial Planning Manager

Date: March 6, 2006

Subject: STATUS OF ANNEXATION LEGISLATION AND UPDATE OF FISCAL ANALYSIS

The City completed a fiscal study of the annexation of Finn Hill, Juanita and Kingsgate last June. The report was presented to City Council at their Mid-Year Budget Review session in early July. The fiscal study employed a "mini budget process" and asked departments to prepare recommended staffing and support service packages needed to meet service delivery needs in the annexation area. At the same time, finance staff worked with King County to develop updated revenue estimates for the area. The fiscal study was presented with a breakdown of cost and revenue by neighborhood. The study concluded that the financial impact of annexation left an unfunded need of nearly $5 million – the difference between the cost of providing services and the new revenue that could be expected to be generated from the annexation area. A copy of the executive summary of the report is included as Attachment A.

The tables below summarize the results of the 2005 fiscal study compared to the 1999 study (and reflecting updated cost and population figures) and a comparison of revenues and expenditures by neighborhood:

Ongoing Revenues/Costs & Staffing Needed	Current Analysis (2005)	Prior Analysis (1999)	Difference
Revenues (Net of Fire District #41 Payment)	12,521,852	9,265,000	3,256,852
Less Cost of Services (Direct & Indirect)	17,300,808	12,710,000	4,590,808
Operating Deficit	**(4,778,956)**	**(3,445,000)**	**(1,333,956)**
Staffing Needed	**151.96**	**116.45**	**35.51**
Operating Deficit Per Capita	**$147**	**$100**	**$47**

Ongoing Revenues/Costs & Staffing Needed	Finn Hill Only	Juanita Only	Kingsgate Only
Revenues (Net of Fire District #41 Payment)	5,553,611	2,086,279	4,881,962
Less Cost of Services (Direct & Indirect)	8,761,256	3,725,690	7,408,931
Operating Deficit	**(3,207,645)**	**(1,639,411)**	**(2,526,969)**
Staffing Needed	**76.87**	**32.73**	**65.15**
Operating Deficit Per Capita	**$210**	**$293**	**$216**

The deficit amount from annexing one neighborhood at a time is greater than if all three areas are annexed at once due to the lost economies achieved with the larger annexation. **If all three areas are annexed at once, the combined deficit is estimated at $4,778,956.**

Since the study was completed, two changes (or potential changes) occurred:

- The City Council approved the addition of fourteen new public safety positions, using banked property tax capacity and a utility tax rate increase to pay for the additions. This decision potentially changes the fiscal analysis in two ways. First, it increases the level of service in the annexation area although the fire improvements and proactive unit do not necessarily need to be "extended" as a new cost in the annexation area. For the purposes of this analysis, the proactive unit is assumed to remain at the five FTE's approved and not be increased for the annexation area at this time. Second, the use of banked property tax increased the tax rate that can be applied in the annexation area and the revenue available to support services.

- The state legislature has approved a bill that would provide funding for up to ten years to cities annexing unincorporated areas within their urban growth boundaries and where the fiscal impact can be demonstrated to be a burden. The proposed legislation utilizes a credit to the existing state sales tax and does not require local voter action to implement. This legislation potentially closes the financial gap identified in the original study and makes the annexation feasible.

This memo describes the fiscal impact of these two events on Kirkland's annexation of its potential annexation area (PAA).

Impact of City Council Public Safety Additions

As mentioned earlier, the addition of public safety improvements potentially impact both the expenditure and revenue estimates prepared for the annexation fiscal study last year. For the purposes of this memo,

staff did not attempt to update all costs and revenues based on normal inflationary changes. All costs and revenues are expressed in terms of 2005 dollars. The changes noted below represent the 2006 estimated impact of the Council's actions:

Property Tax

In order to determine the impact of the use of banked property tax, staff needed to obtain updated assessed valuation figures from King County for the annexation area. In 2006, the City's tax rate itself didn't change much – the combined effect of the City increasing the levy and the assessor's office increasing the assessed valuation of properties. Had the Council not increased the levy, the rate would have decreased (because valuations rose at a faster rate than the property tax levy). The lower rate applied to a higher valuation in the annexation area wouldn't necessarily have yielded any new revenue. Because the levy rate did not decrease, we would have been able to apply the same rate to a higher valuation to achieve a property tax revenue gain of $408,971 (assuming assessed valuation increased at the same rate as Fire District #41).

In order to obtain the most accurate information, we contacted King County to get actual assessed valuation data for the annexation area. As it turns out, the assessed value figures provided last year by King County (for the purpose of the annexation study) were incorrect. The correction decreased the valuation somewhat. After using the most current AV figures from King County and our current levy rate, we achieve a net property tax increase of $142,154.

Utility Tax

In June of 2005, the City Council increased the utility tax rate on City utilities from 6.5% to 7.5% and increased surface water utility charges. Both actions result in additional estimated revenue for annexation. The increased utility tax rate was already factored into the annexation fiscal analysis completed last year. However, the change in surface water rates should yield another $31,118.

Gas Tax

In 2005, the state legislature approved additional gas tax funding. Although Kirkland chose to use the additional funding to supplement funding for the transportation CIP, this portion of the gas tax is not legally restricted to capital purposes. The new gas tax could be used to fund street maintenance operating costs which are largely financed through property taxes. The estimated amount of new gas tax available from the annexation area is $132,630.

Public Safety Costs and Fire District Revenue

The cost of adding an additional aid car at the Totem Lake/Juanita fire station positively impacts the service level in the existing city limits and the annexation area. No additional cost is required to extend this service level after annexation. What is impacted is the loss of Fire District #41 contract revenue that is offsetting 26% of the new costs. This results in a negative revenue offset to the property tax levy of $203,069.

The proactive unit was approved with five new FTE's. Because the proactive unit is supplemental service and not needed to provide basic patrol and investigative services to the annexation area, it is not considered an additional cost for this analysis but could be considered for addition later.

Impact of Legislation – Potential Source of State Funding for Annexation

As of the date of this memo, the prospects for the final approval of Senate Bill 6686, related to annexation funding, appear favorable. Senate Bill 6686 applies to cities under 400,000 population in King, Pierce, and Snohomish Counties. It provides annexing cities with a credit on the State sales tax that varies depending on the population of the annexation area. The rate of the credit is .1 percent for annexation areas with a population between 10,000 and 20,000. The rate of the credit is .2 percent for annexation areas with a population greater than 20,000. The credit applies to sales taxes collected within the existing city limits and within the boundaries of the annexation area and is effective for a period of ten years.

To be eligible for the credit, Kirkland must commence annexation of an area of at least 10,000 population prior to January 1, 2010. Under the election form of annexation, the City must adopt an annexation resolution and file a certified copy of the resolution with the King County Council to commence annexation. The City must also adopt a resolution or ordinance establishing that the projected cost to provide municipal services to the area exceeds the projected revenue from the area.

The revenues from the credit on the state sales tax cannot exceed that which the city deems necessary to generate revenue equal to the annexation deficit. Each year, the City must report a threshold amount of revenue that is necessary to close the annexation deficit. Once the sales tax credit revenues reach that threshold amount, the City must notify the Department of Revenue and the tax distribution shall be suspended for the remainder of the year.

<u>Phasing of Annexation Under SB 6686</u>

The populations of Kirkland's annexation areas are as follows:

Kingsgate	11,700
Juanita	5,600
Finn Hill	15,300

Both the Kingsgate and Finn Hill areas individually meet the 10,000 population threshold for eligibility for the .1 percent sales tax credit. In order to be eligible for the .2 percent sales tax credit, Kirkland would have to annex both Juanita and Finn Hill, or Kingsgate and Finn Hill or all three annexation sub-areas.

Assuming all three areas are annexed at once, estimated revenue from the state sales tax and a comparison to updated revenue and expenditure "gaps" is shown below:

Neighborhood	Estimated Fiscal Gap	Estimated Sales Tax Credit @ .20%
Kingsgate	1,715,146	145,483
Juanita	820,925	87,000
Finn Hill	2,242,885	105,086
Kirkland	–	3,703,712
Total	**4,778,956**	**4,041,281**

The cost of annexing one area at a time is higher than if all three areas are annexed at once because we do not achieve the economies of scale for staffing increases. If the City were to annex the Kingsgate area only, it appears that the .1 percent sales tax credit would be sufficient to close most of the $2.5 million identified annexation gap in that sub-area as shown in the table below.

