

# VIII. ECONOMIC DEVELOPMENT

Draft 8-28-2014

## A. INTRODUCTION

A healthy economy plays an important role in ensuring Kirkland remains a vibrant, sustainable, and connected community for living and working. The purpose of the Economic Development Element is to establish the goals and policies for economic growth and vitality that will enhance the City's character and quality of life.

This element describes Kirkland's economic role locally and within the context of East King County and the Central Puget Sound regional economy. This element discusses the importance of business retention and recruitment, the types of businesses and jobs to be encouraged to address future economic needs of the community and priorities while accommodating employment growth targets for the year 2035.

## B. ECONOMIC CONCEPT

Economic development may be defined as public and private initiatives that promote job creation and business retention and recruitment, increase goods and services to residents and businesses, and provide job training programs, all of which contribute to a strong, sustainable, and resilient economy.

The following goals and policies provide the framework for the Kirkland economy for businesses, people, and for creating vibrant places. The mission is to provide a business climate that maintains a healthy economy for jobs and businesses without sacrificing the qualities that make Kirkland a desirable place to live.

**The overarching economic strategy for Kirkland strives to provide:**

- **A sustainable and resilient economy**
- **A diverse tax base**
- **Access to job opportunities**
- **Goods and services for the community**

To accomplish this, the Economic Development Element:

- Encourages economic growth while maintaining attractive residential neighborhoods and a sustainable natural and built environment.
- Promotes a growing and diverse economy that has a variety of business sectors, living wage jobs, exports goods and services and encourages small, start up, locally owned companies.

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- Promotes a positive business climate so businesses will grow and enhance Kirkland’s role in the Eastside and Puget Sound regional economy.
- Supports economic growth focused in the Totem Lake Urban Center, Downtown, and other commercial areas.

## EXISTING CONDITIONS

Kirkland was founded by Peter Kirk, an entrepreneur who envisioned Kirkland as the “Pittsburgh of the West.” Instead, Kirkland commerce evolved from a ship building center in the 1940s to a suburb of Seattle starting in the 1960s. Kirkland continues to transform into a self-contained community with a broad range of jobs and diverse businesses integrated in mixed use commercial centers. A major annexation of the Finn Hill, Juanita and Kingsgate neighborhoods occurred in 2011 making Kirkland the thirteenth largest city in Washington. Today, Kirkland contains a balance of jobs and housing and is interrelated to other Eastside cities and the Puget Sound region.

As of 2012 Kirkland contained over 37,000 housing units and 38,000 jobs. The median household income in 2013 was \$87,005, compared to \$70,567 throughout King County<sup>1</sup>. In 2013 approximately 18% of Kirkland residents lived and worked in the City.

In 2014 there were 4,889 licensed Kirkland businesses with the majority in the small to medium size range (50 or fewer employees). Figure ED-1 below shows the number of businesses in each category.

