Angela Ruggeri

From: Alvin Loh <alvin@jobvention.com>
Sent: Thursday, June 18, 2015 1:08 AM
To: Angela Ruggeri
Subject: Support for 434 Kirkland Way

Hi Angela,

I was recently featured as a guest speaker at the Moss Bay Neighborhood association meeting a couple of weeks ago. I was asked to speak about Jobvention, my startup, which is helping small and medium sized businesses hire employees better, and why we decided to locate our startup here in Kirkland. We chose Kirkland because the city is eminently walkable, has some wonderful green space, still has a nice mom and pop feel and there's a vibrant tech community here. At the meeting I saw MRM Capital's presentation for their plans for 434 Kirkland Way and was quite impressed with it. I think it is an aspirational symbol for what the future of Kirkland could be. I think the idea of having apartments on top of retail by the Kirkland Performance center is awesome and could really further increase Kirkland's popularity and downtown economy. I'm writing to you to voice my support for the project and if there's anything I could do to help you, please let me know.

I've lived in Kirkland for 10 years now and my wife and I often feel that Parkplace while great, could further be rejuvenated in such a way that we would never have to get onto I405 if we wanted to see a movie or other to find other interesting things to do. If you have any questions, please don't hesitate to contact me.

Sincerely,

Alvin Loh
Founder/CEO of Jobvention
www.jobvention.com
425-442-8249

MRW CAR

6/25/15

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Share your thoughts

City of Kirkland Suggestion Form

CITY OF KIRKLAND WASHINGTON

Suggestion - Comment - Idea for Comprehensive Plan Update:

Please limit the height on any structures you consider in the core. Once the sky is gone, it's gone!

The traffic issue needs to be addressed. You are allowing for more + more density without improvements in traffic infrastructure. From my home @ 6th + Kirkland way traffic backs up to 520 during the evening rush hour. Horns, screeching brakes, noisy busses have increased. How will you mitigate this?

How would you like staff to follow-up with you? (Please check box and provide contact information.)

Your name: Cindy Springer

- ☐ Mail (Please provide address): 121 6th CT. Kirkland
- ☒ E-mail (Please provide e-mail): springer.cindy@gmail.com
- ☐ Phone (Please provide phone number): 206.499.0866
- ☐ Not necessary for staff to follow up.

Kirkland Planning Commission
123 Fifth Avenue
Kirkland, WA 98033

June 15, 2015

Re: MRM Private Amendment Request (PAR)

Dear Planning Commission Members;

Thank you for your continuing consideration of the MRM PAR. We look forward to the upcoming public hearing and, once you hear from the public, urge you to support the proposal.

We have listened to citizen concerns about the proposal. Most were focused on the proposed 8 story height. We listened to these concerns, and felt that they deserved to be addressed. Accordingly, we have revised our PAR to remove the requested height increase. If the PAR is approved, then, the height of any new construction will be no taller than is currently allowed.

Since that time, we have more support than ever from the community. Many of our immediate neighbors, including Unico, Kirkland Performance Center, and Doug Waddell, along with local residents and other business owners, support the PAR, and have written to the Commission to express that support.

As you know, in addition to retaining the current height, we have committed to substantial public benefits, including a widened and pedestrian friendly access from Kirkland Way to Parkplace, a public plaza, art work, and ground level retail.

We are excited at the opportunity to bring a new vitality and sense of urban fabric to this long underdeveloped parcel adjacent to the Kirkland Performance Center. Indeed, as the Kirkland Performance Center stated in its letter to the Commission, "We strongly support this change and urge the approval of the Planning commission."

Sincerely,

MRM Kirkland, LLC

Joe Razore

3927 Lake Washington Blvd NE
Kirkland, Washington 98033

Angela Ruggeri

From: Andrew Cox <AndrewC@unicoprop.com>
Sent: Wednesday, March 11, 2015 9:24 AM
To: Angela Ruggeri
Subject: Kirkland Land Use Project

Ms. Ruggeri,

Please pass this along to the City Council and Planning Commission.

My company, Unico Properties, owns Continental Plaza at 550 Kirkland Way and are a part of the same CBD 5 Zone as the MRM property at 434 Kirkland Way. We fully support MRM's proposal to build an apartment project on the site and feel that residential should be an integral part of the Kirkland CBD. We've seen residential, office and retail work together across the 12 million square feet of property we own and operate – in fact those combined uses are integral, in our opinion.

The tenants in our 75,000 square foot office building would benefit by having additional housing alternatives nearby and would certainly be in favor of new retail options. Additionally, the residents in this project would help make the existing and incoming retail businesses in the area more successful/vibrant. The office demand for the CBD can more-than be accommodated by the combination of the existing product and the planned Park Place development. Please approve the MRM request and help us continue the momentum you started by approving the Park Place re-design.

Please call with questions.
Sincerely,

Andrew Cox
Vice President, Regional Director
Unico Properties LLC
1215 Fourth Avenue, Suite 600 | Seattle, WA 98161
O 206.346.3022 | **F** 866.741.2039 | **C** 206.229.2678
www.unicoprop.com

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From: Doug Waddell [mailto:doug@waddellpropertiesinc.com]
Sent: Saturday, March 08, 2014 10:24 AM
To: Angela Ruggeri
Subject: MRM-PAR

Angela, Eric and Kurt – As you know, I manage and own several multi-family properties very close to the proposed PAR and others just a few blocks away. This development, if approved, would be in direct competition with me and arguably no one has more to lose than me. That being said, I see no reason multi-family should not be allowed on this site especially considering what has been approved next door. In addition, in my and I am guessing most people's minds, this property is part of Park Place and similar height and setback standards should apply here.

In addition, I have reviewed some of the public benefits they offering to provide and feel that they are more than adequate.

I only wish I could be part of this exciting development…

Doug Waddell

From: Santos and Sue Contreras [mailto:scon1965@hotmail.com]
Sent: Thursday, May 14, 2015 11:47 AM
To: Angela Ruggeri; Eric Shields
Subject: MRM Capital Comp plan amendment request

Good morning Angela and Eric,

I am President of the Kirkland Performance Center Board of Directors this year. On behalf of KPC I want to express our support of the MRM Capital request for the amendment to the Comprehensive Plan and Zoning Code for CBD 5.

MRM has committed to sponsoring KPC shows for the next 3 years and they plan to build a public plaza at the southwest corner of the building which could be used by KPC for gatherings. In addition, we believe that there will be increased parking availability for KPC patrons as a result of this project. Currently there is no parking availability on that property.

Finally, we believe that the zoning change to residential will add to the customers who will patronize the KPC events. We strongly support this change and urge the approval of the Planning Commission.

Sincerely,

Santos Contreras
President KPC Board of directors.

From: Carolyn and Jim [mailto:Carolynandjim@hitterworld.com]
Sent: Sunday, March 02, 2014 11:05 AM
To: City Council
Subject: Approve MRM proposal for 434 Kirkland Way

Dear Mayor Walen and City Council,

After receiving a flyer from the anti-MRM forces we're sending you this request to **approve** the proposal to build an 8-story apartment building on the Albertsons/hardware store/Microsoft site. Let's face it, Ken Davidson's objection to this building is merely an attempt to preserve his views. He can say all he wants about Comp Plan "visions" but what Kirkland needs is downtown density in both residential and office sectors.

One of the things that we're more interested in is the control of the look and feel of any construction on this site. We have enough buildings constructed without responsible architectural input. An 8-story building will never be built to meet the "quaint" criteria of so many Kirklanders. We're sure there's a decent amount of leverage attained when a change in the zoning or Comp Plan is negotiated to **require** attractive setbacks, amenities and materials. Just maxing out volume on this site is not good enough. Please, set design standards very high; let this site be a kick-starter for a beautiful ParkPlace.

Sincerely,
Jim Hitter and Carolyn Hitter

From: Joshua McAdams [mailto:joshua.mcadams@gmail.com]
Sent: Tuesday, February 25, 2014 8:55 PM
To: City Council
Subject: MRM Development Exception Opnioin

Hi again city council,

I just received a mailer from "Davidson, Serles & Associates" encouraging me to email you and encourage you to not allow MRM's proposal. Instead, I'd like to ask that you seriously consider the proposal. I for one think that denser housing is better for the environment and that having more residents living close to the retail areas would be a win for local businesses and residents.