Neighborhood	Estimated Fiscal Gap	Estimated Sales Tax Credit @ .10%
Kingsgate	2,526,969	1,924,598

However, if a phasing option is chosen, the City should consider the likelihood that the County and the Boundary Review Board would seek to enlarge the boundaries of the annexation area. In addition, because of the short window of opportunity within which the annexation sales tax credit is available, it would not be possible to phase annexation over a period of five years and still be able to claim the State annexation funding provided under SB 6686. It could well be more efficient and cost-effective to annex the entire area than to undertake two separate annexations in successive years.

Summary and Considerations and Conclusion

The following table summarizes the net impact of the revenue changes discussed above.

	Estimated Fiscal Gap	Property Tax	Gas Tax	Utility Tax	Fire District Revenue	Sales Tax Credit	Revised Fiscal Gap
Kingsgate	(1,715,146)	43,238	47,600	11,823	(11,248)	145,483	(1,478,250)
Juanita	(820,925)	18,140	22,783	5,621	(34,297)	87,000	(721,678)
Finn Hill	(2,242,885)	80,776	62,247	13,674	(157,524)	105,086	(2,138,626)
Subtotal	(4,778,956)	142,154	132,630	31,118	(203,069)	337,569	(4,338,554)
Kirkland						3,703,712	3,703,712
Total						**4,041,281**	**(634,842)**

The contribution from the State sales tax credit closes the financial gap considerably. The remaining $634,842 would need to addressed, most likely by identifying reductions in our expenditures. If Council

wants to proceed with annexation in the near future, staff would develop a list of proposed changes to the fiscal analysis that fully closes the deficit.

It should be noted that the state legislation eliminates the sales tax credit after ten years. In the intervening years, the City should plan for gradual replacement of this revenue either through commercial redevelopment efforts or other revenue enhancements or expenditure reductions. Another consideration in annexation is the capital facility costs associated with the construction or purchase of a new public safety building and/or enlarged City Hall that is needed to relieve current overcrowding. The annexation study assumes that the cost borne by annexation is related only to staff added as a result of annexation. Existing City resources would need to be tapped to pay for the non-annexation facility additions.

Given that the legislation passed, most of the financial burden is eliminated for the ten-year funding horizon. In order for the City to take maximum advantage of this funding source, we would need to annex the entire area. If it is the City Council's intent to eventually annex the entire area, it makes sense to do it all at once to achieve the economies of scale that it provides and to minimize the organizational impact that an undertaking of this size can be expected to have. If the City Council directs staff to proceed with pursuing annexation of the entire PAA, staff recommends the following actions:

- **Develop an annexation implementation work plan** that establishes a timeline for key activities including a communications strategy, an election and effective date, pre-annexation hiring activities, facility planning and services phase-in plan. Annexation of the entire PAA will be the single most time-intensive project for the entire City organization and all other major initiatives should be evaluated for possible deferral. We would also develop an annexation transition budget for consideration in the 2007/2008 Biennial Budget process.

- **Develop a Communications Strategy** for both the annexation area and within the existing City. An annexation campaign committee will need to be assembled separate and apart from the City's communication strategy to provide information to interested residents and to obtain citizen input during the transition.

- **Update the fiscal study** to provide a basis for documenting the funding need to be met by the state sales tax credit. Develop a model that is easily updated and make sure that it meets the requirements set forth in the legislation.

- **Pursue one-time funding from King County** to assist with one-time costs associated with annexation. Significant one-time costs will result from the need to hire public safety staff in advance of the effective date of annexation so that services can be provided by City staff as soon as possible. In the interim, pursue interim contracted services from King County. As much funding as possible from King County will also help defray one-time equipment acquisition costs and provide seed money for capital projects.

- **Work with the state** to determine the exact timing and means of securing available funding.

Annexation is clearly the most complex and significant undertaking that this City will be involved in for the next five years. Staff will be contacting other cities that have undertaken large annexations to get ideas about best practices related to annexation efforts.

ATTACHMENT A

Executive Summary

Background & Purpose

In 2000, the City contracted with Henderson, Young & Company to prepare an analysis of the fiscal impacts of annexing the Finn Hill, Juanita, and Kingsgate neighborhoods, which comprise the City's potential annexation area (PAA). Since then there have been a number of significant revenue changes (in terms of new revenues, new rates, and lost or diminished revenues) and staffing/program changes that render the previous analysis out of date. In addition, the prior study generated a number of questions regarding the projected operating costs and staffing needed to service Finn Hill, Juanita, and Kingsgate. Accordingly, during the 2005-2006 budget process, the City Council directed staff to prepare a more detailed annexation fiscal analysis in 2005. To accomplish this, staff engaged in a "mini-budget" process detailing out projected revenues, additional staffing needed, and the cost of extending current service levels to the three annexation sub-areas.

Description of Potential Annexation Area

A map of Kirkland's PAA is included on the following page. It encompasses almost all of the unincorporated area to the north of Kirkland, to the south of Kenmore, Bothell, and Woodinville, to the east of Lake Washington, and to the west of the Burlington Northern railroad right-of-way and Woodinville. Key 2004 statistics for the PAA and Kirkland are presented in Table 1 below:

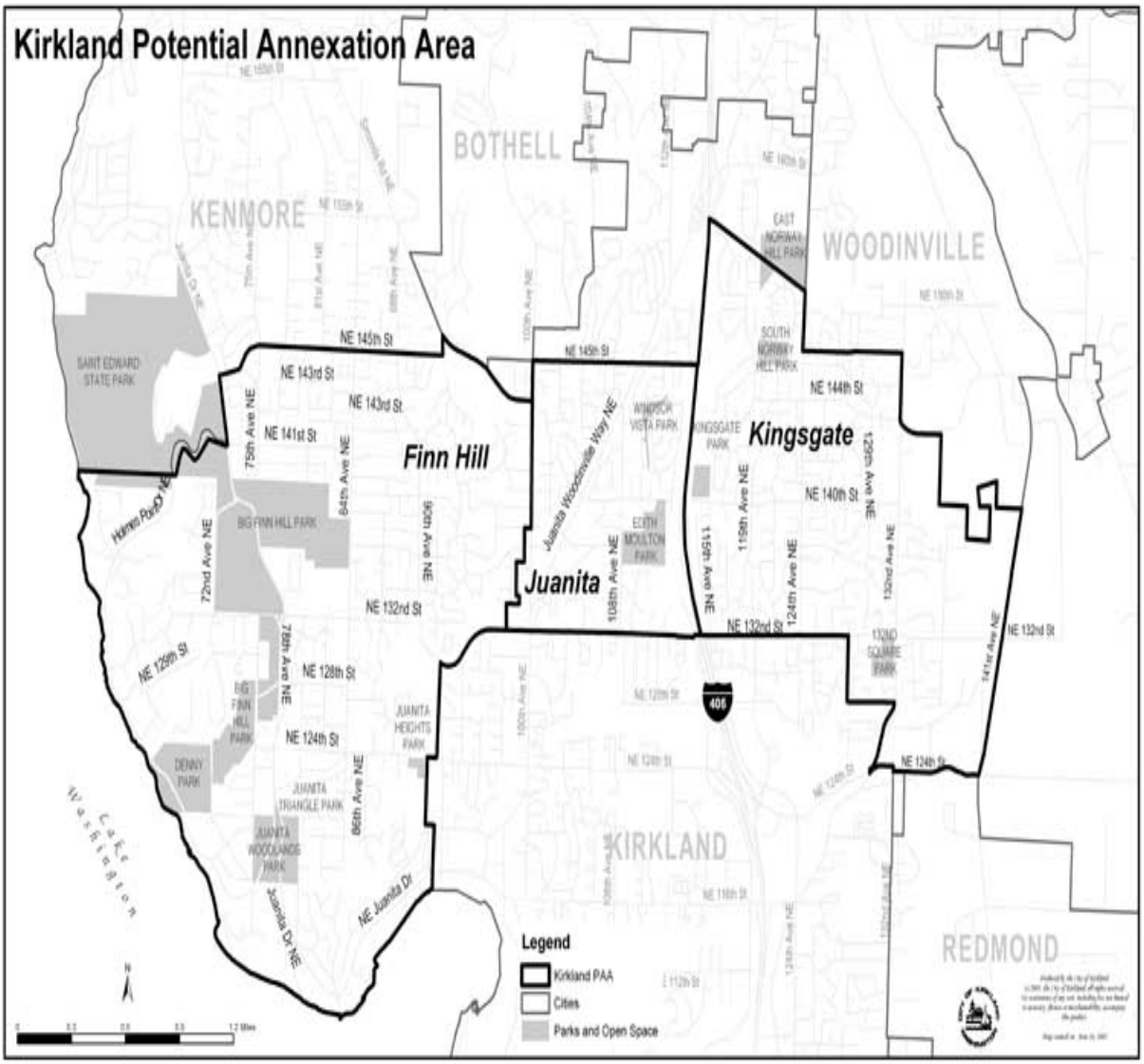
Table 1: Key 2004 Statistics for Annexation Sub-Areas and Kirkland