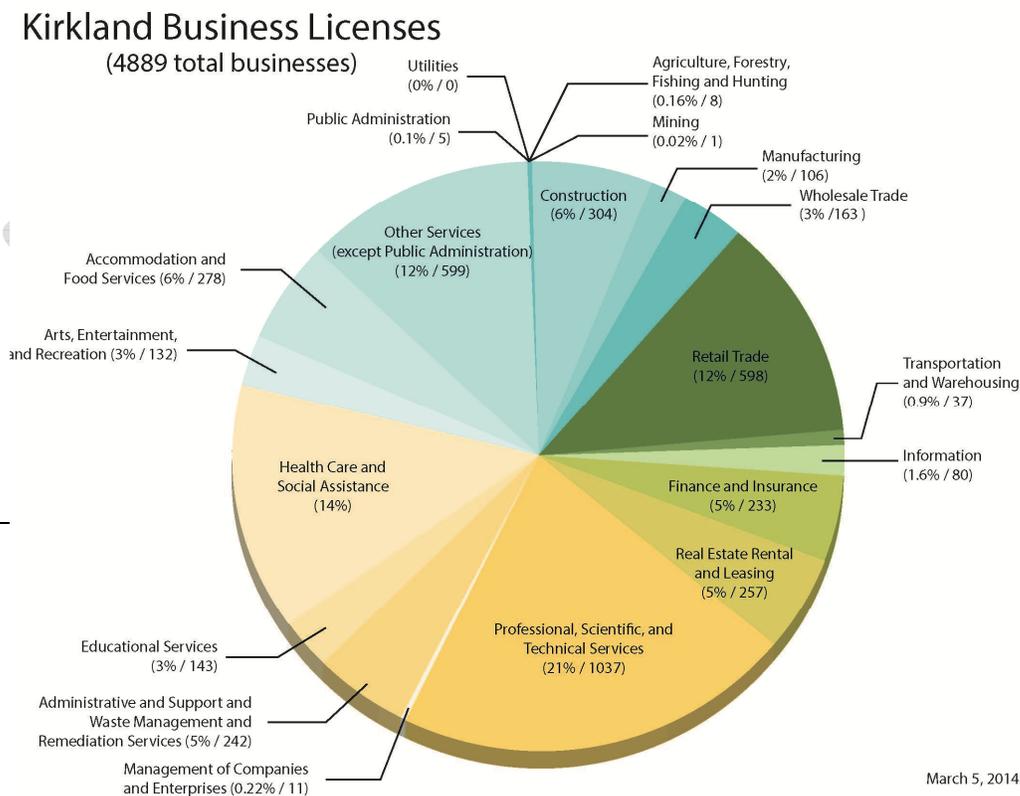


Figure ED-1 Types of businesses in Kirkland

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Employer	Employees
Evergreen Healthcare	3,762
Google, Inc.	658
City of Kirkland	575
Kenworth Truck Company	410
Astronics Advanced Elewctronics Systems	388
Costco Wholesale	316
Evergreen Pharmaceutical LLC	269
iSoftStone, Inc.	265
IBM Corporation	256
Waste Management of Washington, Inc.	250
WB Games, Inc.	236
Wave Broadband	233
ATG Stores	233
Fairfax Hospital	231
Fred Meyer #391	208
Lake Washington Institute of Technology	200
Lake Vue Gardens Convalescent Center	200
Cobalt Mortgage, Inc.	175
Demand Media, Inc.	170
Microsoft Corporation	168
Woodmark Hotel on Lake Washington	143
Toyota of Kirkland	142
Market Leader, Inc.	141
Nintendo of America, Inc.	125
Casino Caribbean, LLC	124
Ford and Hyundai of Kirkland	120
Western Pneumatic Tube, LLC	120
Lee Johnson Chevrolet, Inc.	119
The Heathman Hotel	119
EED, a DTI Company	119
Honda of Kirkland	119
Medrad, Inc.	116
Smartek21, LLC	109
Inrix, Inc.	106
Greenpoint Technologies, Inc.	103
Safeway #2734	101

Kirkland's largest employers represent a broad range of business types including health care, government, groceries, housewares, high technology and emerging aerospace related sectors. (Source: City of Kirkland business Licenses Division.) Figure ED-2 shows a list of the largest employers in Kirkland based on self-reporting number of employees. Figure ED-2 Kirkland's Largest Employers as of 2013 (Source: Business License Division)

Kirkland is a desirable place to do business and is well situated to support businesses. Kirkland is accessible from freeways, water and, the Cross Kirkland Corridor and is close to major markets, high technology and health care industry clusters. The cost of doing business is competitive with other Seattle area cities. A range of housing types and established neighborhoods exist in addition to quality schools, parks and health care facilities. Our beautiful waterfront setting and strong community support for recreation, cultural, arts and entertainment activities contribute to a positive business and tourism environment.

