Council Meeting: 05/05/2009
Agenda: Unfinished Business
Item #: 10. a.

CITY OF KIRKLAND
Planning and Community Development Department
123 Fifth Avenue, Kirkland, WA 98033 425.587-3225
www.ci.kirkland.wa.us

MEMORANDUM

To: David Ramsay, City Manager

From: Eric Shields, Planning Director
Jeremy McMahan, Planning Supervisor

Date: April 23, 2009

Subject: Downtown Retail Strategy Report, File No MIS08-00009

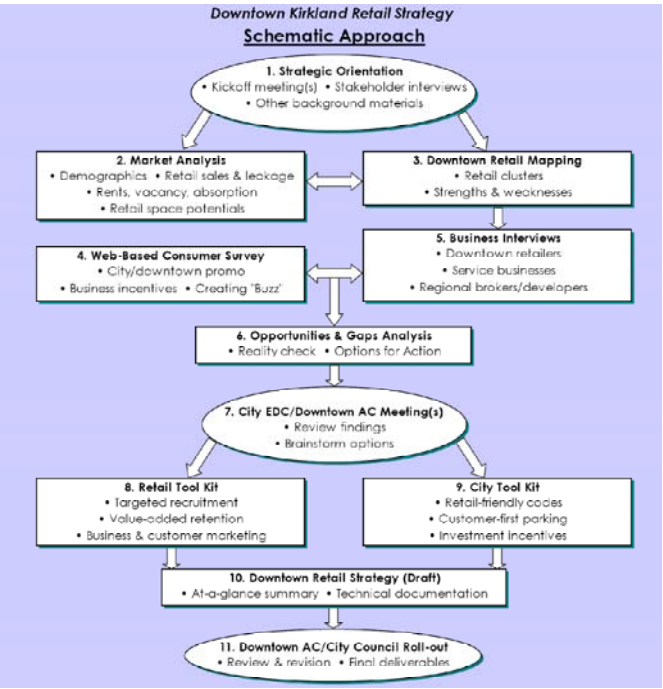
RECOMMENDATION

Review the report prepared by E.D. Hovee & Company under the guidance of the Downtown Advisory Committee (DAC).

BACKGROUND

In fall of 2007, the DAC reported to City Council on the first phase (October 2007 Strategic Situation Assessment) of an update to the 2001 Downtown Strategic Plan. Due to limited funds available to complete a full update to the Strategic Plan, the City Council prioritized the recommendations of that report and requested development of a retail strategy for the downtown. In early 2008, $30,000 was reallocated form the Lakeshore Plaza at Marina Park project and the City Council directed staff and the DAC to commence creation of retail strategy.

E.D. Hovee & Company was retained to develop the report. The following chart illustrates the process undertaken to complete the study.



DISCUSSION

The report and DAC consensus recommendations represent significant progress on a number of key retail issues. To highlight some examples:

- Preferred retail strategy – *reinvigorated destination with strong local component.* Downtown Kirkland has always struggled with "what it wants to be when it grows up" – whether it will be a regional destination for shopping dining and entertainment or a place that reclaims its historic

role as a local-serving retail spot for groceries, hardware, and drug stores. The DAC is recommending a strategy that leverages downtown's destination strengths and bolsters local goods and services (see page 48).

- A tool kit that the City and partner agencies can use to achieve the preferred strategy (see page 50).
- A *must-do list* identifying key projects and initiatives to support the preferred strategy (see page (see page 58).
- The conclusion that all streets in our compact downtown have the potential to be outstanding retail streets – given proper attention (see page 41). In addition, the DAC developed specific recommendations for banks at the street level (see page 58).

It should be noted that the City, the Chamber, and the Kirkland Downtown Association are already at work on many programs with some tools identified to deal with the current retail downturn (see page 59).

Obviously, the timing of recommendations that have significant cost components is challenging given current economic conditions for the City and the retail sector. However, the report is recommending the next 12-24 months as key to stabilizing downtown's retail sector and setting the stage for the preferred retail strategy.

With the delivery of these recommendations, the DAC has concluded its assigned work program.

Attachments

1. Downtown Retail Strategy Report

DOWNTOWN KIRKLAND RETAIL STRATEGY

Prepared for:
City of Kirkland

March 2009

E. D. Hovee & Company, LLC

Economic and Development Services

Downtown Kirkland Retail Strategy

Prepared for:

City of Kirkland
123 5th Avenue
Kirkland, Washington 98003
(425) 587-3000

Prepared by:

E.D. Hovee & Company, LLC
P.O. Box 225
2408 Main Street
Vancouver, Washington 98666
(360) 696-9870

March 2009

AT-A-GLANCE SUMMARY

This downtown Kirkland retail strategy is intended to serve as a vital step toward realizing the *working vision* of "a vibrant and charming urban waterfront community with unique shopping, destination, dining, public art and galleries, beautiful parks and gathering places." What follows are summary observations from this retail strategy report prepared in cooperation with the Downtown Advisory Committee (DAC).

Strategic Retail Context. This strategic planning initiative is shaped in the context of existing economic development and land use planning documents pertinent to downtown – including the Kirkland Downtown Strategic Plan, City Comprehensive Plan (and zoning), Design Guidelines for Pedestrian-Oriented Business Districts, citywide economic development planning, and the most recent 2007 Strategic Situation Assessment for the downtown strategic plan. An overall objective of this strategic planning process is to build on the analysis and community input embodied by work to date.

Market Review. As of 2008, Kirkland had an estimated 48,410 residents – representing 17% of a larger eastside trade area described as a *best case destination* market targeted to maximize shopping dollars potentially available for capture by downtown business. Compared to in-city residents, this larger east side destination market is growing more rapidly and is more suburban in character with a younger population, larger households and higher median household income.

While downtown contributes less than 7% of the City's total annual retail sales tax volume, downtown's economic prosperity is important because of the opportunity to shore up lagging tax revenues citywide while better serving Kirkland residents and nearby community needs. When viewed from the perspective of the in-city population only, Kirkland businesses appear to be fairly well-performing – because they also draw substantially from surrounding communities. However, an evaluation of retail sales patterns indicates that this larger destination trade area remains underserved by about $1.4 billion per year (capturing only 72% of resident-generated retail sales demand).

With a *moderate capture* scenario, downtown Kirkland could support an estimated 116,000 square feet of added retail space over the 2008-2013 time period (averaging 23,200 square feet per year). Over a longer term time frame to 2020, cumulative retail space potential increases to more than 150,000 square feet.

With an *aggressive capture* scenario, the amount of retail space supported potentially doubles (both through 2013 and to 2020). Both the moderate and aggressive capture scenarios are well above a track record averaging less than 6,000 square feet of new retail construction annually since 1994 – excluding an added increment of retail space as planned for the McLeod project recently approved by the City Council.

Stakeholder Perspectives. Building from interviews and focus groups conducted with the 2007 *Kirkland Downtown Strategic Situation Assessment*, this project also draws on:

- Resident and business surveys conducted in conjunction with a recently completed *Kirkland Economic Sustainability Assessment* – including shared resident/business objectives for a more sustainable economy offering a complete spectrum of goods and services serving Kirkland residents combined with the opportunity to explicitly brand downtown Kirkland regionally for sustainable retailing practices.
- Currently, Kirkland residents surveyed indicate that they most frequently shop downtown for groceries and pharmaceuticals and more modestly for dining or other retailing. Residents patronize downtown less frequently for most services, except mailing/postal and banking/finance

activities. Highest rated features of the downtown experience are pedestrian and mass transit accessibility, followed by quality of products, family friendly environment, visual appearance and customer service. Least well rated are affordability, variety and parking availability.

- Selected business interviews plus preliminary discussions involving the Downtown Advisory Committee (DAC) and City Council Economic Development Committee (EDC) all indicate support for a retail strategy that will be consistent with Kirkland's vision for its downtown but also results-oriented, rebuilding momentum for a stronger retail base in the years ahead.

Downtown Retail Mapping. Six identifiable *geographic clusters* (or concentrations) of retail activity stand out – including the areas of Lake Street entertainment and specialty, Central Way design for living, Park Lane dining and specialty, Lakeshore Plaza storefront, Kirkland Avenue mixed use, and Parkplace community retail. The combination of dining, night life and lodging activity is most prominent today.

Downtown locations that currently feature what could be termed as *outstanding retail* are most oriented to Central Way (near Lake Street) and portions of Park Lane. Areas characterized by *good retail* are noted for much of Lake Street, Kirkland Avenue and the inner portion of Kirkland Parkplace (adjoining the grocery store). Locations depicted as currently having *weak retail* tend to be arrayed more toward the periphery of the downtown core. Strategic opportunities for strengthening the downtown retail presence could involve extending the influence of the outstanding retail, improving weak retail and encouragement of peripheral office and residential uses to include more active retail or customer-oriented use on the street. The DAC has concluded that all downtown streets (see map on page 42) have potential to be outstanding retail streets.

Sites offering the best opportunity for downtown retail expansion are those located close to existing retail business clusters and large enough for financial feasibility of redevelopment. Potentially viable *retail site* prospects could include the City-owned Lakeshore Plaza and Lake Street lots (subject to parking replacement) – together with private properties including Kirkland Parkplace (for which a plan amendment was recently approved by City Council), Bank of America and McLeod properties (for which development projects recently have been approved), U.S. Bank and Antique Mall properties (though with no current proposals), and longer term potential for up to three block faces on Central Way.

Construction of the McLeod and Bank of America projects will largely complete development south of Kirkland Avenue. This will allow more focus on the core and waterfront areas.

Opportunity & Gaps Analysis. With this retail strategy, a distinction is made between: a) *marketing and promotion* to customers as well as for expansion and recruitment of targeted businesses; and b) *future development* including building rehab as well as new construction of retail only and mixed use projects with strategically placed parking. Four *strategic options* have been outlined for consideration:

- *Option 1 Status Quo* – assuming no substantial changes from current trends and conditions for retail in downtown Kirkland.
- *Option 2 Reinvigorated Destination* – predicated on a ramped up public-private initiative to re-establish Kirkland at the forefront of destination shopping, dining and entertainment districts throughout the eastside and broader Seattle metro area.
- *Option 3 Go Local* – to re-establish downtown as a preferred location for a broader range of local goods and services, perhaps de-emphasizing or actively discouraging added destination retail.

- *Option 4 Locally Driven Destination* – combining elements of a reinvigorated destination with a concurrent strategy for enhanced local retail opportunity but with the caveat that the *go local* part of the strategy is emphasized in the early going.

Recommended as a *preferred strategy* by the Downtown Advisory Committee (DAC) is an approach that combines elements of Options 2 and 3 for a *reinvigorated destination with strong local component.* This combined strategic approach has been recognized by the DAC as offering the opportunity to achieve the vision outlined by the City's 2007 Situation Assessment for downtown to "flourish, help build community and uniquely reflect Kirkland."

Downtown Retail Tool Kit. A *tool kit* can be viewed as a set of resources that might be useful for encouraging or effecting short- and long-term downtown retail revitalization. Two distinct *tool kits* (with a total of 31 potential tools listed) are depicted as prospectively integral to the ongoing process of *downtown retail marketing*, *enhancement of the existing retail experience* and *development*:

- *Retail Tool Kit* – for initiatives related to business recruitment, retention and marketing; with supportive customer and image marketing opportunities also covered.
- *City Tool Kit* – focusing on the tools available directly or indirectly to City government as means to encourage or facilitate downtown retailing.

Recommended as a strategic priority is a *return on investment (ROI)* perspective – as a guiding principle for investment of City resources. Also recommended is City Council determination of which specific tools are most appropriate for near-term consideration, especially for *must do* projects.

Retail Strategy. In two meeting sessions, the Downtown Advisory Committee (DAC) outlined what has been termed as a *must do* list – with recognition of top priority, mid priority and lower priority actions. Top priority actions recommended by the DAC are:

- Core and waterfront area master plan to coordinate public and private initiatives
- To complete the pedestrian spine from Parkplace to the lake and to improve the orientation of downtown to the lake, create a visual and pedestrian connection west of Lake Street
- Creating new retail space for critical mass
- Increase public parking supply now
- Partnerships to bring a true anchor tenant to downtown
- Consolidating resources and efforts between KDA, Chamber and City
- Define downtown shopping district though unified streetscape improvements including elements such as seasonal banners, lighting, and plantings

In response to downtown/business community concerns and effects of the current economic downturn, efforts to attract more business are already underway with the City's Economic Development Program. Restructuring the City's revenue base for less dependency on sales tax revenues is also a City priority. The DAC has also reviewed existing retail conditions mapping and concluded that all retail streets in the downtown have the potential to be outstanding retail streets – if the right initiatives are taken.

Remaining steps with adoption of a downtown Kirkland retail strategy by City Council are envisioned to include refinement and approval of the *Must Do* list, identification of resources for 2009/2010 implementation of top priority actions, establishing a (preferably annual) City retail work plan, and publishing a yearly report card to monitor implementation progress and subsequently to adjust course as warranted.

Conclusion. While the timing of national and regional economic recovery remains uncertain, actions taken over the course of the next 12-24 months are important to stabilize downtown Kirkland retail as best possible, then to set the stage for an even more vibrant downtown as the recovery takes hold. Working together, this retail strategy is intended to offer a framework for action that can bring downtown Kirkland from *good to great* – starting now.

Table of Contents

AT-A-GLANCE SUMMARY		i
I.	INTRODUCTION TO RETAIL STRATEGY	1
II.	STRATEGIC RETAIL CONTEXT	3
III.	MARKET REVIEW	6
IV.	STAKEHOLDER PERSPECTIVES	20
V.	DOWNTOWN RETAIL MAPPING	36
VI.	OPPORTUNITIES & GAPS ANALYSIS	45
VII.	DOWNTOWN RETAIL TOOL KIT	50
VIII.	RETAIL STRATEGY	56
IX.	CONCLUSION	61
APPENDIX A.	PREPARER PROFILE	62
APPENDIX B.	RESIDENT & BUSINESS SURVEYS	63
APPENDIX C.	STATISTICAL DATA COMPENDIUM	72
APPENDIX D.	BUSINESS INTERVIEWS	83
APPENDIX E.	RETAIL IMPLEMENTATION TOOL KIT	85
END NOTES		95

I. INTRODUCTION TO RETAIL STRATEGY

Downtown Kirkland is a vibrant and charming urban waterfront community with unique shopping, destination dining, public art and galleries, beautiful parks and gathering places. It is an economically vital, pedestrian-friendly district that attracts the City's residents and visitors to enjoy its heritage and waterfront ambiance.
– *Working Vision Statement to Guide the Downtown Strategic Plan*, October 2007

Through its Department of Planning and Community Development, the City of Kirkland has prioritized the preparation of a comprehensive retail strategy for downtown Kirkland. This *report* represents an initial step toward shaping a strategy to implement a downtown working vision in a way that is achievable – one step at a time. A downtown Kirkland retail strategy can serve as an early phase component – perhaps the centerpiece – in moving toward realization of the larger downtown working vision.

PURPOSE OF DOWNTOWN RETAIL STRATEGY

As a compact district situated in a community with strong demographics and an exceptional waterfront, downtown Kirkland has enjoyed a level of retail success that many other cities would feel extraordinarily lucky to emulate.

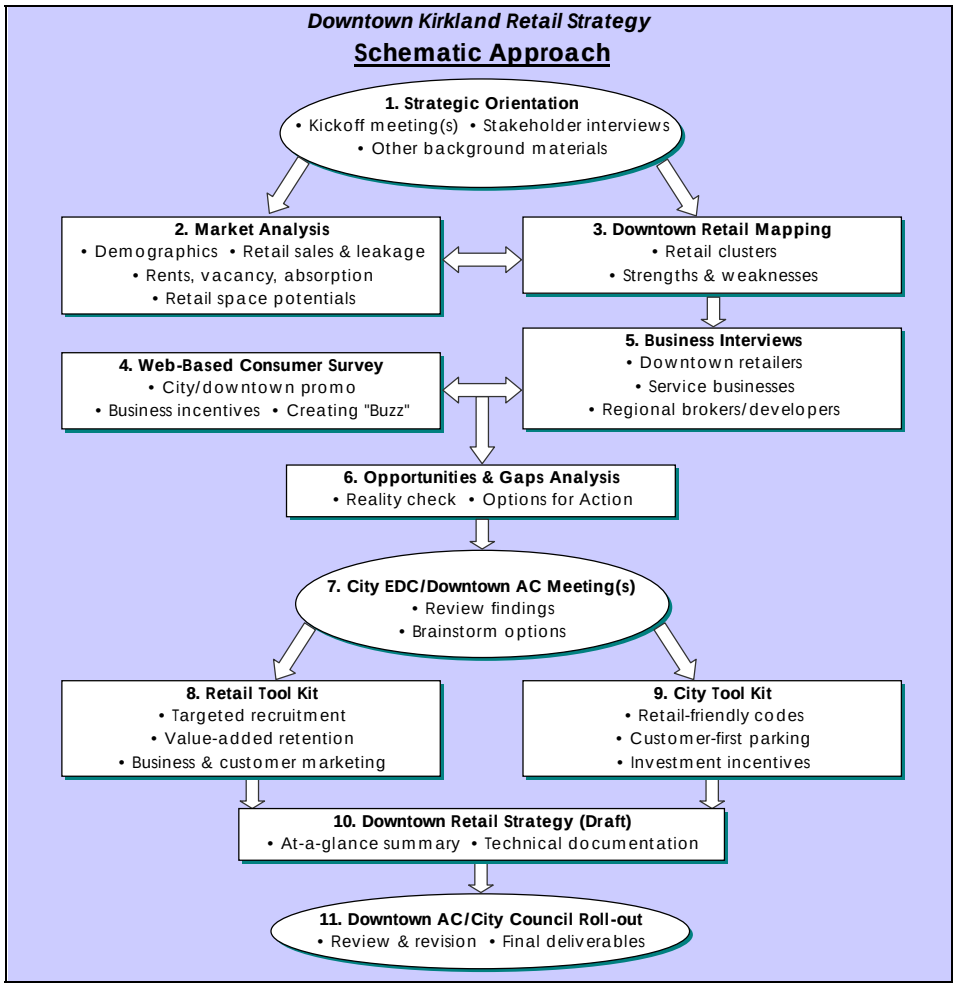
So, the question is: where do we go from here? How can Kirkland go *from good to great* – not just for today, but sustainably for generations yet to come?

This strategic retail planning process continues a journey toward realization of the downtown working vision. This path can be most rewarding as it occurs in partnership with downtown's stakeholders – retail businesses, property owners, customers, the City and broader community.

STRATEGIC APPROACH

Key steps taken in conducting this strategic assessment and planning process have included:

- Review of pertinent background information including previous market analyses and economic development planning for the Kirkland community and downtown.
- Kick-off meetings at project start-up with the City Council Economic Development Committee and Downtown Advisory Committee, followed by interviews with representatives of downtown area business and development interests.
- Coordination with a concurrent Economic Sustainability Assessment for retail leakage and resident/consumer surveys together with business inventory and conditions mapping using information of the Downtown Kirkland Association and field survey.
- Use of all background information to prepare a gaps and opportunities assessment and prepare an interim retail strategy report.
- Presentation of a retail/city tool kit and downtown retail strategy consistent with the *preferred strategy* and revisions based on Downtown Advisory Committee (DAC) input.



REPORT ORGANIZATION

Downtown retail strategy documentation is being prepared by the economic and development consulting firm E. D. Hovee & Company, LLC on behalf of the City of Kirkland.[1] The remainder of this report is organized to cover the following topics:

Strategic Retail Context
Market Review
Stakeholder Perspectives
Downtown Retail Mapping
Opportunities & Gaps Analysis
Downtown Retail Tool Kit
Retail Strategy
Conclusion

Appendix A outlines a brief profile of E. D. Hovee & Company, LLC as preparer of this report. *Appendix B* provides results of resident and business surveys conducted with the companion sustainability assessment for Kirkland. *Appendix C* contains a detailed compendium of data tables used for this analysis. *Appendix D* identifies individuals interviewed as part of the business interview process. *Appendix E* provides a detailed retail implementation tool kit.

II. STRATEGIC RETAIL CONTEXT

As in communities across the U.S., residents, businesses and the City of Kirkland have made substantial investments in the downtown. Private investment has occurred in construction and maintenance of building stock – together with tenant and business trade improvements. Public investment has occurred in very tangible ways – as in street and utility infrastructure or more recently in parking facilities and the cultural arts. Downtown also serves as a source of the community's tax base and business and civic vitality.

The City of Kirkland has identified downtown as part of Moss Bay – one of thirteen neighborhoods in Kirkland. Land use planning is governed by the *City of Kirkland Comprehensive Plan.*

Economic development and land use planning documents pertinent to downtown include the Kirkland Downtown Strategic Plan, City Comprehensive Plan (and zoning), Design Guidelines for Pedestrian-Oriented Business Districts, citywide economic development planning, and the most recent 2007 Strategic Situation Assessment for the downtown strategic plan. Key findings related to downtown retail are briefly reviewed, in turn.

In Kirkland, the retail experience begins with …

KIRKLAND DOWNTOWN STRATEGIC PLAN

An initial *Kirkland Downtown Strategic Plan* was recommended by the Kirkland Downtown Action Team and adopted by the Kirkland City Council, June 5, 2001. The goal of the strategic plan has been "to transform our central city area into a high-quality pedestrian village." Guiding principles of the plan have been to:

1. Maintain a pedestrian orientation to the downtown and surrounding districts.
2. Balance the need for efficient vehicular circulation with the downtown's vital pedestrian character through appropriate traffic calming measures.
3. Acknowledge Parkplace as an integral part of downtown by establishing clearly defined pedestrian connections with the core area and the waterfront.
4. Enhance the core area of downtown by assuring a mix of mutually supportive uses as well as a human scale for any new development.
5. Celebrate the waterfront setting by reorienting the downtown to the lake.

… the pedestrian.

Retail uses were addressed as one element of this strategic planning process – beginning with the desire to create more local-serving retail businesses in the downtown core. While noting downtown strengths of restaurants and art galleries, the strategic plan also notes that many small retailers "are struggling" as customers often choose to shop elsewhere.

Key opportunity sites were noted for added retail – especially corner locations. Other opportunities cited include potential for added convenience retail at Parkplace, lakefront destination retail, and the four blocks bounded by Lake, 3rd, Central and Kirkland Avenue. Income from upper story development was noted as important to make provision of better retail space more economically feasible.

CITY OF KIRKLAND COMPREHENSIVE PLAN

Land use planning in Kirkland is governed by the *City of Kirkland Comprehensive Plan,* revised December 2004 (and via subsequent annual amendment requests) – together with the accompanying Zoning Code. As part of the Moss Bay neighborhood, the plan recognizes the core area's identity as "derived from the Downtown's physical setting along the lakefront, its distinctive topography, and the human scale of existing development."

The land use element of the plan begins with the statement that "a critical mass of retail uses and services is essential to the economic vitality of the Downtown area." The plan further notes that retail enhancement is best served by encouraging a substantial increase in housing and office development either within or adjacent to the core area. The types of uses viewed as serving the Vision for Downtown included restaurants, delicatessens, and specialty retail shops, including fine apparel, gift shops, art galleries, and import shops.

More detailed plan provisions were identified for each of five downtown subareas – the core area together with the northwest, northeast, east and south core frames. The plan is implemented through eight distinct CBD zones – each of which has its own use, height, parking and related provisions.

DESIGN GUIDELINES FOR PEDESTRIAN-ORIENTED BUSINESS DISTRICTS

In addition to the Zoning Code, a pivotal implementing mechanism for downtown involves provisions of *Design Guidelines for Pedestrian-Oriented Business Districts,* also adopted by the Kirkland City Council in 2004. The purpose of design guidelines for downtown Kirkland is to:

> … balance the desired diversity of project architecture with the equally desired overall coherence of the downtown's visual and historic character. This is to be achieved by injecting into each project's creative design process a recognition and respect of design guidelines and methods which incorporate new development into downtown's overall pattern.

The design guidelines address pedestrian-oriented elements, public improvements and site features, parking lot location and design, scale of development, building material color and detail, and natural features.[2]

PATHWAY TO KIRKLAND'S ECONOMIC FUTURE

Prepared in March 2005 for the Kirkland Economic Partnership, this plan provides a definition of economic development as "the application of public resources to stimulate private investment." *Quality of place* is emphasized over other factors.

While prepared to address economic development on a citywide basis, the plan recommended focusing on two prime development areas: Totem Lake and Downtown. Regional markets emphasized included software, medical and professional services.

Retail is "increasingly seen as an amenity without which other economic sectors find it difficult to recruit workers." The sales tax benefits of retail development are highlighted – as are the ways in which urban development patterns are influenced by the scale and location of retail centers.

KIRKLAND DOWNTOWN STRATEGIC PLAN – STRATEGIC SITUATION ASSESSMENT

Starting in early 2007, the City of Kirkland commissioned an update to the 2001 Downtown Strategic Plan. Update tasks included a series of 11 focus groups and stakeholder interviews, community meeting, on-line survey, and market analysis. Key findings of this update process completed in October 2007 that are pertinent to retail in downtown include the following:

- Downtown has 614 private businesses employing nearly 4,000 – with the average business having six employees.
- More than 1,380 workers are employed at 159 retail business – per the City of Kirkland Business License Database (as of 2007).
- Downtown retail strengths are again identified as including existing clusters of restaurants and galleries but also emerging clusters as for women's clothing, home décor and accessories.
- An ongoing challenge cited is to strengthen the core area retail base – through "new business retention and attraction strategies, business partnerships and strategic marketing."
- Ground floor retail requirements were identified as problematic – with the suggestion to create a "more fine-grained or block-specific view of allowable ground floor uses."
- A situation assessment suggested that a downtown retail strategy should identify "core retail districts where retailers can cluster and feed off of each other" – including a need for anchor retailers.

PLANNING SUMMARIZED

Two summary observations are noted from this review. First, the continued success of the downtown is pivotal to Kirkland's identity for *quality of place* and as a sustainable community.

Second, while downtown currently contributes less than 7% of taxable retail sales citywide, *improved and sustained retail performance* is important to Kirkland's economic vitality. At its best, downtown should offer the potential to become a substantially greater contributor to the City's tax base. These considerations serve as useful guideposts to retail strategy development.

III. MARKET REVIEW

This retail strategy interim report begins with a review of the local and regional market trends affecting retail activity in the City of Kirkland generally and, more specifically, in downtown Kirkland. Topics covered include trade area delineation, demographics, lifemode characteristics, retail sales and leakage, commercial real estate indicators, and retail capture potentials.

TRADE AREA DELINEATION

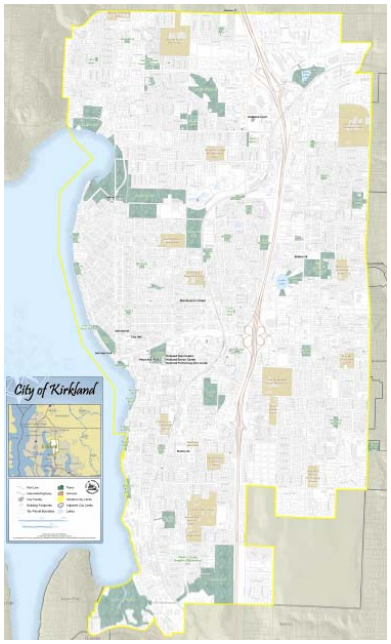
A *trade area* is intended to serve as a description of the geographic area(s) from which the customers to a retail business district are most frequently drawn. In a metro region with multiple retail centers all competing for consumer shopping dollars, it can be especially challenging to define a trade area for just one single retail center such as downtown Kirkland.[3]

Two trade areas have been delineated for purposes of this downtown Kirkland retail strategy:

- *City of Kirkland* – as a proxy for the approximately 48,410 residents most drawn to downtown for day-to-day convenience purposes as well as comparison shopping.
- *Best Case Destination* – as a larger eastside area with a 280,000 population proximate to Kirkland, "maximizing" shopping dollars available for capture by downtown businesses.

Figure 1. Kirkland City & Best Case Destination Trade Areas Considered

City of Kirkland



Best Case Destination

Source: City of Kirkland GIS and ESRI Business Information Solutions.

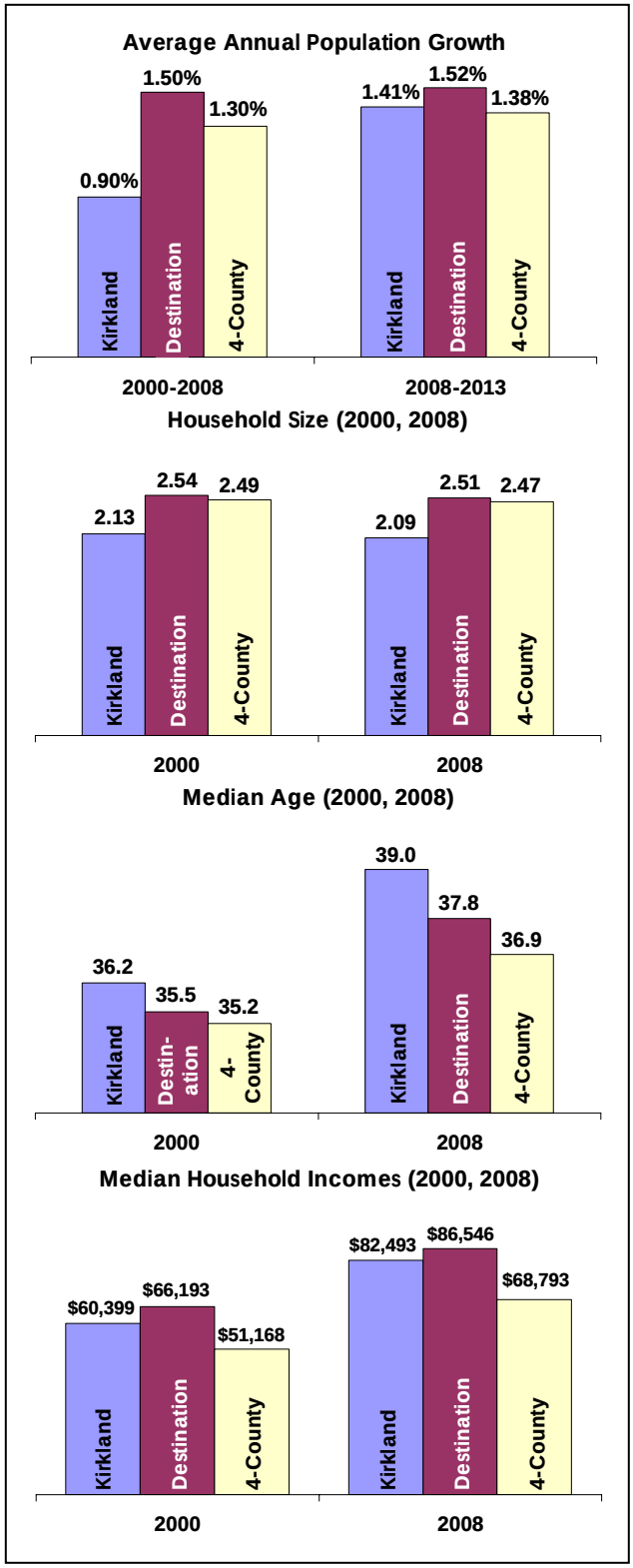
Also considered *for comparative purposes* with this assessment are the approximately 3.6 million residents of the Seattle-Tacoma-Everett metro area – consisting of King, Pierce, Snohomish and Kitsap Counties.