Area	Population	Square Miles	Population Density	Taxable Assessed Value	Housing Units	Businesses
Finn Hill	15,300	4.08	3,750/sq mi	$2.23 billion	5,945	173
Juanita	5,600	.97	5,773/sq mi	$.49 billion	2,078	88
Kingsgate	11,700	1.95	6,000/sq mi	$1.14 billion	3,924	202
Total PAA	**32,600**	**7.00**	**4,657/sq mi**	**$3.86 billion**	**11,947**	**463**
Kirkland	**45,800**	**11.00**	**4,164/sq mi**	**$7.87 billion**	**22,524**	**3,414**

The key 1999 statistics used in the prior fiscal analysis prepared by Henderson, Young & Company are summarized in Table 2 below:

Table 2: Key 1999 Statistics for Annexation Sub-Areas and Kirkland

Area	Population	Square Miles	Population Density	Taxable Assessed Value (1998)	Housing Units	Businesses
Finn Hill	15,900	4.08	3,897/sq mi	$1.20 billion	5,900	34
Juanita	5,800	.97	5,979/sq mi	$.29 billion	2,150	59
Kingsgate	12,600	1.95	6,462/sq mi	$.66 billion	4,800	131
Total PAA	**34,300**	**7.00**	**4,900/sq mi**	**$2.15 billion**	**12,850**	**224**
Kirkland	**44,860**	**11.00**	**4,078/sq mi**	**$4.78 billion**	**22,289**	**3,100**


Kirkland Potential Annexation Area
BOTHELL
KENNORE
WOODINVILLE
REDMOND
KIRKLAND
Finn Hill
Juanita
Kingsgate
SAINT EDWARD STATE PARK
BIG FINN HILL PARK
DENNY PARK
JUANITA HEIGHTS PARK
JUANITA TRIANGLE PARK
JUANITA WOODLANDS PARK
EDITH MOULTON PARK
WINDSOR VISTA PARK
KINGSGATE PARK
132ND SQUARE PARK
EAST NORWAY HILL PARK
SOUTH NORWAY HILL PARK
NE 145th St
NE 143rd St
NE 141st St
NE 132nd St
NE 128th St
NE 124th St
NE 144th St
NE 140th St
NE Juanita Dr
Juanita Dr NE
Holmes Point Dr NE
Juanita Woodinville Way NE
75th Ave NE
84th Ave NE
90th Ave NE
72nd Ave NE
76th Ave NE
86th Ave NE
100th Ave NE
108th Ave NE
115th Ave NE
119th Ave NE
124th Ave NE
128th Ave NE
132nd Ave NE
141st Ave NE
Lake Washington
405
Legend
Kirkland PAA
Cities
Parks and Open Space

Noteworthy differences between Table 1 and Table 2 include the following:

- The PAA population used in the prior fiscal analysis was 34,300 compared to 32,600 in the current fiscal analysis. King County didn't have the geographical information system capability back in 2000 that it has now. The population used by Henderson, Young & Company was an estimate provided by King County. The population figure used in this fiscal analysis is a more refined estimate that is used by King County and the Washington State Department of Revenue.

- The taxable assessed valuation for the PAA and Kirkland increased 80 percent and 65 percent respectively from 1998 to 2004. That means that property values in the PAA and Kirkland increased about 10 percent and 9 percent respectively each year during this timeframe. Because the 2004 assessed valuation of the PAA is higher than expected, staff has asked the Assessor's Office to verify the figure provided by the King County Budget Office. No confirmation has been received yet.

- The number of businesses domiciled in the PAA was estimated to be 224 in the prior fiscal analysis compared to 463 in the current fiscal analysis. Most of this change is believed to be related to King County's improved geographical information system capability.

Assumptions

Underlying the development of this annexation budget were the following assumptions:

- The annexation area will be **primarily considered as a whole, though an approximate allocation by sub-area** (i.e. Finn Hill, Juanita, and Kingsgate) will be provided.

- The focus of this budget process will be on the **operations and maintenance impact, not on the capital improvement program (CIP) needs,** with the exception of new facilities costs related to annexation staff.

- **Current staffing and service deficiencies reflected in Kirkland's adopted 2005 budget will not be addressed** in this annexation fiscal analysis. In other words, staffing and service levels in the annexation area will mirror the City's current service levels.

- **No impact on the Northshore Utility District and, therefore, on Kirkland's water/sewer utility** is assumed for purposes of this budget process.

- **Only the City's governmental funds (i.e. General Fund, Street Operating Fund, etc.) will be considered in this analysis.** All utility funds (i.e. water/sewer, surface water, and solid waste) are excluded from this analysis, because their operations are fully supported by user charges.

- The annexation budget will be **based on 2005 costs and 2005 budgeted revenues.** In addition, the recent water, sewer, surface water, and solid waste utility tax rate increases adopted by the Kirkland City Council in June 2005 (increasing them to 7.5 percent) to fund a partial implementation of the police strategic plan are reflected in the 2005 revenue estimates.

Budget Process

In approaching the development of the annexation budget, the City's services were divided into **"direct service"** and **"internal support" functions**. The direct service functions, which represent the services delivered to Kirkland's citizens and businesses, include the following:

- Fire & Building
- Municipal Court (including prosecution and public defense)
- Parks & Community Services
- Planning & Community Development
- Police
- Public Works (including street maintenance but excluding facilities maintenance and fleet)

The internal support functions, which primarily support the direct service functions or provide organization-wide oversight, consist of the following:

- City Attorney's Office
- City Manager's Office
- Facilities Maintenance
- Finance & Administration (excluding the Municipal Court)
- Human Resources
- Fleet
- Information Technology

The internal budget development process was essentially divided into three phases:

1. The **first phase** focused on the following:

    - **Gathering annexation area data**, in terms of general demographic information (e.g. population, number of businesses, and number of dwelling units), activity levels (e.g. crime statistics, and types and number of development permits processed), infrastructure inventory (e.g. centerline street miles, number of signalized intersections, and number of feet of sidewalks), and infrastructure condition. The direct service functions worked through Karen Reed, the consultant contracted by King County to deal with annexation issues and information requests, to gather the relevant data from King County. The development services related departments (i.e. Public Works, Planning & Community Development, and Fire & Building) worked

together during this phase to ensure that each department used the same projected activity levels in the annexation area.

- **Developing 2004 service metrics**, in which approved 2004 staffing levels for each program or functional area were related to a specific 2004 activity level (e.g. calls for service, permits processed, and acres of parks maintained) or to another meaningful measure (e.g. population, square miles, and number of households). The purpose of these metrics is to reflect the current service levels provided by the City's direct service and internal support functions. Metrics for 2004 were used for the most part, since that is the most recently completed year.

2. The **second phase** primarily involved the **preparation of the annexation budget by the direct service departments**. This phase also included the following:

   - Preparation of certain 2005 revenue estimates by the direct service departments.

   - Preparation of all other 2005 revenue estimates by King County and the City's financial planning staff.

   Using the annexation area data and their 2004 service metrics, each direct service function prepared annexation service packages for each of its program or functional areas for the annexation area as a whole. In addition, a sub-area allocation summary was prepared so that a phased approach to annexation could be considered. This sub-area allocation is not intended to be definitive, but rather instructive as to the approximate cost of servicing Finn Hill, Juanita, and Kingsgate. After the budgets for the direct service functions were prepared, they were reviewed first by the financial planning staff and then by the Finance and Administration Director and Assistant City Manager during a series of budget review meetings.