**Figure ED-2 Kirkland's Largest Employers as of 2013**  
(Source: Business License Division)

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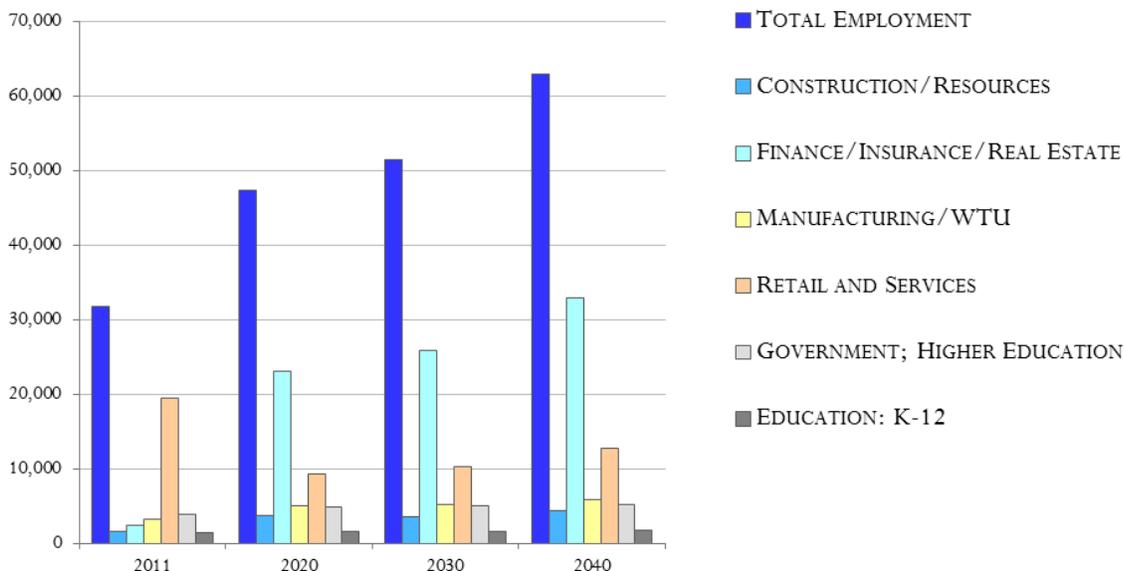


*Google offices in Kirkland*

While the City of Kirkland can work to attract and retain residents and businesses through policies that promote economic development and a high quality of life, many economic trends are beyond the City’s control. Regional and national trends show an increase in service, high-technology, communication, and information technology industries, with continued decline in traditional light industrial companies. Kirkland is consistent with this trend by experiencing growth in the information technology, aerospace and healthcare sectors. In light industrial areas buildings are being renovated for professional offices, high technology, manufacturing, recreation and sports related businesses.

## ***FUTURE TARGETS, TRENDS AND CAPACITY***

King County Countywide Planning Policies assign jurisdictions housing and growth targets for the year 2031. Adjusting for the year 2035, Kirkland is targeted for an additional 22,435 jobs for a total employment of 61,147. Kirkland has the future land capacity to meet housing and employment targets.



**Figure ED-3: Kirkland Employment Forecasts by Sector**

Source (2011): PSRC

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## RELATIONSHIP TO OTHER ELEMENTS

Other elements of the Comprehensive Plan contribute related goals and policies necessary for a vital local economy. The Land Use Element sets forth the development pattern for the City's commercial areas and where growth should occur. The Housing Element policies promote a sufficient range of housing options, including increasing the amount of "affordable housing" to support a diverse employment base. The Transportation Element supports an efficient multimodal transportation system that enables the mobility of people, goods, services, customers and employees to access Kirkland businesses. The Capital Facilities and Utilities Elements ensure that adequate public infrastructure and facilities such as public utilities, telecommunications, and roads are available to support the economic viability of businesses and private development.

### C. ECONOMIC DEVELOPMENT GOALS AND POLICIES

A healthy economy is an integral part of Kirkland's high quality of life and an important community value. Kirkland's economy allows residents access to job opportunities, goods and services, and provides revenue sources that help to ensure needed public services. This section describes the goals and policies that will implement Kirkland's economic strategy. Balancing economic development with other community values is an overarching philosophy that should be taken into consideration as the following goals and policies are implemented.

#### **Economic Development Goals:**

**Goal ED-1: Promote a strong and diverse economy that provides a sustainable tax base and jobs.**

**Goal ED-2: Promote a positive business climate.**

**Goal ED-3: Strengthen commercial areas to provide local goods, services, and vibrant community gathering places to live, work, shop and play.**

**Goal ED-4: Provide infrastructure and public facilities to support economic activity and growth.**

**Goal ED-5: Foster socially and environmentally responsible businesses.**

**Goal ED-6: Foster collaborative partnerships among community and regional organizations to achieve Kirkland's desired economic goals.**

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***Goal ED-1: Promote a strong and diverse economy that provides a sustainable tax base and jobs.***

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***Policy ED-1.1: Support activities that retain and expand existing businesses. Target recruitment activities toward new businesses that provide living wage jobs.***

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Existing businesses are the foundation of the Kirkland economy and are encouraged to thrive and expand. Businesses contribute to a stable tax base and are integral to the community as many business owners and employees are Kirkland residents. Attracting new businesses can help diversify the local economy and strengthen existing businesses. Recruitment efforts should focus on businesses that provide higher paying jobs and draw customers from outside the community to purchase goods and services in Kirkland.