They are asking for an exception, so if it isn't approved, fair enough. But please do know that there are some of us in the area that don't mind "tall" eight story buildings.

Thanks for your time,
Josh McAdams
Norkirk

From: Zach Zaborowski [mailto:zach.zaborowski@gmail.com]
Sent: Wednesday, March 12, 2014 11:58 AM
To: Angela Ruggeri; awhalen@kirklandwa.gov
Subject: MRM Proposed Zoning Changes

Dear Mayor Whalen, Members of the Planning Commission, and Members of the City Council:

I am writing in response to the flyer I received from Davidson, Serles & Associates regarding the MRM PAR. I am actually in support of the proposed changes MRM is asking for.

I recently moved into Kirkland as I was attracted to the lifestyle and location of the City. It took me a considerable amount of time to find housing (both to lease or own). After many months of looking, I ultimately found a unit that would work for me. I've lived in many downtown apartment buildings (the last one I was in I could literally see my office from my unit, allowing me to walk to work). I believe that more residential in that area of Kirkland is supportive to the Downtown Core. I am not concerned with an 8 story building so long is it meets your design guidelines.

Please approve the zoning changes MRM is asking for.

Thanks for your consideration.

Zach Zaborowski
222 5th Ave
Kirkland, WA

From: Peter Lang [mailto:peterl@trellisintegration.com]
Sent: Friday, March 07, 2014 1:29 PM
To: Amy Walen
Subject: Davidson, Serles & Asso

Hi Amy

We were on the policy ride last week which was informative and enjoyable. Thanks for all you're doing there!

I got a flyer in the mail from the name in the subject line trying to drum up support against some apartment building in Kirkland on K-Way. Personally, I think all the new construction is great! It upgrades the look of the downtown, creates a population closer into the city which should support local /downtown retail and professional services businesses etc., So they are asking for support against it, and I say let it be built! Our office is less than a block from this location and I'd be glad to see new development of even 8 stories so long as it's not on the waterfront where it will obstruct all views for everyone.

Best regards,

Peter

Trellis Integration Partners
www.trellisintegration.com
"Accelerating Corporate Financials"
Peter W Lang
Managing Partner

(o) 425.605.4184
(c) 425.985.0097

From: Dan Ryan <dan.ryan@gmail.com>
Date: March 12, 2014 at 10:21:42 AM PDT
To: <PlanningCommissioners@KirklandWA.gov>
Subject: MRM

I write in support of the requested rezoning of this location. Both the proposed height and use make excellent sense.

The height is consistent with what's already permitted at Park Place (slightly less, in fact). Any view impacts are substantially mitigated by the rather low grade of the site, far below Kirkland Ave except at the very corner. I think the setbacks contemplated for upper floors fully mitigate any reasonable concerns about massing above the Avenue or encroachment on neighboring buildings.

I understand there has been concern about the conversion from business to residential use. (You've probably gathered that Ken Davidson has been clogging neighbor's mail boxes with post cards these last several weeks).

Ideally, I agree it might be better to see substantial office development in the area so that downtown has a more balanced mix of daytime and evening population. However, with the imbalance of available space and demand at Park Place and elsewhere, it's clear that downtown office development is not effectively constrained even if this site is completely developed as residential/retail. Indeed, the choice is between mostly residential uses and no development at all. I see no value at all in holding this site hostage any longer to the unlikely prospect of commercial demand in the next several years.

Redeveloped, the site is close enough to the downtown core to contribute significantly to economic activity in the area. As downtown becomes more hemmed in by recent single-family homes, some of the areas near downtown where multifamily housing are allowed are no longer available. Development at this site will encourage needed development at Park Place and adjacent parts of downtown. I'm thinking particularly of locations such as the Antique Mall or the adjacent strip mall where the economics of retailing could be assisted by the increased population at the MRM site.

A few more specific remarks.

I don't see that parking has been extensively discussed in the review of the proposed zoning. It would be useful to review whether reduced parking requirements might be practical here. The site is adjacent to both transit and to the CKC, and there may be synergies between the residential parking here and the commercial parking that's likely to come online at Park Place. In any case, the residential parking requirements should be set at the lower end of what is required in CBD residential.

I noticed in the draft EIS that the building envelopes all envisioned a driveway and parking between the building and the Kirkland Ave sidewalk. It wasn't clear whether that's a function of required setbacks or some other reasoning. I'd ask that you consider closely whether lower

floors of the building can't be brought out to meet the Avenue. Either put the driveway elsewhere, or build the second floor over an interior parking ramp. There's an opportunity to improve the pedestrian experience on the Avenue that doesn't appear to have been fully explored here. Certainly, the optimal pedestrian experience here is not a sidewalk bounded by the Avenue on one side and a driveway on the other.

Bringing the building out to the street would also be a helpful visual cue to calm traffic on the Avenue. Downhill traffic in particular is fast and unsafe for other street users. The large parking lots in front of the Emerald and Continental buildings are a cue to drivers that they are still in a high-speed zone outside of the core where pedestrian activity is unlikely. Let's consider how the building can interface with the Avenue so it announces to drivers that they are now in a downtown space and need to ease off the gas.

Bringing the building out to the street is more consistent with urban design principles generally.

Some of these particulars may be a matter for design review rather than zoning, but at least the zoning should facilitate such a building form. Obviously, any building at such a central location should go through design review.

Finally, if there are to be conditions for height, I'd ask that a priority be given to maintaining linkages between Kirkland Ave and Central Ave, with driveways and pedestrian spaces linking to those in Park Place. There was a lot of discussion around these in the review of Park Place, and it's important to extend those 'through-ways' around MRM.

Dan Ryan
493 2nd Ave S, Kirkland
425.260.9441

From: Kris Nichols [mailto:kristopher.nichols@gmail.com]
Sent: Wednesday, March 12, 2014 6:29 PM
To: Planning Commissioners; Joan McBride; Amy Walen
Subject: Kirkland Planning Commission Hearing

Hi Kirkland Leadership Team-

I recently received a piece of snail mail with a call to action to: "*Tell the Planning Commission and City Council that Kirkland doesn't need an 8-story apartment building downtown*"

I could not **disagree** more and was really glad I did not recycle without reading further.

I grew up in Bellevue and bought a condo at the Kirkland Central (on Kirkland Ave) because it is so much different than the Central Business District of Bellevue. The bars/restaurants are unique, I can easily walk to them, the lake is right here.

I **absolutely** think you should **approve** apartment heights of eight stories.

Kirkland is a great place, with a waterfront like no other on the Eastside. I absolutely agree that we don't want Kirkland to look like Downtown Bellevue with cold glass high-rises and chain restaurants.

I really think Kirkland has an opportunity to increase density in a smart way. I personally think it is sad that the businesses in downtown Kirkland come and go so quickly - largely due to lack of foot traffic in the rainy season. The reality is most people are not going to get in their cars and drive to Downtown Kirkland to shop where parking is next to impossible. I do think if you add dense residential, people will leave their homes to walk to local shops and restaurants - especially where they can establish rapport and more of a sense of community.

I feel as though the addition of residential units (eight stories or fewer) is a brilliant idea. Google is adding 1,500 jobs up the street in three new buildings under construction. How great would it be to have tech talent **LIVE** and **WORK** in downtown Kirkland? I think the addition of more dense residential housing downtown would force more foot traffic on to the streets, which in turn would translate to dollars being spent in local businesses.

Park Place is LONG overdue for a renovation, the addition of parking, retail on the ground level, and dense residential would be a great thing for the area, I see zero harm in allowing the addition of 8 stories of residential. I say go for it, approve it! Add a hotel to boot - travelers will be happy to come spend money in the local restaurants.

I don't think we want this to become car-centric Bellevue, all spread out and ice cold, but I do think done properly, in a dense urban core, the addition of more residential would be a great thing for the area and could spur other start up tech companies to come in to the area.