3. The **third phase** focused on the **preparation of the annexation budget by the internal support functions**, whose operations are primarily driven by the direct service functions. This phase began after the budget review meetings with the direct service functions were completed. The primary drivers of the internal support function budgets included the number and type of staffing, number of computers, and number and type of vehicles requested by the direct service functions. Using this information along with their 2004 service metrics, each internal service function prepared annexation service packages for each of its program or functional areas for the annexation area as a whole and prepared a sub-area allocation summary as well. Finally, the internal support functions were subjected to the same review process as the direct service functions.

   This phase also included an **assessment of the facilities space needs** of the direct service and internal support functions, encompassing the cost of land,

building construction, and parking. The total capital outlay associated with the new facilities space was incorporated into this analysis by determining the annual debt service cost over a 30 year term assuming a 5 percent rate of interest. In addition, the financial planning staff estimated the **non-departmental and general liability insurance costs** associated with annexing the three sub-areas. All of these costs were treated as overhead layers.

Finally, the 2005 projected expenditures of the direct service and internal support functions were compared to the 2005 projected revenues. In addition, these 2005 projected costs and revenues were compared to the previous annexation fiscal analysis by Henderson, Young & Company.

Because of the complexities surrounding special districts, of which there are two in Kirkland's PAA, the City contracted with Berk and Associates, a Seattle-based consulting firm, to work through the annexation impacts on the City and the special districts. The questions that Berk and Associates was hired to answer primarily relate to the following:

- If the City opted to do a partial annexation, how would Fire District #41 be impacted (i.e. would the district still be financially viable?) and how would the contract change? In addition, what would be the impacts on Fire District #36 and #34, which both partly serve the Kingsgate area?

- What if the City opted to annex into the Fire District #41 instead? What would be the impact?

- How would the Finn Hill Park District be impacted by the annexation?

Summary of Analysis

Table 3 on the next page summarizes the ongoing revenues, ongoing costs, and staffing associated with annexing Kirkland's entire PAA. In addition, Table 3 also compares the results of the current fiscal analysis to the prior one prepared by Henderson, Young & Company, answering the following question: **What would be the ongoing impact of annexing the entire PAA at once?**

Table 3: Summary Comparison of Current vs. Prior Analysis of Annexing Entire PAA

Ongoing Revenues/Costs & Staffing Needed	Current Analysis (2005)	Prior Analysis (1999)	Difference
Revenues (Net of Fire District #41 Payment)	12,521,852	9,265,000	3,256,852
Less Cost of Services (Direct & Indirect)	17,300,808	12,710,000	4,590,808
Operating Deficit	**-4,778,956**	**-3,445,000**	**-1,333,956**
Staffing Needed	**151.96**	**116.45**	**35.51**
Operating Deficit Per Capita	**$147**	**$100**	**$47**

Overall, the **estimated operating deficit increased significantly from $3.45 million in 1999 (per the prior study) to $4.78 million in 2005 (per the current analysis)**. In addition, the 2005 annexation budget developed by staff consists of **about 151 employees, or 35 employees more than was estimated by Henderson, Young & Company**. Accordingly, **the operating deficit per capita has grown from $100 to $147**. These significant differences from the prior study can be primarily attributed to the following:

- King County didn't have the geographical information system capability back in 2000 that it has now. As a result, staff was able to get significantly more (and better) data from King County regarding the annexation area's demographics, service activity levels, and infrastructure inventory. This data was a primary driver of the annexation budgets that were prepared by staff. A prime example of the budgetary impact of having good data available was the street-related inventory information, which was very incomplete back in 2000. Based on that incomplete data, Henderson, Young & Company estimated that 7 employees were needed for street maintenance and operations. Using vastly improved data for the current fiscal analysis, Public Works staff estimated that about 11 employees were needed instead to maintain current service levels.

- The City's service levels haven't remained static since 2000. There have been service level increases in development services, police support, emergency services, and information technology during the past six years.

- The annexation fiscal analysis prepared by staff represents a detailed budget development effort; whereas, the 2000 fiscal analysis was really a feasibility study. No one service area demonstrates the resulting difference more than police. The previous annexation study estimated that almost 55 employees were needed to serve Finn Hill, Juanita, and Kingsgate. According to the Police Department, almost 78 employees (or 23 more) are required to maintain Kirkland's current level of service. While police service levels have increased since 1999, much of this annexation staffing increase relates to (or is driven by)

patrol services. There were a number of key factors that were not taken into consideration in the prior study that the police command staff used in putting the patrol budget together. Those factors included a street network comprised of few arterials and many dead-end streets (especially in Finn Hill), higher population density in Juanita (5,773 residents per square mile) and Kingsgate (6,000 residents per square mile) than in Kirkland (4,164 residents per square mile), two junior high schools and five elementary schools, and anecdotal information from the King County Sheriff's Office regarding criminal activity in certain pockets of the PAA.

- The growth in costs has outpaced the growth in revenues from 1999 to 2005. More specifically, personnel costs, which make up about two-thirds of the City's General Fund budget, have risen significantly because of double-digit healthcare cost increases, cost of living adjustments, and market adjustments to employee wages that were necessary to maintain the City's compensation policy of paying at the mid-point of comparable cities in the region. As for revenues, property tax initiatives and the recent economic recession have significantly curbed their growth during this period.

- The cost of land acquisition and building construction has increased significantly since 1999 driving up the cost of adding office space. The annexation-related capital facilities costs were based on the assumption that City Hall and the Maintenance Center would be expanded and that a new Public Safety building would be constructed. These costs were incorporated into the current fiscal analysis as an annual debt service cost of $1.67 million (based on the issuance of 30 year bonds at a 5 percent rate of interest). It should be noted that the $1.67 million represents the portion of the total annual debt service cost attributable to the PAA only (based on square footage needed for additional staff).

Specifically excluded from the costs presented in Table 3 are those of a one-time nature, such as the purchase of vehicles, computers, furniture, and equipment. For the 2005 annexation budget that was developed, this totaled $6.81 million. Also, it bears repeating that the infrastructure needs of the PAA were excluded from this analysis, with the exception of the new facilities space required to house the additional staffing.

The "mini-budget" process that staff went through also considered the following question: **What would be the ongoing impact of annexing only one sub-area?** Table 4 on the following page addresses that question.

Table 4: Summary Comparison of Annexing Only One Sub-Area

Ongoing Revenues/Costs & Staffing Needed	Finn Hill Only	Juanita Only	Kingsgate Only
Revenues (Net of Fire District #41 Payment)	5,553,611	2,086,279	4,881,962
Less Cost of Services (Direct & Indirect)	8,761,256	3,725,690	7,408,931
Operating Deficit	**-3,207,645**	**-1,639,414**	**-2,526,969**
Staffing Needed	**76.87**	**32.73**	**65.15**
Operating Deficit Per Capita	**$210**	**$293**	**$216**

While the revenues for each sub-area tie to the total revenues generated by the PAA, the costs and staffing across all three sub-areas don't correspond to the totals in Table 3 above. Simply put, there are scaling efficiencies achieved by annexing all three sub-areas at once. Further, consideration was given to the likelihood of being able to hire qualified part-time staff for certain positions (e.g. police officers). In some cases, annexing just one sub-area triggers the need for a certain number of staff that can't be hired in increments. Department estimates for staffing based on annexing one area at a time resulted in a scaling variance in excess of 30 percent. Finance staff, in consultation with the City Manager, reduced that scaling factor by half (to 15 percent). Accordingly, a scaling factor of 15 percent was applied to the staffing and cost estimates for each sub-area.

From highest to lowest, **the projected operating deficits are $3.21 million in Finn Hill, $2.53 million in Kingsgate, and $1.64 million in Juanita**, assuming that only one sub-area is annexed instead of all three at once. **On a per capita basis, Finn Hill has the lowest operating deficit at $210, which is significantly higher than the $147 operating deficit per capita if all three sub-areas are annexed at once.**

Two special reports were prepared by Berk and Associates relative to the impact of annexation on special districts currently serving the PAA. Fire services are provided by Fire District #41 (through a contract with the City of Kirkland), Fire District #36 (Woodinville Fire and Life Safety) serving a part of Kingsgate and Fire District #34 (through a contract with the City of Redmond) serving a smaller part of Kingsgate. The Finn Hill Park District was formed in 2002 to provide maintenance services to local parks. The district currently maintains O.O. Denny Park and is expected to take ownership of three additional parks in the area from King County.