*Juanita Village*

***Policy ED-1.2: Encourage a broad range of businesses that provide goods and services to the community.***

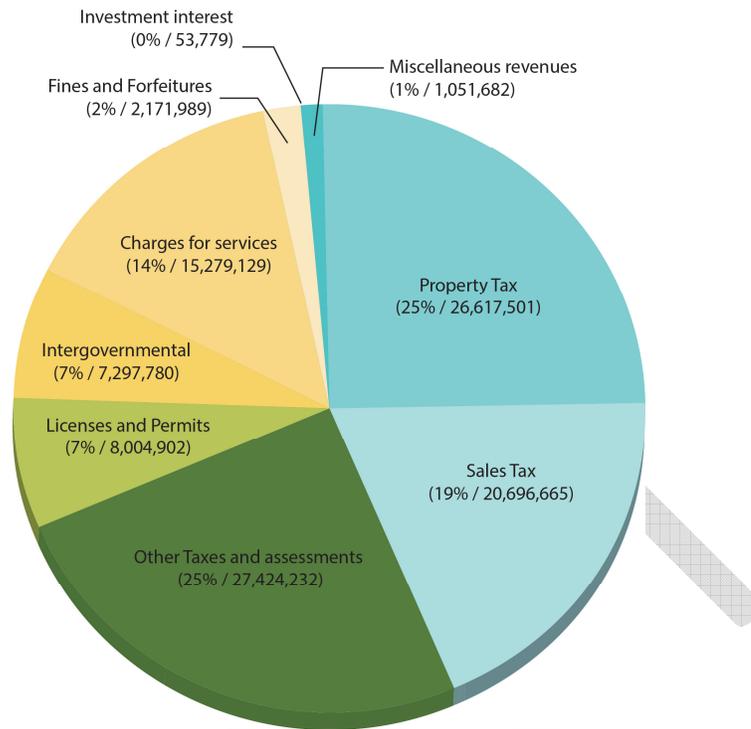
A healthy mix of businesses that provide goods and services for the everyday needs of Kirkland residents and businesses is important for a diverse economy. Businesses that bring customers from outside the City to purchase goods and services provide a net importation of sales tax and reduce sales leakage to other jurisdictions. In Kirkland, businesses in retail sales, service, automobile sales and service, health care, tourism, entertainment, recreation, and wholesale distribution and manufacturing serve this purpose.

***Policy ED-1.3: Strengthen Kirkland's tax base to maintain long term fiscal sustainability.***

Business plays an important role in the City's tax base by generating sales, property tax and fees. Taxes are a general purpose revenue source that are used to support basic government services such as public safety, transportation improvements and parks maintenance. Figure ED-4 shows the distribution of revenue sources to city government. A large amount of sales tax is generated from automobile sales and service. The amount of revenue generated by sales tax fluctuates from year to year due to changes in the economy, buying habits of consumers, the level of construction activity in the City and regional growth outside of the City.

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Figure ED-4 distribution of City Government revenue sources as of 2013



