



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

Date: July 7, 2008

Subject: LETTER TO KING COUNTY REGARDING ANNEXATION

RECOMMENDATION:

City Council approves the attached letter in response to a letter received from King County Councilmember Jane Hague and King County Executive Ron Sims.

BACKGROUND:

On May 20, 2008, the City Council received a letter from King County Executive Ron Sims and County Councilmember Jane Hague regarding the potential annexation of Finn Hill, Juanita and Kingsgate. The attached letter acknowledges the correspondence and describes the City Council's direction provided at the May 20th meeting.



King County

Ron Sims

King County Executive

701 Fifth Avenue, Suite 3210
Seattle, WA 98104

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May 20, 2008

The Honorable James L. Lauinger
Mayor, City of Kirkland
123 Fifth Avenue
Kirkland, WA 98033-6189

Dear Mayor Lauinger:

Thank you for the opportunity to meet with you on May 19, 2008, to discuss the City of Kirkland's position on annexation of the Kingsgate-Juanita-Finn Hill potential annexation area (PAA). Over the past three years, the city's approach to studying the annexation issue was open, transparent, and comprehensive. As this process comes to conclusion, you described the city's position to be that the City of Kirkland's current budget challenges prevent it from pursuing annexation in the near future. You were clear that the City Council recognizes the importance and value of the Growth Management Act and the expectation that cities annex their adjacent urban areas but that the city's immediate fiduciary responsibilities must take priority.

As mentioned at our meeting, the county would strongly encourage you to reconsider this position given that the thoughtful integration of the Kingsgate-Juanita-Finn Hill area in the city's long term financial planning could yield solutions otherwise unavailable. However, if you cannot proceed because of the city's budget problems; we ask that the city explicitly articulate that it would support other cities' consideration of annexation of the area.

Under today's Countywide Planning Policies framework, if an urban unincorporated area is designated as a PAA of one city, it presents a considerable obstacle to other cities with interest in exploring annexation – it is a barrier with the community, with the Boundary Review Board, and with the county. Accordingly, we request that the City of Kirkland take action to remedy this by passing a motion that supports options that allow other cities to explore annexation of the area and by amending Kirkland's own comprehensive plan. At the regional level, we would then remove the potential annexation area designation of this area on the Countywide Planning Policies PAA Map.

This course of action would essentially clear the way for other cities to step forward to work with the residents of the area and the county to develop workable governance solutions that can be implemented in the near term. The residents of the Kingsgate-Juanita-Finn Hill area and the adjacent cities all deserve clarity and relative certainty as to Kirkland's intent. Barring a broader regional effort to revamp the Countywide Planning Policies to allow for designation and annexation of overlapping PAAs by multiple cities, these specific steps are needed to provide clarity to all. After a three year examination of this issue, the residents of the Kingsgate-Juanita-Finn Hill area deserve the opportunity to work openly with other cities on annexation.

In the face of significant budget decisions at King County, we fully understand the creative problem solving and difficult choices Kirkland will face as it works to balance its own budget in the short and long term. When facing major deficits, consideration of revenue options (new sources) and expenditure reductions (service level reductions) are the core components of developing sound financial footing. Depending on the revenue tools selected, annexation of the Kingsgate-Juanita-Finn Hill area could provide the city with a strong financial asset to use for solving the long term deficit. If annexation of the PAA were an integral part of the city's financial planning work, the city may find that annexation is useful to its financial stability over the long term. While separating these issues as proposed by the city makes the discussion less complex, it may also result in missed opportunities.

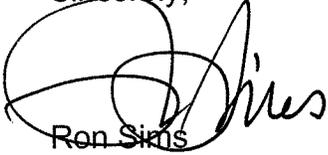
Lastly, there has been some general discussion and inquiries about phased or partial annexation of the area with the first focus being on the remaining commercial and retail areas in Kingsgate/Totem Lake. The county cannot support proposals by cities to annex the small remaining commercial tax base in the urban unincorporated areas while leaving the residential areas behind.