Fire District

The special report on the fire district impact evaluated the varying impacts of annexing the PAA in stages versus in its entirety. Fire District #41 is essentially within Kirkland's PAA. When a City annexes fire district property, the properties cease to be part of the fire district and become part of the incorporated city. Depending on the amount of the

fire district assumed by the city, an asset transfer occurs between the two entities. The Berk report details the laws governing the annexation of fire districts and the asset transfers that would take place. In reality, asset transfers are negotiated transactions between fire districts and the annexing city and can involve exchanges of cash, properties, equipment and/or services.

For Finn Hill and Juanita, the ongoing impact to the city is essentially the loss of fire district revenue paid to the city. In exchange, the city's taxing base is extended to the area to compensate for the fire district's levy. Because there are three different fire districts serving Kingsgate, the scenario is more complicated. Fire District #36 currently has a fire station located in Kingsgate and serves an area that includes part of Fire District #41. The service is provided on an automatic aid basis and there is no payment from one fire district to the other for services. It should be noted that Kirkland Fire responds into Fire District #36 from station 27 so there is a reciprocal service. However, District #36 is considering moving the station located in Kingsgate to another location which will impact fire service to the area. This is a pending issue that may have significant financial implications for annexing the Kingsgate area.

The Berk report also discusses the feasibility of Kirkland annexing to Fire District #41. In this scenario, the citizens of Kirkland would have to vote to annex to the district which would authorize an additional property tax levy of $1.20. This would nearly double the current City levy of $1.30. Unless the City of Kirkland reduced its own operating levy by the $1.20 (reducing the City levy to $.10), it is unlikely that voters would approve a tax for a service they are already receiving.

Park District

The Finn Hill Park District currently levies $.07 per $1,000 assessed valuation to raise money for maintenance of local parks within the area. Unlike the fire district, the park district can continue to exist within the incorporated boundaries of Kirkland. Three post-annexation scenarios are presented:

1. The district continues to levy its tax, operates the parks within its area and contracts for maintenance.

2. The district continues to levy its tax and operates the parks within its area but contracts with the City of Kirkland to maintain the parks at a level of service negotiated between the City and the district.

3. The district dissolves upon annexation and the City assumes maintenance and operations of all parks in the area within the City's tax base.

One of the key policy issues in this report relates to varying service levels within the City. Under option 1 (or even option 2), the park district can opt for a lower level of maintenance than the standard that Kirkland uses for its own parks. Having two different service levels within the City is potentially problematic if residents of the annexed area request a comparable level of service.

Another interesting and unique aspect of the park district report relates to O.O. Denny Park which is owned by the City of Seattle and maintained by the park district (this property was formerly maintained by King County). The property was willed to the City of Seattle with the stipulation that it be used only as a park property. A full explanation of the restrictions on this property is included in the Berk report.

CITY OF KIRKLAND
Fire & Building Department
123 Fifth Avenue, Kirkland, WA 98033 425.587.3000
www.ci.kirkland.wa.us

MEMORANDUM

To: Public Safety Committee
Dave Ramsay, City Manager

From: Jeff Blake, Fire Chief

Date: March 7, 2006

Subject: Status of Emergency Preparedness

In 1st quarter 2003, we made a self evaluation of our emergency preparedness readiness using a national model for self evaluation. Following the evaluation a work plan, attachment D, was developed to begin to address the preparedness issues identified. I will outline our current accomplishment and concerns so you may compare them with the 2003 evaluation list, in attachment C.

Item of Accomplishment and Concerns:

Accomplishments:

- The city's Comprehensive Emergency Management Plan (CEMP) was approved by the State EMD
- A Terrorism Annex was developed and added to the CEMP
- Grant monies in the amount of $2,029,291 was applied for and $671,119 were awarded to Kirkland (some are regional grants) See attachment A for details.
- Emergency Coordination Center (ECC) drills were held to familiarize staff with the set up of the center
- CEMP overview training was provided for the city council
- New phones and computers for ECC have been purchased
- Updated ECC Procedures Manual as of February 2006
- Upgraded 6 Priority One items to a Capability Five (highest capability rating)
- Upgraded 59 Priority One items above their previously identified capability
- Developed and delivered a business preparedness educational program; in a by request manner only (see attachment B for details)
- Developed and delivering a home preparedness educational program; in a by request manner only (see attachment B for details)
- Started the Citizen Emergency Response Team (CERT) program (Dec 05). We have trained approximately 42 citizens in 2 classes, to date.
- Established an emergency website page to inform the community during disasters http://www.ci.kirkland.wa.us/emergency/
- Updated the City's Hazard Vulnerability Assessment

- Completed the City's portion and are a part of the King County All Hazard Mitigation Plan that has been approved by the Department of Homeland Security
- Trained all Fire and Police Department personnel and 62 city staff members assigned to work in the ECC on the National Incident Management System (NIMS) IS 700 class (NIMS Awareness Course)
- Established backup radio communications systems with the AERS Group
- Appointed Helen Ahrens-Byington to Deputy Chief Administration to oversee Emergency Preparedness.

Concerns:

- Emergency Preparedness and Homeland Security is changing faster than we are able to keep up with and we are falling behind rapidly
- The Emergency Preparedness Coordinator's position is unfunded
- Part time activities are only producing an absolute minimum of preparedness
- Only able to address Priority One issues, all others remain on the "needing to be done" list (Just 58 of the 210 areas needing improvement were able to be addressed in the last three years)
- Unable to start our business recovery plan to minimize the impacts of loss of our business tax base
- Need staff to coordinate the CERT program; a lot of citizen interest, no one to focus on volunteer & program management
- Unable to take full advantage of the many grant opportunities

As you can see the accomplishments are mainly tasks completed and the concerns are broader in nature and identify our inability to address numerous tasks needing to be completed.

We have made some progress towards being better prepared for a disaster in Kirkland. While the progress is slow and sometimes sporadic; I want to recognize the work of Deputy Chief Henderson and others; they split time with an already full workload in their primary areas of responsibilities and put forth a great effort towards making Kirkland more prepared. Given the minimal level of commitment we have placed on emergency preparedness in the city, we are getting a good return for our efforts. In my professional opinion the commitment level must be immediately reevaluated; especially in light of many significant disasters which have left cities and counties unable to respond to the needs of their citizens.

It is clear that citizens will place a high demands on our emergency response system; which would immediately overwhelm our resources to deal with emergencies. Having a plan to deal with our lack of resources will become the most important thing we can do. Preparing our city is critical for elected official; if you look at how the media has played out the events of Hurricane Katrina; you can see the tremendous scrutiny and finger pointing at elected officials for the outcomes of this disaster. We can't prepare for everything, but we must get better prepared. It would be my recommendation to immediately address three top priority items in emergency preparedness. They are;

- Hiring of a full time Emergency Preparedness Coordinator

- Bringing the ECC up to standards in all aspects of preparedness
- Fund a Public Education campaign on citizen preparedness

The events of 9-11, Nisqually earthquake, numerous hurricanes, especially Katrina, Rita and Wilma, and tsunami disasters have heightened awareness and the need for adequate planning locally. If we have a desire to be prepared and respond to the needs of the community; we must increase our commitment to emergency preparedness now.

CITY OF KIRKLAND
Fire & Building Department
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MEMORANDUM

To: Jeff Blake, Director Fire & Building Department

From: Jack Henderson, Deputy Chief of Operations

Date: March 7, 2006

Subject: Grants for Fire and Emergency Preparedness Divisions

Over the past few years we have received grants for both the Fire and Emergency Preparedness Divisions of the department. Some of these have been grants awarded to just the department and others have been awarded to the department and agency partners for the benefit of our regional efforts of preparedness for an all-hazard approach to disaster.

2003 and 2004

Emergency Preparedness:

Emergency Operations Planning Project Completion of the City's CEMP	$10,189.00
Emergency Management Performance grant Various preparedness activities by staff	$83,183.00
Hazardous Materials Emergency Preparedness Update of the City's Hazard Vulnerability Assessment	$3,000.00

2005

Emergency Preparedness:

Grants received with a partnership of Northeast King County Medic One Consortium consisting of Kirkland, Redmond, Woodinville, Duvall and Fall City. All of the grants listed below, were administered by the City of Kirkland.