TRADE AREA DEMOGRAPHICS

As of 2008, the City of Kirkland has an estimated 48,410 residents with nearly 280,000 in what is termed as a best case destination trade area on the east side of Lake Washington, north of Bellevue's major retail centers.[4] By comparison, the larger 4-county metro area has an estimated 3.6 million residents. Key trade area demographics of note (as depicted by the chart to the right) are that:

- Since 2000, *population* of the city has grown more slowly than in the larger comparison geographies. City projections indicate that this gap in growth rates could be considerably reduced in the years immediately ahead – creating added opportunity for downtown retailers to target a growing city population.
- *Average household size* is well below that of the destination trade area and 4-county region – and has declined somewhat in recent years. National trends suggest further decline – though housing affordability and in-migration have led to increased household size in some communities.
- *Median age* of Kirkland residents is relatively high – and estimated by ESRI to have increased considerably since 2000. Anecdotal information suggests that younger workers relocating to Kirkland could now be starting to counter this trend.
- As of 2008, *median household income* in Kirkland is estimated at nearly $82,500 – roughly 20% above that of the metro area but somewhat below that of the more proximate destination market.

Figure 2. Comparative Demographics



Source: U.S. Census, ESRI BIS.

Other demographics noted by data research (as detailed in Appendix C) include increased racial and ethnic diversity of the population (with nearly 10% Asian and 5-6% Latino representation), above average levels of education (over one half of adults with bachelors degrees or better), high levels of white collar (especially management) employment, and relatively low rate of home-ownership (with 58% of residential units owner-occupied). Both in 2000 and again in 2008, median home values in Kirkland are somewhat (about 5-6%) above those of the eastside destination trade area and 35-40% above median values for the larger 4-county metro area.

Taken together, this data suggests a local community and broader potential destination market that is relatively affluent, well-educated and comparatively mature. There also are important differences between the in-city versus broader destination trade area market. The destination market has been experiencing more rapid population growth, has more large family households, and higher levels of homeownership. These characteristics are consistent with retail market opportunity that has been driven in large part by promoting Kirkland as an eastside (if not broader) regional destination for specialty shopping, dining and entertainment.

For the future, several indicators bear watching – as they suggest a potential refocusing back on local in-city retail clientele. These indicators include:

- Renewed attraction of Kirkland to *younger adults* – both tech and professional workers.
- Increasing *diversity* of population – notably Asians and Latinos.
- Educational level of local population – especially if Kirkland becomes a preferred residence and/or work location for *creative class* in-migrants.
- *Resurgent population growth* – dependent on housing development unless Kirkland also becomes more attractive to younger families.
- Preferences for *less driving* and more shopping close to home – potentially stimulated both by increasing fuel costs and green sustainability ethic.

Any or all of these factors would be supportive of increased spending potential from in-city residents.

DOWNTOWN PARKING DEMAND GEOGRAPHIES

Since initial completion of the trade area analysis for this retail strategy assessment, Kirkland's Parking Advisory Board has conducted a license plate survey matching downtown parkers to their home locations. Parking geographies are measured in terms of mileage distance from downtown Kirkland.

These concentric circles do coincide with the local Kirkland and destination trade areas as defined for this retail strategy analysis. The mileage rings provided by the parking counts include persons within a specified radius, whether residing east or west of Lake Washington. By comparison, the destination trade area utilized with this analysis extends out to portions of an approximately 11-15 mile ring (primarily east and north of Kirkland).

Despite somewhat different methodologies, the two analyses offer similar conclusions. As indicated by detailed data provided with Appendix C to this report, close to 74% of downtown

parkers (weeknights and weekends) are coming from within a 10-mile radius of Kirkland, with 85% from within 15 miles.[5]

This 15-26% portion of weekend/evening downtown parkers coming from outside the eastside destination trade area represents customer groupings that have alternative destination shopping options closer to home. While representing a much larger total population base, this portion of the customer market is likely shopping outside their more convenient or normalized trade area, often less frequently than for customers for whom Kirkland is the closest destination attraction.

In effect, Kirkland's ability to attract regular visitation from this larger customer base can be considered as a supplemental draw based on the larger Puget Sound regional reputation of downtown Kirkland as a good place to visit, dine, and shop. It also demonstrates the significance of this larger extra-territorial destination draw as a continuing and important downtown customer market segment.

LIFEMODE CHARACTERISTICS

Increasingly, national demographic firms, retailers, and developers are looking beyond traditional demographic groupings to also consider qualitative lifestyle and psychographic groupings. This approach draws on traditional demographic analysis combined with survey and consumer information regarding spending patterns and lifestyle preferences – and can be used to augment the demographic indicators noted above.

Use of Psychographic (Lifemode) Data. Retailers often use this information in deciding where to locate stores. Homebuilders use the information in deciding what types of residences will be in demand.

Business site locators may use the information in helping to decide whether a particular community will be a *good fit* for a proposed business or industry. The national demographics firm ESRI Business Information Solutions categorizes residents of the U.S. into 66 different Tapestry or *lifemode* groupings.[6]

Lifemode Profiles. On the following page are depicted the *top five* market segments (out of 66 nationally) for the City of Kirkland and for the larger destination market extending beyond the city limits to encompass major areas from which customers are drawn into Kirkland. This information is presented as general background to help contextualize marketing efforts that may be selected to pursue.

Kirkland Profile. Four of the five top Kirkland tapestry segments (all but *Old and Newcomers*) are urban-oriented with relatively high incomes and small households (often, but not always, without children). While these four groupings vary somewhat in age and rental versus ownership profile; all are culturally aware and can be expected to exhibit relatively busy lifestyles.

Figure 3. Kirkland City & Destination Market Lifemode Segments (2008)

Tapestry Lifemode Market Segment	% of Total	Summary Characteristics
City of Kirkland:		
Enterprising Professionals	20.5%	Young (average age 32), educated and working professionals – with frequent moves following job opportunity – "connected but still nomadic"
Urban Chic	16.3%	Also urban and professional but with higher average age (42) and incomes – management/technical workers with ½ receiving investment income
Laptops & Lattes	15.4%	Dominated by people living alone or with housemate, median age of 38, well educated and compensated – majority renters and many without cars
Old and Newcomers	15.2%	Neighborhoods in transition - renters starting career or retiring, prefer multiunit housing, moderate incomes
In Style	12.2%	Suburban residents with urban preferences, married but without children, townhome preferences – work in finance, technical and education occupations
Subtotal (top 5)	79.6%	
Destination Market:		
Sophisticated Squires	19.5%	Cultured country living, married families, longer commutes but fewer neighbors, upper income
Enterprising Professionals	16.9%	See above
Suburban Splendor	14.5%	Growing neighborhoods, 80% married with families, overall highest income group, primarily homeowners
In Style	10.8%	See above
Old and Newcomers	6.4%	See above
Subtotal (top 5)	68.1%	

Source: ESRI Business Information Solutions and E.D. Hovee & Company, LLC.

Destination Market Profile. Three of the five groupings in the larger destination market area overlap with those that are also identified for the City of Kirkland. The distinguishing feature for the two represented solely by the larger trade area (but not in Kirkland) is larger family households. As busy professionals with relatively high incomes, they are among those who are often trading a longer commute for more housing and newer neighborhoods and schools.

While the personal and family values of these two groupings both may be environmentally oriented, these more exurban residents often make choices involving inevitable compromises with their values. As families who may frequent Kirkland (as for shopping or dining), they may respond well to environmental messages, but resist compromising their overall lifestyle.

RETAIL SALES & LEAKAGE

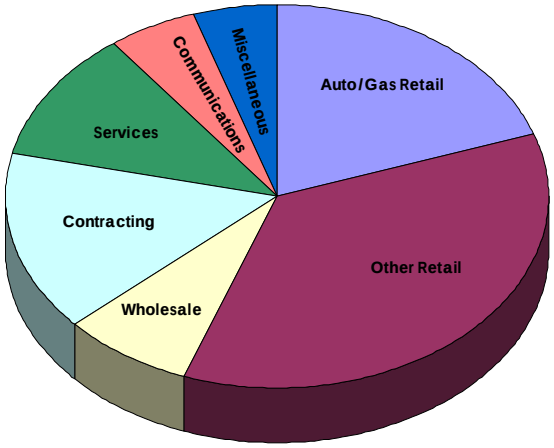
As with the discussion of area demographics, the following retail sales discussion is separated to first provide a review of taxable retail sales to the City of Kirkland – by business sector and by geographic area. The analysis then proceeds to address retail business potentials based solely on the City of Kirkland residential base, followed by opportunities posed by added capture of a larger destination trade area. Specifically noted is that data for much of this analysis precedes the substantial economic downturn of late 2008 – and therefore represents more normalized and longer term economic conditions.

Taxable Retail Sales. From the perspective of the City of Kirkland, retail sales tax is important as the #1 contributor to the City's overall revenue base. Taken together, all tax sources comprise over 65% of Kirkland's annual general fund revenues – with sales tax contributing about 29%, well ahead of property taxes at just over 16%:[7]

- When considered *by business sector*, about 56% of the City's sales tax revenue from 2000-2007 has come from retail businesses (including 20% from auto/gas and 36% from other retail – with major contributors being general merchandise and dining activities).

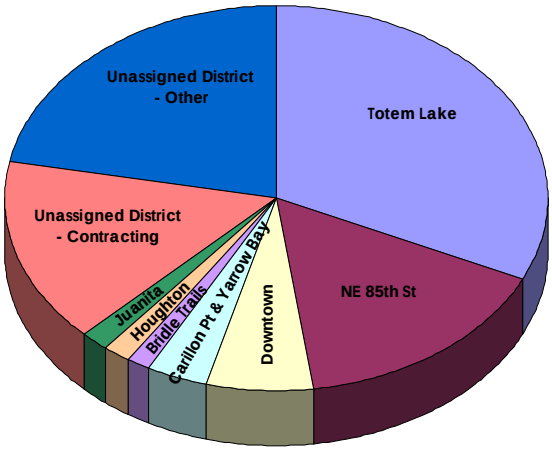
  In the best year of the decade (2004), retail contributed over 60% of the total sales tax revenue. Contracting has become more significant in recent years – peaking at 20% of total sales taxes in 2006 followed by slower growth thereafter.[8]
- When viewed *by geographic area* of the City, Downtown has been contributing just under 7% of the City's retail sales tax revenue – well below the 32% share that comes from Totem Lake and 16% from NE 85th Street. Specifically noted is that nearly 38% of sales tax revenue is not assigned by location, including sales tax on construction.

Figure 5. Sales Tax by Business Sector



Source: City of Kirkland.

Figure 4. Sales Tax by Business District



Source: City of Kirkland.

The remainder of this discussion turns to consideration of retail sales from a business and economic development perspective – for the City of Kirkland and then for a larger destination trade area.

City of Kirkland. As of 2008, an estimated 48,400 Kirkland residents have incomes that support demand for nearly $975 million of retail purchases. Actual volume of sales supplied by retail stores in Kirkland is estimated at over $1 billion – indicating a *net inflow* of sales estimated at $40 million.[9] This occurs because of the large number of non-Kirkland residents (from the destination trade area and beyond) who travel to shop or dine in Kirkland.

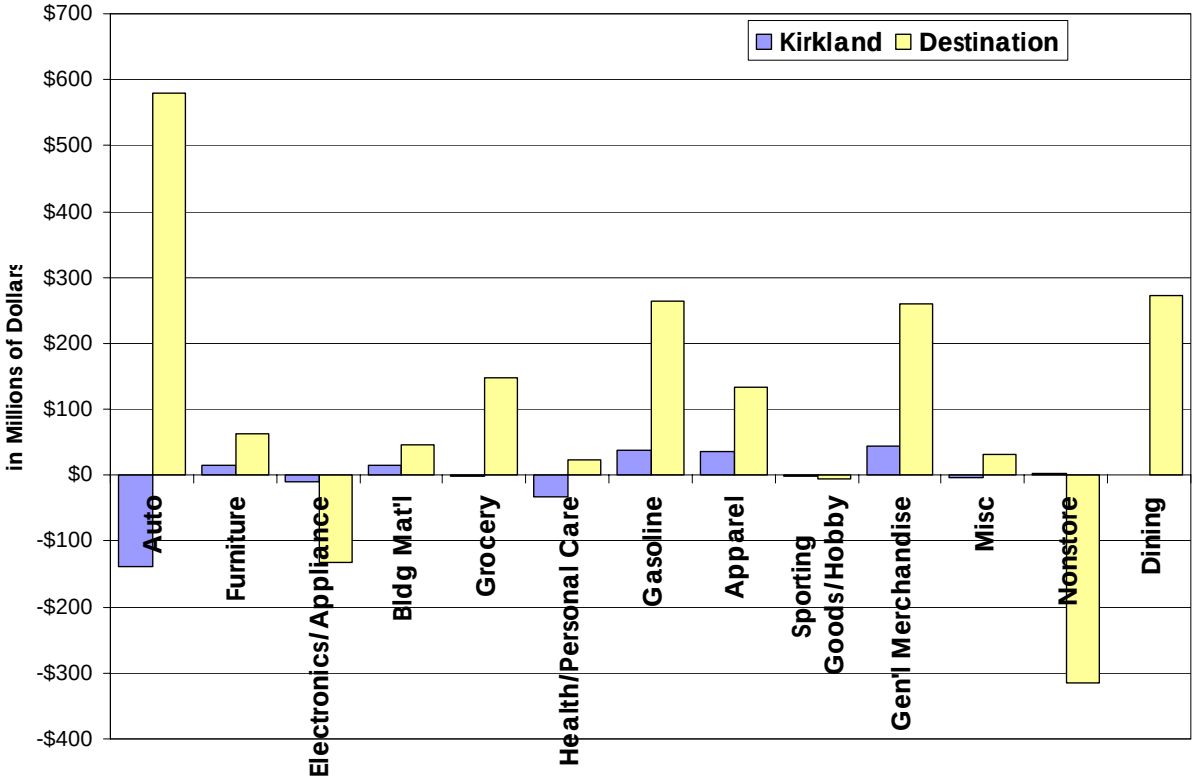
However, not all store categories of retail are fully served locally. Examples of retail categories that have been underserved (for which there is clear *sales leakage*) include furniture and home

furnishings, building materials and garden supplies, gasoline stations, apparel, and general merchandise.

Destination Trade Area. When viewed from the perspective of the geographically larger destination trade area, the results are considerably different. As noted, this trade area was intentionally drawn based on a geography that would *maximize the gap* between retail demand and supply – as the "best case" for sales leakage that is present in a market proximate to Kirkland.

This *best case* trade area excludes Bellevue (and Bellevue Square). This is because of the effect that these destinations currently have on absorbing much of the existing market for retail east of Lake Washington.[10]

Figure 6. Kirkland & Destination Trade Area Retail Sales Leakage (2008)



Source: ESRI Business Information Solutions.

For the destination trade area tested, total annual volume of sales supported by an estimated 280,000 residents is nearly $5.0 billion. Retail sales captured by businesses physically located somewhere within this trade area is just under $3.6 billion – indicating sales leakage of $1.4 billion per year (or 28% of sales potential).

For this northern section of the eastside, considerable sales leakage is evident across virtually all retail categories *except* electronics and appliance stores, and sporting goods/hobby/book/music stores. Also noted are strong sales for non-store retailers including those with strong internet

and/or mail-order presence – a category of possible interest citywide but not as relevant for purposes of this downtown analysis.

In effect, this northeast quadrant of the Lake Washington market is substantially underserved almost across the board – as residents travel to Bellevue or other points outside their home area to shop.

Five-Year Supportable Retail Space Potentials. Supportable retail space demand has also been estimated. Estimates reflect maximum retail space supportable if existing sales leakage was to be *fully recaptured* and anticipated population growth over the next five years to 2013 was to be *fully served* – also assuming economic recovery by 2013 to more normalized conditions of consumer incomes and retail demand:

- Based on demand patterns associated with existing and prospective *Kirkland residents*, maximum demand would equate to approximately 346,000 square feet of additional commercial retail space by 2013. Retail store types potentially supporting the greatest building area are general merchandise (just under 100,000 square feet), followed by apparel. Maximum retail capture is predicated primarily on leakage recapture (77% of demand potential) augmented by anticipated Kirkland population growth (23%).
- The larger *destination trade area* could support as much as 2.3 million square feet of additional retail space – if all current and prospective consumer demands were to be satisfied without traveling elsewhere in the region. The single greatest source of square footage demand is indicated for general merchandise (at over 600,000 square feet including both department store and discount store retailers), followed by dining and then grocery stores and apparel.

2020 Supportable Retail Space Potentials. Calculations have also been made of longer term potentials over the time period from 2008-2020 – a time period representing greater opportunity not just for economic recovery but also a transition back to more typical trendline conditions of population and employment growth in the Puget Sound region:[11]

- Based on demand generated by existing and prospective *Kirkland residents*, maximum demand would equate to approximately 434,000 square feet of additional retail space by 2020.

  As with the shorter term scenario, store types potentially supporting the greatest building area are general merchandise (123,000 square feet), followed by apparel.
- The larger *destination trade area* could support up to 2.9 million square feet of added retail space – if all current and prospective consumer demands were to be satisfied without traveling elsewhere in the region.

  As with the more localized trade area, the greatest source of square footage demand remains with general merchandise (but with a much larger potential of as much as 776,000 square feet including both department store and discount store retailers), followed by grocery stores, dining and apparel.

Capturing Retail Demand. This preliminary analysis indicates that, while there are options to better serve the retail needs of Kirkland residents, these opportunities are considerably greater if downtown can also capture a competitive share of the available destination market. However, the successful capture of either local or destination market potential is by no means assured.

Experience of recent years indicates that, absent a targeted public-private strategy, downtown Kirkland would not be expected to appreciably change its market share in the years ahead. Also noted is that downtown should not be expected to be competitive across all retail categories but rather anticipate picking its *best shots* – including retail store types for which downtown …

Has a Strong Competitive Position Today (notably):

- Dining (primarily full-service – formal to casual, but with increasing emphasis on younger professional and creative class clientele)
- Specialty retail (building from the existing gallery base)

Has a Lesser Competitive Position Currently but Could Expect Improved Capture Based on Urban Experience Elsewhere (as for):

- Specialty grocery (ranging from a national retailer such as Whole Foods to independent or co-op grocer).
- Pharmacy (serving the growing downtown residential and employment base).
- Apparel (opportunity for independent boutique plus possible national credit tenants).
- Home furnishings (of the quality of Sur La Table).
- General merchandise (perhaps a long-shot but increasingly possible for re-emergent smaller footprint downtown prototypes).[12]

Supplementing this pure retail is the opportunity for *complementary service* businesses – serving similar clientele. Examples might include cinema, health care, fitness and child care.

This analysis returns to more explicit consideration of prospective downtown retail capture – after review of applicable commercial real estate indicators.

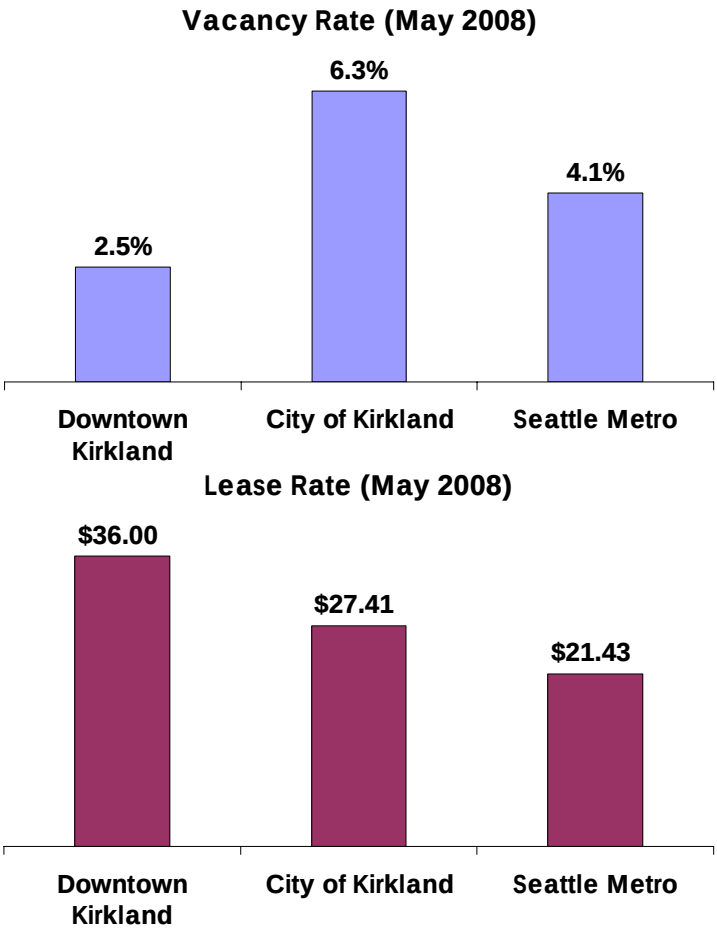
COMMERCIAL REAL ESTATE INDICATORS

Of primary interest to this analysis is retail space. Office use is noted as well, for its current and potential role in supporting retail activity. Also included is a summary of recent downtown development. *Note:* Economic data evaluated for this retail analysis are as of mid-2008, and so represent more normalized conditions prior to the market declines experienced later in the year.

Competitive Retail Space. The downtown Kirkland area has a retail inventory estimated by the real estate data firm CoStar at nearly 900,000 square feet of gross leasable space (involving 42 competitive properties). This inventory includes specific ground floor building spaces typically considered as suitable for retail use, but which in reality often is tenanted by office or other non-retail service uses:[13]

- Based on this brokerage data, Downtown's retail inventory accounts for a bit over one-quarter (26%) of the 3.5 million square feet of retail space citywide and 0.6% of the retail space in the Seattle metro area (covering King, Snohomish and Pierce Counties).
- As of May 2008, retail vacancies in downtown were 2.5% of the reported inventory – well below comparable vacancy rates of 6.3% citywide and 4.1% for the metro region. Only six of 42 downtown properties are identified as having vacancies; the rest are 100% leased.
- Downtown Kirkland rents have also been relatively strong – at a median annual rate $36 per square foot compared with rental rates averaging less than $27.50 for retail properties citywide and less than $21.50 for the metro area.

Figure 7. Comparative Retail Vacancy & Lease Rates



Source: CoStar.

- Kirkland Parkplace accounts for nearly one-half of downtown area retail space. When buildings associated with Parkplace are excluded from the inventory, the typical retail building averages only 12,730 square feet (with an indicated range of less than 1,300 to as much as 43,000 square feet).

While retail demand remains relatively strong in downtown Kirkland, there are clear signs that the market is perhaps less vigorous throughout the rest of the city. The City of Kirkland has gone from almost no vacancy (of 0.1%) at year-end 2000 to more than 6% citywide as of mid-2008. Net retail space absorption (equaling leases minus space vacated) has been negative in five of the last eight years.

By comparison, retail vacancy for the Seattle-Tacoma-Everett metro area has also increased somewhat, but to a lesser degree. Unlike Kirkland, the metro area has experienced positive space absorption for seven of eight years (all but 2003).

Office Space. While the focus of this analysis is on retail space, it is also worth noting the relatively substantial inventory defined by CoStar at about 450,000 square feet of competitive office space in the downtown (in 27 properties). Reported annual rental rates range from a low of $25 to over $46 per square foot.

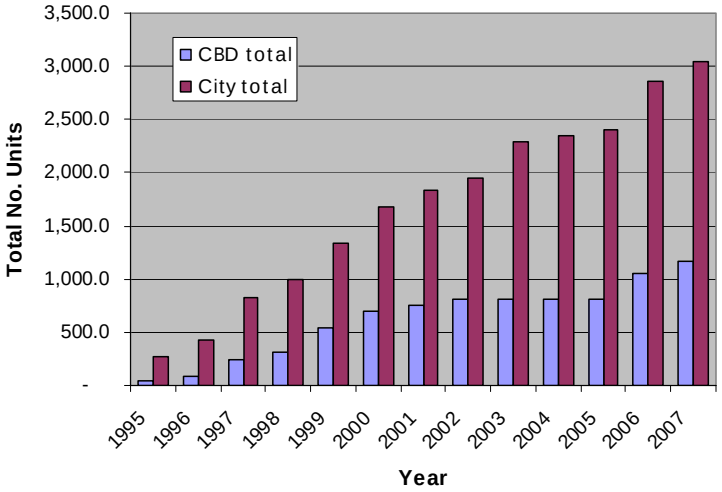
Most downtown office buildings are relatively small – averaging just 16,600 square feet of gross leasable area per property. There are no downtown area office properties identified by CoStar as being larger than 100,000 square feet. Downtown area vacancy averaged just over 11% as of May 2008. However, most properties are effectively 100% leased – with 7 out of 27 properties accounting for the vacancies indicated.

If developed, proposed projects could represent 1.5+/- million square feet of new downtown office space. The major potential project is represented by Kirkland Parkplace – in the range of 1.2 million square feet of added office space.

Recent Downtown Development. Between 1994 and mid-2008, downtown Kirkland experienced substantial building permit activity (including plans for the recently approved McLeod and Bank of America developments, but as yet excluding the Parkplace project) of:

- 1,359 new housing units (and 91 hotel rooms).
- Approximately 175,700 square feet of added office space (including the planned McLeod development).[14]
- More than 132,000 square feet of new retail space (including the McLeod and Bank of America properties).
- Up to an estimated $246 million of new downtown investment (excluding Parkplace).

Figure 8. Number of Completed Multi-family Units



Source: City of Kirkland.

The dramatic increase in residential (and mixed use) development has received much of the attention in recent years. Kirkland's CBD has accounted for 39% of all multi-family residential development citywide between 1994 and 2007.

As is often the case, the pace of downtown residential development has been somewhat uneven. The highest levels of construction activity were experienced in 1999-2000 and then again in 2006-2007. Over 13 years, downtown has averaged about 90 new units per year. Much of the new retail space replaces existing older retail space, so these numbers do not represent net new growth in retail square footage.

Housing can be an important contributor to added retail demand in downtown – especially if the types of retail provided meet day-to-day resident needs for conveniences ranging from grocery to pharmacy plus casual dining. However, downtown housing sometimes can also deliver less consistency in purchasing than what might be expected – as for residents on fixed incomes or those living in Kirkland only part-time.

Overlooked in recent years is the added stimulus that office provides for downtown retail as well. National research shows that the typical downtown worker spends as much as $130 per week in downtown – including $27 for lunch, $51 for general merchandise, $24 for grocery items, $14 for variety/drug/convenience items, and $14 for drinks/dinner.[15] This research also concludes that while office workers are more likely to shop closer to home (66%) rather than work (34%), the availability of "superior retail" can shift this balance – to as much as 40% of non-grocery trips made closer to work.

Major office development as represented by the planned Parkplace redevelopment can substantially enhance downtown retail. The proposed 1.2 million square feet of office space could support a minimum of 42,500 square feet of downtown retail space – based on just average levels of office worker spending. With availability of what the International Council of Shopping Centers considers as "superior retail," spending potentials could be boosted above this figure by another 15-20%.

DOWNTOWN RETAIL CAPTURE POTENTIALS

This market review ends with preliminary projections of future downtown retail space supported under conditions of moderate and aggressive retail *local plus destination* demand capture. The primary focus is on short-term (5 year) opportunities but with discussion of longer term potentials to 2020 as well:

5-Year Downtown Retail Space Scenarios. The 5-year projection (to 2013) involves consideration of two alternative scenarios:

- *Moderate capture* is predicated on downtown capturing a higher level of retail space development than has been experienced in downtown Kirkland in recent years, but with more focus on local than the broader destination market development.
- *Aggressive capture* reflects what might be achievable predicated on public-private sector initiatives to actively compete for added local serving retail plus the upper specialty end of the larger destination market.

As is illustrated by the following chart, *moderate capture* reflects an assessment of no net new (or 0%) market capture for uses in which downtown is not typically competitive. A 5% capture is assigned for retail types that reflect a day-to-day convenience activity and 10% capture for specialty shopping.

With the *aggressive share* scenario, these capture rates are essentially doubled. The most aggressive 20% figure is slightly above Kirkland's 17% share of 2008 total destination area market population.