My two cents for what they're worth, but seriously I think census data suggest people want to live close to work and retail when possible.

Welcome your feedback.

Thanks,
Kris Nichols

206.790.9927

-----Original Message-----
From: Bob Routt [mailto:ibrunning26@gmail.com]
Sent: Thursday, March 13, 2014 1:41 PM
To: Angela Ruggeri
Cc: Robert Routt
Subject: REZONE TO 8 STORIES DOWNTOWN

I am a lifelong Houghton/Kirkland resident, and I vote YES to the proposal. Kirkland cannot expect to create and maintain a strong village-like central zone if it does not increase the density of both residential and commercial areas. As long as the commercial areas stay as far away from the heart of the village as the east side of Park Place, I am 100% in favor.

I am tired of walking to the village core and watching business after business fail. We are not going to attract the desired walking traffic if few people live and/or work close enough to walk there in a reasonable time.

It seems this has been Kirkland's desire which is born out by the changes in zoning, yet every time something meeting the new zoning tries to get approved it gets sidetracked by a relatively few organized, loud and persistent people that want things to stay the same.

Our council needs to grow a backbone and lead, not continue to be bullied into rescinding or compromising the goals they have set for the village center.

Sincerely,
Bob Routt

From: CL [mailto:exsstuff@comcast.net]
Sent: Monday, March 10, 2014 9:37 AM
To: Planning Commissioners
Subject: 434 Kirkland Way

Hello,
I support the height limit increase for the project at 434 Kirkland Way.

I recently received a glossy postcard from Davidson, Serles & Associates describing the proposed height limit change. I am offended that this law firm did not make note of the fact that their only interest in fighting this request is the value of their own building and the potential loss of view. When they were fighting the Park Place development they hid behind the sham of a "citizen group". They are second only to the residents of Portsmith condos who have fought the development of the Hector's property while living in the exact same monstrosity they are trying to fight. Check my address.

The proposal to increase the height limit should be evaluated on its own merit. What value does it bring to Kirkland? Kirkland's downtown is pitifully under utilized and under developed. The City has no economic development activity to speak of and it shows. Development of parcels occurs as developers find acceptable projects. If the City and

citizens won't lead the way to encourage the development they need and want, then the market will decide the most profitable course. Based on the last ten years and this proposal, Class A office space does not make economic sense for developers in Kirkland. Park place tried yet was not completed due to lack of interested tenants. As much as Ken Davidson wants Class A office space, the City does not seem to care and the demand for office space in Kirkland doesn't exist (except Google and they are making their own).

Downtown Kirkland needs to be more. A mix of residential, retail and business office will occur. At this point residential is coming first.

Hobart Hani
110 2nd St S

ERIC C. EVANS
2472 173rd Place NE, Redmond, WA 98052 Tel. 425.429.8168

March 13, 2013

Kirkland Planning Commission
CITY OF KIRKLAND
123 Fifth Avenue
Kirkland, WA 98033

RE: MRM Private Amendment Request (PAR)
City of Kirkland File #ZON11-00006/SEP13-00554

Dear Kirkland Planning Commission Members.

Please accept this letter of support for the MRM Private Amendment Request. For the past 25 years, I have been developing market rate and affordable housing throughout the Pacific Northwest. In addition, I have had the pleasure of developing both market rate and affordable communities in Kirkland. From the South Kirkland Park & Ride with its 185 market rate residences, 6,000 square feet of commercial and 58 affordable residences to the Francis Village Community in Totem Lake, I can personally attest to the need for additional affordable and market rate housing options in Kirkland.

I can also personally attest that these opportunities would not have been possible without the support and leadership of the City of Kirkland to include a mix of housing and commercial opportunities within the City. These efforts in addition to being consistent with a wide variety of Comprehensive Goals and Policies and the Vision of the City of Kirkland, the City's actions are working to bring a diversity of housing and commercial opportunities that will strengthen our economic base and enable more of Kirkland's residents and its employment base the opportunity to enjoy the quality of life that is uniquely Kirkland.

I firmly believe that the MRM Private Amendment Request represents another unique opportunity to further vision of the City by providing additional housing supply in a tight market that can help sustain and compliment the growing retail and economic base downtown with little or no impact to the surrounding community.

Kirkland has been and continues to be a great place for me and the firms with which I have done business. One of the reasons for this is that the City has demonstrated a keen insight in seizing opportunities. Be it the Kirkland Cross Border Trail, or the South Kirkland Park & Ride, the City has proven to be quite nimble in adapting to new ideas that will make the City and the quality of life for its residents more dynamic, more livable, more Kirkland.

We are blessed with a strong economic base, finding creative ways to support that economic base with housing options close to jobs, great schools and vibrant retail is something that Kirkland has a proven track record accomplishing and I encourage you to help support that inventory with your recommendation today.

As a participant in the City's recent ARCH Housing workshop, I was asked what Cities can do to make housing more affordable to all. Your actions today can help bring about more housing options for our community and help ease some of the pressure and provide a great opportunity at the heart of Kirkland.

I appreciate your consideration, support and continued leadership.

Sincerely,

Eric C. Evans

Greg LaCombe
538 11th Avenue W.
Kirkland, WA 98033
(425) 828-6480

March 8, 2014

Dear: Members of the Planning Commission, City Council and the City Manager,

My name is Greg LaCombe and I live and run a small business in Kirkland. I was recently made aware of the MRM proposal to build a multi-family housing project on the old True Value hardware site and wanted to let you know that I support the changes they are requesting and ask that you approve their request for rezoning. Kirkland Park Place has sat dormant for too long and our city needs this space to be re-developed. A multi-family housing project on the MRM property would fit well in our city and would provide more housing for local employees consistent with the needs of the long-term businesses the city is trying attract. I understand there is concern about another 8-story building in city but it does not bother me if it is done with appropriate step-backs from the park and from Kirkland Avenue.

Thank you for your service and for considering my request to approve this project.

Please contact me if you have any questions.

Sincerely,

Greg LaCombe

Councillors:

It has taken three years for the MRM rezone to proceed to its current unsatisfactory status at the Planning Commission. In the six years since the Bank of America imbroglio, no other developer has broken ground anywhere in the CBD except for two small buildings northeast of the Park, and those only within the last few months.

Development in Central Kirkland is stalled out.

Meanwhile, development continues apace on Sixth Street. Google broke ground six months after announcing their expansion. There are several other residential developments underway or completed south of downtown and in Houghton. So less regulated areas in Central Kirkland are succeeding. At the same time, downtown Redmond is being transformed, and whole new neighborhoods are forming in the Bed-Red corridor. Redmond and Bellevue are building sustainable, walk-able, mixed-use neighborhoods with a variety of uses; everything we say we want, but are not executing on.

The message from the market is clear. The heart of our city is a no-go area for new development. The development process is too hard, too slow, and your parking and height rules make it marginally economic at best even if approvals are granted.

So development gets pushed to the fringes, and Kirkland becomes a doughnut with a core of shabby buildings and vacant lots. We continue to maintain an empty lot in the heart of our city at Lake and Central. The antique mall has been closed for eight years with no change in sight. Central Way and the south side of Kirkland Ave are increasingly run-down with no developer interest. We want a successful Park Lane retail area, but the eastern half of the lane is an embarrassment.

We've allowed the traffic and parking obsessions of those who don't actually live in downtown to override the interests of downtown residents and business in building a more vibrant community. (That, and one neighborhood business more concerned with private view corridors than the success of the neighborhood).

The proposed development at MRM offers high-quality retail, improved public spaces and pedestrian experiences, and homes for hundreds of new Kirkland residents. It'll bring a large enough retail space to host an anchor tenant that can support its neighbors. It's an enormous upgrade to the neighborhood. The alternative is a soon-to-be-empty office space and an ugly surface parking lot. Today's MRM site isn't even a safe place to walk across; the public driveway is a helter-skelter exit for drivers from QFC. We should be welcoming this proposal warmly even as we carefully review the details.