Chemical, Biological, Radiological, Nuclear, Explosive (CBRNE) responses Self Contained Breathing Apparatus for the Medic One medics and Duvall Dosimeters for each frontline apparatus of the five consortium agencies	$110,837.00
Response/Recovery Equipment – Interoperable Communication Equipment This provides secure wireless communications with the Emergency Coordination Center (ECC), field units and hospitals through handheld Computers and laptops that will include GIS, GPS, multiple patient tracking, Digital camera capabilities, cell phone, data modem and a secure encrypted	$397,054.00

Network link for triage information.

CBRNE Medical Supplies for First Responders First Responder antidote intervention medicine cache	$17,518.00
CBRNE Table-top drill and exercises Training exercises and drills for First Responders	$24,918.00
Mobile Data Computers Grant is for two MDC's for two Kirkland vehicles in partnership with Bellevue Center Dispatch	$24,420.00
Total (2003-2005)	$671,119.00

2006

Emergency Preparedness:

Emergency Management Performance Grant (pending) Various preparedness activities	(approx) $80,000.00

Fire Department Grants:

Medic One (Regional) Equipment in Aid Cars for patient care	$1,200.00
Washington State Pre-hospital Grant	$1,200.00

Grants applied for and not received:

ECC Upgrade	$380,000.00
Self Contained Breathing Apparatus	$280,000.00
Software for personal tracking & real placement during an emergency	$120,000.00
Automatic External Defibrillators	$100,000.00
Thermal Imaging cameras (w/ Consortium partners)	$148,172.00
Staffing for adequate fire and emergency response	$250,000.00
Total (2006)	$1,278,172.00

KIRKLAND FIRE AND BUILDING DEPARTMENT
COMMUNITY PREPAREDNESS TRAINING

Kirkland Fire and Building Department responds to the community's need for emergency preparedness training with the following:

- Twenty-four hour Community Emergency Response Team (CERT) training, that teaches citizens how to assist themselves, their neighbors, and eventually first responders, during disasters. The training covers preparation, survival and recovery from disasters; the psychological state of disaster victims; light search & rescue techniques; fire extinguishing; triage; and basic emergency medical interventions. The course is conducted three times a year by Firefighters, the Department's Community Education and Information Specialist (CEIS) and local topic experts.

- Two hour Community Preparedness presentations, scheduled for the general public or private groups of at least 20 participants. The training covers preparation, survival, and recovery from disasters (focusing on earthquakes) at home, at work, and in transit. The course uses a variety of teaching tools and techniques and participants receive packets of materials including a course handbook and disaster preparedness workbook. Classes are taught by the CEIS, with the assistance of Firefighters and the Building Plans Examiner/Project Impact Coordinator.

- 20-60 minute emergency preparedness presentations for small to large groups with limited time. Presentations focus on particular aspects of emergency preparedness of interest to the groups. Neighbors generally focus on community organizing, in-home preparation and survival strategies. These trainings are scheduled upon request, approximately six times a year and are taught by the CEIS or Deputy Fire Chief.

- 30-90 minute business consultations that cover workplace preparedness and may include review of evacuation plans, use of fire extinguishers, and observation of emergency evacuations. These are conducted approximately 20 times a year, upon request, and are taught by the Deputy Fire Marshal or Fire Inspector, sometimes assisted by Fire crews.

- 10-15 minute hands-on training sessions conducted in a safety education trailer, designed primarily for children. Training may cover a range of fire safety and emergency preparedness topics, but generally focuses on such response techniques as stop-drop-roll and evacuation by fire escape ladder. The trailer training is scheduled, upon invitation, for public events and schools, a couple of times a year, for one to four days at a time, and is taught by Reserve Firefighters.

- Two hour Project Impact presentations that teach the importance of and procedures for attaching houses to their foundations. The public training is offered upon request, generally following local earthquakes. It is taught by the Project Impact Coordinator with the assistance of local builders.

The Department has been able to fulfill all requests for emergency preparedness training, but not expand training to all schools nor offer regular public education, due to staffing and budget limitations.

City of Kirkland
Emergency Preparedness Evaluation Report

General Overview

The City of Kirkland has been fortunate the last few years in that natural disaster have not dramatically affected the Citizens of Kirkland. Earthquakes (as the Nisqually), wind storms, and flooding have not devastated our area. Of course, we still must prepare and stay prepared for the "next one".

There are also the man-made disasters that can occur such as: Hazardous Material spills, chemical releases from industrial processes, and leaks from old containers and/or equipment. Added to our list of things that can go wrong are Bio-Terrorism, Weapons of Mass Destruction (WMD), and Terrorism in general. As an example, the City had a recent incident that was handled by a combined command of Kirkland Fire, Kirkland Police, FBI, and King County Emergency Managment and Federal Emergency Response Team. To help combat this latest Terrorism threat the Federal Government has created a Homeland Security Department. This new department will absorb approx. 17 federal departments including Federal Emergency Management Agency.

Emergency Preparedness has always been an inherent function of the Police & Fire Departments. This function however was limited to the specific areas of each department and generally not coordinated regionally (with the possible exception of earthquake preparedness and recovery). In 1982 the Deputy Fire Chief began to prepare a City wide Emergency Operations Plan (EOP). This effort was not a primary one and the EOP remained a secondary effort until 1998.

Items of accomplishment and concerns:

- 1998 at the direction of the Fire Chief, the Deputy Fire Chief and a Consultant drafted a new Comprehensive Emergency Management Plan (CEMP).
- The consultant phased out in late 1998.
- Emergency Preparedness Coordinator for the City, under the Director of Fire & Building established late 1998.
- The Emergency Management Team (EMAT) for the City was also established in 1998.
- The City has not had an EMAT meeting since the beginning of 2001.

- Some Emergency Coordination Center (ECC) drills where held in 1999.
- No ECC drills have been held since this time.
- City's Coordinator position became vacant August 2000 and has not been filled.
- Comprehensive Emergency Management Plan has been reviewed and authorized by the State of Washington.
- Comprehensive Emergency Management Plan final revision, to add Information Technology as a separate department and other items before publishing.
- Police Squad Room used as the ECC, not adequate for the needs of an ECC.
- ECC moved to the Peter Kirk Room during Police Dispatch remodel in December 2002.

With the establishment of the Office of Homeland Security there was a tremendous effect on Preparedness. In the Federal budget year FFY 2002, there was approximately $2,540,315 of grant funds received and distributed by the State of Washington for Region Homeland Security, and has increased each year. By not having the position of Emergency Preparedness Coordinator filled the following items will be affected:

- Difficult to track possible grants.
- Completion of all the needed federal and state paperwork.
- Follow through with the grant activities.
- Establishing, equipping and maintaining an adequate ECC, ina timely manner.
- Training of personnel expected to staff the ECC.
- Periodic updating phone numbers, vendors, and agencies (usually done every six months) will be difficult at best.
- Coordinating the efforts of all City departments.
- Training of employees as to what is expected of them during an emergency.
- Coordinating with regional, county, state and federal agencies,

The City's Fire, Police, and Public works crews can handle many situations, they will "do the job".
Fire & Police attended the new classes on Bio-terrorism and Weapons of Mass Destruction, and now Pandemic Flu; however all these classes deal with the operational aspects of the situation. There are many classes that could be attended by an Emergency Preparedness Coordinator that would give us better handle on what it would take to provide the necessary tools, equipment, and further training to better equip our "ground."

Program Element Assessment

Each of the emergency management program elements included in the assessment has been given a priority rating to help in determining where that task should fit within a future work program. Priority One Tasks relate to some form of life safety. Priority Two Tasks are not life safety, but considered important. Priority Three Tasks are supportive of general program development.

Strategic Planning Evaluation Criteria

The following criteria were used by King County Emergency Management Staff to assess the capabilities of the King County and King County region's emergency management program. This is a subjective evaluation based on a collective opinion of our current performance levels. This scale is included in the emergency management program evaluation criteria developed by NEMA, IAEM, and FEMA.

5 Fully Capable - Full capability has been achieved for this task. Either no additional effort is required, or only routine maintenance is necessary.

4 Very Capable - a high level of capability has been achieved for this task. Only minor improvements are necessary to reach full capacity.