Figure 9. Downtown Retail Capture Potentials (2008-2013)

	Capture Scenario (Sq Ft)		
Retail Categories	**Moderate (0/5/10%)**	**Aggressive (0/10/20%)**	**Comments**
Motor Vehicle & Parts Dealers	-	-	Not projected for downtown
Furniture & Home Furnishings Stores	12,000	24,000	Higher capture for home furnishings
Electronics & Appliance Stores	1,500	3,000	Minimal demand from population growth
Building & Garden Supply	8,000	16,000	Low capture w/specialty garden/hardware focus
Food & Beverage Stores	23,500	47,000	Higher capture for specialty grocery
Health & Personal Care Stores	4,000	8,000	Local + specialty service capture
Gasoline Stations	-	-	Not projected for downtown
Clothing & Accessories	26,000	52,000	Higher capture as specialty destination
Sporting Goods, Hobby, Book, & Music	1,000	2,000	Modest demand w/population growth
General Merchandise Stores	15,500	31,000	Potential for urban prototype store
Miscellaneous Store Retailers	8,500	17,000	Assumes higher demand as specialty destination
Nonstore Retailers	-	-	Not projected for downtown
Food Services & Drinking Places	16,000	32,000	Higher demand for destination full-service dining
Total Retail Trade and Food & Drink	116,000	232,000	Total added downtown building area (square feet)

Note: Building space need is not calculated for retail categories of motor vehicle and parts dealers, gasoline stations, and nonstore retailers – due to the non-downtown/non-pedestrian orientation of these retail uses and variations of building space to total site area requirements.

Source: E. D. Hovee & Company, LLC from ESRI Business Information Solutions and Urban Land Institute. Estimates are intended for illustrative purposes only.

With the *moderate scenario*, retail space construction in downtown would need to average about 23,200 square feet per year. The pace of new development accelerates to 46,400 square feet per year of added retail space potential with the *aggressive scenario*.

A key factor that might be expected to favor the more rapid (or aggressive) pace of absorption is represented by the plans for redevelopment of the Parkplace office and retail center. This plan includes an estimated 550,000 square feet of mixed use including retail, theater and hotel space. The project will involve re-location of some portion of the existing businesses that may be moved into new or reconfigured retail space.

Offsetting this optimism are the economic effects of the recent economic downturn – especially the sharpness of the retail decline experienced nationally and regionally since this initial retail analysis was completed in August 2008. As the full effects of this recession continue to unfold, a case increasingly might be made that these absorption projections may well prove more challenging to achieve over the next 2-3 years pending economic recovery. An exception would involve development for which there is clear evidence of pre-lease commitments.

2020 Downtown Retail Space Scenarios. Using similar assumptions extended over a 12-year time horizon to 2020 indicates that:

- With *moderate capture,* downtown retail potentials increase from 116,000 square feet (over 5 years) to a cumulative total of up to 151,500 square feet (by 2020).
- With *aggressive capture,* downtown space supported could increase from 232,000 square feet (over 5 years) to a cumulative total of about 303,000 square feet (by 2020).

It is not anticipated that the current recession will materially affect cumulative market absorption over this longer term time horizon. While the pace of market activity may be slower over the next 2-3 years, some make-up can be expected during the ensuing period of economic recovery – provided that consumer spending and commercial development credit availability return to more normalized levels of the pre-2008 time period.

Market Factors Affecting Downtown Retail Development. With potential for 23,200-46,400 square feet of annual retail demand possible over at least the next five years, both the moderate and aggressive scenarios are well above the *existing track record* of development averaging less than 6,000 square feet of new retail construction annually since 1994. However, this figure excludes an added increment of approximately 39,000 square feet currently proposed with the McLeod project recently approved. By itself, this project represents an approximate 1-2 year inventory of added retail space with moderate to aggressive downtown retail capture.

Key factors affecting the retail capture scenario that actually materializes likely include:

- *Market feasibility and approval status of development proposals with substantial downtown retail components.* The most significant potential project is represented by the redevelopment of Parkplace – estimated at 550,000 square feet of mixed use retail, theater and hotel space (including anticipated re-location of existing tenants such as QFC). Community serving retail and services are planned to include such businesses as grocery, childcare, bookstore, drugstore, dry cleaner, barbershop and shoe repair. The now approved McLeod project also has retail uses estimated at 39,000+/- square feet.
- *Other major development occurring elsewhere in the Kirkland market area.* With over 580,000 square feet of proposed retail (and Target as an anchor tenant), Totem Lake redevelopment is perhaps the single most important project that could affect downtown prospects. The effect will be less to the extent that Totem Lake is tenanted by big-box retailers (such as Target) or mid-market retailers not as directly competitive with downtown retail. A more upscale development that comes to market ahead of major downtown projects could dampen downtown absorption opportunities back toward the moderate capture scenario (with greatest focus on specialty retail and dining/entertainment) – at least for the near-term.
- *Ability to secure other sites for retail infill and redevelopment at a cost of development supportable by downtown area lease rates.* This would include ability to secure suitably sized parcels and provide parking for added retail space as needed (as discussed in Sections V-VI).

This *quantitative review* of market potentials sets the stage for more detailed consideration of stakeholder perspectives and assessment of retail gaps and opportunities – which now follow.

IV. STAKEHOLDER PERSPECTIVES

As part of the 2007 *Kirkland Downtown Strategic Situation Assessment*, focus groups were conducted with 11 sets of stakeholder interviews – together with added personal interviews and community meeting activities. In conjunction with this 2008 retail-focused project, two supplemental stakeholder outreach activities were initiated:

- Resident and business surveys – prepared in conjunction with a separate concurrent *Kirkland Economic Sustainability Assessment* for the City of Kirkland by O'Brien & Company in cooperation with E. D. Hovee & Company, LLC.
- Personal interviews – with representative business and retail interests together with representatives of the Parking Advisory Board and City Council Economic Development Committee.

RESIDENT & BUSINESS SURVEYS

As part of the Kirkland Economic Sustainability Assessment, a resident survey was designed to cover questions related to sustainability and downtown retail. A companion business survey was also distributed to businesses both in the downtown and elsewhere throughout the Kirkland community.

Detailed results of both surveys are provided with Appendix B to this report. What follows are summary results most pertinent to preparation of a downtown retail strategy.

Citywide Resident Survey. In May 2008, 272 respondents completed a resident survey available citywide – with about 15% of respondents from the Moss Bay (downtown area) neighborhood. Demographics generally correspond with those of the city with a high proportion of 1-2 person householders, a majority of homeowners, and a minority of respondents who have children at home. Key findings include the following:

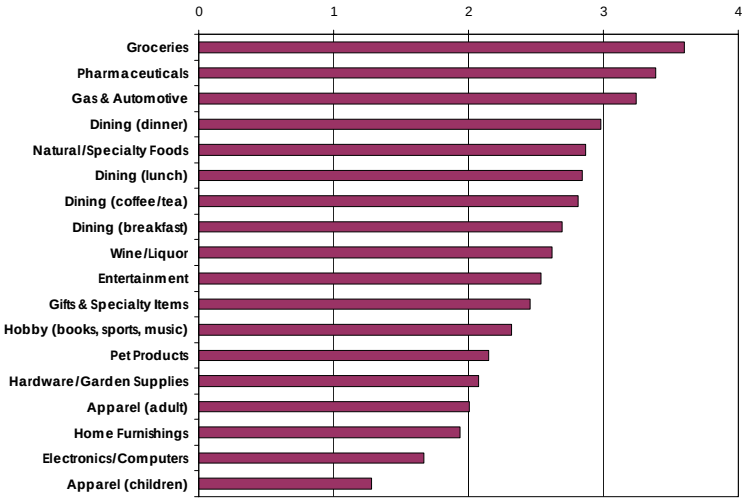
- Many of the retail goods or services desired by Kirkland residents are either *not available* or modestly available directly in the downtown core. Grocery and pharmacy are available in the larger downtown (Parkplace) but not in the downtown core.
- Factors for which Kirkland rates as "good" are consistent with strengths of downtown – with its *pedestrian orientation* and strong mix of *independent, locally-owned* stores.
- About 65% of Kirkland residents state that *quality, cost and convenience* are the top three priorities for selecting goods and services to purchase. Convenience represents the factor offering perhaps the greatest opportunity to broaden market appeal to local residents – especially for those living or working in close proximity to downtown.
- What residents most *want to see* more of in their city are hardware, clothing, restaurants, and grocery/market activity.
- The desire of residents for a *more sustainable economy* represents an opportunity that downtown either currently or prospectively could fulfill. A pivotal question is whether and to what extent some elements pose trade-offs for downtown's recent and current role as a destination retail and entertainment district serving much of the eastside.

Downtown Focus of Resident Survey. The resident survey also included three specific questions focused on patronage of downtown Kirkland for retail goods and services, and to the rating for selected features of the downtown experience.

The chart (to the right) depicts composite responses to the first question focused on retail shopping: *How often do you shop in Downtown Kirkland for the following goods?*

- Overall, the highest ratings are indicated for groceries and pharmaceuticals (the only retail goods for which a majority of survey respondents indicated they *always shop downtown*).
- Also well frequented are gas and automotive, natural and specialty foods, and dining (all forms).
- Lowest ratings are for home furnishings, electronics/computer and apparel (children's).

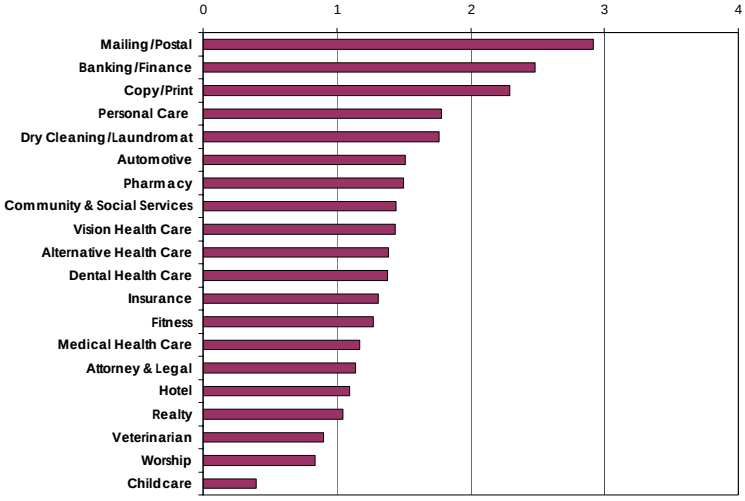
Figure 10. Retail Shopping Frequency



The next chart provides similar composite responses to the second question: *How often do you use the following services in downtown Kirkland?*

- Overall, Kirkland residents report that they patronize downtown businesses for services far less frequently than for retail shopping.
- There are only two types of services for which a majority of respondents note that they utilize downtown services *always or sometimes* – banking/finance and mailing/postal.
- A majority say they *never* come downtown for services that include pharmacy, health care, fitness, dry cleaning, veterinarian, hotel, legal, automotive, and insurance.

Figure 11. Service Business Patronage

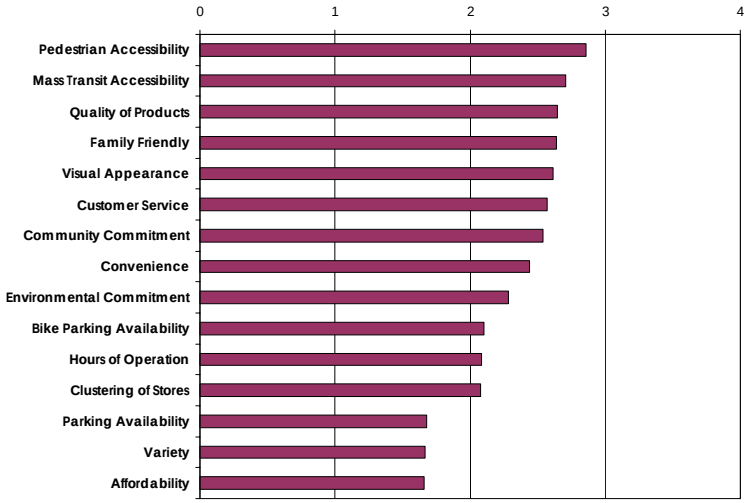


Note: To develop composite scores, responses were scored on a scale of 1-4 as follows: Always (4), Sometimes (3), Rarely (2), Never (1), Not Applicable (0).

The final downtown-specific question asked respondents to: *On a scale of 1 (poor) to 4 (excellent), how do rate the following features of shopping and services for Downtown Kirkland?*

- While no single feature was noted as *excellent* by a majority of respondents, features that received *excellent or good* ratings by a majority included pedestrian and mass transit accessibility, quality of products, family friendly, and community commitment. *Note:* Customer service was mentioned as excellent or good by slightly less than a majority (49%), but with only 4% rating it as poor.

Figure 12. Rating Shopping & Service Features



- Two features of the downtown experience received *poor* ratings by 50% or more of respondents – variety and parking availability. In terms of overall composite score, affordability is overall lowest rated – identified as poor by 41% and as average by 52%.

> *Note:* To develop composite scores, responses were scored on a scale of 1-4 as follows: Excellent (4), Good (3), Average (2), Poor (1). See Appendix B for added detail.

Summary Observations. Taken together, Kirkland residents have definite opinions both about shopping generally and in downtown Kirkland:

- Residents want to *see more locally oriented retail* throughout downtown and their city; downtown performs best for grocery but not as outstanding for mix of dining options, and least well with respect to hardware and a broad range of apparel shopping.
- The downtown has a strong *reputation for quality* of merchandise as a priority for residents in deciding where to shop – moderately so for convenience and not so well for affordability. Quality represents a critical building block for re-acquainting more Kirkland residents with downtown retail as a preferred shopping venue.
- Downtown is not currently a preferred location for most *residentially-oriented services* – with notable exceptions being postal and banking/finance services.

In summary, there is greater opportunity to strengthen and create retail that serves both resident and destination needs than for service businesses. This is due to greater potential convergence of non-local interests in retail goods than what are typically more localized services – combined with high rents and planning preferences for retail over service businesses in the downtown core.

However, broadening the range of retail and entertainment options appealing both to residents and non-residents is by no means assured. This is apparent with restaurants that represent a destination draw but are not consistently patronized by residents. Even more of a challenge is to secure compatible options for hardware (likely a smaller specialty store in downtown) or apparel.

Business Survey. A smaller sample of businesses (77 in total) completed a business survey. Approximately 41% of the businesses (or 31 respondents) were located in downtown Kirkland. Citywide, the largest proportion of respondents consisted of retail businesses (33%), followed by business and personal services (30%). Key findings:

- Overall, responses center on the theme of "an economy that ensures both natural resources and a healthy environment for our future generations."
- More than 60% of the Kirkland business respondents indicated that it is somewhat to very important for the public and their customers/clients to view their company as *green*.
- Over 75% purchase energy efficient products either sometimes or all the time, and recycle all the time.
- Less than 20% of Kirkland businesses stated that they always or often seek out business goods and services from within Kirkland. However, a larger proportion (45%) stated that they sometimes or often participated in joint promotions to support other local businesses.

Peter Kirk Park offers open space between Parkplace and the downtown core; pedestrian-oriented retail would benefit from a stronger connection.

Bottom line, building sustainability into a retail strategy for downtown Kirkland appears to be important for two reasons: a) growing *public awareness* of the global ethic for a more sustainable approach to consumer purchases – accelerated by recent rapid increases in fuel costs; and b) opportunity to *brand downtown* Kirkland for sustainability – ahead of the suburban competition but in an intentional, authentic and sustained manner.

RETAIL FOCUSED PERSONAL INTERVIEWS

Business interviews conducted as part of this retail strategy process were intended to supplement the community stakeholder interview process as part of the *Downtown Kirkland Strategic Situation Assessment.* The interview process utilized for retail strategy development was intended to have a primarily business focus – involving 19 individuals with a selected cross section of downtown retailers, service businesses, and local/regional real estate brokerage and development interests. Also included were meetings with the Parking Advisory Board and City Council Economic Development Committee.

Business Interview Process. Persons to interview and discussion topics were determined in consultation with City staff. Specifically anticipated was that this interview process serve to test the *on-the-ground* match between community and business expectations for downtown retail – to serve local residents and workers, the community and/or as a continuing, if not strengthened, regional destination. More detailed interview information is provided as Appendix D.

In conjunction with the interview process, conversations were also conducted with the Parking Advisory Board, Downtown Advisory Committee, and City Council Economic Development Committee. While comments are primarily reflected in a separate section on retail strategy objectives, added observations related to the business interview process are noted below.

The following topics served as a general guide to discussion. As interviews were conducted informally, different conversations emphasized topics of most interest to those involved.

Downtown Involvement. Those interviewed included restaurant and gallery owners, and real estate brokerage, development and property owner interests together with representatives of the Kirkland Downtown Association, Parking Advisory Board, and Economic Development Committee of the City Council. Of the businesses representatives interviewed, most have been active in downtown for a considerable time – ranging up to nearly 40 years.

Kirkland Downtown Association represents a major catalyst for events including the Wednesday Market, Flower Pot program, Holidays, Jazz Nights (2nd Thursday), Nights of Shopping, and Car Show/Kirkland on Court (July). Attendance ranges from 2,000-3,000 for tree lighting to 3,000-4,000 for the Wednesday market to 15,000-20,000 for the summer car show.

Change in Downtown Retail Activity. An initial question focused on changes that each participant may have noted with downtown *retail business activity* in recent years – both generally and for their own particular business. Those interviewed were also asked to comment on what further changes might be expected in the next 3-5 years. A summary of comments received follows:

- Declining number of galleries in downtown – from a peak of as many as 16 in the late 1990s to about five in the post-9/11 era. In the dot-com era of the 1990s, there were more customers and the dollars were freer.
- Less diversity of retail – with loss of bookstores (now just in Parkplace).
- Increased presence of technology firms in and near the downtown– including Google (6th), Bungie (Kirkland Avenue), and IBM (Carillon Point). Also noted is growth in home décor business.
- Growing need for residential to support retail.
- Overall sense that downtown retailers are just "holding their own" – although area demographics should support more. Another person noted that downtown has been stable but is "underachieving," not drawing newcomers.

Underperforming retail makes for poor use of land and lack of pedestrian character …

… but housing with ground floor active use has picked up in recent years.

Kirkland business activity reportedly turned down in the dot-com collapse post-2000. The rebound was then slowed for at

least some businesses by disruption due to recent street and building construction in downtown.

This trend toward higher business turnover is being held back by efforts of at least one realtor/ leasing firm to require a business plan from prospective tenants. Those who want to locate downtown also are required to show cash reserves adequate to last at least one year and to stay open evenings (with 4-8 pm indicated as critical hours).

Looking to the future, programs such as *Explore Kirkland* are beginning to make a difference – "stores are now just starting to come back in." Despite the downturn and slow recovery of recent years, some interviewees see downtown's retail future as one of "boutiques and galleries."

Current & Changing Customer Base. Two related questions were asked about downtown's customer – both present and future: How would you describe *downtown's customer* (in terms of demographics and geography)? Do you see the customer mix changing in the future?

A wide range of observations and perceptions are noted:

Mixed use means change …

… with opportunity to re-develop parcels at prime downtown retail locations.

- One observer described businesses as catering to those in their mid 30s to 50s, 80-85% women. Another person describes a "more mature market." Despite a diverse demographic, Kirkland tends to draw older residents – as from Medina and Clyde Hill.
- Another interviewee notes that Kirkland has "a younger set that likes downtown." However, yet another suggests that businesses are not targeting Generation Y though there are now a "lot of twenty-somethings." Firms like Google, Bungie and Microsoft are drawing a "skateboarder" demographic.
- Condos represent a mix of singles and newly married (often in smaller units) plus second homeowners and retirees. New residential in and near downtown does not necessarily appear to be helping downtown, except restaurants. Another interviewee noted that many residents (including those in senior housing) are "snowbirds" who don't shop downtown. One suggestion is that "we need to get away from that demographic." Yet another says that future mixed use should aim for a younger market.
- For some businesses, customers come from outside to downtown "as a destination." For at least one long-time establishment, clientele is more local – including high school students, senior citizens and visitors to the lakefront on a sunny summer weekend. Also noted for some businesses is the reverse trend of more "drive-by traffic," but involving less travel to Kirkland as a destination. In the words of one owner, downtown became more of a "luxury item," as long-time businesses that catered to local residents and institutions such as City Hall, the hospital and the Post Office moved out of downtown.

- The diversity of customer mix can vary widely even within a very specific business type. For example, one gallery owner describes the customer base as "80% local and sliding" – also as less than 50, with high incomes, and with active referrals from wineries. Another owner caters to out-of-state and internet clientele. A third describes the market as regional – from Olympia to Gig Harbor to Canada with more visitors (about 1/3 from out of state).

The apparent contradictions in the downtown customer base are highlighted by an individual who said that the customer base is "becoming older, but with newcomers younger." Cross-shopping? Not much except during events such as Art Walk or on weekends when visitors get a "visual connection" and then come back for serious shopping later.

Strengths & Weaknesses. Those interviewed were asked to assess – in comparison with other communities – what are viewed as the *strengths* (or benefits) of having a retail business in downtown Kirkland? What specific retailers or clusters of activity are strongest? Conversely, what are the *weaknesses* (or disadvantages)? What gaps are most apparent?

Strengths:

- There are identifiable downtown anchors. Examples cited include a number of smaller shops such as Gunnar Nordstrom, Bikini Beach, Liberty 1-2-3, and Simplicity Décor.
- Art galleries – not too many but more would be better to "shop and compare."
- Restaurants – like Cactus on Park Lane, Hectors, and Anthony's Home Port on Lake. "Very popular restaurants do very well."
- Added diversity with more home décor related stores. The Model Train store is "distinctive."
- "New owners get it."
- Broker selectivity in recruiting quality tenants.
- Continued availability of reasonable rents – especially for some long-time tenants or at locations with long-time landlords.
- Increasing pedestrian "walk-thru" traffic – with pedestrians even making the connection from the downtown core to Parkplace on good weather weekends.
- Diversity of retail spaces – for example, with Parkplace being able to offer larger retail floor plates than are available in the downtown core.
- Great demographics – can draw from immediate residential base of 5,000 plus the "greater eastside." Kids make $60,000-$100,000; downtown residential supports retail

Good retail occurs where there is a sense of enclosure and caring …

… together with a bit of on-the-street buzz.

also. A Downtown Advisory Committee (DAC) member observes that "the census may be off as high-tech companies move in and younger, more affluent workers move here."

- Lake and park amenities – suggested by one as "the only place on the water in the Pacific Northwest other than LaConner," and by another as an amenity "which Bellevue doesn't have."

One long-time owner summed up downtown's strength as the combination of "restaurants, bars, galleries and salons, now with residential."

Weaknesses:

- Lack of a substantial contribution (of only about 6-7%) to total sales tax collections citywide. From a taxable retail sales perspective, downtown is described as "small, not productive."
- A *Catch-22* from nearby neighborhoods that are not supporting local retail – "keep quaint, but won't shop downtown."
- No anchors – why does downtown have a laundromat and a consignment store? Retail spaces are not attractive. Traditional retailers like J.C. Penney, drug and hardware stores have been lost to downtown.
- Absence of retailers important to a destination downtown – notably women's clothing (lacking except for consignment). Even greater absence for local residents – from barbers to hardware.
- "Old guard retailers who close at 5 pm" – lack of an adequate network willing to stay open at night.
- Lack of larger tenant spaces – of 2,000+ square feet (in the core area). Older buildings don't have adequate parking, often have only single phase power, and don't offer even air conditioning.
- Another says that downtown buildings look "tired and worn," but also observes that it is difficult to make the economics of new development work with 2-story buildings. A DAC member echoes this comment noting a "perceived lack of pride in downtown buildings."
- High rents – of $30+ per square foot on a triple net basis (tenant pays expenses).
- Resistance by some landlords to leasing for restaurants – due to concerns ranging from maintenance to turnover and collections to late night noise affecting nearby residents.

Tired retail and lack of street orientation is a negative extending beyond the immediate property …

… even prominent anchors sometimes exhibit poor street orientation – reflecting dated design.

- Inadequate and poorly designated parking – although as one says you can always find it even during a major event. The issue is "the perception." A repeated comment is that "signage is terrible."
- Condo owners who are "gone in the day, winter and part-time." Condos add to the "vibrancy of downtown, but it would be better if they also worked here."
- Lack of downtown office population – as companies incubate in Kirkland (e.g. McCaw Cellular), then relocate elsewhere to grow.
- Some concern with possible over-emphasis by Kirkland Downtown Association on events – less than is desired or needed on business support and advocacy.
- Increased controversy over the direction of downtown – seen by some as having the indirect effect of dampening retail patronage. One business owner expresses a perhaps deeper frustration that the "City does not appreciate business," evidenced by an often adversarial relationship between City Hall and downtown.

For parking, the customer expectation is that there is no need to pay in a town center, but these same customers will not be concerned with paying for parking in downtown Seattle. From the standpoint of one interviewee, Kirkland is more like downtown Seattle because of multiple property ownerships. A countervailing view is that "parking should be free." Why should Kirkland be the only city on the eastside with paid parking?

A final comment perhaps sums up the recent and current downtown conundrum: "Kirkland is a wonderful place that looks a little tired."

Newer space makes a difference, especially for national tenants …

Sources of Market Competition. This was framed as a two-fold question. First, what is the primary *competition* for downtown Kirkland retail? Second, how does Kirkland compare with the competition in terms of store mix, image/appeal, access to customers, cost of doing business, and other factors?

Comments received were both specific and varied:

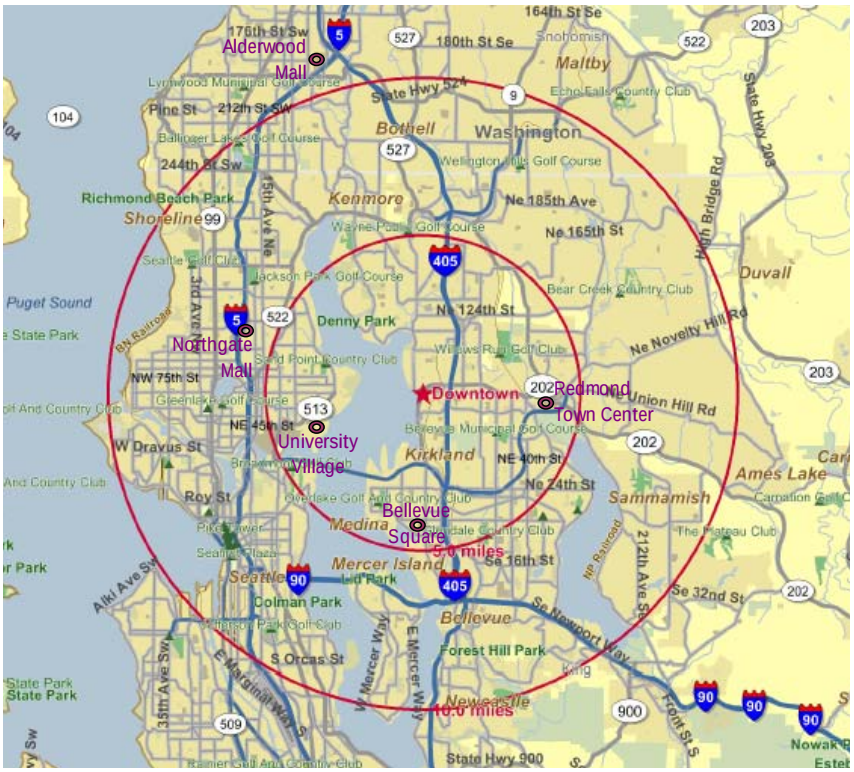
- Totem Lake – but "not sure when it will get going."
- Bellevue Square – but doesn't attract the type of tenant looking at downtown Kirkland. However, another interviewee suggests that Bellevue Square is taking everything from specialty to power retailing.
- Redmond Town Center.
- In part, the answer depends on whether Kirkland is catering to regional shopping versus tourism (including day trips). In the latter example, the competition is more with LaConner than other eastside cities.

… but quality rehab – in and out of the store – goes a long way as well.

- Seattle – the concierges and hotels are no longer supportive of Kirkland but recommend Woodinville and Bellevue instead.
- Need for nice buildings – otherwise it is a "tough sell to get nationals … who want nice TIs (tenant improvements)."
- Parking is a bit of a competitive issue – but will be less so when new downtown mixed use buildings (that also provide customer parking) are completed.

Cited as a concern by some interviewees and DAC members are five mile radius limitations in leases (as at Bellevue Square, Redmond Town Center, and even University Village). Northgate and Downtown Seattle are within a 5-10 mile ring and Alderwood Mall is more than 10 miles distant.

Figure 13. Vicinity Shopping Centers (@ 5/10 Mile Distances)



Source: ESRI Business Information Solutions and E. D. Hovee & Company, LLC.

For others interviewed, tenant spacing limitations may be less of a concern than may appear on the surface. For example, one firm active in real estate leasing observes that regional and national credit tenants are now more open to locating in freestanding and mixed use locations outside of a traditional mall setting. Also noted is that numerous national and regional specialty retailers not yet in nearby centers that could be attracted to Kirkland to serve the eastside market.

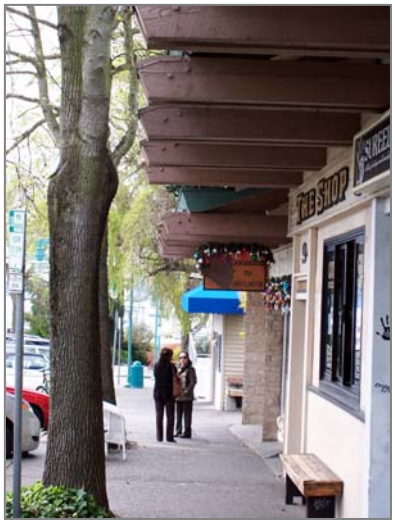
For another observer, the concern shouldn't be so much about the competition, the "issue is really getting people to shop." Kirkland could attract recognized national or regional retailers if more stores would consistently stay open at night.