Several members of the Planning Commission were comfortable keeping this location 'land-banked' for future commercial use, many years in the future if necessary. I'd love to see commercial use here too if I thought it were remotely likely (but it's failing the market test next door). Realizing that commercial development isn't in the pipeline, the lack of urgency about improving the quality of

life in downtown is disappointing. You can't have a pedestrian-friendly city where residents are confronted with parking lots and 'land-banked' vacant buildings. A constructive approach would realize the urgency of redeveloping this site and work with the owners to shape the best possible plan.

MRM has asked that consideration of its zoning be deferred to the Comprehensive Plan. The Planning Commission has been unwilling to consider MRM's proposal without invoking the uncertainty around Park Place as a rationale for inaction. For that reason alone, MRM's request should be granted.

But please consider how to use the May 20 meeting to send a message that Kirkland intends the CBD to be successful. Council should affirmatively signal that it wants a successful redevelopment (and soon) of the MRM site and the other gaps in the downtown. A prompt and constructive response to the next Park Place proposal is also critical.

Thank you.
Dan Ryan
493 2nd Ave S, Kirkland WA 98033
425-260-9441

RE•SOLVE

Real Estate Appraisal, Counseling & Mediation
261 Madison Ave S, Suite 102
Bainbridge, WA 98110-2579
206 842-4887

Anthony Gibbons, MAI, CRE
Seattle Direct Dial 206 842-4887
Email: agibbons@realestatesolve.com

June 10, 2015

Kirkland Planning Commission
123 Fifth Avenue
Kirkland, WA 98033

Re: MRM Private Amendment Request (PAR) to allow additional residential development

Members of the Planning Commission:

At the request of the client Mr. Razore of MRM Kirkland LLC, I am providing you with some opinions on market feasibility and project compatibility with regard to the above referenced project.

My appraisal firm has extensive experience on the Eastside, including property valuation, market studies, and feasibility studies. I have also conducted additional research pertinent to the Kirkland and Eastside markets, proposed new development in the area, and Kirkland economic development. As you may recall, I attended the May 14, 2015 meeting of the Planning Commission, and provided a brief review of my findings at that time, now laid out in this letter. Since then I have also completed a review of documents provided to me regarding MRM's application for the amendment referenced above, specifically Mr. Gardner's letter of May 13, 2015 (the "Gardner Report").

I have concluded that acceptance by the Planning Commission of the amendment requested by MRM would be justified by a proper analysis of the market, and would represent a better fit for both the location and market at large.

Brief Review of the Office Market

The Kirkland office market is a relatively small part of the overall Eastside office market, comprising only 5,154,369sf of RBA out of the Eastside total of 48,000,592sf (all classes office, 1Q 2015 CoStar Office Report). Class A office space in Kirkland is a small subset of that figure at 1,512,867sf. Further, the amount of space actually downtown is further limited, at around 340,000sf, with most of the space suburban. Note of course that there is some fuzziness in these boundary classifications, and further that no market exists in isolation from surrounding communities; in particular the impacts of a weak or oversupplied market can stretch into different communities, acting as a form of vacuum. Experience tells us that the gravitation towards such markets can be intense, as lowered pricing is deliberately intended to pull users out of higher priced markets. The point to be made is that Kirkland, with its relatively small amount of space, is very susceptible to supply impacts from the eastside in general and Bellevue in particular.

The five year average absorption rate of all office space in Kirkland ending in May 2015 was 105,773sf per year, with absorption over the last twelve months at only 61,088sf. The five year average vacancy rate is 10.3%, similar to Bellevue's at 11.3%. Bellevue is the address of choice on the Eastside for the bread and butter tenants of CBD occupancy, such as the insurance firms and attorneys, and this is reflected in the higher rents achieved in the Bellevue market, even though construction costs are similar.

Further market context is provided by the history of previous office development in Kirkland and by analysis of office space currently under construction or proposed for the near to mid-term future. In the last thirty years a mere 339,332sf of office space has been delivered into downtown Kirkland, with 181,343sf of that delivered in the last twenty years; none of it occurred in the last ten years (CoStar as reported by the Broderick Group in May 2015). The Broderick Group report shows 0sf currently under construction. With this history as a backdrop, today we have a 686,800sf of planned development (650,000sf from Park Place) and 66,359sf coming back on the market due to Microsoft's departure from Continental Plaza, for a total projected new supply 752,359sf.

Put another way, Kirkland already (and without MRM's property) needs to be ready over the next decade (or longer) to absorb more downtown space than the city's CBD has absorbed over the past 30 years. These sobering statistics are what prompted Talon to halve the original Touchstone proposal, which originally called for 1,200,000sf of office space. That, and the parking requirements for that much space in the tight downtown market, challenged the economic feasibility of the endeavor, particularly with Kirkland's lower pricing structure. In any event, with 650,000sf on the horizon, we can comfortably predict that the Kirkland CBD will have enough office space for the downtown area for the foreseeable future, without needing to rely on the MRM property for additional supply.

Also, and with reference back to the issue that no market operates in isolation, we should also consider what is going on in the surrounding markets. Looking to other eastside markets, Bellevue in particular, it is apparent that demand from there will not likely rush-in to bolster the Kirkland market over the next decade – in fact the reverse (a vacuum) is more likely. Projects presently *under construction* in Bellevue represent more than five times the annual average absorption for that market. And the pipeline is stacked with new proposals, amounting to over 5,000,000sf, some of these pre-permitted and ready for construction, like 490,000sf permitted in the Spring District (which has potential for another 3,210,000sf) and Esterra Park (in Redmond, but on the boundary), which is permit ready to add (as the need arises) 1,100,000sf.

Gardner Report

The Gardner Report cites a vacancy rate for Kirkland for 1Q 2015 at 2.21% (from CBRE, presumably all office classes). I can't confirm this number; CoStar shows a 1Q 2015 all office classes rate of 6.9% for Kirkland, with Class A vacancy at 4.1%. The CBRE report I referenced has a 6.1% vacancy with a 10.3% five year average. Brokerage companies count space in different ways, though, and the quote may be accurate for a narrow segmentation of the market. Regardless, focusing on (an unusually low) vacancy today within such a narrow market segment, and for the purposes of assessing demand in the future, represents a very incomplete picture of the issue, particularly given the potential supply of new product on the horizon.

Again the actions of Talon are instructive, despite the commentary in the report to the contrary. It is true the project will be built in phases, this a recognition though of the absorption time required to meet market demand. Bill Pollard of Talon has stated that *"When demand is there we will build buildings, and when demand is not there we won't build buildings",* indicating current phasing is intended to meet what demand is present, not, as is suggested, something less than that. These are the actions are of a cautious developer dealing with a market that could not possibly absorb 650,000sf at one time. They again support the notion that the Park Place proposal will likely meet Kirkland office needs for more than a decade. Further, as planned and permitted space, facilitated by approved ordinances, and as part of an up and running mixed use project, Park Place promises an optimal delivery time in response to new demand. This puts Park Place in a more competitive position to push out new office development options on other sites.

To facilitate the proposed Talon project, the Kirkland City Council unanimously adopted three ordinances which amend zoning and design guidelines; these allow for more residential use and offer incentives for affordable housing (DJC 2/19/15), a de facto acknowledgment of the research findings of their feasibility study. The MRM requested amendment provides for a similar assessment, with a request for an increase in residential development. The ordinances adopted in response to the Talon project indicate that arguments in favor of an increased proportion of housing and incentives for affordable housing have already been considered and approved with regard to both market needs (by the developer) and policy direction (by the city).

Nevertheless The Gardner Report argues that Talon's 650,000sf of proposed office space should not be fully counted as anticipated space because some of that space would arrive on the Kirkland market in later phases. Mr. Gardner's statement that *"future development of commercial office space is highly likely to meet with success"* is speculative and broad, and does not provide meaningful guidance on the future, in light of a potential tripling of local supply, let alone what is happening in the larger market. History tells us that office markets are very vulnerable to business cycles, and occupancy and rental rates fluctuate significantly (down and up) when economic conditions change. The probability that we will encounter another down-cycle (which typically occurs at least once a decade) prior to the full absorption of currently proposed space is very probable, and will further delay other development opportunities.