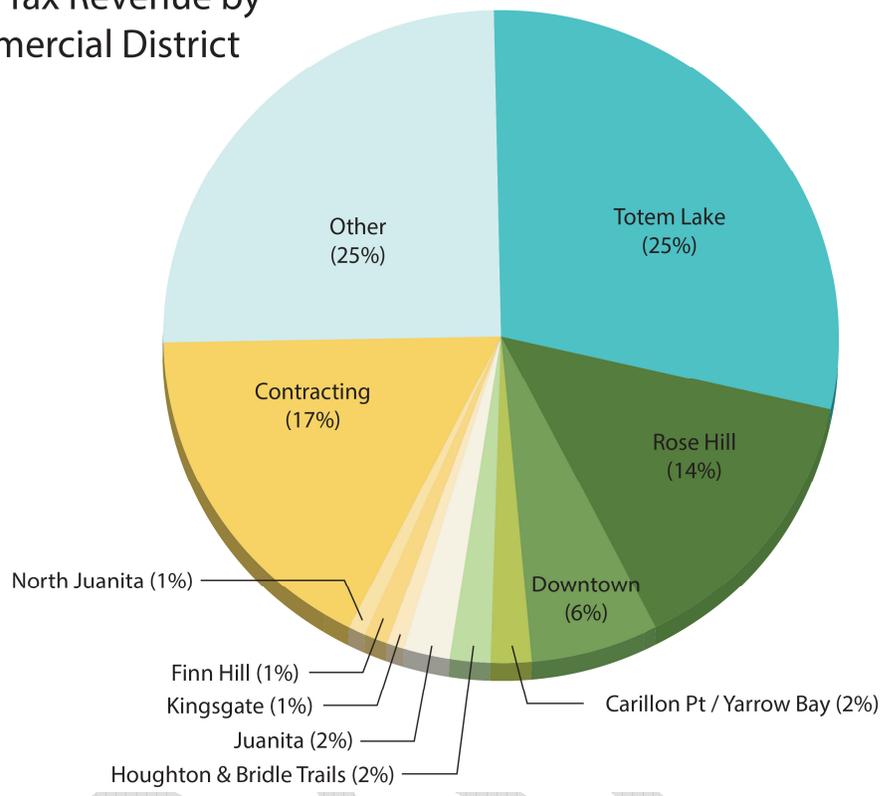
Source: City of Kirkland Finance and Administration 2013

It is in the community’s interest to encourage businesses that contribute to the City’s revenue base in order to help provide the needed public services to the community. Fluctuations in the retail sector can have significant impact to the City’s primary revenue source and thus City services. Steps should be taken to provide economic balance by maintaining a diversity of retail and other businesses that generate sales tax.

Figure ED-5 below shows how in 2013, the commercial and mixed use areas contributed to sales tax revenue. Totem Lake provided the largest percentage of retail sales tax to the City’s total sales tax receipts followed by the Rose Hill Business District, Downtown and other commercial areas.

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### Sales Tax Revenue by Commercial District



**Figure ED-5: Sales Tax Revenue by Commercial District**  
Source: City of Kirkland Finance Department

***Policy ED-1.4: Encourage clusters of complementary businesses that bring revenue and jobs into the community and export goods and services.***

Industry clusters are geographic concentrations of mutually supportive businesses. They can export goods and services, drive job creation, and import revenue into a city or region. Businesses can foster a competitive economic advantage by locating near each other to draw consumers, to be near the wholesale distributor or to attract employees with specialized skills or experience. In Downtown Kirkland, restaurants, galleries, shops, hotels and performing arts organizations work together to promote the area as a destination. Kirkland is benefiting from the region's industry clusters with growth in aerospace, business services to high technology and information technology companies, healthcare companies and automobiles sales. These businesses provide new employment opportunities and high wage rates important to strengthening the economy. Economic development efforts should strive to develop new business clusters and identify ways to strengthen existing clusters, both locally and within the region.

***Policy ED-1.5: Strive to maintain a balance of jobs and housing to enable residents to live near work.***

Job growth should be accompanied by growth in housing opportunities for workers filling those new jobs. When a significant percentage of the population can both work and live in Kirkland, economic vitality, quality of life and civic involvement are enhanced and transportation problems are mitigated. Kirkland's ratio of jobs to housing is fairly balanced. As growth occurs, Kirkland should strive to maintain this balance. As discussed in the Housing Element and the Affordable Housing Strategy, Kirkland should also seek to encourage a variety of housing types including housing that is affordable to a range of income levels.

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***Policy ED-1.6: Promote Kirkland as a visitor, cultural, and entertainment destination.***

Tourism is another economic development tool to help diversify the economy. Visitors from outside the community spend money in local shops and restaurants, stay in hotels, and attend performing arts events. Tourism also creates jobs. Tourism promotion benefits residents by providing increased amenities, community events and shopping opportunities.