Best Opportunities. Over the next 3-5 years, what do those interviewed see as the *best opportunities* for strengthening and enhancing their business activity – and the retail environment in downtown? A follow-up question: is *anything being overlooked*?

Suggestions received include the following:

- Get destination retail back – need quality retailers to stick around. Create interesting businesses and increase the density around downtown.
- Emphasize personal service – Kirkland should be a place where "we know your name."
- An opportunity being realized by other eastside and Puget Sound cities is to create *third places* – where people feel comfortable gathering – in both public and commercial spaces ranging from libraries to bookstores to coffee shops.
- The next 30-90 days will determine downtown's future direction – with major projects being considered. Parkplace can become a major driver of retail complementary to downtown.
- National but small footprint retailers like Panera Bread – a nice complement for lunches and early dinners.
- For some, banks can be a good fit activating street space. Others see banks as taking away space better suited for prime retail and entertainment use.
- Put a lid over the marina parking lot – and get retail on the lake.
- Get new buildings offering larger tenant floor plates. Replace older buildings on Park Lane with new construction – offering higher ceilings, glazing and lighting.
- Continue the pattern of development that has ground floor retail – with four stories of mixed use residential or office above.
- Get a mix of convenience and comparison retail at Parkplace – driven by office potential for a built-in source of walk-in trade.
- Improve the pedestrian connection from the lake through Peter Kirk Park to Parkplace – as at Redmond Town Center.
- Provide public parking to serve retail.
- Provide a strong, well-lit sidewalk down Central.
- Lift Peter Kirk Park – placing parking beneath.
- A member of the Downtown Advisory Committee suggested an overall objective should be to make downtown a fun place to run a business, network and share customers.

Parkplace offers community and neighbor-hood retail …



… while store fronts at Lakeshore Plaza offer an independent business feel – but with little direct connection to the lake.

- Kirkland Downtown Association is aiming to become more retail promotion oriented – aiming to build a community between restaurants and retail. A property owner suggests that more events might encourage groups of merchants to band together – as with Gallery Walk. Another suggests cross-promotions with restaurants supporting each other. Expand weekend shopping with programs like "The Weekend Starts on Thursday."

One person offered this *combined vision*: "Use residential developments to fill the available airspace with people who want to shop. Also get businesses including doctors and dentists."

Several Portland area districts were mentioned as possible examples for Kirkland. One is NW 23rd Avenue which contains a mix of locally owned and national retail. The other is the nearby Pearl District – with anchor retail including Whole Foods and Powell's Books. A third is the Portland high-end suburb of Lake Oswego with it's Lakeview Village urban retail (of 95,000 square feet) with mixed use development including retailers ranging from national tenants such as Chico's to regionals like CC MacKenzie (both apparel).

Regulatory Process. A focus of the City's interest in this downtown retail strategy is to better assess the ways that the City's *regulatory process* affects downtown generally or individual businesses in particular. Respondents were asked to be as specific as possible (comments were confidential). The follow-up question was: what (if any) changes in regulatory process or incentives are suggested? Key comments and suggestions:

- When new projects go in, make sure there is a plan in place for mitigating construction disruption in advance.
- A challenge is the perception that the applicant "can not rely on what they've been told" – with examples cited being questions over ground floor banking uses, number of floors, and definition of superior retail.
- The regulatory process is cited as not conducive to allowing individual retail store footprints – especially because smaller buildings can not efficiently include underground parking. So the only option appears to be full-block development.
- In discussion with the Parking Advisory Board, it was noted that the City will be re-examining its parking standards which to date have reflected suburban rather than urban standards. In the future, it may be important to look to opportunities for shared parking, as for legacy buildings, smaller buildings, and larger opportunity sites. Also noted is that residential parking largely takes care of itself – one space per bedroom is typical with some, but not considerable, spillover to public parking resources.

As more new construction can be expected closer to the retail core …

… it becomes important to address construction mitigation and provide new homes for affected retailers and parking.

- Focus on how Kirkland will meet its growth management (GMA) requirements for added residential – taking its fair share of regional population and housing growth in the future. One way of doing this is to create more density in and near downtown – thereby avoiding the need for increased density elsewhere in the community's single family neighborhoods.

These and other potential regulatory questions will be addressed further in the next step of the strategic planning process, subsequent to this interim report.

Retail Recruitment. Are there specific retailers that should be *recruited* – to open a store or expand – in downtown (e.g. local, regional or national tenants)? Any to be avoided?

National retail can be important for customers …

… while quality regional and local firms can match overlooked preferences.

Suggestions made:

- Aim to get a mix of local, regional and national retail.
- Greater diversity of comparison and destination shopping – as with apparel and accessories, home décor, perhaps an urban department store prototype, bookstore, cinema.
- Chef-driven restaurants – "it's all about food."
- More everyday businesses – like pharmacy, hardware.
- Recognition of businesses that mix local storefront presence with outsourcing and internet sales.
- Attract more credit tenants – with added examples cited including Banana Republic (needs just 3,000-4,000 square feet) and Tommy Bahama (going to Bellevue Square).
- Target businesses able to pay high rents – offer long-term leases (as was reportedly the case with Sur la Table).

Sur la Table provides an example of the types of regional or national retail that appears to fit well within downtown – in terms of scale of development, image and integration into the existing downtown building fabric. However, some suggest that this may be an exception due to the retailer's start in the Seattle area – at Pike Place Market.

As one business owner puts it: "The more charm we get, the more popular we'll be."

Strategic Priorities. In summary, what is the *#1 priority recommendation* that you would identify as most important to anchor a downtown retail strategy? How might it be implemented? And, how would successful accomplishment make a difference for your firm or downtown retailing?

Those interviewed had a difficult time limiting themselves to just one recommendation. Consistently mentioned were priorities related to:

- More actively encourage property and business owners to fix up their properties – it takes someone from the City to start this.
- Get quaint streets.
- Enforce zoning limitations on non-retail ground floor uses – for example, no banks, insurance or real estate, encourage fewer salons.
- Make mixed use development easier to happen – then attract the right kinds of retail tenants to ground floor spaces.
- Get more office, less residential – by more actively working the high-tech angle.
- Redevelop underutilized sites in the downtown core – repeatedly mentioned are the marina and Lake and Central public parking lots, U.S. Bank property, and Antique Mall.
- Redevelop Parkplace – providing a major new source for added office employees (as customers) and for substantially expanded "experiential lifestyle" retailing (with possible cinema, apparel, home furnishings, dining, and possible two-level anchors) together with continued convenience retail as for grocery.
- Secure more public retail customer parking – with a funding mechanism that might include downtown owner participation if dedicated to parking.
- Achieve a strong connection from Parkplace redevelopment through the park to downtown.
- Continue efforts of Explore Kirkland (on the right path) to expand local businesses, promote shopping locally, and focus on higher value retail.
- Provide City Council clarification of the vision and road map to getting there – exemplified by decisions now made regarding the McLeod and Bank of America property proposals, and the Parkplace development proposal. As one of those who was interviewed in mid-2008 suggested, it is important to continue to "improve communication, by listening better."

Mixed use development – with lodging as well as residential – offers one opportunity for enhanced downtown retail and entertainment …

… as does opportunity for quality storefront rehab …

… not to mention Kirkland public art.

WHAT MAKES DOWNTOWN SUCCESSFUL?

Over the same time period as business interviews were conducted, initial project meetings were facilitated with members of the City Council Economic Development Committee and Downtown Advisory Committee. The primary question asked was: what would make this retail strategy project successful? A summary of responses follows:

For Kirkland, success of downtown retail means building from recognized strengths …

Economic Development Committee (EDC):

- Use this retail study as a reality check to assess whether and how downtown can become an entertainment core and how to activate ground floor use.
- Make the downtown more of a destination – not just for visitors but local (including civic functions).
- Not just a destination but serve the residents of the downtown and full Moss Bay neighborhood.
- Identify critical mass and what's required for good retail.
- Determine what are viable anchors.
- Assess what role parking plays.

… paying attention to quality street environment …

Downtown Advisory Committee (DAC):

- Discover what people want and are willing to pay – looking at the downtown not just as a business district but to make the individual businesses more successful.
- One tangible action rather than another plan where nothing gets done.
- Use the plan as a basis to develop an improvement district, for sidewalk/parking improvements and beautification.
- Measurable and aggressive project goals – such as increasing sales tax by a substantial target percentage.
- Know what the business clusters are and what would work downtown – focused on what Kirkland is good at.
- Results that have authority and cachet – based on research and information.
- Specifics that can be implemented – with buy-in from owners and retailers.
- New tools and approaches – the right tools to make it happen.

… with a clear sense of public-private purpose.

- Identify the ills and provide direction on the cures – types of retail that would be successful.
- Frank discussion around hard facts of entertainment versus retail orientation – leading to a pedestrian friendly downtown.
- Come up with a rallying point – making downtown more year-round.
- Finding the middle ground – moderating or silencing the extremes.
- Follow through and make it happen.
- Listen to experts hired to advise Kirkland – and communicate that downtown is open for business.
- Look to comparable communities who are happy with their retail – and answer the question of superior retail.
- Learn how to do a better job as a property owner.
- Identify businesses that people want and figure out what it takes to bring them here.

It is the combination of quantitative demographic and retail data together with qualitative stakeholder perception that set the stage for mapping both today's clusters and conditions to visualize tomorrow's retail opportunities.

It is to this topic of downtown retail mapping that this interim retail strategy assessment report now turns.

Signs set the image …

… whether for national …

… or regional/local destinations …

… or even local convenience retailing.

V. DOWNTOWN RETAIL MAPPING

What retail works well in Downtown Kirkland? What could work better? These questions are *front and center* throughout this strategic retail assessment.

In this section of the report, these questions are considered from the perspective of what is *on the ground* today – essentially a physical and land use inventory. Topics covered are retail business clustering, rental rates, retail conditions assessment, and opportunity sites.

RETAIL BUSINESS CLUSTERING

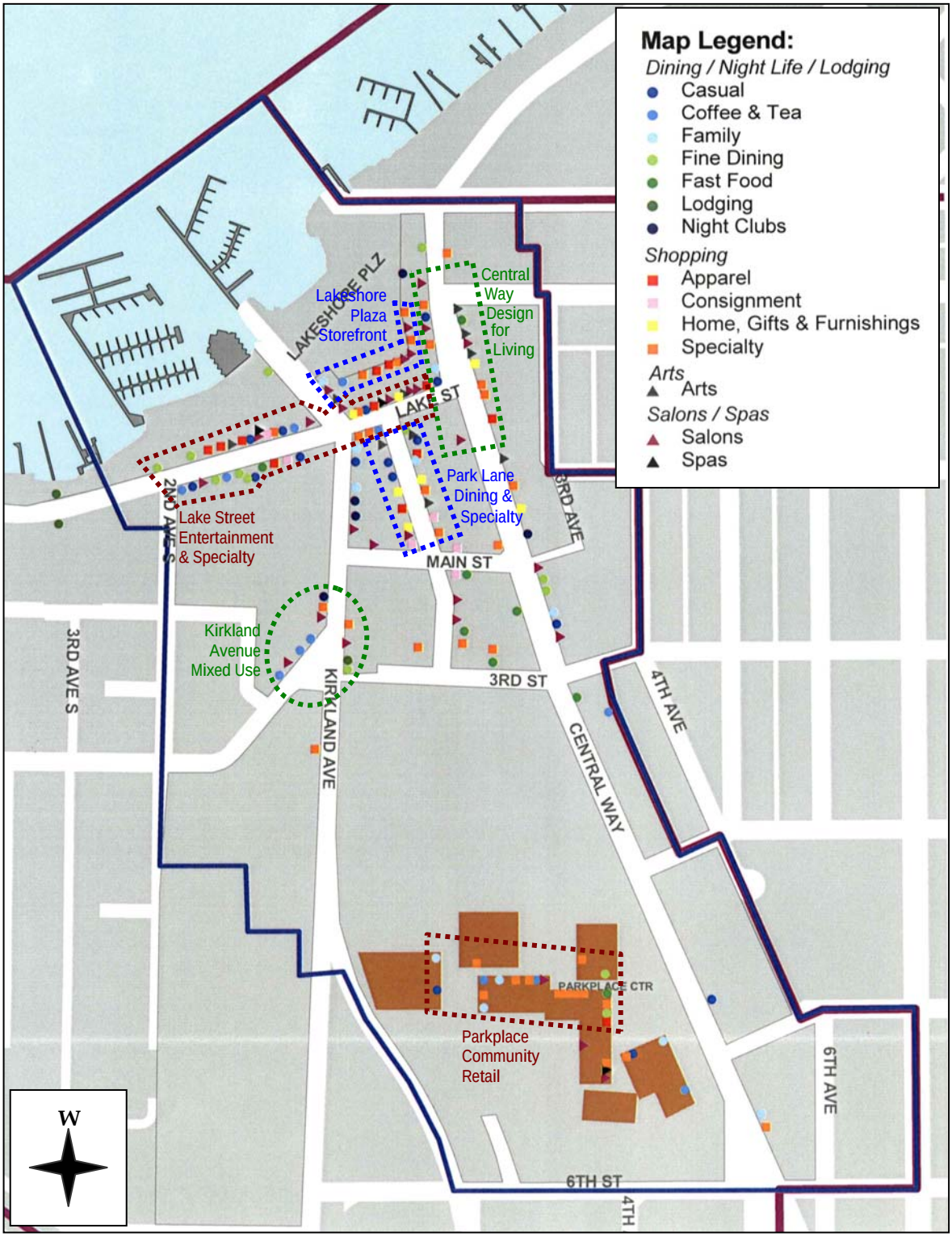
Retail clustering refers to the concentration of retail – both by location and type of business activity. The City of Kirkland (www.explorekirkland.com) publishes a downtown retail guide as part of its *Guide to Public Parking.* Drawing from this existing base of information, retail uses are located by type with distinctive clusters also identified – as illustrated by the map on the following page.

Geographic Clusters of Retail Activity. When viewed from this dual perspective of concentration by location and type of retail activity, the following clusters stand out as most significant today:

- *Lake Street Entertainment & Specialty* – with well known anchors including Anthony's Home Port and Hector's restaurants and the Gunnar Nordstrom Gallery.
- *Central Way Design for Living* – comprising a mix of restaurant, home and gallery uses such as Oriel Café and Santorini Greek Grille, Sur La Table and the Paintbox Company, and Rovzar Gallery.
- *Park Lane Dining & Specialty* – as with Cactus, Jalisco and Ristorante Paradiso together with arts activity as with Howard Mandville.
- *Lakeshore Plaza Storefront* – comprising smaller retail and salon uses such as The Grape Choice, Marina Park Salon, and Bridal Garden.
- *Kirkland Avenue Mixed Use* – with an emerging retail cluster anchored by the new Heathman Hotel and nearby residential development.
- *Parkplace Community Retail* – the only district with a distinctly local feel, with businesses tucked away from the local arterials and ranging from the QFC grocery to Lucia restaurant to a Starbucks.

Areas not included within a specifically designated cluster include the area on Kirkland Avenue between Main and Lake (with George's Place as a well known icon but with only one side of the street as retail pending redevelopment), Park Lane from Main to 3rd (with the Antique Mall and Farmer's Market but poor retail street orientation), and Central Way east of the mid-point of Lake and Main (with retail more dispersed and auto-oriented).

Figure 14. Downtown Kirkland Retail & Related Business Clustering



Sources: *Downtown Kirkland's Guide to Public Parking*, E. D. Hovee & Company, LLC.

Overall Downtown Business Mix. Based on the retail inventory provided by the parking guide, downtown has an estimated 173 retail and related street uses including:

- *Dining/night life and lodging* comprises the most numerous business category – accounting for 41% of downtown retail and related businesses. The mix is fairly well distributed between casual, coffee shop, fine and family dining uses – with fewer fast food establishments (though the existing inventory is fairly prominent).
- *Shopping* represents 35% of businesses – with emerging strengths noted for apparel and home stores (together with a variety of specialty and consignment activity).
- *Arts* represent 6% of establishments – reportedly a proportion smaller than pre-2001.
- *Salons/Spas* account for 18% of businesses – with salons representing the single most frequent specific business type noted for downtown.

Figure 15. Downtown Retail & Related Business Mix

	Business Count		% of Total
Dining/Night Life/Lodging:			
Casual	16		9%
Coffee & Treats	12		7%
Fine Dining	13		8%
Family	11		6%
Fast Food	9		5%
Night Clubs	6		3%
Lodging	4		2%
Subtotal		71	41%
Shopping:			
Apparel	12		7%
Consignment	6		3%
Home, Gifts & Furnishings	7		4%
Specialty	35		20%
Subtotal		60	35%
Arts:			
Arts	11		6%
Subtotal		11	6%
Salons/Spas:			
Salons	28		16%
Spas	3		2%
Subtotal		31	18%
Total Business Count		***173***	***100%***

Source: City of Kirkland, Downtown Kirkland's Guide to Public Parking.

Not specifically called out by this listing are retailers focused on day-to-day needs of residents and downtown employees – as with grocery and pharmacy. Some of these uses appear to be embedded within the specialty business count.

As this list indicates, strong niches for downtown uses (compared to many downtowns) appear to lie with dining/night life, arts and salon/spa activities. While the spaces occupied are often

relatively small, salons may be represented out of proportion to what might be expected even in a downtown with considerable destination traffic.

RENTAL RATES

As noted, limited information from the real estate data firm CoStar indicates a median downtown retail rental rate in the range of $36 per square foot per year on a triple net basis (tenant pays expenses). Based on more in-depth information provided from interview contacts and a review of broker leasing data, it appears that:

- Rental rates can vary widely in downtown – from less than $15 per square foot annually to a high of more than $60 (for relatively small spaces).[16]
- Local contacts indicated that most rates are in a range of roughly $35-$50 – demonstrating upward movement from rates reported to CoStar.
- Some long-time landlords and tenants have been able to offer (and benefit from) below market rates.
- Rental rates generally are highest on Lake Street, with Kirkland Avenue suggested as increasing in retail desirability as more mixed use projects come on-line.

Rental rates are important to this assessment in two respects. *First*, building rents can be viewed as a barometer of locations where demand for retail space is generally strongest. *Second*, rental rates can influence the type and scale of retail that can afford to locate and establish a sustainable presence in downtown Kirkland. At the higher rent levels typical of downtown, new businesses need to achieve strong sales performance fairly quickly and continue to generate customer appeal at a relatively high level sustainable over time.

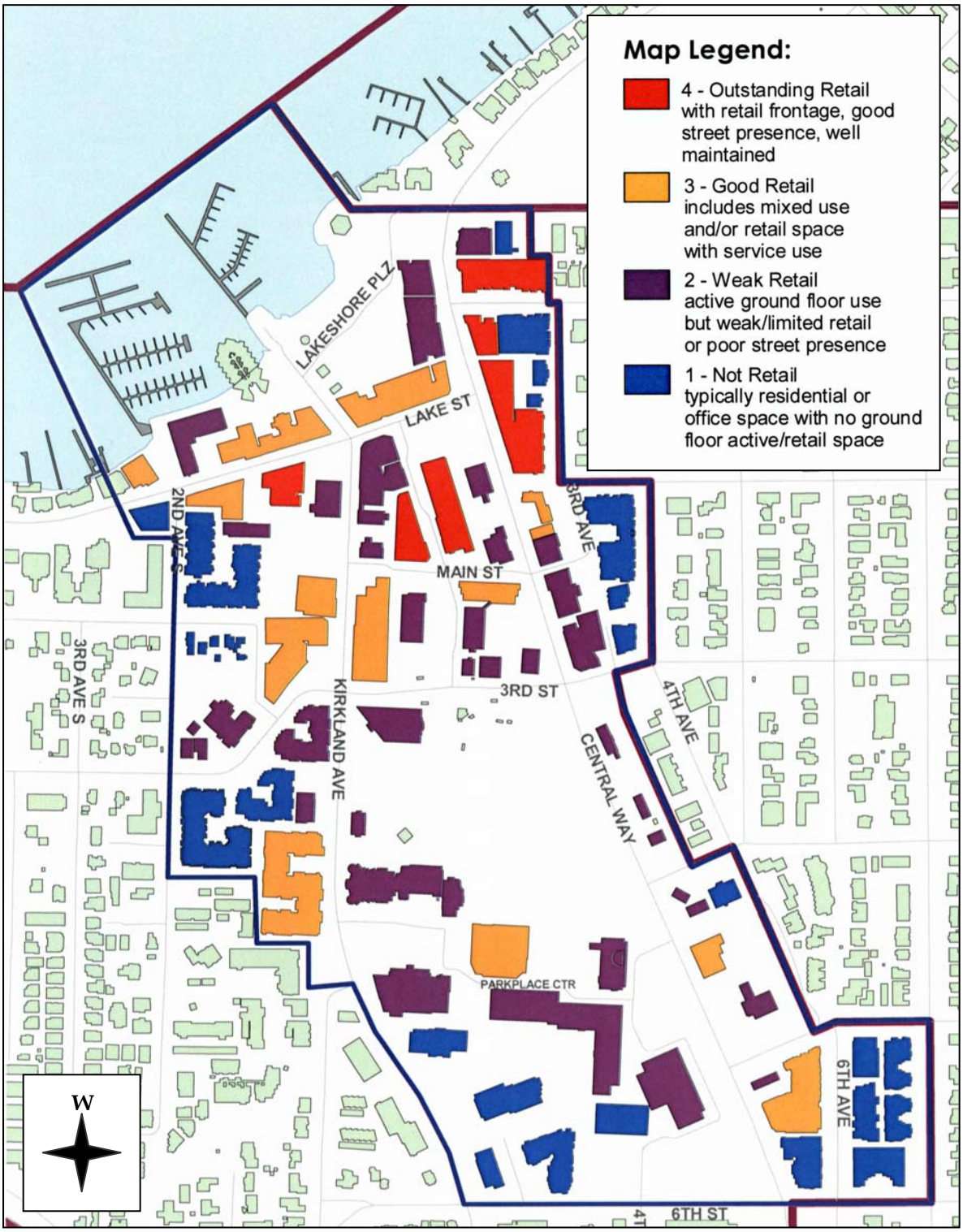
RETAIL CONDITION ASSESSMENT

Mapping business clusters provides one way of understanding retail strengths as well as yielding hints about future opportunities. A second perspective is possible by consideration of existing conditions of on-street retail. Conditions important to this assessment include density of retail activity and street presence (including maintenance).

Retail Condition Mapping. These two variables of density and presence are combined into a four-step preliminary overall rating scheme – outlined as follows:

- *Outstanding Retail* – comprising locations where there is continuous retail frontage (with few gaps), good street presence as evidenced by attractive window displays and signage, and well maintained.
- *Good Retail* – involving locations where retail frontage is not continuous may be more intermixed with service, civic or related uses (including integration with mixed use projects).
- *Weak Retail* – where there is active ground floor use but significant gaps between retail uses, properties are not as well maintained or otherwise poor street presence.
- *Not Retail* – consisting of properties where there is essentially no on-site ground floor retail use (as with commercial office, residential and/or civic/institutional uses).

Figure 16. Downtown Retail Condition Mapping



Source: E. D. Hovee & Company, LLC.

Distinguishing Characteristics. As depicted by the retail condition map, the downtown locations that feature what may be termed as *outstanding retail* are most oriented to Central Way (in the vicinity of Lake Street) and on the block of Park Lane between Lake and Main Streets. Buildings are clean and signage and window displays capture attention – without clutter.

Options for good retail and entertainment …

Areas characterized by *good retail* are noted for much of Lake Street, Kirkland Avenue and the inner portion of Kirkland Parkplace (adjoining the grocery store). Some of these properties have continuous retail frontage but do not have a strong retail street presence – whether due to items such as deferred maintenance or less attention to quality signage and window displays. Other properties (including some newer mixed use projects) have ground floors with intermixed retail, service business and/or residential accesses – attractively presented but with less intensity of true retail activity.

… in pleasant locations and well maintained …

Locations depicted as having *weak retail* tend to be arrayed more toward the periphery of the downtown core. Conditions specific to each property vary widely – including poor orientation to or visibility from the street, substantial deferred maintenance, and/or suburban/auto-oriented design style.

Finally, those properties identified as *not retail* tend to be located at the outermost edges of downtown Kirkland. These include primarily newer residential developments north of Central Way or south of Kirkland Avenue and the office portion of the current Parkplace development along 6th Street and Kirkland Avenue.

Strengthening Downtown Retail Presence. Strategic opportunities for potential retail emphasis suggested are to:

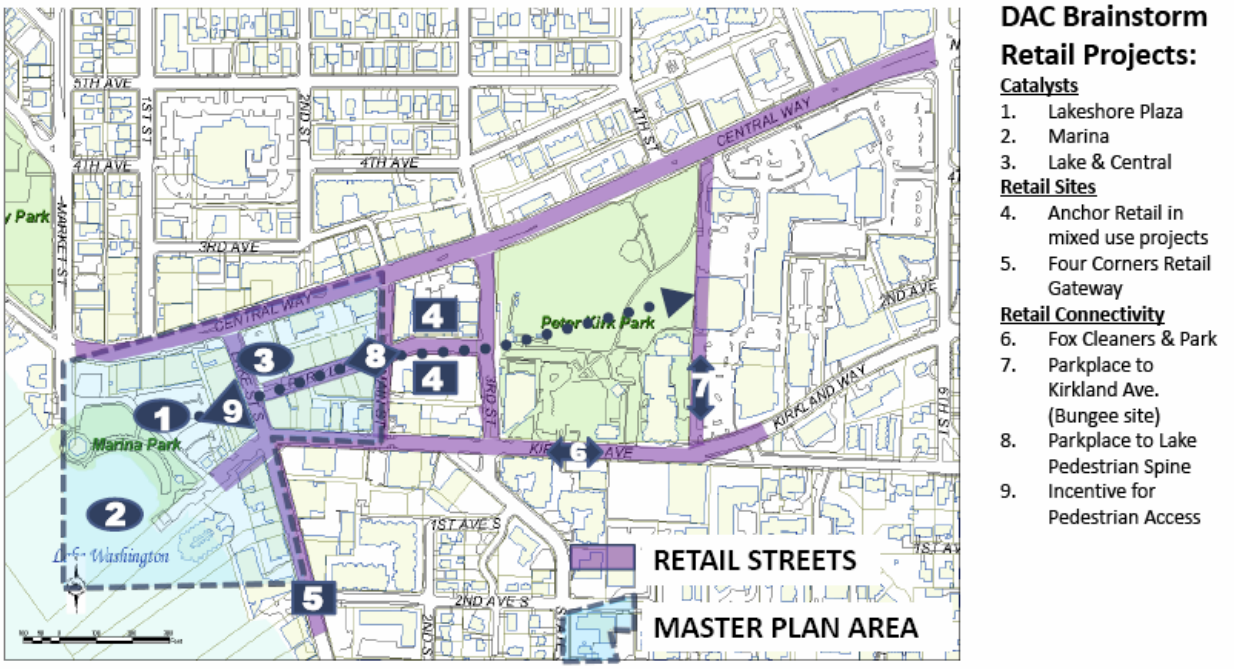
- Extend the areas of outstanding retail (especially along Lake Street and with prospects for major retail re-development with Parkplace).
- Improve the weak retail to good status through site-specific measures such as clean-up, storefront improvements and longer term redevelopment of underperforming/suburban-oriented properties
- Possible encouragement of peripheral office and residential uses to include more active retail or customer-oriented use on the street.

… is what it's all about.

In reviewing the existing retail conditions mapping, the Downtown Advisory Committee (DAC) has concluded that all retail streets in the downtown have the potential to be outstanding retail streets – if the right initiatives are taken both short- and long-term. The DAC brainstormed projects that would

enhance the downtown retail experience and summarized those concepts – as illustrated by the following map.

Figure 17. DAC Brainstorm Retail Projects



Source: City of Kirkland.

Opportunity Retail Sites

What sites offer the opportunity for retail expansion and diversification in the years ahead? The best sites will be well-located with respect to existing clusters of activity and large enough for to better assure financial feasibility of redevelopment (ideally ½ block in size or better).

The following sites are identified on a preliminary basis as potentially viable prospects – based on information provided by the City, from interviews and the consultant's initial assessment:

Publicly Owned Properties:

- *Lakeshore Plaza* – currently the Marina Park Lot (with previous City planning indicating potential for a 280-space parking garage and 40,000 square feet of retail and restaurant).
- *Lake Street Lot* – situated at the 100% retail corner of Lake Street and Central Way (offering potential for joint development with the adjoining U.S. Bank property).