3 Somewhat Capable - a baseline capability has been achieved for this task, yet reliability and full functionality are lacking.

2 Marginally Capable - some progress has been achieved toward this task, yet functionality is limited or non-existent.

1 Not Capable - no progress has been made on this task.

Emergency Preparedness
2003 Workplan Priorities

Task Number	Priority	Current Capability	Task	Task Leader	Assigned To:	Start Date	Target Completion Date	Finish Date
6.4.5	1	1	Ensure City warning systems are capable of reaching special needs populations and special locations (hospitals, schools, nursing homes).	City Clerk				
6.4.6.	1	1	Ensure City warning systems incorporate a public education and outreach component.	Emergency Preparedness Coordinator				
6.4.7	1	1	Develop a testing and maintenance schedule for all city warning systems.	Emergency Preparedness Coordinator				
7.1.13	1	1	Ensure a traffic incident management plan has been developed addressing the coordinated response to highway incidents and evacuations to maintain traffic flow on highways.	Emergency Preparedness Coordinator				
7.1.2	1	1	Develop procedures for coordinating law enforcement operations including deployment of personnel, security missions, mutual aid, with other local jurisdictions, and augmentation by county and state.	Emergency Preparedness Coordinator				
7.1.3	1	1	Develop procedures for coordinating transportation operations including identification and mobilization of public and private transportation resources and city personnel.	Emergency Preparedness Coordinator				
5.5.1	1	2	Ensure each City department develops and maintains facility disaster plans, consistent with the CEMP, that address continuity of operations for the department functions.	Ahrens-Byington	IT, Public Works, Police, & Parks		Jan '07	
11.1.2	1	2	Publish seasonal hazard information supplements on internet web sites, in newspapers and on radio and television stations.	Paster				on-going

Emergency Preparedness
2003 Workplan Priorities

Task Number	Priority	Current Capability	Task	Task Leader	Assigned To:	Start Date	Target Completion Date	Finish Date
11.1.4	1	2	Support annual school programs to enhance children's knowledge of emergency preparedness.	Paster				on-going
11.1.7	1	2	Develop and deliver education products and programs for City employees and ECC Support Team members to enhance their knowledge of emergency preparedness.	Paster			1st quarter 2006	on-going
3.2.3	1	3	Ensure the Hazard Analysis and Vulnerability Assessment serves as the foundation for both mitigation and response planning for the City of Kirkland.	Henderson				May '05
4.1.1	1	2	Develop and maintain procedures for requesting and mobilizing City and private sector resources during disasters based on established priorities.	Ahrens-Byington				Jan '07 & on-going
6.2.2	1	2	Develop and regularly update procedures for alert and notification of critical City staff.	Ahrens-Byington	P.D. Dispatch		Dec '06	
6.4.1	1	2	Ensure the roles and responsibilities of City staff with providing notification and warning to city personnel, response agencies, elected officials, and the public are defined and referenced in the CEMP.	Emergency Preparedness Coordinator	Ahrens-Byington		3rd quarter 2006	
6.4.3	1	2	Ensure the 24-hour City warning point maintains all-hazard warning capability when available.	Emergency Preparedness Coordinator	J.P.			
6.4.4	1	2	Ensure the 24-hour warning point and the ECC can receive warnings from all issuing parties.	Emergency Preparedness Coordinator				Jan '04 & on-going
7.2.1	1	4	Maintain and regularly update the ECC Procedures Guide including personnel procedures, checklists, and job aids for all ECC staff.	Emergency Preparedness Coordinator	Henderson		Dec '05	Feb '06 & on-going

Emergency Preparedness
2003 Workplan Priorities

Task Number	Priority	Current Capability	Task	Task Leader	Assigned To:	Start Date	Target Completion Date	Finish Date
8.1.1	1	3	Ensure the ECC has adequate space, furnishings, office equipment, and supplies to accommodate day-to-day and emergency operations.	Emergency Preparedness Coordinator	Henderson			On-going
8.1.6	1	2	Ensure that safety and emergency medical procedures and equipment, including a first aid kit.	Emergency Preparedness Coordinator				
8.1.9	1	2	Develop and maintain security procedures to prevent entrance of unauthorized personnel day-to-day and during emergencies.	Ahrens-Byington	Police Department			
5.5.7	1	3	Provide technical assistance to other City departments in the development of facility emergency plans.	Blake	Blake, Ahrens-Byington & Henderson		Jan '07	on-going
10.1.10	1	3	Develop and continually revise program funding priorities consistent with strategic plan objectives.	Blake	Blake, Ahrens-Byington & Henderson			on-going
11.3.1	1	3	Develop procedures for initiating and maintaining JIC operations in the City ECC and alternate ECCs.	Ahrens-Byington	Henderson & B/C's		Dec '06	
11.1.1	1	3	Establish a City program of public awareness to inform citizens about hazards and risk reduction using means such as public education materials (e.g., brochures), articles published in newspapers, and public service announcements.	Paster				on-going
6.4.2	1	3	Develop, maintain and test primary and alternate all hazard warning systems, including EAS, EMWIN, NWS, All Hazard Radio, emergency email, cable override, etc.	City Clerk				on-going
8.1.5	1	3	Ensure the ECC has fire protection and other safety devices.	Emergency Preparedness Coordinator	Henderson		3rd quarter 2006	on-going

Emergency Preparedness
2003 Workplan Priorities

Task Number	Priority	Current Capability	Task	Task Leader	Assigned To:	Start Date	Target Completion Date	Finish Date
8.1.3	1	4	Ensure ECC equipment has an emergency generator with an adequate fuel supply.	Emergency Preparedness Coordinator				on-going
7.1.8	1	4	Develop procedures for responding to public health emergencies including coordination with County, State, federal and private health officials.	Henderson	Henderson			Jan '04 & On-going
5.1.1	1	4	Ensure the CEMP has emergency support function annexes, hazard specific annexes where appropriate, and has been promulgated by the City Manager.	Blake	Henderson			Jan '04
5.1.2	1	4	Ensure CEMP addresses the City response to all hazards identified in the Hazard Identification and Vulnerability Analysis.	Blake	Henderson			Jan '06
5.1.7	1	4	Ensure the CEMP addresses the responsibilities of City law enforcement, fire department, SAR agencies (wilderness, urban, water, etc.) the medical community (public health, medical examiner, community health), transportation, building officials, utilities, public works districts, hazmat responders, private industries, volunteer agencies and the coordination of these parties during emergencies.	Henderson				Jan '04
6.1.1	1	4	Ensure the EOC communications procedure includes identification of available communications resources, and protocols for use of specific communications systems (command and control, resource management, warning, administration, etc.).	Emergency Preparedness Coordinator				June '06
6.1.2	1	4	Ensure primary and secondary EOC communications systems are developed, tested, and maintained.	Emergency Preparedness Coordinator				on-going

Emergency Preparedness
2003 Workplan Priorities

Task Number	Priority	Current Capability	Task	Task Leader	Assigned To:	Start Date	Target Completion Date	Finish Date
4.7.1	1	4	Ensure HAZMAT response resources required for decontamination of large numbers of victims, responders and equipment following a terrorist incident are identified and available.	Blake				on-going
4.7.2	1	4	Ensure trained and qualified responders have sufficient quantities of protective clothing (Levels C, B, and A) and corresponding breathing apparatus.	Blake				Jan '05 & on-going
4.7.3	1	5	Ensure trained and qualified HAZMAT response personnel are adequately equipped and able to detect and monitor radiation levels and chemical agents including nerve, blister, and blood and choking agents.	Blake	Henderson			on-going
5.2.2	1	4	Ensure the City has become part of an interagency working group to assess vulnerability, develop response SOPs, integrate mutual aid resources, identify resource shortfalls, conduct pre-incident planning and identify local liaisons to the FBI command structure as it develops.	Emergency Preparedness Coordinator	Henderson			May '05 & On-going
6.1.3	1	4	Ensure primary and secondary ECC communications systems are serviced by emergency backup power.	Emergency Preparedness Coordinator			Dec '05	
6.1.4	1	4	Develop procedures, consistent with the City CEMP, to access City communications capabilities.	Police Dispatch				May '05 & on-going
7.1.9	1	4	Develop procedures for coordinating emergency medical response operation including inter-hospital communications, and access to mutual aid and private EMS resources.	Emergency Preparedness Coordinator	Henderson			on-going