Kirkland's tourism marketing focus is on promoting Kirkland as a waterfront community with cultural arts, culinary, shopping, and recreation opportunities. The targeted audiences for tourism promotion are regional, national, international and business travelers. Kirkland is a unique destination on the Eastside and region because of its beautiful lakeside location, pedestrian-oriented Downtown, art galleries, restaurants, performing arts facilities, locally owned retail shops, farmers markets, and historical buildings. Our parks, recreation facilities and open space also offer tourism opportunities.

***Policy ED-1.7: Encourage home-based businesses that are compatible with neighborhood character.***

Home-based businesses continue to be a key component of the local economy as telecommunication infrastructure and the internet have increased opportunities to allow for integration of home and work. Many of Kirkland's small businesses began as home-based businesses and now are a source for new jobs. Forty percent of the business licenses in Kirkland are home based businesses with the largest portion (33%) in professional, scientific and technical services. Home-based businesses also can reduce commuter traffic and increase security for neighborhoods while other residents are away at work.

Development standards should be maintained to minimize impacts of home-based businesses on residential neighborhoods by limiting them to activities that are complementary to residential areas. Some businesses by their nature are not compatible with residential neighborhoods and, therefore, should be located in commercial or industrial areas.

***Policy ED-1.8: Support locally developed enterprises by encouraging small startup businesses.***

Small, startup businesses should be nurtured to promote locally owned businesses and job growth.

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***Goal ED-2: Promote a positive business climate.***

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***Policy ED-2.1: Create and maintain a competitive tax environment.***

A business climate that combines a fair and competitive tax environment contributes to business success. Kirkland has favorable tax rates and user fees compared with other cities in the region. The City should proactively work with businesses and neighborhoods to improve the business climate in our community for everyone's benefit.

***Policy ED-2.2: Foster a culture of creativity, entrepreneurship and innovation.***

A business climate that supports entrepreneurial, creative and innovative business practices helps promote job creation. Kirkland is strong in arts, culture, and amenities for both residents and visitors to enjoy. Kirkland attracts living wage employers, strives to provide the highest quality technology infrastructure, and supports emerging trends in industry sectors such as start-up companies from nearby technology and aerospace companies, green practices, staggered work times and use of shared business facilities.

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***Policy ED-2.3: Make land use decisions that take into consideration the effects on businesses and the economic benefit to the community.***

Kirkland is committed to providing excellent customer service to all sectors of the community. Business customer service needs are distinct from those of other customers and can be a factor in whether or not a business chooses to stay or locate in Kirkland. The City should continue to assess customer service and provide open communication to ensure business needs are being met. When considering commercial land use decisions, City decision makers should carefully evaluate the short- and long-term economic benefits to the community in addition to social, environmental and aesthetic concerns. Economic factors to consider may include such things as the number and type of new jobs created, the types of goods or services provided, and fiscal benefits that businesses will contribute to the community.

***Policy ED-2.4: Provide a regulatory environment that is predictable, fair, responsive and timely.***

The City should remove unnecessary barriers to economic development and provide a regulatory environment that allows for flexibility without sacrificing community standards. Businesses are encouraged to work with the City and neighborhood organizations to identify and make recommendations for changes to regulations and improvements to permit processes. The City should periodically review its regulations and, where appropriate, modify those which unreasonably restrict opportunities for economic development. Having clear and fast permit processes in government also contributes to a positive business climate. Improvements to permit processes should be continually made so that permits are handled in a reasonable, responsive and timely manner.

***Policy ED-2.5: Support tools that encourage economic development.***

Providing economic development incentives or tools are a way to attract and retain quality businesses or create new jobs may be necessary to create a positive business environment. Washington State statutes limit the types of incentives that cities may use to attract or retain private business.