Privately Owned Properties:

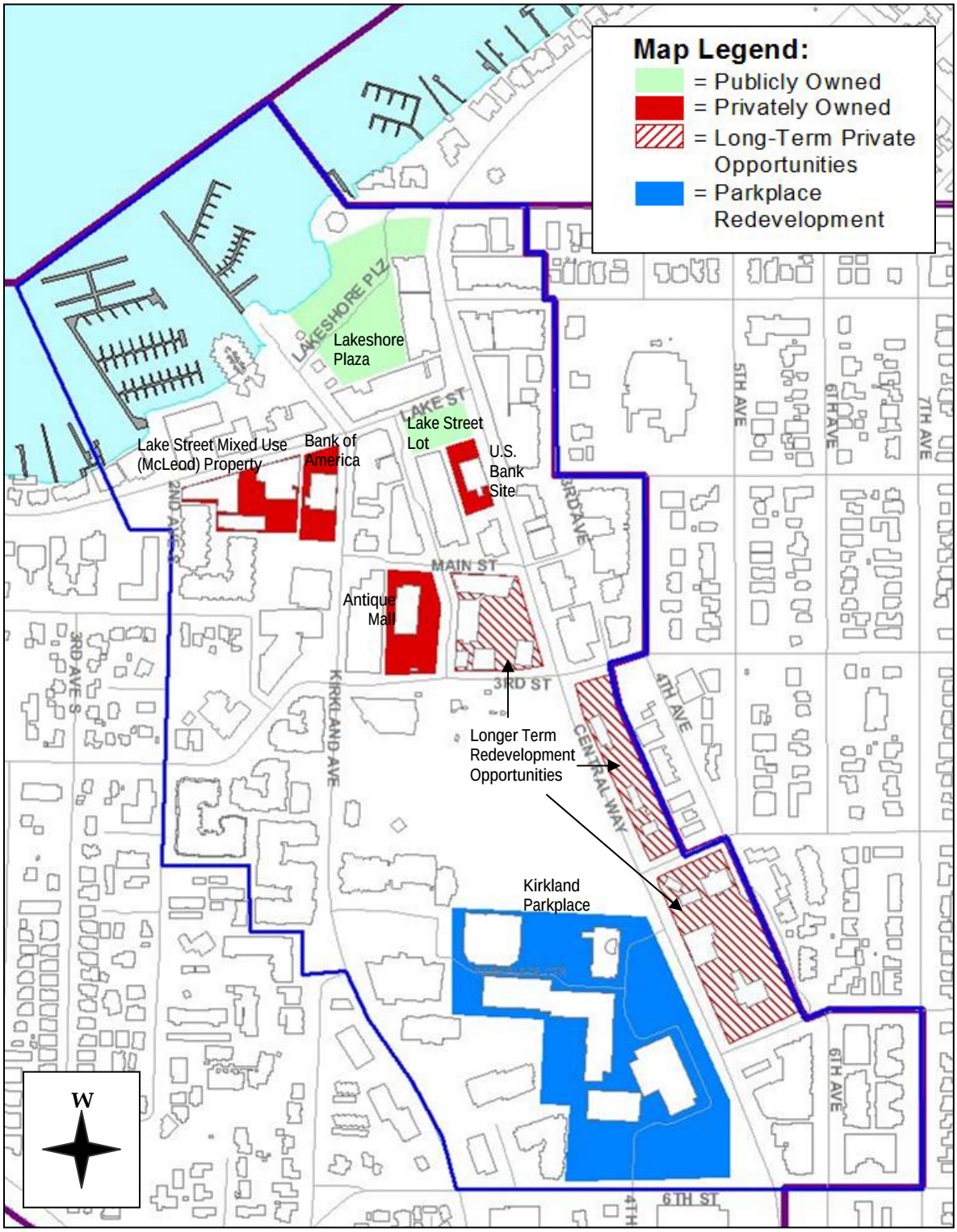
- *Kirkland Parkplace* – involving preliminary plans for construction of 1.2 million square feet of office space with an estimated 550,000 square feet of mixed use retail, theater and hotel space (replacing about 250,000 square feet of existing office and retail).[17]

- *Bank of America* – which had proposed a project for an estimated 73 residential units, 11,800 square feet of retail and over 130 parking spaces.
- *Lake Street Mixed Use (McLeod) Property* – proposed for close to 131,000 square feet of office and 39,000 square feet of retail with 520 parking spaces.
- *U.S. Bank Site* – with no specific development proposal pending (but prior consideration of redevelopment with ground floor retail plus bank branch and residential above).
- *Antique Mall Property* – with no current development plan (but noted as a key underutilized core site with potential for pedestrian-oriented retail on Park Lane).
- *Longer Term Redevelopment Opportunities* – a lower near-term priority pending core area and Parkplace redevelopment (but affecting three blocks fronting on Central Way).

While it is conceivable that some sites will redevelop as single or perhaps two-story buildings for retail use only, it is more likely that ground floor retail will be developed in conjunction with upper level housing, office and/or lodging. This is because property values (in many cases also including pricing adequate for recovery of existing improvements valuation) are too high to support single-story development alone.

Project feasibility depends on creating critical mass required for a positive return on investment to property owners and developers. Financial feasibility also can be expected to depend on providing sufficient on-site or adjoining parking to serve retail customer needs as well as other on-site uses – but not so much as to move the project beyond a cost-effective range.

Figure 18. Kirkland Retail Opportunity Sites (Preliminary)



Source: E. D. Hovee & Company, LLC. Mapping is for illustrative purposes and subject to revision.

VI. OPPORTUNITIES & GAPS ANALYSIS

Based on the quantitative, qualitative and mapping assessments of this report, this section provides summary characterization of retail opportunities and gaps, followed by identification and evaluation of potential strategic options, and then preliminary recommendations aimed toward selection and implementation of a preferred option.

RETAIL OPPORTUNITIES & GAPS

From this review of market demographics, business and resident interview and survey input, and downtown mapping, it is possible to describe downtown retail opportunities and gaps in summary form. These opportunities and gaps can be distinguished between those related to:

- *Marketing and promotion* – aimed at customers as well as expansion and recruitment of targeted businesses for improved retail mix.
- *Development* – both rehabilitation/storefront improvements and new construction of retail only or mixed use development projects with strategically placed parking resources.

Figure 19. Downtown Kirkland Retail Opportunities & Gaps

Opportunities	Gaps
--- Marketing & Promotion (Customer & Business) ---	
• Local-serving convenience retail – from specialty foods to pharmacy	• Demonstrating sufficient market mass with large enough sites & parking to attract credit tenants
• Comparison & destination retail – apparel, home furnishings, specialty hardware & garden	• Challenge to attract known regional & national tenants already serving the eastside market
• More diverse dining & entertainment – serving residents, employees & special occasion guests	• Limited offerings & lack of coordinated marketing to resurgent younger demographic
--- Development (Rehab & New) ---	
• Retail in-fill – Marina, Lake Street, Kirkland Avenue & Park Lane (small to mid-box anchor)	• Tired appearance & limited functionality of much of older space plus few large vacant sites
• Lifestyle retail & major grocery/neighborhood services with office at Parkplace	• Need for a high-image pedestrian/retail connection from Parkplace to downtown core
• Strong demand for mixed use with ground floor retail & residential/office above	• High site cost & economics requiring multi-level mixed use to facilitate new retail
• Use of public parking sites as catalyst properties for targeted retail/mixed use development	• Creating on-/off-street parking economics to incent structured (underground) parking

Source: E. D. Hovee & Company, LLC. Listing is preliminary and subject to revision.

This listing can be considered as a *menu of choices* – from which can be selected the mix of opportunities (and counterpoint gaps) most important to address. The question of which opportunities may be most worth pursuing is also more readily determined once there is general agreement on a *preferred strategic future* for retail in downtown Kirkland.

STRATEGIC RETAIL OPTIONS

Based on this assessment, four strategic options have been outlined for consideration with the Downtown Advisory Committee (DAC) and City Council Economic Development Committee (EDC). Each is briefly outlined – together with a corresponding brief assessment of advantages, disadvantages and likely implementation requirements.

Option 1 – Status Quo. This baseline option assumes no substantial changes from current trends and conditions affecting retail business in downtown Kirkland. Existing City policies and regulations would continue to govern and might be updated following partial or full-scale completion of the 2007 *Downtown Strategic Plan Update* – including possible strengthening or clarification of preferred retail ground floor uses. Added new retail space would occur primarily as the result of City review and action on mixed use development projects – generally on a project-by-project basis.

Advantages of this approach include opportunity to make incremental changes and improvements to downtown retail character on a project-specific basis. This approach also likely requires the lowest public investment and involves the least short and long-term change to the existing downtown built environment.

Disadvantages are that downtown likely will continue to provide only a minor share of the City's sales tax base and that more aggressive retail districts elsewhere on the eastside and throughout the Seattle metro area increasingly come to eclipse Kirkland. Longer term risk is attrition of existing retail and entertainment use – especially businesses dependent on destination traffic.

Implementation assumes no major changes in organizational functions – as between the City, KDA and private businesses, property owners, and development interests. Completion of the 2007 Downtown Strategic Plan is assumed; otherwise even status quo retail performance could be jeopardized.

Option 2 – Reinvigorated Destination. This second option is predicated on a substantially ramped up public-private initiative to re-establish Kirkland at the forefront of destination shopping, dining and entertainment districts throughout the Seattle metro area as well as more specifically on the eastside.

Advantages include a proven ability to again play to demonstrated strengths of Kirkland as a downtown on the waterfront together with continuing reputation of critical anchors – notably restaurants and galleries. This strategy appears most consistent with the existing working vision from the 2007 *Situation Assessment* to maintain downtown as an urban waterfront setting of "unique shopping, destination dining, public art and galleries…" If successful, a destination strategy also offers potentially the greatest return to the City in terms of incremental downtown sales tax revenues.

Disadvantages reflect likely need for a broader mix of "lifestyle" retail including apparel, home décor and freshened retail image (including possible mid-box uses). This option also potentially runs counter to community expressed interests and may be vulnerable to higher gas prices and a softer economy discouraging destination shopping that depends on longer commutes.

Implementation is likely dependent on substantially increased public and private investment in destination Kirkland marketing, public parking and added retail space – including waterfront and mid-box development downtown together with a substantial lifestyle retailing component with Parkplace redevelopment.

Option 3 – Go Local. This option could take downtown Kirkland in a substantially different direction from business trends experienced in recent years. Public and private interests would agree to make a concerted effort to establish downtown as a preferred location for a broader range of local goods and services – perhaps de-emphasizing or actively discouraging added destination retail.

Advantages include opportunity to respond to community sentiment (as expressed through the Sustainability Assessment), capitalizing on prospective consumer preferences to increasingly shop locally with independent stores – reinforced by dramatically increased fuel prices in a more vulnerable regional economy. A buy local initiative could also be readily integrated with other sustainability initiatives both downtown and citywide – including principles for reducing vehicle miles traveled by Kirkland residents.

Disadvantages are predicated on the need to dramatically re-focus City and business initiatives and the uncertain prospects for added local serving retail to actually materialize as desired. Convenience uses ranging from grocery to pharmacy increasingly have involved larger building ground floor footprints and more on-site parking than what downtown is able to readily deliver, and/or an influx of independents with skills to succeed in a relatively high-rent environment.

Implementation likely depends on aggressive recruitment of desired local-serving businesses including availability of incentives – as for reduced rents for at least the initial years of operation. Substantial public parking may be required to incent local serving uses such as full line or specialty grocery store. Market opportunity for added day-to-day convenience retail could be further undergirded by substantial additional residential, office and related mixed use developments within and in immediate proximity to downtown Kirkland.

Option 4 – Locally Driven Destination. This final option could be considered as a bit of a hybrid – combining elements of a reinvigorated destination with a concurrent strategy to go local at the same time. The caveat is that the *go local* part of the strategy would receive primary emphasis in the early going. What sells locally could then be piggy-backed to serve a complementary customer profile drawn from beyond the local community. But the needs and the character of downtown retail would be defined by what the community wants rather than what is seen merely as offering greatest near-term potential to attract more destination traffic.

Advantages of this final option are that it offers the organic, sustainable impetus of locally driven entrepreneurship with the higher sales volume (and tax potential) of retail that captures both local and non-local interest. Peak periods of use (currently early evenings) could be broadened out to include more daytime activity. This is likely the strategy that Kirkland businesses used to reach regional recognition in the first place. Starting local is also a strategy used successfully in places that have become regionally recognized destinations – such as NW 23rd Avenue in Portland, Oregon or Colorado Boulevard in Pasadena, California.

Disadvantages include the initial and ongoing challenges of achieving the right balance of local and non-local clientele coupled with the high amount of public-private collaboration likely required for successful realization. This strategy also can be expected to be accompanied by the need for substantial public investment and flexibility to accommodate a broader range of downtown development projects than has been the case in recent years.

Implementation can be expected to involve elements of both Options 2 and 3 – including public investment to develop larger footprint retail at key downtown opportunity sites, mixed use development with ground floor active use space and upper level residential/office, investment in supportive public parking, and sophisticated branding/marketing to re-position downtown as the place to be for Kirkland residents and workers as well as destination visitors.

PREFERRED RETAIL STRATEGY

After review and discussion of the options initially presented in September 2008, the Downtown Advisory Committee (DAC) has recommended a preferred retail strategy in conjunction with added discussion of the types of tools and priorities that can be expected for strategy implementation.

Recommended Option – Reinvigorated Destination with Strong Local Component. After review and discussion of the options initially presented in September 2008, the Downtown Advisory Committee (DAC) is recommending an approach that would combine elements of Options 2 and 3 for a *reinvigorated destination with strong local component.* This strategic approach has been recommended for consideration and adoption by the Kirkland City Council. This approach is similar to Option 4 as outlined above, except that it suggests continued strong emphasis on pursuing added destination retail opportunities near-term in conjunction with local retail – rather than focusing on local retail as the more important immediate priority.

Advantages of this strategic approach as recommended by the DAC lie in its ability to reinforce the opportunity for achieving the vision outlined by the City's 2007 *Situation Assessment.* As is described in conjunction with Guiding Principles expressed by the Situation Assessment report: "With this vision, downtown will flourish, help build community and uniquely reflect Kirkland." Also noted is that a combined focus on building destination and local retail concurrently offers a more flexible approach that best serves both types of markets, to be readily serviced by downtown Kirkland retailers.

Disadvantages are centered on the greater level of public-private commitment and coordination that will be required for successful accomplishment – especially at a time of considerable economic and retail uncertainty. The ability to leverage successful results with economic recovery will be best facilitated by a willingness to also invest resources of time and funding now, before the turnaround is fully underway.

Implementation features closely parallel the types of actions suggested with Option 4 (above) – but with a greater near-term emphasis on reinvigorated destination plus local retail. Greater emphasis is placed by the DAC on the role that catalyst projects can play in generating the momentum needed for a visible, result-oriented turnaround – a subject to which this discussion now turns.

Preparing for Implementation. The types of tools and commitments that could prove important to implement this preferred strategy can be outlined to include:

- Proceeding with *catalyst project opportunities* as have been identified in conjunction with the DAC – including: a) the marina, Lakeshore Plaza, Lake & Central lots; b) optimization of pedestrian connections (e.g. Parkplace to the lake on Central, through Park/Park Lane and Kirkland Avenue); c) creating continuity of retail frontages (reducing existing gaps as with parking lots); and d) actively attracting one or more retail anchors to the downtown.
- Policy consensus on *scale and extent of mixed use* development – with added residential and office employment serving to better support local retail and enabling both current and future planned projects to proceed with greater outcome predictability.
- *Zoning code refinements* – to differentiate portions of the downtown core prioritized for retail-only at the ground floor and areas for which other forms of active ground floor use are also encouraged.
- More aggressive use of *public parking resources* – to provide customer parking and facilitate joint use of sites for mixed use development.
- Public-private initiatives to encourage a bolder approach to *joint promotion* for downtown retail – aimed at strengthening Kirkland's appeal for high value destination clientele together with new/younger as well as long-time Kirkland residents.
- Initiative to encourage *freshening of tired retail* storefronts and merchandising – including consideration of financial incentives for local landlords and smaller business operators.
- Focus on *sustainability* – as a defining theme for retail recruitment, storefront and building design improvements/construction, community branding and encouraging residents to shop locally (reducing vehicle miles traveled).

Figure 20. Guiding Principles for a Great Downtown Kirkland

The City and the community will collaborate to encourage:
✓ A safe, family-friendly environment
✓ Year-round activity with a mix of daytime and night-time uses
✓ A complimentary and successful mix of retail shops and service
✓ A balance of residential, office, retail, and entertainment uses
✓ Adequate transportation access and parking
✓ Sustainable and visually appealing architecture, public spaces and amenities
✓ Improvements that embrace the waterfront and connect the Lake to downtown and Parkplace

Source: "Vision Statement to Guide the Downtown Strategic Plan," from the *Kirkland Downtown Strategic Plan: Strategic Situation Assessment*, October 2007.

Based on the added input and direction received from the DAC and EDC, the next step has been to refine this preferred strategy in conjunction with identification and selection of retail tools most appropriate for successful implementation – both short and long-term.

VII. DOWNTOWN RETAIL TOOL KIT

As follow-up to the *Downtown Kirkland Retail Strategy – Interim Report* first draft of August 2008, the next critical step in the strategic planning process has involved the identification of a *tool kit* for consideration with implementation of a preferred downtown retail strategy.

This discussion began with evaluation of the varied tools considered, followed by recommendation of strategic retail initiatives against which tool kit resources can be compared, and then recommended next steps for consideration with the Downtown Advisory Committee. A detailed tool kit inventory is attached as Appendix E to this retail strategy report.

The listing provided with this retail strategy does not include a definitive prioritization of tools or assignment of implementation responsibilities. That final step in the strategic planning process is planned to occur incrementally as resources become available and in response to as yet unforeseen opportunities – as in conjunction with annual downtown retail work plan adoption.

What is recommended is a regular (ideally annual) discussion of the tool resources available and selection of strategic initiatives that can serve to guide public-private implementation for the 2009-2010 time period. An important priority with this initial work program will be to provide a clear delineation of City and partner priorities.

TOOLS FOR RETAIL REVITALIZATION

A *tool kit* can be viewed as a set of resources that might be useful for encouraging or effecting downtown retail revitalization. With this strategic planning process, two distinct *tool kits* are noted as integral to the ongoing process of downtown retail marketing, enhancement of the existing retail experience, and development:

- *Retail Tool Kit* – involves assessment and possible suggested strategic refinement of the current City, Chamber of Commerce and Kirkland Downtown Association initiatives related to business recruitment, retention and marketing – with supportive customer and image marketing opportunities also covered. This kit addresses two types of tools:
    - ✓ Customer-focused
    - ✓ Business & property owner-focused

- *City Tool Kit* – focusing on the tools available directly or indirectly to City government as means to encourage or facilitate downtown retailing. This set of tools is organized more by type of organizational and funding resource, notably:
    - ✓ Public-private partnership
    - ✓ Planning & regulatory
    - ✓ City resources
    - ✓ State & regional resources
    - ✓ Federal resources

The retail toolkit might be viewed as addressing the "what" of retail revitalization, whereas the City toolkit is more oriented to providing ways to help answer the question of "how."

A total of 31 potential tools are identified for consideration with the preliminary listing in this memorandum as the *implementation pieces* of these two tool kits. A wide range of possible tools are identified as part of this tool kit approach. Some are more oriented to marketing and promotion, others are primarily organizational in nature (some of which can rely on existing staffing resources), yet others are accompanied by direct funding mechanisms.

Detailed information describing each tool is provided by the Appendix to this memorandum. For each tool listed (with Appendix E), information is provided to briefly describe the resource, outline prospective opportunities and challenges, and then recommended application for consideration with a Kirkland retail strategy.

Specifically noted is that the tool kit listings are intended to cover many of the more common resources and programmatic techniques available in the state of Washington to directly or indirectly support downtown retail revitalization. However, this listing is preliminary and should not be considered as covering all of the possible mechanisms available.

This listing also is subject to refinement and revision based on City staff and DAC comments received. This refinement is expected to occur concurrent with narrowing of the strategic options that have been considered with the interim report to more concrete recommendations.

STRATEGIC INITIATIVES

Based on results of the *Downtown Kirkland Retail Strategy – Interim Report*, three broad strategic initiatives are recommended for consideration with this retail toolkit approach to a downtown retail strategy. These initiatives are suggested as *building blocks* that can prove instrumental to repositioning downtown Kirkland as a *locally-driven destination:*

1. Downtown Retail Marketing. The focus of this initiative is to better connect current and prospective downtown customers with their retail business counterparts. The three major components of this first strategic initiative include:

- *Customer Marketing* – to better understand the interests of resident and visitor shoppers, and to communicate the value of the Kirkland shopping and entertainment experience.
- *Business Marketing* – involving two-way communication to better understand local business needs, encourage opportunities for improved sales volume and profitability, and attract businesses that fill unmet needs or shopper expectations.
- *Tenant Mix* – better assuring that the right businesses are in suitable locations including reservation of prime retail locations for retail uses and other downtown ground floor space for active use even when not for a direct retail purpose.

2. Enhancing the Retail Experience. This second strategic initiative is aimed to improve the quality of the existing downtown retail environment, from the perspective of:

- *Building Upkeep* – encouraging business and property owners to maintain properties for sustainable retail appeal, comfort, safety and functional use (both interior and exterior).
- *Store Fronts* – with special focus on fresh, attractive, complementary storefront appearance including attention to signage, window displays, and building access.
- *Street Scapes* – covering not only visible elements such as sidewalks, cross-walks, landscaping and street signage in the public right-of-way but also the less visible elements of utility and telecommunications infrastructure.

3. Retail & Mixed Use Development. A final initiative is intended to expand the size of the downtown's retail base, broadening the range, depth and quality of retail and entertainment inventory as warranted to serve resident and destination markets. Major elements of a potential public-private development agenda are outlined to include:

- *Rehab & Reuse* – focused on more extensive building reinvestment including reconfiguration of ground floor space for more active retail use, especially in high demand locations.
- *New Buildings* – anticipated as mixed use development of 2+ stories with provision for added retail or complementary active use varied sizes and configuration at ground level.
- *Public Parking* – involving expansion and placement of the public parking inventory with priority for customer use to facilitate retail expansion in synch with strategic plan objectives for downtown Kirkland.

MATCHING TOOL BOX RESOURCES TO STRATEGIC INITIATIVES

The matrix chart on the following page provides a way of comparing potential applicability of each of the 31 tool box resources identified (and detailed in the Appendix) with the strategic initiatives as outlined above. This comparison is provided in summary form so that all tools and initiatives considered can be viewed together *on one page*.

Resource Rating. Resource tool applicability is rated in terms of whether it could definitely (●) or possibly (○) be applicable to the strategic initiative at hand.

Figure 21. Downtown Retail Tool Kit Matrix	DOWNTOWN RETAIL MARKETING			ENHANCING THE RETAIL EXPERIENCE			RETAIL & MIXED USE DEVELOPMENT		
RESOURCE TOOLS ● = Definite ○ = Possible	Customer Marketing	Business Marketing	Tenant Mix	Building Upkeep	Store Fronts	Street Scapes	Rehab & Reuse	New Buildings	Public Parking
RETAIL TOOL KIT									
Customer Focused……									
Downtown Events	●	○	○	○	○	○			○
Customer Information	●	●	○			○	○	○	○
Buy Local Program	●	○	○		○	○			○
Downtown Image Campaign	●	○	○	○	○	○	○	○	○
Business & Property Owner Focused……									
Business-to-Business Marketing & Recruitment	○	●	○	○	○	○	○	○	○
Retail Tenant Marketing	○	●	○	○	○	○	○	○	○
Property Owner Coordination	○	●	●	●	●	○	●	●	○
CITY TOOL KIT									
Public-Private Partnership……									
Building Owner Design/Technical Assistance				●	●	○	●	○	○
Façade Improvement Grants & Loans				○	●	○	○		
Streetscape Improvement	○	○	○	○	○	●	○	○	○
Site Assembly							○	●	○
Public Development Offering (RFP/RFQ)							○	●	●
Public Development Authority	○	○	○	○	○	○	○	○	○
Return on Investment Model for City Funding	○	○	○	○	○	○	●	●	○
Planning & Regulatory……									
Land Use Planning	○	○	●	○	○	○	●	●	●
Capital Facilities Plan Projects				○	○	●	○	○	○
City Resources……..									
Historic Property Tax Abatement							●	○	
Residential Property Tax Abatement							○	○	
General Obligation Bonds						●	○	○	●
Revenue Bonds						○			●
Direct City Funding	○	○	○	○	○	○			
Local Improvement District (LID)				○	○	●	○	○	●
Parking & Business Improvement Area	●	●	●	○	○	●			○
Community Revitalization Financing				○	○	●	○	●	●
Community Renewal				○	○	○	●	●	○
State & Regional Resources……									
Washington State Main Street Program	●	○	○	○	○	○			
Main Street Tax Incentive Program	●	●	○	○	○	●			
CERB/LIFT Infrastructure Financing				○	○	●	○	○	●
Port District								●	○
Federal Resources……									
Federal Historic Preservation Tax Credit							●		
New Markets Tax Credits							○	●	○
Community Development Block Grant				●	●	●	○	○	○

Cost & Financial Implications. With this initial listing and matrix evaluation, it is premature to assess costs and financial feasibility of strategic initiative implementation. Financial implications can be expected to vary based on considerations such as:

- *Project or programmatic emphasis* – with site-specific project costs and sources of funding likely to be more variable than on-going programmatic activities such as for retail marketing or a *buy local* program.
- *Level of priority* – with some initiatives identified as important for early implementation while others could be delayed till later (or may depend on early-phase successes for viability).
- *Public, non-profit or private sector responsibility allocation* – with the public sector share of costs varying, in part, on whether implementation responsibilities remain as they are or whether any of the major participants step in to undertake an initiative that might not otherwise happen.
- *Availability of resources* – making a big difference as to whether it is viable to draw on outside funding sources. For example, funding for a customer-oriented parking garage is considerably different to the degree that costs can be defrayed by outside state or federal funding programs versus property owner assessments, user fees and/or City general obligation bonding.

The resource list and strategic initiatives outlined with this memorandum offer a *starting point* for this discussion by beginning to frame the universe of the possible. From this initial list, the next steps may be to narrow the options based on strategic priorities together with assessment of which tools are most viable from a combination of market, technical feasibility and community perspectives.

The ROI Perspective. One of the 31 resource tools outlined is as a "return on investment model for City funding." Return on investment (or ROI) represents one mechanism for sorting through and prioritizing from among the great of array of strategic initiatives and resources that are available for consideration.

A return on investment perspective would be to say that, as in the private realm, those projects or programs requiring City funding support should generate added tax revenues to the City that at least equal (and ideally exceed) the added City capital and/or operating cost incurred. Of all the economic uses for which City support might be considered, retail activity often offers greater returns to a municipality because the retail sales tax is the largest revenue source in the state of Washington – with the upside revenue capability to at least keep pace with inflation. By comparison, property tax revenue growth is now constrained to growth that does not keep up with inflation due to statewide voter approval of a 1% annual growth limitation.

As applied, a return on investment would look at the short and long-term added revenues of added downtown retail resulting from this strategy compared to costs. In some cases, future revenues are more readily compared with near term opportunities by using a net present value (NPV) approach to account for the cost of money – with a dollar received today worth more than a dollar received 10 years from now.

This ROI approach could be applied, albeit in somewhat different ways, to:

- *Programmatic activities* – especially the customer and business marketing activities associated with the retail tool kit. An ROI perspective could involve prospective evaluations when programs are first being considered, followed later by and retrospective monitoring to assure that the revenue results anticipated were actually realized or, if not, to make mid-course adjustments.
- *Project activities* – notably those oriented to significant real estate real development. For example, a proposal for a mixed use project that required public parking to support street level retail might be evaluated in terms of whether and to what extent user fees combined with incremental City tax revenues were adequate to repay the cost of the added parking (or other related infrastructure) investment.

TOOL KIT APPLICATION

Application of tool kit resources is not expected to occur as a one-time fix-it for all downtown retail issues or objectives. Rather, these are resources that can be adapted over time in response to changing public-private opportunities and priorities in downtown Kirkland.

Two guiding principles are recommended for tool kit application both with initial and long-term strategy implementation:

- A return on investment (ROI) perspective – as a guiding principle for investment of City resources.
- City Council determination of which specific tools are most appropriate for near-term consideration, especially for *must do* projects – as well as identification of tools determined as less viable or appropriate for Kirkland at the present time.

VIII. RETAIL STRATEGY

An interim report with strategic retail options was first presented and discussed with the Downtown Advisory Committee (DAC) in August 2008. A downtown retail toolkit was reviewed with the DAC the following month.

The resulting retail strategy covers DAC retail recommendations followed by an outline of City economic development support already underway and remaining steps for strategic implementation – over a period not limited to just the short-term, but also for the long-haul.

DAC RETAIL STRATEGY RECOMMENDATIONS

DAC recommendations cover a *Must Do* list followed by other strategic recommendations.

Must Do List. Over two meetings, the Downtown Advisory Committee outlined what has been termed as a *must do* list. After initial discussion, this list was then prioritized – with recognition of top priority, mid priority and lower priority actions – as illustrated by the following chart.

Figure 22. Downtown Advisory Committee *Must Do* List		Support Existing Retailers	Create Opportunities for New Retail
TOP PRIORITY	Need master plan to guide redevelopment of core area and waterfront area (Main Street to the water) to coordinate public and private initiatives	X	X
	To complete the pedestrian spine from Parkplace to the lake and to improve the orientation of downtown to the lake, create a visual and pedestrian connection west of Lake Street	X	X
	Focus on creating new retail space to establish a critical mass of retail		X
	Increase public parking supply now: • Now is the time to use bonding capacity • Catalyst for redevelopment projects by consolidating/centralizing • Consolidating preserves valuable ground floor of development sites for valuable retail space • Need pay parking as part of the equation • Need to show Council successful examples • Partnership or on City property	X	X
	Partnerships to bring true anchor tenant to downtown	X	X
	Consolidate resources and efforts between KDA, Chamber, and City	X	
	Define downtown shopping district though unified streetscape improvements including elements such as seasonal banners, lighting, and plantings	X	X

Downtown Advisory Committee *Must Do* List (Continued)		Support Existing Retailers	Create Opportunities for New Retail
MID PRIORITY	Encourage merchants to stay open later: • Merchant association to mandate • Property owners standardize leases • Regulatory requirement	X	
	Connect condominium associations to the downtown retail community – buy local program Use incentives/carrots to reward good behavior. Examples: • Can use City parking or new garage only if you cooperate • Can use marketing program/website only if you maintain evening hours	X	
	Fix parking requirements to reflect actual demand (e.g. – residential standards always modified)		X
	Create permanent Wednesday Market site (will need to be subsidized)	X	X
	Create better signage and wayfinding	X	
	Facilitate community conversation on buying and using local	X	
	Create an economic climate that promotes economic development. Follow the lead of other cities		X
LOWER PRIORITY	Facilitate consolidations of properties to create larger retail floor plates		X
	Establish City maintenance standard for merchants/property owners to take care of their sidewalks	X	
	Create immediate action plan to help businesses stay alive	X	
	Improve circulation • More bus stops • Trolley/transport between districts	X	X
	Create consolidated internet marketing and retailer networking website (e.g. – weddings)	X	
	Use economic downturn time to plan for the future		X
	Facilitate retail networking and communications	X	
	Play to our current strengths – e.g. restaurants	X	
	Encourage property owners to use standard lease	X	
	Facilitate clustering of businesses	X	

Due to the rapidity and severity of subsequent economic events nationally and locally, the DAC and the City of Kirkland have both moved forward to re-assess options most viable in view of a fast-changing fiscal and economic environment. As noted, the recommendation of the DAC to the City Council with this *Must Do* list encompasses a strategic emphasis on downtown retail as a *reinvigorated destination with strong local component.*

Other Strategic Recommendations. The DAC addressed two other primary topics in its recommendations – retail streets potential and guidelines for downtown banking activities.