The Gardner Report makes a number of arguments based on the city's need to meet the mandates of the Growth Management Act. These goals are important to planners and city officers and that may in turn impact developers, but developers themselves (wisely) do not heavily base development decisions on its mandates. Also, the specific arguments developed are difficult to support. The report states that "*the city has the capacity to add 20,400 new jobs between 2013 and 2015*." But the document referenced (Draft Land Development Capacity Analysis, 2013) actually states that 22,944 (adjusted early in 2014) is the employment growth target for the period from *2013 to* ***2035***, not to 2015. This is a 20-year goal, not a prediction or projection, and neither a developer nor lender would base a multimillion construction decision upon its contents. It is a very generalized forecast, but that does not mean it will be achieved where or when stated. The calculation that employment would likely rise by 4,600 jobs if the figure of 732,000sf which he uses for proposed space were constructed is a *"build it and they will come"* philosophy and does not address the financial feasibility of the endeavor. We (still) have a lot of office buildings out there occupied at rents that fail to support new construction, as a hangover of the past financial crises. Today developers and lenders are a little smarter (hopefully although time will tell), and

they will not build this product until the demand is there. If they do, once again we will see a "tanked market".

The arguments made are then essentially circular; jobs will create demand for office space and office space will create jobs. The assertion that there will *"a shortage of development in order to meet the purported goals of the city,"* strikes me as very unlikely given the proposals presently on the books, but even if there were, other property would come into play to meet that demand. In any event this is not a meaningful analysis or support for the notion that the MRM property should be preserved through zoning for probably more than a decade to meet such a speculative demand possibility.

Residential and Retail represent a better Option for the Site

Additional arguments in favor of approving the MRM amendment request include the (better) suitability of the location for residential use, and the retail elements of the public benefits package offered by the developer. Residential use in a downtown core does a much better job of keeping a core vibrant in terms of its support of local retail businesses, and a healthy street scene than does office. Office, the users of which typically leave the core in droves in the evening, tend to have a harsher transportation impact[1] and parking demand, and are less supportive of a vibrant street scene both in the evening and on weekends.

Conclusion

Analysis of the Kirkland office market indicates a full slate of construction is on the way, and the prospects for development of the MRM site are much better invested in residential and retail use than in office development. MRM LLC's private amendment request, which would allow additional residential as part of their proposed development of an apartment project with ground level retail, represents, in my opinion, a more appropriate use for the property, and a more prudent one in light of the existing office supply on the way.

Respectfully Submitted,

Anthony Gibbons, MAI, CRE

Ref: 15119

[1] The EIS undertaken for the property projects 262 fewer daily trips than an office scenario, reducing the traffic burden of the neighborhood

General Assumptions and Limiting Conditions

This appraisal report has been made with the following general assumptions:

1. No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.

2. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.

3. Responsible ownership and competent property management are assumed.

4. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

5. All engineering studies are assumed to be correct. The plot plans and illustrative material in this report are included only to help the reader visualize the property.

6. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.

7. It is assumed that the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.

8. It is assumed that the property conforms to all applicable zoning and use regulations and restrictions unless a non-conformity has been identified, described, and considered in this appraisal report.

9. It is assumed that all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the opinion of value contained in this report is based.

10. It is assumed that the use of the land and improvements is confined within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.

11. Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, and other potentially hazardous materials may affect the value of the property. The value estimated is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The intended user is urged to retain an expert in this field, if desired.

This appraisal report has been made with the following general limiting conditions:

1. If the subject is improved: Any allocation of the total value estimated in this report between the land and the improvements applies only under the stated program of utilization. The separate values allocated to the land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.

2. Possession of this report, or a copy thereof, does not carry with it the right of publication.

3. The appraiser, by reason of this appraisal, is not required to give further consultation or testimony or to be in attendance in court with reference to the property in question unless arrangements have been previously made.

4. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall e disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent of the appraiser

The following assumptions and limiting conditions may apply to this assignment:

1. Any opinions of valued provided in the report apply to the entire property, and any proration or division of the total into fractional interests will invalidate the opinion of value, unless such proration or division of interests has been set forth in the report.

2. In the case of proposed developments: If only preliminary plans and specifications were available for use in the preparation of this appraisal; the analysis, therefore, is subject to a review of the final plans and specifications when available.

3. In the case of proposed developments, and the assignment of values to a property at the completion of construction, all proposed improvements are assumed to have been completed unless otherwise stipulated, so any construction is assumed to conform with the building plans referenced in the reports.

4. In the case of improved property: The appraiser assumes that the reader or user of this report has been provided with copies of available building plans and all leases and amendments, if any, that encumber the property.

5. If no legal description or survey was furnished, the appraiser used the county tax plat to ascertain the physical dimensions and acreage of the property. Should a survey prove this information to be inaccurate, it may be necessary for this appraisal to be adjusted. If a legal description has been provided, the appraiser is not responsible for the accuracy of the description. The property appraised is assumed to be as delineated on county maps, as noted in this appraisal.

6. The forecasts, projections, or operating estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes with future conditions.

7. If the subject is improved: The Americans with Disabilities Act (ADA) became effective January 26, 1992. The appraiser has not made a specific compliance survey or analysis of any improvements on the property to determine whether or not it is in conformity with the various detailed requirements of ADA. It is possible that a compliance survey of the property and a detailed analysis of the requirements of the ADA would reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative impact upon the value of the property. Since the appraiser has not direct evidence relating to this issue, possible noncompliance with the requirements of ADA was not considered in estimating the value of the property.

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June 25, 2015

VIA HAND DELIVERY

Planning Commission
City of Kirkland
123 Fifth Avenue
Kirkland, WA 98033-6189

Re: MRM Amendment Request
File No. ZON11-00006

Honorable Commissioners:

I am writing on behalf of Davidson, Serles and Associates, owner of the Emerald Building at 520 Kirkland Way, to express my client's opposition to MRM's requested Comprehensive Plan and Zoning Code amendments. MRM has failed to justify changing longstanding and significant downtown Kirkland land use policies and code provisions that have appropriately restricted residential use on this site.

The staff's June 18, 2015 memo fails to incorporate any adverse comments that have been provided on this application since it was first filed years ago. The Planning Commission may recall that it held a public hearing on this proposal in March 2014 and that there were numerous citizens who wrote in opposition. I am attaching to this letter my March 13, 2014 letter and ask that you pay particular attention to Table 2 which notes the numerous inconsistencies of MRM's request with key Comprehensive Plan policies. I am also attaching a few of the other comments in opposition to MRM's request that were previously submitted to the Planning Commission.

In response to some of the obvious inconsistencies of MRM's proposal to numerous City policies, staff is recommending that certain land use policies be revised in order to accommodate MRM. We oppose these changes and believe that if the Planning Commission takes a hard look at these proposed revisions, it will agree that these changes are not in the City's best interest.

For example, Comprehensive Plan LU 3.3 currently states:

> ***Residential development within commercial areas should be compatible with and complementary to business activity. Residential use should not displace existing or potential commercial use.***

Obviously, MRM's proposal is inconsistent with this policy. As a result, staff recommends striking the second sentence of LU 3.3. Removal of this policy language – that "residential use should not displace existing or potential commercial use" – would be a fundamental shift in City policy and would allow the transformation of any existing or zoned office uses in the City with residential uses including those throughout CBD 5 and 5A. It could set in motion future rezones and additional revisions, including changes at Parkplace. This recommended policy would encourage further erosion of the Class A Office core in downtown Kirkland and replace it with more apartments and condominiums.

Another example of a policy shift recommended by staff concerns LU 5.2 which currently reads:

> ***Maintain and strengthen existing commercial areas by focusing economic development with them.***

Staff seeks to insert the phrase "and mixed use" so that this policy would read:

> ***Maintain and strengthen existing commercial <u>and mixed use</u> areas by focusing economic development with them.***

While adding the phrase "mixed use" may seem minor, it is a major policy shift that effectively eviscerates a policy that was intended to strengthen commercial areas, not residential areas. Because all of downtown could be called a "mixed use area" adding this phrase renders this policy meaningless.