Types of economic development tools that could be explored are:

- Public/private development agreements
- Recruitment strategies that will result in new jobs
- Tax or fee deferrals, credits, or waivers
- County-sponsored industrial revenue bonds
- Participating in County, State or federally sponsored low interest loans or grants
- Installing infrastructure improvements
- Use of special taxing districts
- Expediting permitting and regulatory incentives
- Participation in regional Transfer of Development Rights or Landscape Conservation and Local Infrastructure programs
- Legislative support for a form of tax increment and other economic development tools

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***Goal ED-3: Strengthen commercial areas to provide local goods, services, and vibrant community gathering places to live, work, shop and play.***

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***Policy ED-3.1: Encourage businesses to develop and operate in a manner that enhances the character of the community, minimizes impacts on surrounding development, and respects the natural environment.***

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As members of the community, businesses should be stewards of the environment as well as good neighbors to adjacent less intensive uses. In some instances, economic activities may create impacts on surrounding development because of the way the business functions or building location and site design. These adverse visual or other impacts created by economic activities should be minimized through development standards that maintain the character of adjacent development. Development standards should ensure that outdoor storage areas, parking lots, and structures are adequately buffered with landscaping or some other appropriate means, and that on-site debris and waste are removed. Landscaping, both within and around the edges of development, can serve to provide visual screening and separation, as well as help to decrease surface runoff. Additional standards may include noise limitations, appropriate setbacks, open space requirements and building design guidelines. Even with efforts taken by businesses to reduce impacts, residential uses located along commercial area boundary edges may continue to experience some level of unavoidable impact.

***Policy ED-3.2: Encourage infill and redevelopment of commercial and industrial areas.***

Kirkland's commercial and industrial areas have the potential for increasing economic activity by infilling underutilized land or redeveloping without expanding district boundaries. Commercial areas are encouraged to be intensified where it will result in superior redevelopment. To maintain the land use capacity to support the local economy, it will be necessary to encourage full utilization of planned development potential within employment centers while monitoring commercial development activity, and maintaining efficient infrastructure systems.

Businesses with attractive site and building design, landscaping, and signs that blend in with the context of the neighborhood or commercial area help contribute to the economic success of the commercial area. Gateway or unique signage, attractive public spaces, decorative pedestrian lighting and other urban design improvements help promote economic development by creating an inviting environment. Specific design standards tailored to the characteristics and natural features of each neighborhood are encouraged. Public and private sector investment and commercial development that adheres to development standards will ensure that Kirkland's positive civic image and character will be maintained.



*Downtown Kirkland*

***Policy ED-3.3: Support businesses and organizations involved in the arts, cultural programs, historic preservation and civic activities.***

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Businesses and organizations involved in the fine arts, cultural and performing arts, and historic preservation play an important role in diversifying Kirkland's economy, attracting visitors and businesses, and enhancing our distinctive character. Kirkland's hotels, restaurants, shops, galleries, entertainment and performing arts complement each other to create a vibrant destination for both visitors and residents, producing economic returns to the community. Kirkland is one of the older communities on the Eastside and contains buildings and places of historical significance..

***Policy ED-3.4: Support businesses that encourage the health and well-being of all people by providing convenient access to healthy and locally grown food.***

Providing access to fresh, locally grown food encourages healthy living and self-sufficiency. Businesses that produce, process or wholesale locally grown food or products, farmers markets and community food gardens are encouraged.

***Policy ED-3.5: Industrial Policy- Hold for a policy related to industrial areas pending the guidance from the Heartland Industrial Lands Study***

Kirkland's industrial areas are in flux transitioning from traditional light industrial uses such as manufacturing, production and assembly and auto oriented service and repair uses to high technology, office and recreational facilities. As specified in the Land Use Element and neighborhood plans the light industrial areas should allow for a variety of light industrial- manufacturing and commercial uses based on market demands.

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***Goal ED-4: Provide the infrastructure and public facilities to support economic activity and growth.***

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***Policy ED-4.1: Encourage construction and maintenance of infrastructure systems for utilities, transportation and telecommunication that optimize service delivery to the business community.***

Providing superior utilities, transportation and telecommunications networks to the community supports business growth and helps give Kirkland a competitive advantage to attract and maintain jobs. Emphasis should be on providing infrastructure in higher density mixed-use employment and housing centers such as in the Totem Lake, Downtown, and other commercial areas. The City should explore and encourage innovative and entrepreneurial efforts to provide technology infrastructure and communication services by forming public/private partnerships to facilitate or leverage funds for infrastructure improvements that will increase economic opportunities.