- The DAC concluded that there were not significant differences in the long-term potential of downtown *retail streets*. The downtown area is viewed as compact enough and with enough potential that all streets can be 'outstanding' – if the right initiatives are taken. Assigning any streets a lower retail priority could become a self-fulfilling prophesy and diminish the true potential.
- With regard to downtown banking activities, the DAC has provided the following findings and recommendations:
    - ✓ Banks are valued uses in the downtown and should continue to be allowed
    - ✓ Banks in the retail core should be true retail banks with multiple tellers
    - ✓ The square footage of banks on the ground floor should be limited so that they do not dominate retail projects
    - ✓ Additional bank square footage (e.g. space above any specific size limit) could be located on the second story
    - ✓ Existing drive through facilities for core area banks are not ideal, but should be continue to be grandfathered so that bank sites are not discouraged from redeveloping.

CITY ECONOMIC DEVELOPMENT SUPPORT

In the time period since the mid-2008 initiation of this Downtown Kirkland Retail Strategy, the City of Kirkland has taken steps in support of city-wide and downtown economic development. These steps relate to diversification of revenue sources and rapid response economic development implementation.

Diversification of Revenue Sources. The mortgage financing and then broader economic recession has resulted in relatively rapid and sharp declines in City revenues, especially sales tax (from construction and retail sales) and permit revenues. While successful downtown revitalization can improve both sources of revenue, the City is interested in looking to sources less dependent on sales tax.[18]

Potential sources considered include and increase in utility tax and/or revision in the business license tax based in part on employment count "scaled to where success is." At the same time, an important objective with any changes in Kirkland's revenue base will be to address concerns of business leaders. A goal expressed by firms such as Google and Nintendo is that they "want Kirkland to preserve the 'coolness' factor of downtown."[19]

Rapid Response Economic Development Implementation. In response to downtown and business community concerns together with effects of the current economic downturn, efforts to attract more business to Kirkland are already underway with the City's Economic Development Program. City Council initiative is demonstrated by rapid progress toward code amendments following the resolution of key downtown project appeals. Anticipated for City Council action in March, this initiative is aimed to provide better clarity and predictability to the CBD development process.

The City has enhanced the role of a retention consultant, a part-time position housed at the Chamber of Commerce and paid for by the City. Twice monthly, the consultant reports to the City Council and department directors/managers on major Kirkland tenants looking for space. The consultant also provides identification of suitable space that is available.

A special focus of the retention consultant is assistance to tenants in commercial areas planned for redevelopment – including Parkplace and Totem Lake. Related key initiatives include:

- Providing more information about Kirkland and business opportunities to commercial real estate brokers throughout the region.
- Researching companies that are not currently located in the region but might be interested in establishing offices in Kirkland – followed by contacts including transmittal of collateral marketing materials. Examples of companies targeted include information technology, finance/insurance/real estate, telecom, and interactive video.
- Working with these and other prospects who express interest in a Kirkland location.

The City is using state CTED funding to develop a *buy-local* program, aimed at economic development and community building. This initiative is the result of the *Sustainable Economy Study* finding that residents and businesses are interested in reducing their carbon footprint by shopping locally – but without always knowing what goods or services can be secured in Kirkland. Consequently, the buy-local program will include a website listing Kirkland businesses and offering searches for local goods and services.[20]

In support of its commitment to the vitality of downtown, the Kirkland City Council has also designated the Kirkland Downtown Association (KDA) as a partner organization with the 2009-10 budget. This designation provides annual funding to KDA to carry out services that the city requires in support of its economic development program.[21]

REMAINING STEPS

With adoption of a downtown Kirkland retail strategy, it is recommended that the DAC and City of Kirkland also take remaining steps needed for:

- Refinement and approval of the *Must Do* list – as a working guide for downtown retail and related revitalization.
- Identify resources as necessary to get underway with the *top priority* list items – core area/waterfront master plan, creating new retail space, building a parking structure, attracting a true anchor to downtown and further consolidation or resources between the

KDA, Chamber and City (over the remainder of 2009 and 2010 to achieve measurable results).

- Evaluate *mid and lower priority* DAC recommendations for leveraged opportunities – In ways that allow initial action but without need for near term use of added City resources.
- Establish a downtown DAC/City retail implementation *work plan* – to be reviewed at least every other year (preferably annually).
- Publish an annual *report card* on annual implementation – and update the retail strategy within five years.

IX. CONCLUSION

As noted at the outset, this *Downtown Kirkland Retail Strategy* is intended to fulfill a vision first articulated in October 2007– offering two distinct but related images of Kirkland's downtown:

- As a "vibrant and charming urban waterfront community with unique shopping, destination dining, public art and galleries, beautiful parks and gathering places."
- And as 'an economically vital, pedestrian-friendly district that attracts the City's residents and visitors to enjoy its heritage and waterfront ambiance."

Because downtown Kirkland has enjoyed a level of retail success that many other cities would feel extraordinarily lucky to emulate, the question posed at the outset was: where do we go from here? How can Kirkland go *from good to great* – not just for today, but sustainably for generations yet to come?

This strategic retail planning process has occurred in partnership with downtown's stakeholders – retail businesses, property owners, customers, the City and broader community. Over the course of the planning process, the broader economic environment within which this strategic approach must navigate has gone from robust to uncertain to unexpectedly weak. While the timing remains uncertain, economic recovery will come. In some respects, the present time may seem too challenging for strategic retail action; in many ways there is no better time.

This is a time for preparation followed by action – for visible signs of momentum and accomplishment. The actions taken over the course of the next 12-24 months are important to stabilize downtown Kirkland retail as best possible, then to set the stage for an even more vibrant downtown as economic recovery takes hold.

The Downtown Advisory Committee (DAC) has recommended a strategic option focused on downtown retail that serves as reinvigorated destination with strong local appeal. *Must Do* top priorities are also recommended by the DAC for action:

- Core and waterfront area master plan to coordinate public and private initiatives
- To complete the pedestrian spine from Parkplace to the lake and improve the orientation of downtown to the lake, create a visual and pedestrian connection west of Lake Street
- Creating new retail space for critical mass
- Increasing the supply of public parking
- Partnerships to bring a true anchor tenant to downtown
- Consolidating resources and efforts between KDA, Chamber and City
- Define downtown shopping district though unified streetscape improvements including elements such as seasonal banners, lighting, and plantings

These recommendations are augmented by action the City of Kirkland is already taking for *rapid response* implementation. Working together, this retail strategy is intended to offer a framework for action that can bring downtown Kirkland from *good to great* – starting now.

APPENDIX A. PREPARER PROFILE

This retail strategy has been prepared for the City of Kirkland by the economic and development consulting firm E. D. Hovee & Company, LLC. From the planning to the completion of strategic business, real estate and public investments, E. D. Hovee & Company, LLC provides consulting services for public agencies, private firms, and individual investors.

Business Profile. Based in Vancouver, Washington office, the firm is focused primarily on the Pacific Northwest states of Washington and Oregon – albeit with substantial experience throughout the U.S. as well. Our economic and development services include:

- *Economic research* – from economic forecasting to impact analysis.
- *Market and feasibility assessments* – for private business and development projects as well as for public-private ventures.
- *Development planning and strategic services* – to better position businesses and communities for success in today's increasingly differentiated marketplace.
- *Development packaging and marketing* – for public-private projects ranging from public parking facilities to mixed use revitalization in urban centers and neighborhoods.

For nearly 25 years, the firm has been committed to the ongoing process of economic restructuring for entire communities, for emerging and revitalized downtowns, and for successful business and residential developments both in and outside the Pacific Northwest. A particular strength is a multi-use approach to urban real estate development – covering residential, office, live/work, lodging, cultural/entertainment venues, and parking as well as retail.

Related Project Experience. E. D. Hovee & Company, LLC has conducted retail market, business mix, and development consulting for:

- Public and non-profit organizations throughout the state of Washington including the State of Washington Department of Community, Trade and Economic Development, Washington State University - Spokane, and cities of Tacoma, SeaTac, Renton, Snoqualmie, Bellingham, Mount Vernon, Yelm, Longview and Vancouver.
- Private real estate development and retail clients such as Opus NW, Gramor Development, Killian Pacific, Birtcher Properties, Fred Meyer, and Home Depot.
- Other public and non-profit clients including the Portland Development Commission, Portland Business Alliance and cities of Hillsboro, Beaverton, Gresham, Tigard, Wilsonville, Eugene, Medford and Newport in Oregon; Santa Cruz, Stockton and Thousand Oaks in California; St. Joseph and Hannibal in Missouri – and also across the U.S. for the Natural Main Street Center and National Trust for Historic Preservation.

Preparers. Personnel who have been involved in the preparation of background research and strategic assessments with this retail strategy are Eric Hovee – Principal, Tess Jordan – Senior Economic Planner, and Andrea Logue – Research Coordinator.

APPENDIX B. RESIDENT & BUSINESS SURVEYS

Resident and business surveys have been conducted in conjunction with a separate, concurrent *Kirkland Economic Sustainability Assessment* – prepared for the City of Kirkland by O'Brien & Company in cooperation with E. D. Hovee & Company, LLC. This combined survey effort has proved useful as a means to effectively gauge community interests and needs for downtown retail within a broader community framework for economic, environmental and social sustainability.

SURVEY PURPOSE & APPROACH

Two surveys were conducted in the Spring of 2008 for the sustainability assessment:

- The *resident survey* was designed to cover questions related both to sustainability and downtown retail.
- *Business survey* information also was tabulated for downtown business respondents.

Downtown-specific results of both surveys are summarized and highlighted as part of this downtown retail strategic planning process.

RESIDENT SURVEYS – CITYWIDE DATA RESULTS

As of the closing date of May 30, 2008, 272 respondents had completed the resident survey. Summarized below is an overview of the survey results for questions most pertinent to consideration of downtown retail potentials.

Survey Demographics. Responses were received from all neighborhoods identified in the survey, with higher percentages in the Highlands, Moss Bay, and Norkirk neighborhoods (22%, 15%, and 13%, respectively).

The highest percentage of respondent groups reflected:

- 1- or 2-person households (58%)
- Between 36-65 years of age (75%)
- Employed (including self-employed) with annual household incomes ranging from $50,000 - $200,000 (74%)
- A sizable but minority proportion (39%) who sometimes or always work in Kirkland
- A significant percentage of respondents (92%) who own their own home
- A minority of respondents (41%) who have children living at home

In comparison with citywide demographics (as from ESRI and Census sources), survey respondents appear to be more strongly comprised of homeowners and households with children – and more likely to work in Kirkland.

What follows is a summary of *question-by-question* responses. With responses to each survey question, particular attention is paid to implications of survey results for downtown retail.

What goods and services do Kirkland residents purchase within the City of Kirkland? The table below reflects the responses with the *highest percentage* for each category of goods and service. Those goods and services that appear in the 'Rarely' and 'Never' purchased in the City of Kirkland provide an indication of business opportunities that are currently underserved.[22]

GOODS			
Always	**Sometimes**	**Rarely**	**Never**
Groceries (59%) Pharmaceuticals (60%)	Natural Foods/Specialty Foods (39%) Hobby items (39%) Gifts & Specialty (47%) Dining (62%) Wine/Liquor (41%) Entertainment (54%) Pet Products (25%)* Gas/Automotive (45%)	Apparel (adult) (39%) Home Furnishings (33%) Hardware/garden supplies (29%)	Apparel (childrens) (30%) Electronics/Computers (43%)
SERVICES			
Always	**Sometimes**	**Rarely**	**Never**
Pharmacy (54%) Medical Health Care (31%) Vision Health Care (31%) Fitness (24%) Banking/Finance (47%) Dry cleaning/Laundromat (56%) Veterinarian (30%) Realty (15%)* Mailing/Postal (62%) Copy/Print (38%)	Personal Care (Salon, spa, etc.) (28%) Community & Social Services (24%)* Automotive (28%)		Dental Health Care (36%) Vision Health Care (31%) Alternative Health Care (21%)* Childcare (12%)* Hotel (31%)* Attorney & Legal (40%) Insurance (50%) Worship (19%)*

Downtown Implications: Many of the retail goods and services desired by Kirkland residents are either not available or only modestly available in the downtown area. This is true for some of the categories for which residents always shop in Kirkland (but maybe not downtown) as well as for categories for which residents never shop anywhere in Kirkland.

Key questions for this downtown retail strategy are essentially two fold: (a) is there adequate market to support *additional downtown businesses* that would fill these identified gaps; and (b) to what extent and in what manner should the City prioritize local serving business in Kirkland's downtown? These are questions to which this interim report returns in subsequent discussion of opportunities/gaps and strategic options for downtown Kirkland.

How satisfied are the residents of the City of Kirkland with the shopping and services locally available? Listed below are the *highest response* percentages for

satisfaction levels for a variety of features and qualities that customers look for in their shopping/service experience (both for goods and services). Those that are listed in the 'Poor' and 'Average' ranking categories represent opportunities to enhance the local consumer experience in the City of Kirkland.

Excellent	Good	Average	Poor
---	Quality of Products (39%) Pedestrian Accessibility (38%) Mass Transit Accessibility (31%) Family Friendly (37%)	Affordability (58%) Customer Service (41%) Convenience (31%) Clustering of Stores (39%) Parking Availability (36%) Bike Parking Available (39%) Visual Appearance (35%) Hours of Operation (46%) Environmental Commitment (44%) Community Commitment (36%)	Variety (38%)

Downtown Implications: While survey responses reflect perceptions citywide, the observations noted can be expected to apply to downtown – perhaps in greater degree than would be the case citywide. Factors for which Kirkland rates as 'good' are consistent with strengths expected of downtown retail – with its pedestrian orientation and strong mix of independent, locally-owned stores.

Small businesses cannot be expected to score as well on variety – unless larger format retailers and/or other new competition is drawn into downtown. The *swing* factors appear to be those rated 'average' by Kirkland residents. Downtown can improve its competitive presence for local as well as non-local destination clientele by addressing factors for which the community does not currently stand out.

What are Kirkland residents' priorities when selecting goods and services? An average of 65% of Kirkland residents stated that **Quality**, **Cost**, and **Convenience** are the top three priorities when selecting goods and services. These three factors received far higher response rates than any of the other potential priority categories, such as brand recognition, environmental concerns, uniqueness, locally produced, or family owned.

Downtown Implications: Kirkland is already known for quality, but with opportunity to move upscale from 'good' to 'excellent'. Convenience represents the factor with perhaps the greatest opportunity to broaden market appeal to local residents – especially for those living or working in close proximity to downtown.

What are Kirkland residents' shopping habits? The majority of Kirkland residents shop by car (88%). A significant portion also shops by walking (47%), and a smaller portion by delivery or online (34%).[23] Only 12% shop by bus, and 9% by bike. As noted, 37% shop near their home in Kirkland, and 16% shop near their workplace or on their way home.

Downtown Implications: For residents, the greatest downtown retail opportunity may be to cater to those who shop by walking, bus and bike – likely living (or working) in or near downtown.

What do Kirkland residents want to see more of in their city? Identified are:

- Hardware (28%)
- Clothing – affordable, for adults & kids (10%)
- Restaurants – local, family, open air, inexpensive, unique, organic, ethnic (11%)
- Grocery/Market – natural, local, affordable (11%)

Downtown Implications: Downtown is already represented by restaurant and to a lesser extent by grocery and clothing activity – though not with all of the qualities desired by Kirkland residents. Like many downtowns, Kirkland no longer has a local downtown hardware store. A strategic question is whether these local serving attributes can be layered in with features that also appeal to destination visitors – or whether these customer segments are in competition with each other.

In your words…What does a sustainable Kirkland Economy mean to Kirkland residents? While the focus of this question on sustainability goes beyond the immediate scope of this retail study, responses are nonetheless useful to set a context for themes to consider regarding such items as downtown store mix, merchandising, promotions, and branding.

Figure 23. Elements of a Sustainable Economy – for Kirkland Residents

- ✓ A walkable community with a unique identity and one-stop shopping
- ✓ Better public transit to downtown and neighborhoods
- ✓ Diverse and comprehensive mix of locally owned stores that are affordable for residents and tourists and meet basic daily needs
- ✓ Enjoyable, affordable downtown to shop, dine, have office and green space
- ✓ Keep high-rise development in downtown to a minimum
- ✓ Stop going to Bellevue or Redmond for most of our daily, monthly, and annual shopping needs
- ✓ Convenient long-term parking (preferably covered) that provides easy pedestrian access to shopping, but is not intrusive to the downtown feel
- ✓ Corner markets and small scale amenities in neighborhoods: revitalize voids
- ✓ Incentives to local, green entrepreneurs

Downtown Implications: These sustainability elements all represent attributes that Downtown either currently or prospectively could fulfill. A pivotal question is whether and to what extent some elements pose trade-offs for downtown's recent and current role as a destination retail and entertainment district serving much of the eastside. A related question is whether downtown can or should succeed independent of added residential activity in the immediate downtown area.

RESIDENT SURVEYS – DOWNTOWN-SPECIFIC RESULTS

The resident surveys also included three specific questions focused on patronage of Downtown Kirkland for retail goods and services, and to rating selected features of the downtown experience.

Downtown Retail Shopping. As indicated by the following chart, the two types of good for which residents say they *always shop downtown* are pharmaceuticals (66%) and groceries (65%). Other retail categories for which residents *always or sometimes* shop downtown at least 50% of the time include natural and specialty foods, gift and specialty items, dining (all forms), wine/liquor, entertainment, pet products, and gas/automotive.

Figure 24. How often do you shop in Downtown Kirkland for the following goods?

	Always	Sometimes	Rarely	Never	Not Applicable*	Total Respondents
Groceries	65%	30%	4%	1%	0%	246
Natural Foods/Specialty Foods	32%	42%	13%	7%	6%	248
Pharmaceuticals	66%	18%	7%	5%	3%	245
Apparel (adult)	3%	25%	43%	30%	0%	247
Apparel (children)	1%	12%	28%	32%	28%	240
Home Furnishings	1%	28%	36%	33%	2%	249
Electronics/Computers	2%	14%	33%	48%	2%	243
Hardware/Garden supplies	6%	30%	32%	30%	2%	250
Hobby items (books, sports, music, etc.)	4%	43%	35%	17%	1%	247
Gifts & Specialty items	4%	52%	32%	11%	2%	246
Dining - Breakfast	17%	53%	19%	4%	6%	247
Dining - Lunch	11%	69%	15%	4%	1%	247
Dining - Dinner	10%	79%	10%	1%	0%	248
Dining - Coffee/Tea	22%	55%	11%	6%	6%	247
Wine/Liquor	23%	45%	13%	8%	11%	249
Entertainment	3%	60%	26%	10%	1%	247
Pet Products	26%	27%	11%	5%	30%	246
Gas & Automotive	40%	50%	6%	5%	0%	247

*Notes: On the survey form, the complete response is Not Applicable (I do not purchase these products).

Source: O'Brien & Company for City of Kirkland, *Sustainability Assessment*, June 2008.

In contrast, goods for which 50% or more of respondents say they *rarely or never shop downtown* are apparel (all types), home furnishings, electronics/computers, hardware/garden supplies, and hobby items.

Use of Downtown Services. Kirkland residents report that they patronize downtown businesses for services far less frequently than for retail shopping. There are no services indicated for which a majority of survey respondents indicate that that they *always utilize* downtown businesses. There are only two types of services for which a majority of respondents indicated that they patronize downtown businesses *always or sometimes* – banking/finance and mailing/postal.

Figure 25. How often do you use the following services in Downtown Kirkland?

	Always	Sometimes	Rarely	Never	Not Applicable*	Total Respondents
Pharmacy	8%	8%	14%	67%	4%	247
Medical Health Care	2%	4%	4%	88%	2%	246
Dental Health Care	10%	1%	5%	83%	0%	246
Vision Health Care	11%	4%	7%	76%	3%	246
Alternative Health Care (acupuncture, massage therapy, etc.)	6%	12%	11%	53%	17%	247
Personal Care (salon, spa, etc.)	8%	23%	17%	43%	9%	248
Fitness	7%	8%	8%	60%	17%	248
Banking/Finance	24%	30%	18%	28%	1%	247
Dry Cleaning/Laundromat	20%	8%	10%	55%	8%	248
Veterinarian	5%	2%	5%	54%	34%	247
Childcare	1%	2%	1%	26%	70%	246
Community & Social Services (counseling, after school programs, playgrounds, classes, etc.)	5%	23%	14%	28%	30%	241
Realty	5%	6%	9%	48%	32%	247
Hotel	2%	7%	12%	58%	21%	248
Attorney & Legal	4%	5%	9%	64%	18%	247
Automotive	6%	14%	7%	69%	3%	245
Insurance	8%	4%	6%	74%	8%	247
Mailing/Postal	37%	34%	13%	15%	0%	246
Copy/Print	19%	29%	20%	26%	6%	246
Worship	3%	4%	7%	46%	40%	244

*Notes: On the survey form, the complete response is Not Applicable (I do not purchase these products).

Source: O'Brien & Company for City of Kirkland, *Sustainability Assessment*, June 2008.

In contrast, a majority of those surveyed say they *never* come downtown for services that include pharmacy, health care (all forms), fitness, dry cleaning/laundromat, veterinarian, hotel, legal, automotive and insurance.

Rating the Downtown Shopping & Service Experience. A final question asked those surveyed to rate varied features of the downtown shopping and services on a scale of 1 (poor) to 4 (excellent). While no feature was noted as *excellent* by a majority of respondents, features that received *excellent or good ratings* by a majority included quality of products, pedestrian and mass transit accessibility, visual appearance, community commitment and family friendly.

In contrast, two features received *poor* ratings by a majority of respondents – variety and parking availability.

Figure 26. On a scale of 1 (poor) to 4 (excellent), how do you rate the following features of shopping and services for the Downtown Kirkland?

	(1) Poor	(2) Average	(3) Good	(4) Excellent	Total Respondents
Quality of Products	6%	38%	44%	13%	234
Variety	52%	33%	13%	3%	240
Affordability	41%	52%	6%	0%	239
Customer Service	4%	47%	37%	12%	236
Convenience	18%	35%	33%	14%	242
Clustering of Stores	30%	37%	28%	5%	241
Parking Availability	50%	34%	12%	3%	242
Bike Parking Availability	21%	55%	16%	8%	205
Pedestrian Accessibility	7%	27%	40%	27%	237
Mass Transit Accessibility (bus stops nearby)	9%	33%	36%	22%	228
Visual Appearance	8%	38%	37%	16%	241
Hours of Operation	23%	49%	25%	3%	239
Environmental Commitment	14%	50%	29%	7%	228
Community Commitment	11%	40%	35%	15%	235
Family Friendly	6%	39%	38%	16%	233

Source: O'Brien & Company for City of Kirkland, *Sustainability Assessment*, June 2008.

BUSINESS SURVEYS

O'Brien & Company also completed a sustainability survey with Kirkland businesses – both in and outside the downtown area. Results of note for this downtown retail assessment are summarized with this report.

Business Respondent Profile. A smaller sample of businesses (77 in total) completed a business survey. Approximately 41% of the businesses (or 31 respondents) were located in downtown Kirkland.[24]

Citywide, the largest proportion of respondents consisted of retail businesses (33%), followed by business and personal services (30%). Other respondents included real estate, engineering/architecture, health science and information technology firms.

Over half of the respondents offered their business services to the regional Puget Sound area, and over 40% offered services to the entire Pacific Northwest. Retail businesses tended to be more focused on local market areas – albeit with some exceptions.

The majority of the respondents (79%) were businesses with 20 or fewer employees. Over 40% of the businesses had internet based customers, 57% had walk-customers, and 76% had other businesses as customers. *Note:* business survey respondents could select multiple customer types.

In Their Words…What Does a Sustainable Kirkland Economy Mean to Local Businesses? Overall, responses center on the theme of "an economy that ensures both natural resources and a healthy environment for our future generations."

Figure 27. Sustainability for Kirkland Businesses – Key Themes

Focus on the environment:

- ✓ Zero waste! Recycling and reuse of local products.
- ✓ Businesses that strive to recycle, reduce energy, and be responsible with all waste generated.
- ✓ Green buildings, and restoration of existing buildings

Diverse, locally supported businesses:

- ✓ Rent control to prevent turnover of small, diverse businesses
- ✓ Citizens and local businesses that promote and support local businesses
- ✓ Competitively priced services with a broad appeal, rather than niche appeal
- ✓ Obtaining all daily needs in Kirkland – at affordable prices
- ✓ Presence of well known, anchor retailers

Easy access for citizens & businesses to be locally supportive:

- ✓ A pedestrian downtown with outlying parking and free, easily accessible transit – a "Car-Free Kirkland!"
- ✓ Clustered, higher density shopping districts that are supportive to each other and encourage shoppers to walk from business to business
- ✓ Customer access to parking

City & business accountability & engagement:

- ✓ Holding building and land owners accountable for decisions that affect the health of businesses
- ✓ City-supported business expansion and development
- ✓ City-led green standards and incentives that 'push the envelope'
- ✓ City engagement of local businesses to promote green activities

Source: O'Brien & Company for City of Kirkland, *Sustainability Assessment*, June 2008.

While some of the themes heard may be in conflict with each other and some are more easily implemented than others, they provide a context for thinking sustainably – and for creating new competitive advantage today and in the years immediately ahead.

What are Kirkland Businesses Doing to Become More Sustainable? Over 60% of the Kirkland business respondents indicated that it is somewhat to very important for the public and their customers/clients to view their company as 'green.' Internally, businesses are making changes to become more sustainable.

A minority (33%) of respondents have employed a sustainability mission statement or vision in their company. Larger proportions (over 75%) purchase energy efficient products either sometimes or all the time, and recycle all the time.

Are Kirkland Businesses Locally Supportive of Each Other? Less than 20% of Kirkland businesses stated that they always, or often, seek out business goods and services from within

Kirkland. However, a larger proportion of 45% stated that they sometimes or often participated in joint promotions to support other local businesses.

What are Opportunity Areas for Kirkland Businesses to Expand their Sustainable Practices and Support Each Other? Suggestions received including implementing Environmental Management Systems and providing green incentives for employees.

Items of importance to retailers include initiatives to minimize packaging, offer reusable bags/packaging, provide a take back program for products/packaging, and offer green products and services. For restaurants, an opportunity area is to increase composting practices – as 66% of those who handle food stated they throw away food waste with only 20% composting at present.[25]

What is Holding Kirkland Business Back From Going Green? The most oft-noted concern relates to are cost barriers – identified by 26% business survey respondents as the reason they've not yet implemented desired green practices. Also noted is information on benefits of going green – with 22% indicating that they needed more information and education on green practices.

How Can the City Help? About 20% of Kirkland businesses suggested that the following City provided services/information might help them establish their green goals – specifically in the areas of incentives, workshops and trainings, and online information.

Downtown Retail Strategy Implications. In summary, building sustainability into a retail strategy for downtown Kirkland is important for two reasons:

- Growing public awareness of the global ethic for a more sustainable approach to consumer purchases – accelerated by recent rapid increases in fuel costs.
- Opportunity to brand downtown Kirkland for sustainability – ahead of the suburban competition in an intentional, authentic and sustained manner.

APPENDIX C. STATISTICAL DATA COMPENDIUM

Figure 28. Summary Trade Area Demographics (2000-2013)

	Kirkland	Destination	4-County
Population			
2000	45,054	248,557	3,275,847
2008	48,410	279,904	3,633,000
2013	51,924	301,815	3,890,673
Households (HH)			
2000	20,736	97,334	1,282,984
2008	23,163	111,161	1,470,850
2013	24,844	119,861	1,541,818
Average HH Size			
2000	2.13	2.54	2.49
2008	2.09	2.51	2.47
2013	2.09	2.51	2.47
Median Age			
2000	36.2	35.5	35.2
2008	39.0	37.8	36.9
Median Household Income			
2000	$60,399	$66,193	$51,168
2008	$82,493	$86,546	$68,793

Source: Washington Office of Financial Management, ESRI Business Information Solutions and the City of Kirkland.

Figure 29. Age Distribution of Population (2000, 2008)

	Kirkland		Destination		4-County	
Population by Age	**2000**	**2008**	**2000**	**2008**	**2000**	**2008**
Total	45,054	48,413	248,557	279,904	3,275,847	3,633,000
0 - 4	5.5%	5.3%	6.4%	6.1%	6.5%	6.5%
5 - 9	5.1%	4.8%	7.0%	6.3%	7.0%	6.2%
10 - 14	5.0%	5.0%	7.4%	6.8%	7.1%	6.4%
15 - 19	5.2%	5.3%	6.8%	6.7%	6.8%	6.8%
20 - 24	7.1%	6.4%	5.7%	5.9%	6.6%	7.1%
25 - 34	19.9%	16.3%	15.9%	13.8%	15.7%	14.3%
35 - 44	18.2%	17.1%	18.8%	16.3%	17.6%	15.2%
45 - 54	15.3%	16.7%	16.3%	17.2%	14.5%	15.7%
55 - 64	8.6%	12.4%	8.1%	12.1%	8.1%	11.2%
65 - 74	5.0%	5.5%	4.0%	4.8%	5.1%	5.4%
75 - 84	3.7%	3.5%	2.8%	2.8%	3.7%	3.6%
85+	1.5%	1.6%	1.0%	1.2%	1.3%	1.7%
18+	81.5%	81.9%	74.9%	76.6%	75.3%	76.9%

Source: ESRI Business Information Solutions.