Importantly, the Planning Commission should note that staff is not recommending an amendment to many existing land use policies noted in Table 2 that are inconsistent with MRM's proposal. Importantly, the East Core Frame policy from the Moss Bay Neighborhood Plan continues to be recommended to read:

> ***The East Core Frame is located east of Peter Kirk Park, extending from Kirkland Way northerly to 7th Avenue... . Because this area provides the best opportunities in the Downtown for creating a strong employment base, redevelopment for office use should be emphasized... . Limited residential use should be allowed as a complementary use... .***

The Planning Commission will recall the discussion during the recent Parkplace amendment process in which the issue of "complementary use" was discussed. At that time staff noted that Parkplace's proposed increase in allowed housing from 10% to 30% was consistent with "limited residential use."

The existing CBD 5A regulations limit residential development within Parkplace to 10% of the gross floor area (KZC 50.38, Special Regulation 3.d). The proposed code amendments would allow an increase of up to 30% residential square footage. While this proposed change would increase the amount of housing, this use would still be limited by regulation and secondary to commercial uses.

MRM's proposal is to increase the allowed percentage of residential use on its site from 12.5% to 100%. This change is inconsistent with the East Core Frame policy.

Staff's June 18, 2015 memorandum attaches a June 10, 2015 memo from Eric Shields. Mr. Shields' analysis confirms what I have conveyed in past communication, that MRM's proposal, coupled with recent approvals at Parkplace, results in a significant loss of downtown employment capacity which will put the City well below its GMA employment growth target. Specifically, according to Mr. Shields, these actions "would result in a potential loss of 3,278 downtown jobs." With the GMA employment growth target of 22,435 jobs and the conventional methodology finding a growth capacity of only 22, 944 jobs, the MRM proposal and the recent Parkplace decision would put the City in jeopardy of GMA compliance, with a capacity of 2,768 fewer jobs that required. While Mr. Shields suggests that the alternative methodology for Totem Lake could make up for this loss, that alternative methodology is highly suspect given that it assumes the conversion of auto retail facilities into office developments. Moreover, it completely ignores the importance of downtown employment.

Mr. Shields' memo also confirms that Kirkland's compliance with King County's criteria for designating downtown Kirkland as an Urban Center would be put in jeopardy by approval of the MRM proposal. The City needs more planned job capacity in downtown to be a designated urban center, not less.

No justification has been provided by MRM or City staff to change the City's longstanding policies or to approve a land use change in such contrast to the key goals of maintaining CBD 5 as a Class A Office core. Rather than explain why these policies are no longer needed or appropriate, staff simply accepts MRM's premise that MRM will provide certain public amenities if these policies are revised or ignored. This approach to land use review is akin to granting zoning to the highest bidder, allowing any zoning change, however inconsistent with established policies, if "public amenities" are offered.

Many of the "amenities" offered by MRM could be obtained through strong public policies related to office development.

The easement improvements proposed by MRM from Parkplace to Kirkland Way are already contemplated by existing City Comprehensive Plan policies which encourage a strong connection in this location. Through design review and code compliance an office development on the MRM site could easily achieve this same result without the City needing to give up the important employment capacity of the site.

While retail uses may not be required for office, there is no reason why an office could not be developed in this location with retail on the ground floor. Moreover, the amount of retail

proposed by MRM is really minor. Moreover, the "promise" of a hardware store or drug store is illusory. Even the proposed minimum 9,000 square foot retail space requirement is tenuous, as all MRM need do is return to the City in the future with a claim that it was unable to provide the scale of development it had originally thought possible and seek relief from this requirement. Remember, this is exactly what Parkplace just did six months ago when it sought revisions to its 2008 Master Plan.

The provision for 10% affordable housing units will barely make a dent in the problem of Eastside affordable housing. Moreover, allowing MRM to construct another apartment instead of an office building will eliminate the potential for creating 611 permanent living wage office jobs instead of a few dozen retail positions in MRM's first floor stores.

The benefit of a $10,000 piece of public art or a small public plaza is meaningless when compared to the public benefit of providing space for hundreds of office workers, who can breathe life into downtown Kirkland's daytime economy and provide synergies with the surrounding office space in Kirkland.

Finally, the staff memo provides a comical graphic about potential office sites in downtown Kirkland. This graphic includes sites, such as the U.S. Post Office site, where redevelopment is highly unlikely. There is no analysis of zoning provided with this graphic. The Planning Commission will recall our previously submitted graphical analysis (attached here) that demonstrated how, over the past 20 years, residential uses were built on nearly every site that allowed either residential or office. The Planning Commission deserves an honest and accurate assessment of MRM's proposal and the significance of the policy changes being proposed.

We urge the Planning Commission to exercise its independent judgment on this matter and recommend denial of MRM's proposal.

Very truly yours,

Brent Carson

BC:jeh
Attachments
cc: Client (w/encl.)
Angela Ruggeri (w/encl.)

ATTACHMENT 1

Van Ness Feldman LLP

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Seattle, WA 98104-1728
206-623-9372
vnf.com

March 13, 2014

Kirkland Planning Commission
City of Kirkland
123 Fifth Avenue
Kirkland, WA 98033

Re: MRM Private Amendment Request (PAR)
File No. SEP13-00554/ZON11-00006

Honorable Planning Commission Members:

I am writing on behalf of Davidson, Serles and Associates, owner of the Emerald Building at 520 Kirkland Way. Please consider this letter and the attached documents as you deliberate and develop your recommendations on MRM's PAR.

The MRM proposal is in direct violation of numerous adopted city policies that have been consistently applied to protect and enhance office zoned properties in CBD-5 and to limit residential use in this area. Approval of MRM's proposal will undermine the critically important goal of maintaining a strong office environment in the core of downtown Kirkland.

The MRM proposal is also in conflict with the mandates of the Growth Management Act. If approved, the MRM proposal, coupled with the recently announced reduction in planned development at Parkplace, will put Kirkland in non-compliance with state law, which requires Kirkland to maintain zoning that provides adequate job capacity to meet the City's employment target.

Finally, the MRM proposal is contrary to the best interests of the City of Kirkland. Kirkland's citizens deserve a consistent approach to land use policy, continued focus on limiting residential use within CBD-5, and maintenance of the appropriate 5-story height limit in CBD-5. The City should not be granting MRM's requested spot rezone and arbitrarily changing established comprehensive plan policies that benefit only one property owner.

We urge you to recommend denial of MRM's request.

Policy Decisions from 1997 to 2008 Demonstrate that the MRM Proposal Should be Denied

Decisions by the Kirkland City Council since 1997 demonstrate that MRM's Proposal is wholly inconsistent with the City's Comprehensive Plan policies, which emphasize office use in CBD-5, prohibit primary residential uses in this area, and limit height to 5 stories. MRM's representatives have improperly suggested to the Planning Commission that the City's Land Use Policies concerning the East Core Frame and CBD-5 are long outdated. Nothing could be further from the truth.