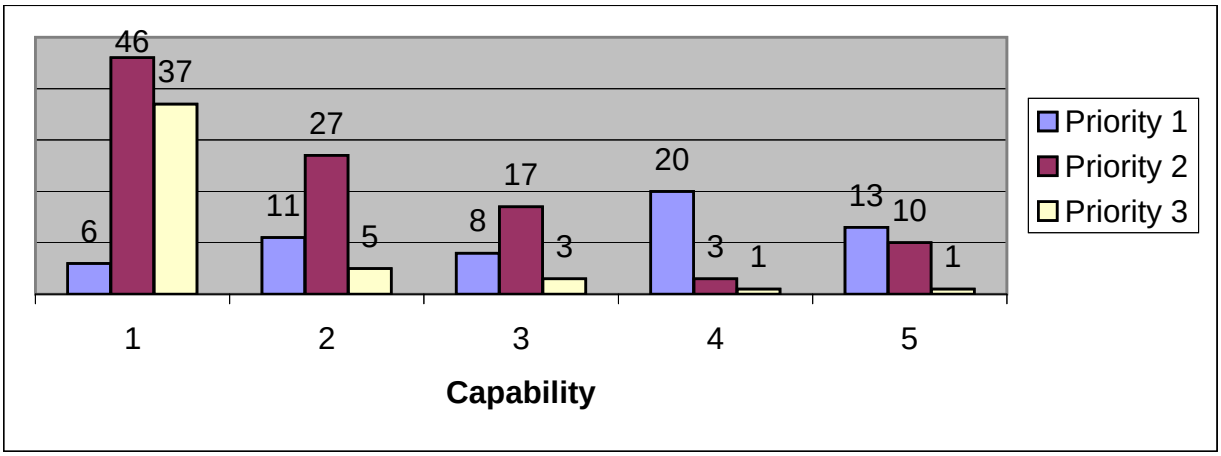
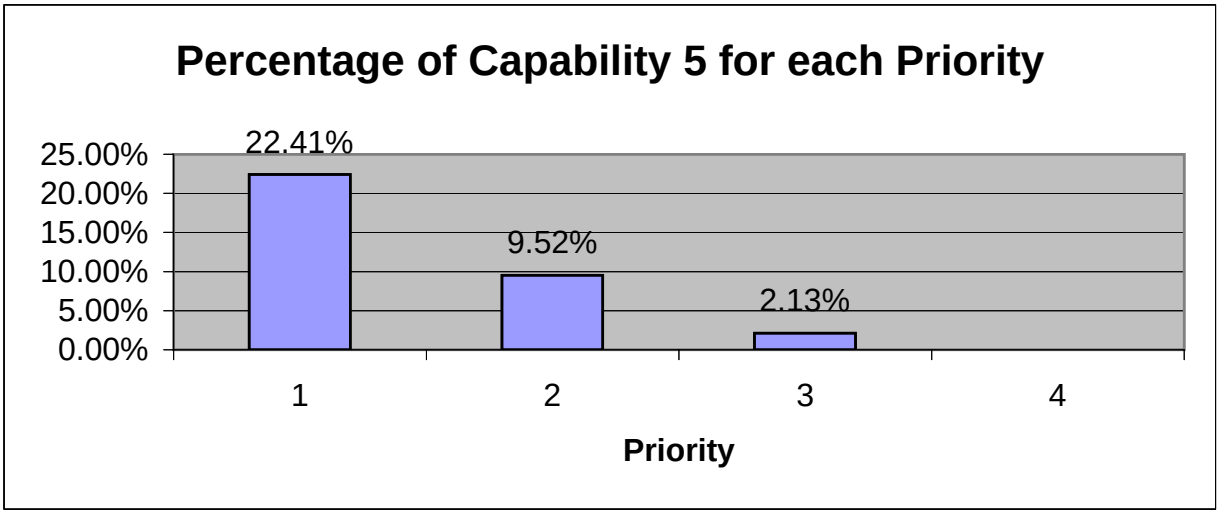
Emergency Preparedness
2003 Workplan Priorities

Task Number	Priority	Current Capability	Task	Task Leader	Assigned To:	Start Date	Target Completion Date	Finish Date
7.2.4	1	4	Develop and maintain procedures addressing comprehensive information management in the ECC; include procedures for collecting data, documenting and tasking missions, storing and accessing information, and managing a primary and secondary ECC message system.	Emergency Preparedness Coordinator				Jan '04
5.3.1	1	4	Develop a plan and implementation procedures for mass casualty operations and incorporate them by reference into the CEMP.	Emergency Preparedness Coordinator				Jan '04
7.1.11	1	4	Develop procedures consistent with local, state and federal regulations for coordinating HAZMAT response; ensure procedures address notification, activation and deployment of HAZMAT teams, and use of mutual aid and private HAZMAT response resources.	Emergency Preparedness Coordinator				May '05
7.1.5	1	4	Develop procedures for coordinating firefighting operations including comprehensive use of mutual aid and support from other city departments to address consequences such as evacuations, sheltering, warning, etc.	Emergency Preparedness Coordinator				Jan '04
7.1.6	1	4	Develop procedures for coordinating mass care operations including short and long term sheltering of victims and the delivery of food, potable water, and medical assistance to impacted areas.	Emergency Preparedness Coordinator				May '05
7.2.3	1	4	Ensure circumstances, authorities and procedures for activation and deactivation of the ECC for emergency operations are defined.	Emergency Preparedness Coordinator				Jan '04

Emergency Preparedness
2003 Workplan Priorities

Task Number	Priority	Current Capability	Task	Task Leader	Assigned To:	Start Date	Target Completion Date	Finish Date
5.2.1	1	5	Ensure the roles and responsibilities of local agencies during terrorism incidents are addressed in the CEMP, including responsibilities for incident recognition, notifications, protective actions, establishing unified command, staging, transportation of critical resources/personnel, and security of the impacted area.	Henderson	Henderson & Sanford			Jan-04
5.2.3	1	5	Ensure protocols exist for local consequence management agencies to obtain information on credible threats from local, state, and federal law enforcement agencies, as necessary.	Blake	Blake			Jan-04
5.2.4	1	5	Ensure the Annex addresses the use of a Joint Information System for multi-agency, intergovernmental release of information.	Henderson				Jan-04
5.3.8	1	5	Ensure the CEMP identifies the prioritization strategy for resource allocation during emergencies.	Blake				Jan-04
5.3.9	1	5	Ensure the CEMP delineates the concept of operations for identifying, acquiring, and controlling the flow of resources during emergencies.	Henderson	Henderson & Sanford			Jan '04
6.2.1	1	5	Ensure multiple forms of reliable communications exist between the ECC and all cities, emergency dispatch centers, neighboring county, ECC, critical private industries, and EAS broadcasters.	Emergency Preparedness Coordinator				Jan '05
6.2.4	1	5	Ensure that ECC communications systems have 24-hour operational capability on site, and that redundant and reliable communications systems can function in the field and at alternate ECC sites.	Emergency Preparedness Coordinator				Jan '05

Emergency Preparedness
2003 Workplan Priorities

Task Number	Priority	Current Capability	Task	Task Leader	Assigned To:	Start Date	Target Completion Date	Finish Date
7.1.10	1	5	Develop procedures for coordinating Search and Rescue operations including urban, wilderness, high angle, water and other types of SAR.	Emergency Preparedness Coordinator				Jan '04
1.1.3	1	5	Ensure the City has established policy direction and appropriate procedures addressing coordination between elected officials and the City's department directors.					
1.1.4	1	5	Ensure City ordinances supports the development of inter-jurisdictional mutual aid agreements.					
1.1.5	1	5	Ensure that the City ordinances clearly define the legal authority for evacuations, sheltering in-place, quarantine and other life safety protective actions within the City.					
1.1.6	1	5	Ensure the City ordinance enable the adoption and enforcement of building codes, fire codes and land use ordinances at the City level.					

Capability	Priority 1	Priority 2	Priority 3	Total
1	6	46	37	89
2	11	27	5	43
3	8	17	3	28
4	20	3	1	24
5	13	10	1	24
n/a		1		1
Capability 5 Goals	58	105	47	
Percentage of Cap. 5	**22.41%**	**9.52%**	**2.13%**