Figure 30. Race/Ethnicity Comparison (2000, 2008)

	Kirkland		Destination		4-County	
Population by Race/Ethnicity	**2000**	**2008**	**2000**	**2008**	**2000**	**2008**
Total	45,054	48,410	248,556	279,903	3,275,847	3,633,000
White Alone	85.3%	82.5%	85.7%	83.1%	78.7%	75.9%
Black Alone	1.6%	1.8%	1.3%	1.4%	4.9%	5.2%
American Indian Alone	0.5%	0.5%	0.5%	0.5%	1.2%	1.1%
Asian or Pacific Islander Alone	8.0%	9.7%	7.7%	9.1%	8.8%	10.1%
Some Other Race Alone	1.7%	2.1%	1.8%	2.3%	2.3%	2.8%
Two or More Races	2.9%	3.5%	3.0%	3.6%	4.2%	4.9%
Hispanic Origin	4.1%	5.5%	4.5%	5.9%	5.3%	6.8%

Source: ESRI Business Information Solutions.

Figure 31. Educational Attainment of Adult Population Age 25+ (2000)

	Kirkland	Destination	4-County
Total	33,952	190,920	2,438,966
Less than 9th Grade	0.9%	1.2%	2.7%
9th - 12th Grade, No Diploma	2.7%	3.2%	6.1%
High School Graduate	14.9%	16.2%	23.1%
Some College, No Degree	22.0%	22.0%	24.1%
Associate Degree	7.7%	9.1%	8.9%
Bachelor's Degree	35.3%	33.2%	23.3%
Master's/Prof/Doctorate Degree	16.4%	15.2%	11.8%

Source: U.S. Census, ESRI Business Information Solutions.

Figure 32. Housing Characteristics (2000, 2008)

	Kirkland	Destination	4-County
2000 Housing Units	21,831	101,270	1,348,146
Owner Occupied Housing Units	54.1%	66.1%	59.5%
Renter Occupied Housing Units	40.9%	30.0%	35.7%
Vacant Housing Units	5.0%	3.9%	4.8%
2008 Housing Units	23,481	116,858	1,526,074
Owner Occupied Housing Units	57.8%	68.8%	61.8%
Renter Occupied Housing Units	35.6%	26.3%	32.4%
Vacant Housing Units	6.6%	4.9%	5.8%
Median Home Value			
2000	$263,486	$249,150	$190,470
2008	$483,787	$462,898	$358,787
2000 Median Rent	$891	$868	$660

Source: ESRI Business Information Solutions.

Figure 33. Comparative Household Income Distribution (2008)

2008 Households by Income	Kirkland	Destination	4-County
Household Income Base	23,163	111,160	1,470,844
< $15,000	4.2%	3.5%	6.8%
$15,000 - $24,999	3.4%	3.6%	6.7%
$25,000 - $34,999	4.9%	4.7%	7.6%
$35,000 - $49,999	9.1%	8.7%	12.5%
$50,000 - $74,999	20.3%	18.0%	20.9%
$75,000 - $99,999	21.0%	20.9%	18.3%
$100,000 - $149,999	18.7%	21.4%	16.1%
$150,000 - $199,999	8.7%	9.2%	5.5%
$200,000 +	9.6%	10.1%	5.6%
Average Household Income	$115,198	$116,544	$88,416

Source: ESRI Business Information Solutions.

Figure 34. Employed Population Age 16+ by Occupation (2008)

	Kirkland	Destination	4-County
Total	29,327	162,350	1,891,070
White Collar	77.2%	73.9%	64.6%
Management/Business/Financial	24.1%	21.0%	16.0%
Professional	26.9%	28.2%	23.8%
Sales	12.8%	12.2%	11.1%
Administrative Support	13.4%	12.5%	13.7%
Services	11.1%	12.2%	16.0%
Blue Collar	11.7%	13.9%	19.4%
Farming/Forestry/Fishing	0.0%	0.2%	0.3%
Construction/Extraction	3.9%	4.7%	6.0%
Installation/Maintenance/Repair	2.7%	2.4%	3.1%
Production	2.9%	3.4%	4.6%
Transportation/Material Moving	2.1%	3.2%	5.4%

Source: ESRI Business Information Solutions.

Figure 35. Work Commute Patterns (2000)

	Kirkland	Destination	4-County
Workers 16+ by Means of Transportation to Work			
Total	27,060	136,436	1,642,700
Drove Alone - Car, Truck, or Van	76.0%	77.2%	71.3%
Carpooled - Car, Truck, or Van	9.8%	10.8%	12.8%
Public Transportation	5.5%	4.4%	7.1%
Walked	2.2%	1.6%	3.2%
Other Means	1.3%	1.0%	1.4%
Worked at Home	5.3%	5.0%	4.2%
Workers 16+ by Travel Time to Work			
Total	27,060	136,435	1,642,700
Did not Work at Home	94.7%	95.0%	95.8%
Less than 5 minutes	3.5%	2.1%	2.3%
5 to 9 minutes	9.3%	7.7%	7.7%
10 to 19 minutes	32.4%	26.4%	25.6%
20 to 24 minutes	16.3%	14.7%	14.7%
25 to 34 minutes	19.7%	22.7%	20.9%
35 to 44 minutes	4.9%	8.1%	7.4%
45 to 59 minutes	5.4%	8.4%	8.6%
60 to 89 minutes	2.3%	3.6%	5.8%
90 or more minutes	0.8%	1.3%	2.8%
Average Travel Time to Work (in min)	21.9	25.6	27.8

Source: U.S. Census, ESRI Business Information Solutions.

Figure 36. Residence Locations of Downtown Kirkland Shoppers (2008)

Distance	Weekday Count	Weekday Percent	Weeknight & Weekend Count	Weeknight & Weekend Percent
1 Mile	58	8.09	109	10.23
2 Miles	47	6.56	111	10.41
1-2 miles	**105**	**14.64**	**220**	**20.64**
3	79	11.02	109	10.23
4	54	7.53	99	9.29
5	50	6.97	76	7.13
3-5 miles	**183**	**25.52**	**284**	**26.64**
6	29	4.04	58	5.44
7	43	6.00	70	6.57
8	32	4.46	54	5.07
9	45	6.28	59	4.44
10	46	6.42	38	3.56
6-10 miles	**195**	**27.20**	**279**	**25.07**
11	18	2.51	26	2.44
12	31	4.32	33	3.10
13	25	3.49	30	2.81
14	19	2.65	20	1.88
15	12	1.67	13	1.22
11-15 miles	**105**	**14.64**	**122**	**11.44**
>15 miles	**129**	**17.99**	**161**	**15.10**
Subtotal	717	99.86	1,066	80.15
UnMapped	1	0.14	264	19.85
Total	718	100.00	1,330	100.00

Source: Parking Advisory Board.

Figure 37. Tapestry Lifemodes (2008)

Kirkland Tapestry Segment	Percent	Destination Tapestry Segment	Percent	4-County Tapestry Segment	Percent
Enterprising Professionals	20.5%	Sophisticated Squires	19.5%	Sophisticated Squires	8.4%
Urban Chic	16.3%	Enterprising Professionals	16.9%	Main Street, USA	6.0%
Laptops and Lattes	15.4%	Suburban Splendor	14.5%	Old and Newcomers	5.5%
Old and Newcomers	15.2%	In Style	10.8%	Up and Coming Families	5.1%
In Style	12.2%	Old and Newcomers	6.4%	Metro Renters	4.8%
Subtotal	79.6%	Subtotal	68.1%	Subtotal	29.8%

Source: ESRI Business Information Solutions.

Figure 38. Kirkland Sales Tax History by Business Sector (2000-2007)

1995-2007 Annual Sales Tax Revenue by Business Sector

Business Sector	2000	2001	2002	2003	2004	2005	2006	2007
Auto/Gas Retail	$ 2,417,404	$ 2,325,651	$ 2,283,057	$ 2,532,728	$ 2,632,937	$ 2,797,473	$ 2,973,380	$ 3,276,488
General Merch/Misc Retail*	$ 1,706,633	$ 1,657,343	$ 2,076,488	$ 2,377,572	$ 2,539,027	$ 2,366,854	$ 2,524,268	$ 2,562,537
Retail Eating/Drinking*	$ 996,116	$ 979,774	$ 1,015,032	$ 1,031,527	$ 1,108,676	$ 1,181,884	$ 1,228,127	$ 1,294,444
Other Retail*	$ 1,629,860	$ 1,494,485	$ 1,184,893	$ 1,259,370	$ 1,354,672	$ 1,787,484	$ 1,800,744	$ 1,738,458
Subtotal Other Retail	*$ 4,332,609*	*$ 4,131,602*	*$ 4,276,413*	*$ 4,668,469*	*$ 5,002,375*	*$ 5,336,222*	*$ 5,553,139*	*$ 5,595,439*
Wholesale	$ 1,438,407	$ 929,125	$ 759,878	$ 1,112,417	$ 746,446	$ 984,837	$ 1,320,124	$ 1,111,079
Contracting	$ 1,781,496	$ 1,739,136	$ 1,463,962	$ 1,497,052	$ 1,770,262	$ 2,315,568	$ 3,279,243	$ 3,007,168
Services	$ 1,427,576	$ 1,418,678	$ 1,342,157	$ 1,277,213	$ 1,404,937	$ 1,518,349	$ 1,722,501	$ 1,779,742
Communications	$ 700,362	$ 644,333	$ 551,003	$ 936,836	$ 579,081	$ 689,090	$ 793,243	$ 657,923
Miscellaneous	$ 647,641	$ 648,901	$ 544,290	$ 647,736	$ 567,937	$ 668,259	$ 786,514	$ 1,098,629
TOTAL	**$ 12,745,495**	**$ 11,837,426**	**$ 11,220,760**	**$ 12,672,451**	**$ 12,703,975**	**$ 14,309,798**	**$ 16,428,144**	**$ 16,526,468**

Business Sector Percentage of Total Sales Revenue

Business Sector	2000	2001	2002	2003	2004	2005	2006	2007
Auto/Gas Retail	19.0%	19.6%	20.3%	20.0%	20.7%	19.5%	18.1%	19.8%
General Merch/Misc Retail*	13.4%	14.0%	18.5%	18.8%	20.0%	16.5%	15.4%	15.5%
Retail Eating/Drinking*	7.8%	8.3%	9.0%	8.1%	8.7%	8.3%	7.5%	7.8%
Other Retail*	12.8%	12.6%	10.6%	9.9%	10.7%	12.5%	11.0%	10.5%
Subtotal Other Retail	*34.0%*	*34.9%*	*38.1%*	*36.8%*	*39.4%*	*37.3%*	*33.9%*	*33.8%*
Wholesale	11.3%	7.8%	6.8%	8.8%	5.9%	6.9%	8.0%	6.7%
Contracting	14.0%	14.7%	13.0%	11.8%	13.9%	16.2%	20.0%	18.2%
Services	11.2%	12.0%	12.0%	10.1%	11.1%	10.6%	10.5%	10.8%
Communications	5.5%	5.4%	4.9%	7.4%	4.6%	4.8%	4.8%	4.0%
Miscellaneous	5.0%	5.6%	4.9%	5.1%	4.4%	4.7%	4.7%	6.7%
TOTAL	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: City of Kirkland.

Figure 39. Kirkland Sales Tax History by Business District (2000-2007)

Business District	2000	2001	2002	2003	2004	2005	2006	2007
Totem Lake	4,055,643	3,900,014	3,592,917	4,242,034	4,318,859	4,552,763	4,753,780	5,091,625
NE 85th St	2,074,729	1,973,998	1,905,350	2,027,565	2,126,868	2,250,246	2,361,132	2,441,384
Downtown	830,121	795,275	738,832	838,476	855,239	976,319	1,071,865	1,090,444
Carillon Pt & Yarrow Bay	710,554	449,396	319,184	430,272	507,000	537,496	494,436	491,422
Bridle Trails	123,279	135,546	132,268	178,875	236,417	131,487	147,529	163,227
Houghton	131,234	128,189	129,074	134,008	137,013	404,637	385,237	464,600
Juanita	125,572	126,044	155,132	324,831	366,237	247,544	264,154	282,786
Unassigned or No District:								
Contracting	1,781,496	1,739,100	1,473,561	1,497,052	1,770,262	2,320,753	3,279,273	3,004,347
Other	2,912,867	2,589,864	2,774,442	2,999,337	2,386,079	2,888,553	3,670,738	3,496,633
Total	**12,745,495**	**11,837,425**	**11,220,759**	**12,672,450**	**12,703,974**	**14,309,798**	**16,428,144**	**16,526,468**
% Change from Prior Year								
Kirkland City Total	--	-7.1%	-5.2%	12.9%	0.2%	12.6%	14.8%	0.6%
Downtown	--	-4.2%	-7.1%	13.5%	2.0%	14.2%	9.8%	1.7%
Downtown % of Total	6.5%	6.7%	6.6%	6.6%	6.7%	6.8%	6.5%	6.6%

Source: City of Kirkland.

Figure 40. City of Kirkland Retail Sales & Leakage (2008)

NAICS	Retail Categories	Demand (Retail Potential)	Supply (Retail Sales)	Retail Leakage (Demand-Supply)
441	Motor Vehicle & Parts Dealers	$210,745,874	$350,200,574	-$139,454,700
442	Furniture & Home Furnishings Stores	$34,812,102	$20,362,729	$14,449,373
443	Electronics & Appliance Stores	$32,349,609	$42,828,285	-$10,478,676
444	Bldg Materials, Garden Equip. & Supply Stores	$28,346,764	$12,428,096	$15,918,668
445	Food & Beverage Stores	$155,344,226	$157,132,213	-$1,787,987
446	Health & Personal Care Stores	$29,681,502	$62,207,850	-$32,526,348
447	Gasoline Stations	$98,992,869	$61,657,459	$37,335,410
448	Clothing and Clothing Accessories Stores	$48,486,823	$13,530,223	$34,956,600
451	Sporting Goods, Hobby, Book, & Music Stores	$10,220,850	$11,841,833	-$1,620,983
452	General Merchandise Stores	$140,489,606	$97,182,899	$43,306,707
453	Miscellaneous Store Retailers	$18,045,744	$21,403,546	-$3,357,802
454	Nonstore Retailers	$32,608,447	$30,010,334	$2,598,113
722	Food Services & Drinking Places	$134,460,397	$133,930,301	$530,096
44-45, 72	Total Retail Trade and Food & Drink	$974,584,813	$1,014,716,342	-$40,131,529

Source: ESRI Business Information Solutions.

Figure 41. Supportable City of Kirkland Retail Space Demand (to 2013)

		Building Space Demand (sf)		
Retail Categories	Retail Sales/SF	Leakage Recapture	Future Growth	Leakage + Growth
Motor Vehicle & Parts Dealers	NA	-	-	-
Furniture & Home Furnishings Stores	$400	40,000	7,000	47,000
Electronics & Appliance Stores	$875	-	3,000	3,000
Bldg Materials, Garden Equip. & Supply Stores	$620	43,000	3,000	46,000
Food & Beverage Stores	$560	6,000	21,000	27,000
Health & Personal Care Stores	$875	-	3,000	3,000
Gasoline Stations	NA	-	-	-
Clothing and Clothing Accessories Stores	$695	62,000	5,000	67,000
Sporting Goods, Hobby, Book, & Music Stores	$490	-	2,000	2,000
General Merchandise Stores	$500	78,000	21,000	99,000
Miscellaneous Store Retailers	$380	2,000	4,000	6,000
Nonstore Retailers	NA	-	-	-
Food Services & Drinking Places	$860	34,000	12,000	46,000
Total Retail Trade and Food & Drink		265,000	81,000	346,000

Note: Building space need is not calculated for retail categories of motor vehicle and parts dealers, gasoline stations, and nonstore retailers.

Source: E. D. Hovee & Company, LLC from ESRI Business Information Solutions and Urban Land Institute.[26]

Figure 42. Best Case Destination Trade Area Sales & Leakage (2008)

NAICS	Retail Categories	Demand (Retail Potential)	Supply (Retail Sales)	Retail Leakage (Demand-Supply)
441	Motor Vehicle & Parts Dealers	$1,082,679,304	$503,354,342	$579,324,962
442	Furniture & Home Furnishings Stores	$182,297,734	$120,494,108	$61,803,626
443	Electronics & Appliance Stores	$155,776,127	$287,856,690	-$132,080,563
444	Bldg Materials, Garden Equip. & Supply Stores	$157,964,470	$110,705,736	$47,258,734
445	Food & Beverage Stores	$804,527,634	$656,902,163	$147,625,471
446	Health & Personal Care Stores	$150,424,911	$127,847,247	$22,577,664
447	Gasoline Stations	$507,396,048	$243,181,318	$264,214,730
448	Clothing and Clothing Accessories Stores	$238,901,332	$104,954,159	$133,947,173
451	Sporting Goods, Hobby, Book, & Music Stores	$51,589,889	$58,109,168	-$6,519,279
452	General Merchandise Stores	$688,793,600	$427,891,216	$260,902,384
453	Miscellaneous Store Retailers	$97,366,317	$65,542,251	$31,824,066
454	Nonstore Retailers	$168,967,647	$482,910,570	-$313,942,923
722	Food Services & Drinking Places	$678,048,179	$405,620,953	$272,427,226
44-45, 72	Total Retail Trade and Food & Drink	$4,964,733,192	$3,595,369,921	$1,369,363,271

Source: ESRI Business Information Solutions.

Figure 43. Best Case Destination Trade Area Retail Space Demand (to 2013)

		Building Space Demand (sf)		
Retail Categories	Retail Sales/SF	Leakage Recapture	Future Growth	Leakage + Growth
Motor Vehicle & Parts Dealers	NA	-	-	-
Furniture & Home Furnishings Stores	$400	193,000	36,000	229,000
Electronics & Appliance Stores	$875	-	14,000	14,000
Bldg Materials, Garden Equip. & Supply Stores	$620	128,000	20,000	148,000
Food & Beverage Stores	$560	338,000	112,000	450,000
Health & Personal Care Stores	$875	26,000	13,000	39,000
Gasoline Stations	NA	-	-	-
Clothing and Clothing Accessories Stores	$695	227,000	27,000	254,000
Sporting Goods, Hobby, Book, & Music Stores	$490	-	8,000	8,000
General Merchandise Stores	$500	520,000	108,000	628,000
Miscellaneous Store Retailers	$380	74,000	20,000	94,000
Nonstore Retailers	NA	-	-	-
Food Services & Drinking Places	$860	418,000	62,000	480,000
Total Retail Trade and Food & Drink		1,924,000	420,000	2,344,000

Note: Building space need is not calculated for retail categories of motor vehicle and parts dealers, gasoline stations, and nonstore retailers.

Source: E. D. Hovee & Company, LLC from ESRI Business Information Solutions and Urban Land Institute.

Figure 44. Retail Purchases in Kirkland (2008 Resident Survey)

		Survey Response: Extent to which Respondents Shop in Kirkland			Growth Potential According to	
Retail Type	**Type of Good**	**Always**	**Sometimes**	**Rarely or Never**	**Survey Results**	**Data Results**
Groceries	Convenience	65%	30%	4%	No	No
Natural foods/specialty foods	Both	34%	45%	21%	Some	No
Pharmaceuticals	Convenience	68%	19%	13%	No	No
Apparel in general						Strong
Apparel (adult)	Both	3%	25%	72%	Strong	
Apparel (children)	Both	2%	17%	81%	Strong	
Home furnishings	Destination	1%	29%	70%	Strong	Strong
Electronics/computers	Destination	3%	14%	83%	Strong	No
Hardware/garden supplies	Convenience	6%	31%	63%	Strong	Strong
Hobby items (books, sports, music)	Both	4%	43%	52%	Strong	No
Gifts & specialty items	Both	4%	52%	43%	Some	No
Dining in general						Some
Dining – breakfast	Both	18%	57%	25%	Some	
Dining – lunch	Both	11%	70%	19%	Some	
Dining – dinner	Both	10%	79%	11%	No	
Dining - coffee/Tea	Convenience	23%	59%	18%	Some	
Wine/liquor	Convenience	26%	50%	23%	Some	NA
Entertainment	Both	3%	60%	37%	Some	NA
Pet products	Convenience	38%	39%	23%	Some	NA
Gas & automotive	Both	40%	50%	10%	Some	Strong

Source: O'Brien & Company, E.D. Hovee & Company, LLC.

Figure 45. Attributes of Kirkland Retail (2008 Resident Survey)

	Survey Response			
Attributes of Shopping Experience	**Excellent**	**Good**	**Average**	**Poor**
Quality of Products	19%	42%	35%	4%
Variety	4%	20%	36%	40%
Affordability	1%	13%	64%	22%
Customer Service	13%	39%	45%	3%
Convenience	19%	30%	34%	18%
Clustering of Stores	2%	20%	43%	35%
Parking Availability	4%	18%	39%	38%
Bike Parking Availability	10%	18%	50%	23%
Pedestrian Accessibility	13%	42%	31%	13%
Mass Transit Accessibility (bus stops nearby)	13%	37%	33%	17%
Visual Appearance	14%	35%	38%	13%
Hours of Operation	4%	31%	51%	14%
Environmental Commitment	7%	31%	51%	11%
Community Commitment	15%	35%	40%	11%
Family Friendly	14%	41%	40%	5%

Source: O'Brien & Company, E.D. Hovee & Company, LLC.

Figure 46. Services Are Obtained In Kirkland (2008 Resident Survey)

	Survey: Extent to which Respondents obtain Services within Kirkland			
Service Type	**Always**	**Sometimes**	**Rarely or Never**	**Growth Potential**
Medical Health Care	34%	32%	34%	
Dental Health Care	40%	11%	49%	
Vision Health Care	35%	13%	52%	
Alternative Health Care (acupuncture, massage therapy, etc.)	29%	25%	46%	Strong
Personal Care (salon, spa, etc.)	19%	35%	45%	Strong
Fitness	32%	22%	45%	Strong
Banking/Finance	51%	32%	17%	
Dry Cleaning/Laundromat	69%	15%	16%	
Veterinarian	51%	14%	35%	
Childcare	16%	16%	66%	Strong
Community & Social Services (counseling, after school programs, playgrounds, classes, etc.)	24%	40%	35%	Strong
Realty	28%	27%	44%	
Hotel	5%	18%	77%	
Attorney & Legal	9%	11%	79%	
Automotive	29%	31%	40%	
Insurance	18%	11%	70%	Strong
Mailing/Postal	68%	26%	6%	
Copy/Print	46%	30%	23%	

Source: O'Brien & Company, E.D. Hovee & Company, LLC.

Figure 47. Kirkland CBD Building Permits (1994-Present)

KIRKLAND CBD BUILDING PERMITS (1994 - Present)

PERMIT	PROJECT NAME	Address	Housing Units	Hotel Rooms	Office Sq Ft	Retail Sq Ft	Parking Spaces	PARCEL	Valuation	Lot Size (Sq Ft)
BLD94-00162	EASTSIDE TRAINS	217 CENTRAL WAY				8,041	23	124450-0066	$500,000	13,692
BLD94-00992	EMERALD BUILDING OFFICE	520 KIRKLAND WAY			44,972		139	052505-9017	$3,472,389	59,706
BLD03-01227	PLAZA ON STATE CONDOS/A	102 STATE ST S	39				165	681787-0000	$5,241,557	72,026
BLD03-01228	PLAZA ON STATE CONDOS/B		42					681787-0000	$5,334,692	
BLD95-00674	602 5TH ST CONDOS	602 5TH STREET	14				31	780405-0000	$3,000,000	16,500
BLD96-00110	PORTSMITH CONDOS/A	108 2ND AVE S	54				276	687200-0000	$7,040,864	71,625
BLD96-00052	PARK AVENUE CONDOS	615 6TH STREET	38				84	664115-0000	$5,184,138	32,981
BLD96-01155	WATERMARK APARTMENTS	530 2ND AVE	60				106	124870-0115	$5,325,343	35,438
BLD96-00931	TIARA DE LAGO CONDOS	210 MARKET ST	13			2,360	30	388580-8750	$3,112,248	10,686
BLD96-01341	520 6TH AVE CONDOS	520 6TH AVENUE	22				49	388580-7640	$4,571,475	22,002
BLD95-00072	MARINA HEIGHTS CONDOS	134 CENTRAL WAY	21			10,000	48	514880-0000	$6,278,847	24,987
BLD96-00674	PARK 34 CONDOS	319 3RD ST	12				25	390010-0995	$1,874,161	9,687
BLD96-00421	BREZZA CONDOS/A	225 4TH AVE	36				148	106700-0000	$6,048,976	45,994
BLD96-00422	BREZZA CONDOS/B		39					106700-0000	$6,266,951	
BLD96-01172	PORTSMITH CONDOS/B	109 2ND ST S	95					687200-0000	$11,384,893	
BLD98-00623	TERA APARTMENTS/A	598 CENTRAL WAY	58			7,000	226	390010-1690	$7,708,700	67,393
BLD98-00624	TERA APARTMENTS/B	538 CENTRAL WAY	52					390010-1690	$3,744,797	
BLD98-00625	TERA APARTMENTS/C	503 6TH AVE	51					390010-1690	$3,797,217	
BLD98-01508	220 1ST ST CONDOS	220 1ST ST	48				85	919799-0000	$5,100,000	6,942
BLD99-00621	HOSSMAN BLD	278 CENTRAL WAY				16,648	49	390010-1125	$1,191,457	20,033
BLD98-00508	SOHO CONDOS/A	511 7TH AVE	28				89	388580-7590	$5,874,594	11,000
BLD98-00507	SOHO CONDOS/B	521 7TH AVE	30					388580-7590	$2,500,658	11,000
BLD99-01508	MCLEOD BLDG	213 LAKE ST S	1			920	6	082505-9097	$1,125,000	19,372
BLD00-00054	WESTWATER APARTMENTS	221 1ST ST	64			11,900	118	388580-8730	$8,592,502	5,610
BLD04-00683	KIRKLAND CENTRAL CONDOS	211 KIRKLAND AVE	110			9,168	176	124400-0040	$11,557,000	6,054
BLD04-01069	BOULEVARD CONDOS	375 KIRKLAND AVE	119			8,839	179	788260-0005	$20,000,000	71,999
BLD03-01248	HEATHMAN HOTEL	220 KIRKLAND AVE		91			91	124450-0300	$8,450,000	18,410
BLD07-00152	MERRILL GARDENS ASSIST LIV	201 KIRKLAND AVE	116			6,613	141	124400-0005	$19,260,213	38,924
BLD05-01484	STATE STREET CONDOS	128 STATE ST	124				168	082505-9267	$18,928,000	68,567
BLD08-00036	LAKE ST MIXED USE	118 LAKE ST S			130,704	39,050	520	017600-0030	$37,000,000	71,961
BLD08-00066	BANK OF AMERICA	101 KIRKLAND AVE	73			11,805	134	082505-9011	$16,278,000	28,329
			1,359	**91**	**175,676**	**132,344**	**3,106**		**$245,744,672**	**860,918**

Note: In many cases, new retail square footage replaces older, substandard retail business. Consequently, the figures indicated are not as much a reflection of net new square footage as of modern, updated retail space.

Source: City of Kirkland, information is as of August 2008 and subject to revision.

Figure 48. Kirkland Multi-family Residential Development (1994-2007)

YEAR	CITY TOTAL	CBD UNITS
1995	268	39
1996	164	42
1997	400	166
1998	169	68
1999	338	228
2000	333	151
2001	159	58
2002	115	65
2003	350	-
2004	54	-
2005	61	-
2006	442	229
2007	185	124
Total	3,038	1,170

Source: City of Kirkland.

APPENDIX D. BUSINESS INTERVIEWS

This appendix provides a list of discussion topics covered by business interviews together with a list of persons and groups interviewed.

DISCUSSION TOPICS

The following questions served as a general guide to discussion. As interviews were conducted informally, different conversations emphasized topics of most interest to those involved.

1. Please describe your firm or organization's *involvement with downtown* Kirkland and retail activity in particular.
2. Over the last 1-2 years has downtown *retail business activity* increased, declined or remained about the same? Generally? For your business?
3. How would you describe *downtown's customer* (in terms of demographics and geography)?
   Do you see the customer mix changing in the future?
4. What *other changes* have you seen with downtown retail in the last 3-5 years?
   What changes do you anticipate in the next 3-5 years?
5. In comparison with other communities, what do you see as the *strengths* (or benefits) of having a retail business in downtown Kirkland? What specific retailers or clusters of activity are strongest?
6. Conversely, what are the *weaknesses* (or disadvantages)? What gaps are most apparent?
7. What is the primary *competition* for downtown Kirkland retail? How would you compare Kirkland with the competition in terms of store mix, image/appeal, access to customers, cost of doing business, other factors?
8. Over the next 3-5 years, what do you see as the *best opportunities* for strengthening and enhancing your business and the retail environment in downtown? Is anything being overlooked?
9. In what ways does the City's *regulatory process* affect downtown generally or your business in particular? Be as specific as possible (comments are confidential). What (if any) changes in regulatory process or incentives are suggested?
10. Are there specific retailers that should be *recruited* – to open a store or expand – in downtown (e.g. local, regional or national tenants)? Any to be avoided?
11. In summary, what is the *#1 priority recommendation* that you would identify as most important to anchor a downtown retail strategy? High might it be implemented? And, how would successful accomplishment make a difference for your firm or downtown retailing?
12. Other *comments or suggestions*?