The following Table summarizes these policy decisions:

TABLE 1 – POLICY DECISIONS FOR DOWNTOWN KIRKLAND (1997-2008)				
Date	**Reference**	**Description**	**How Decision Addresses Use**	**How Decision Addresses Height**
December 18, 1997	Ord. 3608	Annual Comprehensive Plan Amendment	Updated the Downtown Neighborhood Plan (later renamed the Moss Bay Neighborhood) and amended the East Core Frame policy to add the following new language: "**[B]*ecause the area between Central Way and Kirkland Way provides the best opportunities in the Downtown for a vital employment base, this area should continue to emphasize office redevelopment over residential.*"**	Update heights for Design Districts, including Design District 5 stating that ***"Building heights of two to six stories are appropriate in Design District 5. . . . Buildings over two stories in height should be reviewed through a City Council process .... Facades facing Central Way, Kirkland Way, and Peter Kirk Park should be limited to between two and three stories, with taller portions of the building stepped-back significantly. Buildings over three stories in height should generally reduce the building mass above the third story."***
June 5, 2001	Res. #R-4294	Kirkland Downtown Strategic Plan	After intensive study, the Kirkland Downtown Action Team recommended a new downtown policy for CBD 5 which read: ***12. Preserve the designation of the CBD 5 area as a Class A office district while allowing limited housing . . . c. Housing will be minor percentage of any project, and allowed only on western edge of CBD 5 ..."***	

December 11, 2001	Ord. 3809	Annual Comprehensive Plan Amendment	Updated Moss Bay Plan Retained Language that East Core Frame between Central Way and Kirkland Way ***"provides the best opportunities in the Downtown for a vital employment bases"... area should continue to emphasize office redevelopment over residential*** Added policy for ***"limited residential use" adjoin eastern edge of Peter Kirk Park as a complementary use."***	Addressed heights in several downtown design districts. For Design District 5 is stated: ***Maximum building height should be between three and five stories... Buildings over two stories in height should be reviewed by the Design Review Board.... Facades facing Central Way, Kirkland Way, and Peter Kirk Park should be limited to between two and three stories, with taller portions of the building stepped-back significantly. Buildings over three stories in height should generally reduce the building mass above the third story.***
December 14, 2004	Ord. 3974	Major Comprehensive Plan Update	Retained all of Economic Development Policies from prior plan and adopted new **Economic Policy ED-6 –"Implement and update the Downtown Strategic Plan"** reaffirming CBD-5 as a Class A office district.	No adjustments were made to height policy during the major 2004 update.

December 16, 2008	4170	Annual Comprehensive Plan Amendment	Updated Moss Bay Plan with edits to East Core Frame. Those edits c***ontinued to emphasize the East Core Frame for office use: "Because the area provides the best opportunities I the Downtown for creating a strong employment base, redevelopment for office use should be emphasized."*** "Limited residential use should be allowed as a complementary use."	Height in new Design District 5A **(Parkplace) was increased up to 8 stories due to unique circumstances** as stated in the Plan: ***"This property [5A] is distinguished from the remainder of Design District 5 by the following factors: it is a large parcel under common ownership; it is topographically distinct based on previous exaction ...; it has frontage on Central Way; and it contains a mix of uses not found on other office or residential only properties.*** The policy language for height limits in Design District 5 was retained as in the 2001 update, with this slight modification: ***"Portions of buildings facing Kirkland Way, and Peter Kirk Park should be limited to between two and three stories ..."***

Policy Decisions Concerning Office Use

Beginning slightly over 15 years ago and continuing throughout the last decade, the City Council has consistently maintained strong public policies designed to encourage, maintain and protect a vital office core in CBD-5.

In 1997, the Council updated the Downtown Neighborhood Plan (later renamed the Moss Bay Neighborhood Plan) and adopted the key policy into the East Core Frame that MRM now seeks to dismantle. See Ord. 3068 (Attachment A). That policy reads:

> ***[B]ecause the area between Central Way and Kirkland Way provides the best opportunities in the Downtown for a vital employment base, this area should continue to emphasize office redevelopment over residential.***

Soon after this policy was adopted, a "Blue Ribbon Panel" was established by the City Council, known as the Kirkland Downtown Action Team, to recommend policies to advance Kirkland's Downtown area. This was a major undertaking supported by a team of consultants. In 2001, the Kirkland Downtown Action Team produced the *Kirkland Downtown Strategic Plan* (a copy of which is included as Attachment B). Among its important recommendations, the *Kirkland Downtown Strategic Plan* made recommendations for CBD-5 including adding the following policy:

> ***Preserve the designation of the CBD-5 area as a Class A office district while allowing limited housing.***

The *Kirkland Downtown Strategic Plan* was adopted by the City Council as Resolution #R-4294 on June 5, 2001 and was incorporated into the City's Comprehensive Plan as Policy ED-6 in the 2004 Major Update to the City's Comprehensive Plan. See Ord.3974 (Attachment C).

Every annual update to the Comprehensive Plan since 1997 has either left these core office policies for CBD-5 intact or adopted refinements that retained this significant policy directive.

For example, in the 2001 Annual Comprehensive Plan Update, the Moss Bay Neighborhood Plan was amended to read:

> ***[The East Core Frame between Central Way and Kirkland Way] provides the best opportunities in the Downtown for a vital employment base. . . [This] area should continue to emphasize office redevelopment over residential.***

See Ord. 3809 (Attachment D). A new policy was also added in 2001 providing for "limited residential use" adjoining the eastern edge of Peter Kirk Park and only as a complementary use.

In 2008, when the Parkplace master plan was being approved, the City Council could have changed the remaining portions of CBD-5 to deemphasize office use outside of Parkplace, but they did not. Instead, the City Council updated the Moss Bay Neighborhood Plan in 2008

and continued to emphasize office use throughout the East Core Frame area, including the area owned by MRM. The 2008 updated policy language reads:

> ***Because the [East Core Frame] area provides the best opportunities in the Downtown for creating a strong employment base, redevelopment for office use should be emphasized. Limited residential use should be allowed as a complementary use.***

Ord. 4170 (Attachment E).

The Planning Commission should also recall that, on three prior occasions, former owners of the MRM property have unsuccessfully attempted to overturn the City's sound land use policies that emphasize office use on the MRM property. The most recent attempt was made by Quadrant in 2003, when Quadrant proposed a residential project in conjunction with a transit center. Quadrant's PAR, like the two PAR's that preceded it, was denied because it was inconsistent with the core policies that prohibit primary residential use in CBD-5. MRM's PAR deserves the same fate.

Policy Decisions Addressing Height in Design District 5

In 1997, the Downtown Neighborhood Plan was amended and maximum building heights were established for various Design Districts. In Design District 5 (which now includes CBD-5), the following height policy was established:

> ***Building heights of two to six stories are appropriate in Design District 5... Buildings over two stories in height should be reviewed through a City Council process...Facades facing Central Way, Kirkland Way, and Peter Kirk Park should be limited to between two and three stories, with taller portions of the building stepped-back significantly. Buildings over three stories in height should generally reduce the building mass above the third story.***

Attachment A.

In 2001, during the annual Comprehensive Plan update, the heights in Design District 5 were lowered to a maximum of five stories. Council retained the same policy for limiting height to two stories without further review, but directed that review to take place with the Design Review Board instead of the City Council.

The 2004 major update to the Comprehensive Plan retained all of the height policies previously in effect.

During consideration of the Parkplace master plan, new height policies were added by the City Council specific to new Design District 5A, applicable only to Parkplace. The City Council expressly retained the same height policy (a maximum of three to five stories) for Design District 5. The policy language for Design District 5A provides important guidance that distinguished the Parkplace property from Design District 5 (where MRM's property is located). That policy language states:

> ***[The Parkplace] property is distinguished from the remainder of Design District 5 by the following factors: it is a large parcel under common ownership; it is topographically distinct based on previous exaction ...; it has frontage on Central Way; and it contains a mix of uses not found on other office or residential only properties.***

Ord. 4170 (Attachment E). The policy decision on why Parkplace was granted this unique increase in height continues in the 2008 Comprehensive Plan update with the following language:

> ***Heights of up to eight stores are appropriate [for Parkplace] as an incentive to create a network of public open spaces around which is organized a dynamic retail destination. . . transformation of this district . . .into a pedestrian-oriented center . . . creating generous pedestrian paths, public spaces and gathering spaces.***

<u>No Changes Have Occurred in Downtown Kirkland to Justify Changing the Strong City Policies Emphasizing Office Use in CBD-5</u>

Nothing has changed since the City Council's 2003 denial of Quadrant's PAR that suggest the need to revise City policies that require office use as the primary use on the MRM site. In fact, the changes that have occurred in Downtown Kirkland strengthen, not diminish, the need for these policies.

In past meetings, the Planning Commission has been presented with illustrations showing the significant multifamily development that has occurred in downtown Kirkland since 1990. Copies of these illustrations are included at Attachment F and G. These illustrations confirm that in zones where multifamily use and office use were both allowed, the development community responded clearly and consistently by building multifamily projects. Although City policies and zoning supported and anticipated a mix of residential and office development in the downtown area, because office development was not emphasized by strict policies and standards in most downtown zones, office opportunities throughout much of Downtown Kirkland have been lost.