***Policy ED-4.2: Create strong multimodal circulation linkages to and within commercial areas.***

Improving circulation within commercial areas and connecting neighborhoods to commercial areas, with both motorized and non-motorized options, make it easier for customers to access businesses. In some cases, this may require new street or sidewalk connections to break up large blocks or improve circulation. Pedestrian and bicycle improvements should be encouraged to provide alternatives to driving. Standards should be in place to minimize the impacts generated by economic activities on pedestrian, bike and vehicular traffic. For example, the location and number of access points should be controlled, and, where necessary, on or off-site improvements should be made to ensure the safe passage of pedestrians, bikes and vehicles.

***Policy ED-4.3: Support regional infrastructure initiatives that enhance economic development opportunities.***

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Kirkland participates in regional partnerships to install transportation, utility and telecommunications infrastructure. Partnering keeps Kirkland competitive with other cities and preserves financial resources for other infrastructure improvements. Partnerships should continue between the City and other public/private organizations to support regional infrastructure.

***Policy ED-4.4: Develop the Cross Kirkland Corridor to attract businesses and housing and provide a multimodal transportation facility connecting businesses and employees with local and regional employment centers.***

Portions of the abandoned Burlington Northern Railroad Right of Way within the City of Kirkland have been converted to the Cross Kirkland Corridor, a multimodal transportation conduit for bicycles, pedestrians and in the future transit. With more than 60 businesses and over 10,000 employees bordering the corridor, full development of the Cross Kirkland Corridor will be a catalyst for new businesses, jobs and housing.

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***Goal ED-5: Foster socially and environmentally responsible businesses.***

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***Policy ED-5.1: Encourage businesses that provide products and services that support resource conservation and environmental stewardship.***

Local, green businesses involved in providing renewable energy, remediation, clean technology, green building, products or services or healthy lifestyles should be nurtured.

***Policy ED-5.2: Promote environmental responsible practices in business development and operations.***

Businesses that integrate environmental practices into their business model show consumers and employees they care about the type of jobs created, products made, use of resources and impact of their actions. Encouraging construction and business operations to use sustainable development practices such as low impact development, green building, energy conservation, and waste reduction results in reducing the City's ecological footprint, increases green space, and promotes healthy living and a more attractive Kirkland. Businesses that use green practices can reduce operational expenses, be more competitive or may utilize tax credits. The City should continue its green business, green building and recycling programs to support a network of local green businesses, green jobs and best green business practices.

***Policy ED-5.3: Promote socially responsible practices in the private, public, and non-profit sectors.***

All sectors of the community are encouraged to give back to the community by conducting and supporting community service projects or organizations to help the disadvantaged in need. Such practices may include promoting human rights, fair labor standards, environmental protection and participating in civic initiatives. Businesses can partner with non-profit and human service organizations, philanthropic foundations or other organizations to implement this policy.

***Policy ED-5.4: Help facilitate the environmental remediation of contaminated sites.***

Kirkland has a few sites remaining classified as contaminated from past business practices such as gas stations,

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drycleaners or chemical production. Cost and time to clean up a site can deter redevelopment. The City can work with the property owner and overseeing government agencies to ensure that the sites are cleaned up before redevelopment.

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***Goal ED-6: Foster collaborative partnerships among community groups and regional organizations to create a prosperous Kirkland economy.***

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***Policy ED-6.1: Partner with businesses and community organizations to create a prosperous Kirkland economy.***

The City should actively work together with business and community organizations such as the Greater Kirkland Chamber of Commerce, Economic Development Council of Seattle and King County to implement business retention, recruitment, tourism promotion and other strategies. Each of these groups plays a role in promoting Kirkland as a place to do business. As representatives on various task forces, they can provide a business perspective and assist in policy development. Formation of business associations or community working groups within each commercial area is encouraged to help develop and implement neighborhood plans, urban design projects, economic development strategies and promotional programs.

***Policy ED-6.2 Work with businesses, schools and other institutions to sustain a highly educated and skilled workforce through job training and education resources that lead to job opportunities especially the disadvantaged populations.***

A vital economy relies on maintaining educational and job-training programs that keep up with business trends. In the future, a factor for business success will be workers' ability to keep up with accelerating changes in the work place, especially in the areas of technology. Kirkland is fortunate to have a high-quality K – 12 public school system, a university, a community college and other community education programs. Local, State and federal educational and job training programs are available. The City can help facilitate partnerships between human service providers, educational institutions and the business community to provide affordable housing and job training, especially for economically disadvantaged populations.