PERSONS INTERVIEWED

The following individuals were interviewed as part of this strategic retail planning process. Interviews were conducted in person when possible – both in group and one-on-one settings. The participation of all who provided their time and expertise is greatly appreciated.

Person	Firm or Organization
Jessica Greenway, Jim Lauinger, Bob Sternoff	City Council Economic Development Committee
Pat Howard (Howard Mandville), Gunnar Nordstrom (GN Gallery), Patricia Rovzar (Rovzar Gallery), Penny Sweet (Grape Choice)	Gallery Owners
Pete Manguoras	George's Restaurant
Bonnie Lindberg	Hallmark Real Estate
Rick Drotz	Kennedy Wilson Real Estate
Dick Beazel, Julie Metteer	Kirkland Downtown Association
Ken Dueker, Dave Godfrey, Jack Wherry , Tami White	Parking Advisory Board
Ruth Williams	Property Owner
Andy Loos	SRM Development
Douglas Howe and Jeff Cole	Touchstone Corporation

APPENDIX E. RETAIL IMPLEMENTATION TOOL KIT

On the following pages is provided a detailed listing of implementation tools viewed as potentially applicable for downtown retail enhancement. Two tool kit resources are inventoried with the attached listing:

- *Retail Tool Kit* – involves assessment and possible suggested strategic refinement of the current City, Chamber of Commerce and Kirkland Downtown Association initiatives related to business recruitment, retention and marketing – with supportive customer and image marketing opportunities also covered. This kit addresses two types of tools – those that are:
    - ✓ Customer-focused
    - ✓ Business-focused

- *City Tool Kit* – focusing on the tools available directly or indirectly to City government as means to encourage or facilitate downtown retailing. This set of tools is organized more by type of organizational and funding resource, notably:
    - ✓ Public-private partnership
    - ✓ Planning & regulatory
    - ✓ City resources
    - ✓ State & regional resources
    - ✓ Federal resources

Each tool kit resource is accompanied by a description of general features together with summary listing of opportunities, challenges and potential application in downtown Kirkland.

Tool Kit Resource	Description	Opportunities	Challenges	Application
RETAIL TOOLS – Customer Focused				
Downtown Events & Festivals	Repositioning of existing events or additions to calendar aimed to coincide with targeted downtown demographics, especially younger clientele.	• Can include both direct retail sales promotions & and more general public events for downtown image-building.	• Not all events & festivals generate same-day retail sales, sometimes diluting business owner support.	Recommend revisiting the existing calendar of events to assure attraction of desired retail clientele & stronger business owner support.
Downtown Customer Information	Key features could include: • Regularly updated downtown business directory • Interactive explorekirkland.com website, with survey capability • Downtown kiosks, signage & wayfinding program	• Data tools allow for regular updating, printed & web-based communication. • Potential to combine with joint business promotions & public parking program.	• Requires on-going commitment to data base & wayfinding system maintenance.	Suggested as initial element to a *customer first* agenda, later expanded to also cover joint promotion & hospitality training program
***Buy Local* Program**	A program to promote & encourage Kirkland residents to shop downtown, closer to home, for a "zero waste Kirkland".	• Visible complement to sustainability agenda & reduced vehicle travel. • A distinctive & authentic competitive advantage for Kirkland retail.	• A buy local ethic may not achieve expectations if customers are not provided clear personal benefits from shopping downtown	*Shop Kirkland* recommended as initial step of downtown retail agenda in conjunction with City-wide sustainability initiative.
Downtown Image Campaign	Print & media campaign to re-introduce downtown Kirkland as the eastside village destination.	• Can be combined with *Shop Kirkland* aimed at resident + destination markets.	• Requires business sponsorship & adept public service placement.	Suggested as second step of *Shop Kirkland* campaign.
RETAIL TOOLS – Business Focused				
***Business-to-Business* Marketing & Recruitment**	Use of peer network with joint marketing targeted to fill local & destination gaps in the downtown retail business mix.	• Complements sustainability objectives for local business networking & green business recruitment.	• May involve lead private sector role coordinated via Property Owners Group & KDA/Chamber with City support.	Later step of downtown retail program after customer information & image programs are in place.

Tool Kit Resource	Description	Opportunities	Challenges	Application
Retail Tenant Marketing	Active contacts of successful local & regional specialty retail/ entertainment businesses with systematic follow-up in cooperation with property owners, & local & regional real estate brokerage firms.	• Greatest interest expected from the region with some potential national interest. • Opportunity for public-private cooperation, with peer-to-peer contacts.	• Requires on-going systematic effort, often over a multi-year period. • Closing the "early year" deals may depend on availability of incentives.	Recommended as joint program in concert with *business-to-business* marketing (with City & private participation).
Property Owner Coordination	Cooperative initiatives for property maintenance/ improvements, data tracking, tenant mix & marketing	• Similar to functions of building owners & managers associations in larger cities	• Continued need to address both existing properties & new development	Utilize the Downtown Kirkland Commercial Property Owners Group
CITY TOOLS – Public-Private Partnership				
Building Owner Design & Financial Assistance	Provision of no- or low-cost architectural design, cost estimating and business/real estate financing services to encourage business & property owner reinvestment.	• Most appropriate for renovation of smaller existing structure & infill development. • Possible opportunity for financial institution participation via Community Reinvestment Act (CRA).	• Direct City funding support to individual businesses may be limited by state "lending of credit" constraints.	Suggested as public-private program targeted to encourage storefront improvements & new investment, especially to improve for good & weak retail sites in downtown.
Façade Improvement Grants & Loans	Could involve a program within a specified geographic area offering low interest loan funds &/or grants for renovation of storefront façades. Might be accompanied by technical assistance to business & property owners focused on architectural design & cost estimating services.	• Non-local funds may include resources as diverse as CDBG & bank lending. • Direct local City funding may be possible through mechanisms such as façade easements. • Business or building owner funding can be either in the form of a loan or grant.	• For some buildings, investment need may extend well beyond building façades. • In cases where demolition is the best option, the focus might shift to evaluation of options for façade preservation.	Suggested as program to be launched in participation with local lending institutions, also addressing Community Reinvestment Act (CRA) objectives.
Streetscape Improvement	Could address landscaping, signage, wayfinding, sidewalks, cross-walks with distinctive pavers, benches & trash receptacles, lighting standards & banners.	• Private owner participation encouraged. • Can create a cohesive streetscape theme for downtown or subdistricts.	• Property owner improvements may require periodic streetscape modification to best serve changing storefront needs.	Recommend program initially focused on private development projects & improved connection with Parkplace redevelopment via *on-the-way* retail activation.

Tool Kit Resource	Description	Opportunities	Challenges	Application
Site Assembly	Purchase of selected properties within a target revitalization area by the City or its designee with the intent of public-private redevelopment pursuant to a development offering. Acquisition must be for public use & purpose.	• May be critical to correct blight or assemble multiple properties for redevelopment to be financially feasible. • Can be coupled with development offering to facilitate retail and/or mixed use development.	• Purchase negotiations can be protracted if the seller is not motivated or does not see benefits. • Usually depends on voluntary sale with eminent domain rarely considered.	Recommended for consideration with high visibility sites subject to owner interest & participation.
Public Development Offering (RFP/RFQ)	Request for Proposal (RFP) or Request for Qualifications (RFQ) could be issued by the City for single properties or assemblages Each RFP/RFQ would identify desired uses together with listing of incentives & process for developer selection/negotiations.	• An effective means of securing development interest, especially for challenging redevelopment projects. • RFP/RFQ process can be used with priority properties, whether publicly or privately owned.	• Requires up-front willingness of public sector participants to deliver on commitments stated with the development (RFP/RFQ) offering.	Recommended for consideration, after pre-testing with property owners & developers. RFQ more appropriate than detailed RFP in soft or pioneering markets, allowing greater negotiating flexibility with public & private parties.
Public-Private Redevelopment	An overall approach to urban revitalization predicated on active involvement by public & private entities to invest in specific economic development, real estate & supporting public improvement projects.	• A wide range of development models are available, based on previous experience throughout the state of Washington. • Best facilitated with added public sector tools such as Public Development Authority (PDA). Development agreement considered with Lake & Central.	• Strict state constitutional prohibition against lending of public credit requires public use and purpose for project components involving public investment. • Can be complex &is sometimes controversial.	Recommended for consideration with major downtown opportunity sites, especially sites for which private redevelopment initiative is not forthcoming on its own. Development agreement used with Totem Lake but first phase has not happened. Park Place may consider similar arrangement with using tax increment approach (see ROI below).

Tool Kit Resource	Description	Opportunities	Challenges	Application
Public Development Authority (RCW 35.21.730-32.21.755)	Authorized as a "public corporation," a sub-agency of a city, town, or county with no defined authority. Intent is to improve administration of federal grant programs, improve governmental efficiency. PDA funds & indebtedness "shall not constitute public moneys or funds of any city, town, or county and at all times shall be kept segregated and set apart from other funds."	• Liabilities are those solely of the PDA and not those of the creating city or county. • May avoid state "lending of credit" issues if project is funded through federal or non-state/local contributed resources (with PDA serving a "conduit" role). • PDA property & revenues are exempt from taxation in a manner equivalent to that of a city, town or county.	• PDAs have no power of eminent domain nor power to levy taxes or special assessments. • In effect, PDAs do not confer any added advantages for *locally generated* municipal financing beyond what is already available to city & county governments. No direct City experience to date.	Potentially viable as a governing structure – especially if other options prove to be unsuitable for downtown project funding & governance. Advantages of this public organizational structure are greatest if significant federal or other non-local funding and/or public-private partnerships are involved.
Return on Investment (ROI) Model for City Incentive Funding	Applies an ROI metric to determine the *maximum* appropriate level of City funding for targeted downtown projects. Key steps are to: • Estimate all City tax revenues (property, sales, other) realized from a development project. • Compare to City-incurred costs. • Capitalize 20-25 year net income as net present value (NPV). • Approve incentive when NPV of revenues exceeds costs.	• Offers an objective, tested mechanism to determine supportable public investment yielding positive net revenue to the City. • Can be combined with other City incentive tools such as supportable bond funding or public-private development partnership agreements. Similar approach also considered for Parkplace, Lake & Central.	• Requires in-house City financial modeling or review capability for proposed development projects. • Most successful if City articulates commitments via a formal development solicitation or offering & carries through per stated terms & conditions.	Recommended as financial keystone (the ROI Perspective) for consideration with downtown and retail revitalization programs. City committed $15 million at Totem Lake from projected sales tax increment, contingent on leases. Would likely be financed by GO bonding with repayment from the City share of the tax increment.
CITY TOOLS – Planning & Regulatory				
Land Use Planning (GMA)	Planning tools under the state's Growth Management Act can be used to affect commercial land allocations, type of use, building form (design, height, density) & off-site effects (as with parking, landscaping, buffers, etc.)	• Planning regulations & incentives function best in a strong market setting. • Planning is increasingly understood & accepted by the public as a legitimate public regulatory function.	• Regulatory-focused approach is less effective in a weak market or where development feasibility is questionable.	Tools of potential importance for Kirkland retail include downtown preferences for retail street presence, building height & density, mixed use development & off-street parking.

Tool Kit Resource	Description	Opportunities	Challenges	Application
Capital Facilities Plan (CFP) Projects	Funding of infrastructure for projects of high downtown & city – wide priority. Funding targeted by type but not specific to downtown.	• Can utilize existing CFP process consistent with state GMA planning framework, e.g. as with Park Lane.	• Downtown & retail district enhancements compete with other project priorities city-wide.	Most appropriate for core infrastructure such as roads, utilities & public facilities. Possible extension to Lake.
CITY TOOLS – with City Resources				
Historic Property Tax Abatement (RCW 84.26)	As adopted by the 1985 Washington State Legislature, historic properties may qualify for "special valuation" with rehabilitation improvements not taxed for 10 years.	• Available to commercial & residential structures. • Kirkland has adopted a required local ordinance and a board to review applications.	• Property must be listed in a local or national historic register. • Rehabilitation costs must be 25%+ of a building's assessed valuation prior to application.	Potential use for qualifying downtown structures through local review process. The only federally recognized buildings are on Market Street. Most of downtown built in 40s and 50s.
Urban Center Residential Property Tax Abatement (RCW 84.14)	Post-2007, this program provides: • 8-year property tax freeze for new multi-family construction, conversion & rehabilitation. • 12-year property tax freeze for housing rented or sold with 20%+ as affordable to low & moderate income households.	• Applies to multifamily housing of 4+ units. • Available for rental & owner-occupied housing, including live-work units. • Targeted to urban centers as a compact district offering a variety of retail products, services & mixed use.	• New or rehabilitated housing must be in a residential targeted area as designated by the City. • 50%+ of space must be for permanent residential occupancy. • Not directly available for commercial uses	Potential incentive for the residential portion of mixed use development with retail ground floor use. Kirkland has a residential tax abatement program but with no active program as yet for downtown residential.
General Obligation Bonds (Voted or Non-Voted)	Downtown projects with public purpose and/or use could be funded through voted or non voted GO bond funding. Backed by full faith and credit of issuing public agency. Approx. $142.7 million non-voted, $97.3 million voted capacity.	• Can use a portion of the City's available voted or non-voted debt capacity. • Up-front funding allocation could be used to incent desired private development.	• Limited to projects for which there is clear public use & public purpose (to avoid constitutional lending of credit issues in state of Washington).	Most suited for high priority downtown improvements (e.g. parking, streetscape, parks) of broad public benefit.
Revenue Bonds (Non-Recourse)	Municipal debt for public improvements backed only by revenues of the project being financed (without recourse to general fund revenues).	• Bonds do not count against a city's overall debt limit. • Avoids risk of tapping taxpayer revenues in event of bond default.	• Only suited for projects with sufficient revenue to repay operating expenses, debt payments & added coverage reserve.	Potential use for public parking facilities at high demand locations charging market rates.

Tool Kit Resource	Description	Opportunities	Challenges	Application
Direct City Funding Contribution	Direct contribution by City typically to a non-profit organization for downtown promotion & revitalization purposes. Could draw from general fund or special funds as with hotel/ motel for added overnight stays.	• Current source of funding support for programs of Kirkland Downtown Association and Kirkland Chamber of Commerce.	• Funding is discretionary & subject to budget availability. • Funds tied to contractual services for clear public use & purpose.	Potential application in conjunction with early phase sustainability initiative such as a *Shop Kirkland* campaign. Major project funding is currently limited with City budget shortfall.
Local Improvement District (RCW 35.43)	Assessment of property owners for the costs of a public improvement (as for public parking & transportation facilities, utility infrastructure or public facilities). Used with undergrounding & sidewalks, Park Lane, Lake/ Central & Marina parking lots; no LIDs currently outstanding.	• Can be paid over time via City bonds repaid by owner assessments (enforceable). • Widely used mechanism with payments structured proportionate to benefits & Parking Advisory Board interest.	• Subject to remonstrance if protested by owners paying 60%+ of proposed improvement. • Differential rate structures can be difficult to set (covering both zone determination & findings of benefit).	Most suited for improvements of widespread public benefit (as for shared parking or streetscape). Recommended as later phase of retail & parking strategy; needs buy-in from those with their own parking.
Parking & Business Improvement Area (RCW 35.87A)	Similar to LID except that business rather than property owners are assessed. Can be used for promotion, management & planning as well as capital improvements.	• Ability to assess businesses if more supportive than property owners. • Flexibility in assessment formula and ability to pay for operating as well as capital expenses.	• Subject to remonstrance if opposed by owners paying 50%+ of proposed assessment. • Less ability to enforce repayment, especially as collateral for bonds.	Most appropriate for on-going programs, e.g. downtown promotion or Clean & Safe rather than as source of funding for major capital improvements.
Community Revitalization Financing (RCW 39.89)	Authorized by the 2001 Legislature. CRF enables 75% of the added property tax generated within a geographically defined "increment area" to fund public improvements (infrastructure including park facilities) encouraging development in areas characterized by unemployment & stagnant job/income growth. Can utilize general revenue or general obligation (GO) bonds.	• CRF may be coordinated with other programs by the local government or other jurisdictions. • May receive less than full increment as long as bond payments are covered. May be securitized by non-public participants. • Implemented in Spokane (Iron Bridge TIF area).	• CRF increment area requires prior written agreement from taxing districts levying 75%+ of regular property tax. • Not usable for projects not covered by "public improvements" definition. • Not widely used to date in Washington State.	Most suitable for downtown projects centers that fit with the statutory definition of a public improvement, and will directly stimulate or are within an area in which substantial new private tax assessed valuation is being developed.

Tool Kit Resource	Description	Opportunities	Challenges	Application
Community Renewal (RCW 35.81)	Adopted by the 2002 Legislature as a replacement for the state's urban renewal laws. Allows purchase of property, public improvements & public-private development pursuant to a community renewal plan within an area declared as "blighted." Funding can be provided by GO, revenue, or LID bonds. Allows for excess property & sales taxes to pay for capital costs for up to 5 years.	• Renewal areas have been established in cities such as Anacortes, Bremerton (with Kitsap Housing) & Vancouver. • May be implemented directly by the local government or delegated to another public body including PFD, PDA, port district or housing authority. • Can be coupled with eminent domain for public use or community renewal.	• Requirement for declaration of blight limits flexibility of program in some high performing urban centers. • Does not directly provide new funding resources except as are already available to local municipalities.	Potential tool for projects considered as integral to revitalization of blighted portions of a community within the context of a broader renewal plan.
CITY TOOLS – with State & Regional Resources				
Washington State Main Street Program (CTED)	Washington state's program provides services and assistance for downtown revitalization focused on organization, promotion, design & economic restructuring	• Program based on a proven model pioneered by the National Trust for Historic Preservation • Offers a *tiered approach* to participation – at the start-up, affiliate and designation levels.	• May be less suitable for downtowns unprepared to commit staff resources or in non-traditional settings. • State funds limited for added cities @ top tier designation level (11 as of July 2008)	Kirkland Downtown Association is currently at affiliate level.
Main Street Tax Credit Incentive Program (RCW 82.73)	Provides a 75% Business & Occupation (B&O) or Public Utility Tax (PUT) credit for private contributions to eligible downtown or neighborhood commercial district revitalization organizations.	• Applicant can be a nonprofit commercial district revitalization organization. • No restriction on fund use as long as the non-profit meets its exempt purpose.	• Limited to a total of $1.5 million in credits statewide & $100,000 annually to each downtown program.	Potentially available for organizations such as Kirkland Downtown Association. Researched but state CTED not supportive of Parkplace inclusion to date.

Tool Kit Resource	Description	Opportunities	Challenges	Application
Community Economic Revitalization Board/ Local Infrastructure Financing Tool Competitive Program (CERB/LIFT)	Authorized by the 2006 Legislature (as E2SHB 2673) to fund public infrastructure including roadway, utility, sidewalk, parking and public park/recreation facilities. Utilizes a form of tax increment financing with revenue or GO bonds repaid over up to 25 year as a state sale/use tax credit matched by increased local funds including local sales/use & property tax revenues within a defined Revenue Development Area (RDA). Projects funded to date in Bellingham, Spokane County, Vancouver, Bothell, Everett & Federal Way.	• Offers the most comprehensive form of tax increment financing available to date in Washington State. • Added revenues return to local governments after bonds are repaid. • Authorizes securitization of debt from non-public participants – including the private developer with whom the sponsoring government has contracted for private improvements.	• Limited to projects involving private development that also increase RDA sales & property taxes. • Limited to one RDA per county, and maximum of $1 million per year to any single project. • Statewide cap of $2.5 million for 2008 competitive funding. • No longer generally available for cities within King & Snohomish Counties. Hard to qualify with low income benefit.	In its current form, CERB/LIFT is most suited for downtown projects that involve committed on-site or nearby significant private investment. Greater utility as a sustainable tool likely is predicated on future legislative amendments. Kirkland has considered CERB funding for Totem Lake. Approx. $3 million available from CTED, intended for public improvements, dependent on job creation.
Port District (RCW 53)	In addition to authority for harbor, transportation & industrial related facilities, Ports may improve land for commercial use, use community revitalization financing & powers of a community renewal agency, engage in economic development, and provide park & recreation facilities linked to water & transport activity.	• Ports may annually levy up to $0.45 per $1,000 tax assessed value *plus* a 6-year (renewable) industrial development district levy of up to an added $0.45. • Non-voted property tax base provides stable funding for a wide range of economic development purposes.	• Downtown development is often viewed as outside the purview of core Port operations & facilities. • However, Port of Seattle funds the downtown Bell Harbor conference center & participates in the Bellevue Entrepreneur Center.	May be appropriate for downtown consideration, especially for projects in which there is expressed Port interest, coupled with linkage to existing Port activities such as waterfront or related economic development.

Tool Kit Resource	Description	Opportunities	Challenges	Application
CITY TOOLS – with Federal Resources				
Federal Historic Preservation Tax Credit	The Tax Reform Act of 1986 provides tax credits of: • 20% for certified rehabilitation of certified historic commercial & rental residential structures. • 10% credit for rehabilitation of non-historic, non-residential buildings built before 1936. Expenditures must exceed the adjusted basis of the building.	• One of the most powerful federal tax incentives available. • 20% applicable to structures in national historic districts. • Substantial track record across the U.S. & state of Washington via the State Historic Preservation Office (SHPO) as first point of property owner contact.	• 20% tax credit projects must meet Secretary of Interior standards for "certified rehabilitations". • In some cases, cost of meeting rehab standards may equal or exceed value of the tax credit.	Potential use for qualifying downtown structures through consultation with City & SHPO.
New Markets Tax Credits	Federal program of tax credits over 7 years for up to 39% of the investment cost of qualified equity investments through a Certified Development Entity (CDE). Investments must be made in low income communities or for low income persons.	• Most commercial & mixed use projects in low income communities qualify. • May be combined with historic tax credits • To date 294 awards have been made totaling $16 billion across the U.S.	• Requires a commercial use component (can not be residential rental only). • Has required on-going reauthorization by Congress. • Complex program needing experienced CDE partner.	Possible funding source for major mixed use redevelopment with demonstrated low income benefit (as for residential). Depends on finding suitable recognized CDE/banking partner. Only tax credit used has been for Google (R&D).
Community Development Block Grant (CDBG)	CDBG projects require that at least 51% of the new jobs created must be for persons of low or moderate income. Project priorities cover expansion of economic opportunity, provision of decent housing & suitable living environment.	• Funds typically available for planning an implementation of community & economic development projects. • Can include Section 108 lending for economic development projects.	• Non-entitlement cities (less than 50,000 population) have less discretion over funding & apply for funds on a competitive basis. Focus on housing, arts & human services in Kirkland.	Possible consideration as a source of pilot or start-up/early year funding, as for façade improvements. Might also be used to incent retail façade or building improvements.

Notes: Lesser used state/federal programs or resources not as common with downtown revitalization programs are not included with this listing. Information is subject to change without notice. [27]

Source: E. D. Hovee & Company, LLC. Updated as of September 2008.

END NOTES

---

[1] Information for this downtown retail strategy has been compiled from sources generally deemed to be reliable. However, the accuracy of information from third party sources can not be guaranteed and is subject to change without notice. Demographic and market data was compiled primarily as of the mid-2008 time period. Findings contained in this report are those of project consultant E. D. Hovee & Company, LLC and should not be construed as representing the opinion of any other party prior to express approval, whether in whole or part.

[2] Provisions of particular importance for downtown retail with the City's design guidelines include sidewalk widths, storefront activity zones, pedestrian coverings, avoidance of blank walls, street trees, restriction of curb cuts, parking garage locations on terraced sites, building modulation (especially above the second story), high visibility architectural treatments at "T" intersections, pedestrian-oriented signage, and view protection.

[3] In a metro area community such as Kirkland, trade area definition can be challenging for two reasons: a) customers have multiple relatively close-by options in and outside the local jurisdiction in which they reside; and b) different types of retail and entertainment businesses will draw from widely varying geographic areas based on business reputation and willingness of customers to drive further as for a destination experience.

[4] City and 4-county metro area population estimates for 2008 are from the State of Washington Office of Financial Management. Destination trade area population is estimated by ESRI Business Information Solutions.

[5] Undoubtedly, some (currently unknown) portion of the 11% of parkers surveyed by the Parking Advisory Board are coming from the 11-15 mile band (including west of the lake). Customers may come from outside the eastside destination trade area used with this report as well as a smaller portion of the 6-10 mile band (especially from Hunts Point, Medina, and the north side of Bellevue).

[6] The labels given by the data researchers are intended to be descriptive and immediately evoke an image – useful to private businesses seeking to pinpoint marketing to local demographics. The labels or terminologies used in this report are those of ESRI Business Information Solutions.

[7] Revenue data is from www.ci.kirkland.wa.us/depart/Finance_and_Administration/Budget/Revenue_Guide.htm.

[8] Year to year citywide sales tax revenue growth slowed from 14.8% (in 2005-06) to just 0.6% (2006-07). In this most recent year, sales tax revenues actually declined for taxable categories including retail (excluding auto/gas, general merchandise and dining), wholesale trade, contracting, and communications.

[9] ESRI-estimated retail sales volume covers sales that are non-taxable (as for grocery and pharmacy) as well as sales that are taxable.

[10] Comparable ESRI trade analysis of the eastside I-405 corridor extending from just north of Renton to just about the Lynnwood junction with I-5 indicates the market has retail sales that *exceed* resident generated demand nearly 30%. This surplus of supply over demand covers every retail category (except gasoline stations) and is due, in large part, to the dominant role of Bellevue in the eastside retail market – drawing customers from elsewhere in the region.

[11] For growth projections to 2020, the City provided projection of 53,898 residents is applied to Kirkland. For the larger destination trade area, a 2000-2020 average annual growth rate of 1.4% is applied from analysis of pertinent forecast area zone (FAZ) data from the Puget Sound Regional Council.

[12] The typical footprint of a Nordstrom store is 190,000-250,000 square feet. However, a Nordstrom Rack takes about 30,000-40,000 square feet, Facconable Boutique 8,000-17,000 square feet and Last Chance Clearance about 25,000 square feet. Saks Fifth Avenue typically operates a 100,000-200,000 square foot store, but with Off-5th Outlets at 20,000-35,000 square feet. Fashion-oriented department stores such as Barney's will consider as little as 10,000 square feet and Neiman Marcus will start at about 30,000 square feet. Information is from Trade Dimensions, *2006 Retail Tenant Directory*.

[13] The CoStar inventory estimate of 900,000 square feet downtown area retail space exceeds the estimate of less than 485,000 square feet of downtown/Parkplace retail provided by with Downtown Strategic Plan update

process with the Market Analysis Summary, August 23, 2007. This strategic plan data is from the King County Assessors Office as of 2005. CoStar uses a definition of retail that typically includes non-retail ground floor commercial space uses, some of which likely is classified by the Assessor as office space. This is evident by also comparing CoStar's downtown office estimate of 450,000 square feet to the Assessor's estimate of just under 745,000 square feet. CoStar data is utilized as more indicative of industry standards.

[14] Appealed projects (as of mid-2008) were the Bank of America building at 101 Kirkland Avenue and the McLeod Lake Street mixed use development proposed for 118 Lake Street (both recently approved).

[15] Data is from the International Council of Shopping Centers (ICSC)) publication *Office Worker Retail Spending Patterns: A Downtown and Suburban Area Study*, 2004.

[16] CoStar reported rents range from as low as $32 per square foot for a multi-tenant building to $38 per square foot annually. Only four of 42 identified retail properties have reported lease rates to CoStar. This relatively low response rate is typical for commercial areas with smaller buildings listed or managed through local firms rather than major brokerages.

[17] Kirkland Parkplace information is as described in the *Seattle Daily Journal of Commerce*, "Developer considers a mostly office option for Kirkland Parkplace," June 11, 2008.

[18] Sales tax revenues have been and are expected to be affected due to downturn in construction, autos and potential opening of two new Costco stores outside Kirkland that may reduce Kirkland store revenues by an estimated one-third.

[19] As of late 2008, Google was planning to increase to an estimated to 800 jobs in Kirkland; Nintendo has been at about 400.

[20] Over time, with a committed stakeholder group, the City of Kirkland plans to add buy-local program options such as business-to-business and business-to-consumer transactions, listings of current events, and opportunities for donations to local charitable activities.

[21] Previously, KDA applied for funding from the City's General Fund every year. The City also provided (Hotel-Motel) Lodging Tax funds for KDA 2009 programs.

[22] Note that this table excludes the 'Not Applicable' category, which in some cases was the highest percentage of responses. In such cases, the next highest response category was indicated – as indicated by an asterisk (*).

[23] Survey respondents were able to select more than one category of transportation.

[24] The number of business survey respondents was not large enough to be statistically valid on its own, so downtown responses are reported together with those of other businesses throughout the City.

[25] Green practices that business respondents are interested in implementing include green auto sales and service, more fuel efficient transportation, computer recycling, use of reusable bags and biodegradable packaging, going paperless, installing alternate heating and cooling fuel sources, reducing energy and water consumption, increasing education about sustainable practices, supporting clean-tech, green building, and waste exchange.

[26] The 2008 edition of the Urban Land Institute publication *Dollars and Cents of Shopping Centers* was used to estimate sales per square foot by retail type. Sales performance data was calculated based on stores performing above the median per square foot experience nationally for comparable store types.

[27] State of Washington specific tools not included with this evaluation as not anticipated for downtown funding include Public Facility District (PFD), Metropolitan Parks District (MPD), Community Economic Revitalization Board (CERB) economic development infrastructure funding, and sales and use tax/B&O tax exemptions, deferrals and credits (related to activities such as manufacturing, high tech, aerospace, and warehousing . Federal tools not covered include Small Business Administration (SBA) programs, Enterprise Zones, Industrial Revenue Bonds, Foreign Trade Zones, and 63-20 non-profit tax-exempt financing. Information provided with this listing is in summary form and should not be construed as representing all resource-related requirements. Has been 63-20 discussion for Lake & Central (used for Redmond City Hall and parking garage under Pacific Place in downtown Seattle).