Like the city, the county faces a significant deficit in 2009 and beyond. Continuing to provide local government services in the urban unincorporated areas is one of the factors that underlie that deficit. Every year, the county must use nearly \$20 million of regional revenues to cover urban area local service costs above and beyond the local service revenues these areas generate. In response to the county's budget, cities raise concerns about what regional programs will the county have to cut and how such reductions will have cascading effects on the cities. At the same time, many cities are reluctant to move forward with annexation – one strategy that may help the county to reduce its own ongoing expenditures. Because we do not have the same fiscal tools as cities to pay for local services, we have been working diligently to promote annexation. Inaction on annexation by cities makes the county's fiscal dilemma that much more challenging.

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Again, the county as a whole, thanks the City of Kirkland for its tremendous effort to study the question of annexation in a comprehensive manner. By the end of the process, the city was able to develop an annexation option that was effectively financially neutral for the city – the financial challenges faced by the city today would be no worse and possibly, slightly better, if annexation were undertaken. While the final position of the council is disappointing for the county and many of the area's residents, we acknowledge and value the effort made by the city. It is now time to move forward and allow Kingsgate-Juanita-Finn Hill residents and the county to explore other options.

Sincerely,



Ron Sims
King County Executive



Jane Hague
King County Councilmember, District 6

cc: Kirkland City Councilmembers
Metropolitan King County Councilmembers
ATTN: Ross Baker, Chief of Staff
Saroja Reddy, Policy Staff Director
Anne Noris, Clerk of the Council
Frank Abe, Communications Director
Dave Ramsey, City Manager, City of Kirkland
Kurt Triplett, Chief of Staff, Office of the King County Executive
Bob Cowan, Director, Office of Management and Budget (OMB)
Karen Reed, Lead Negotiator
Elissa Benson, Annexation Initiative Manager, OMB

July 16, 2008

DRAFT

The Honorable Jane Hague
Metropolitan King Council Councilmember
516 3rd Avenue Room 1200
Seattle, WA 98104-1024

The Honorable Ron Sims
King County Executive
701 Fifth Avenue Ste 3210
Seattle, WA 98104

Dear Councilmember Hague and Executive Sims:

As you are aware, the Kirkland City Council has been actively engaged in a study regarding annexation of the three neighborhoods to our north. The City's potential annexation area (PAA) represents a major increase in population and land area and will require a significant investment of resources. Throughout our study process, the long term financial implications of annexation have remained the primary obstacle to proceeding with an election. Despite the availability of State funding and the County's offer of financial assistance, the City Council has been reluctant to proceed with annexation given the likelihood of having to increase the financial obligations to its present citizens and those of the PAA.

The City's own financial condition has worsened since the annexation study was initiated. Kirkland has experienced decreases in sales tax revenue due to the overall economic conditions and the potential for additional decreases due to the loss of a major retailer and the competition from two new Costco stores in neighboring cities. Local economic conditions yielding high inflation coupled with a slowdown in new construction will force the City to raise taxes and reduce services just to balance the coming biennial budget. This is a serious challenge for our community that deserves our full attention over the next six months.

We appreciate the concerns expressed by King County and those of the residents of the annexation area regarding an uncertain future. It is not our intent to keep the PAA in an indefinite holding pattern. The Kirkland City Council believes that it is in everyone's best interest to resolve our current budget challenges and then reconsider annexation. We anticipate that our budget process and actions will provide a clearer picture of our long term capacity to successfully serve a population that will nearly double our size.

Over the next six months, we understand that PAA residents, King County and neighboring cities may wish to explore alternatives to Kirkland's annexation of the PAA. Although we are not contemplating amending Kirkland's Comprehensive Plan to relinquish the PAA at this time, we will

Councilmember Jane Hague
Executive Ron Sims
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cooperate in any way we can to assist in alternative planning scenarios.

Kirkland maintains its commitment to regional cooperation and the principles of the Growth Management Act. Again, it is our intent to re-examine this annexation issue once our 2009-10 budget process is completed.

Sincerely,
Kirkland City Council

by James Lauinger, Mayor

cc: Metropolitan King County Councilmembers
ATTN: Ross Baker, Chief of Staff
Saroja Reddy, Police Staff Director
Anne Noris, Clerk of the Council
Frank Abe, Communications Director
Kurt Triplett, Chief of Staff, Office of the King County Executive
Bob Cowan, Director, Office of Management and Budget (OMB)
Karen Reed, Lead Negotiator
Elissa Benson, Annexation Initiative Manager, OMB
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Marilynne Beard, Assistant City Manager