Parkplace was approved for significant office development in 2008 but with major strings attached. While 1.2 million square feet and 592,700 square feet of commercial development was approved in the Parkplace master plan, the City conditioned the master plan so that office development could only be achieved by developing a significant retail component (a 4:1 ratio of office to retail was imposed by condition).

In 2009, the City commissioned a study of the retail capacity of downtown Kirkland based on the potential to capture retail demand. This report, known as the Downtown Kirkland Retail Strategy, was written by E.D. Hovee & Company LLC, Economic and Development Services (the "Hovee Report"). A copy of the summary section of the Hovee Report is included here as Attachment H. In the expert opinion of the authors, retail space in downtown Kirkland could increase by 150,000 square feet between 2008 and 2020 under a moderate capture scenario. The authors cautioned, however, that such a capture rate was far above the city's

"track record averaging less than 6,000 square feet of new retail construction annually since 1994."

The latest news from the owners of Parkplace appears to confirm the accuracy of the Hovee Report – that there is a limited demand for retail in downtown Kirkland and the assumptions in the approved Parkplace master plan were overzealous.

The most recent articles on Parkplace are included as Attachments I and J. These articles confirm that the current owners of Parkplace are interested in a smaller development with less retail. While the details have yet to emerge, one could reasonably assume that the 150,000 square feet of additional retail capture, identified in the Hovee Report, will be the maximum amount of retail to be built at Parkplace. Given the required 4:1 office to retail ratio in the approved master plan, this translates into a maximum of 600,000 square feet of office – half the master planned amount.

Given these changes at Parkplace, now is NOT the time to change the policies and zoning in CBD-5. Strong office-focused policies for this core area are needed now more than ever.

MRM's 8-Story Height Increase is Contrary to City Policy and Not Supported by the Policy Changes Approved for Parkplace

The unique height increase granted to Parkplace was an express exception to the City's long standing height policies for downtown Kirkland and is inapplicable to the MRM property and to MRM's planned development.

As noted above, several factors, not present for MRM's site or proposal, lead the City Council to approve 8-story height limits for Parkplace. These differences were expressly articulated in the adopted Comprehensive Plan policy for Design District 5A, covering only Parkplace. These factors included the large size of the Parkplace parcel, its specific topographic conditions, its frontage on Central Way, and the specific commitments made by Parkplace and written into a binding "master plan" to develop a dynamic, pedestrian-oriented regional shopping center with generous pedestrian paths and public gathering spaces. The City Council expressly distinguished Design District 5A from Design District 5 by retaining the three to five story height limit policy for the MRM site and the rest of Design District 5.

MRM's property has none of the unique features of Parkplace's property or proposal. Nor do any of the potential public "benefits" that MRM has suggested that it might provide compare with the elements within the Parkplace binding master plan.

The MRM Proposal is Inconsistent with Multiple City Policies

The policy decisions noted in Table 1 above do not represent the only policies that MRM seeks to ignore or eviscerate. Table 2 below summarizes all of the applicable City Comprehensive Plan policies and explains why the MRM proposal is inconsistent with each.

Table 2: Summary of MRM Inconsistencies with Key Comprehensive Plan Polices

	Key Policies	Compliance Analysis
Land Use Policies	***Policy LU-2.3: Ensure an adequate supply of housing units and commercial floorspace to meet the required growth targets through efficient use of land.*** ...The City should monitor its existing residential and nonresidential capacity to determine how fast and where new growth is occurring and whether Kirkland can accommodate the required growth targets. (KCP VI-10)	**Inconsistent.** The MRM proposal provides excess housing units (which the city doesn't need to meet growth targets) while reducing the employment capacity of the site by more than 800 jobs and jeopardizing the city's ability to meet job growth targets.
	Policy LU-3.2: Encourage residential development within commercial areas. ...Residential development within commercial areas should be compatible with and complementary to business activity. Residential use should not displace existing or potential commercial use. (KCP VI-12)	**Inconsistent.** The MRM proposal would do exactly what the guidance for this policy attempts to prevent – displacing existing and potential commercial uses with residential development.
	Policy LU-4.4: Consider neighborhood character and integrity when determining the extent and type of land use changes. ...Community character is most clearly expressed through the Neighborhood Plans. (KCP VI-13) ***Development in the East Core Frame should be in large, intensively developed mixed-use projects.*** Because this area provides the best opportunities in the Downtown for creating a strong employment base, redevelopment for office use should be emphasized.... Limited residential use should be allowed as a complementary use. (XV.D-8)	**Inconsistent.** The MRM proposal is located in the East Core Frame. The Moss Bay Neighborhood Plan explicitly calls for limiting residential uses and emphasizing redevelopment for office use. The MRM proposal for a predominantly residential building is inconsistent with the established character of the East Core Frame.
	Policy LU-5.2: Maintain and strengthen existing commercial areas by focusing economic development within them and establishing development guidelines. The intent of this policy is that future economic development be concentrated in existing commercial areas. This concentration can help to maintain and strengthen these areas and also promote orderly and efficient growth that minimizes impacts and service expansion costs. Concentration also allows businesses to benefit from proximity to each other. (KCP VI-16)	**Inconsistent.** The MRM proposal weakens the concentration of office uses in the CBD-5 zone by exchanging existing (and potential) office development space for more residential units.
	Policy LU-6.2: Encourage and support locations for businesses providing primary jobs in Kirkland. Primary jobs bring dollars into the community and result in a higher per capita income for Kirkland residents. (KCP VI-20)	**Inconsistent.** The MRM proposal reduces the job capacity of the site by more than 800 jobs and exchanges current well-paying office jobs for low-paying retail jobs.

	Key Policies	Compliance Analysis
Economic Development Policies	***Policy ED-1.1: Work to retain existing businesses and attract new businesses.***	**Inconsistent.** Attracting new businesses requires adequate space for new businesses to locate. Class A office space in downtown Kirkland is in high demand and eliminating it to make room for more condos is a move in the wrong direction.
	Policy ED-1.5: Encourage clusters of complementary businesses. ... Economic development efforts should strive to develop new business clusters and identify ways to strengthen existing clusters, both locally and within the region. *(*KCP *VIII-6)*	**Inconsistent.** The MRM proposal will negatively impact the existing cluster of Class A office buildings in the CBD-5 zone by removing existing office jobs and displacing future office development with residential units.
	Policy ED-1.6: Strive to maintain a balance of jobs and housing. ...In 2000, Kirkland's ratio of jobs to housing was approximately 1.5 (similar to the region as a whole). As growth occurs, Kirkland should strive to maintain this balance. (KCP VIII-6)	**Inconsistent.** According to the SEIS, Kirkland's jobs to housing ratio was just above 1.0 in 2006 but is projected to rise to 1.25 by 2031. Trading commercial space for residential space means trading jobs for housing units and is a move in the wrong direction.
	Policy ED-2.4: Consider the economic effects on businesses and the economic benefit to the community when making land use decisions. ...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. *(*KCP *VIII-7)*	**Inconsistent.** The MRM proposal will impact the aesthetics and economics of the CBD. An 8-story building would be out of scale with surrounding development. Development of a predominantly residential building would significantly decrease the employment potential of the CBD-5 zone both in terms of absolute job capacity and in terms of job quality.
	Policy ED-3.3: Encourage infill and redevelopment of existing commercial areas consistent with the role of each commercial area. ...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, monitor commercial development activity, and maintain efficient infrastructure systems. *(*KCP *VIII-9)*	**Inconsistent.** As discussed above in the land use section, the CBD-5 zone was intended to emphasize office development and restrict residential development. Redevelopment should be consistent with this established role of the East Core Frame.

A proposal like the one offered by MRM, inconsistent with all of the policies cited in Table 2, cannot be approved under applicable criteria. KZC 135.20. Moreover, any private request that seeks to revise or eliminate all of these policies in order to gain the ability to develop one residential project on a single parcel must be rejected as an illegal spot zone or an improper attempt by one property owner to shift long standing public policy for purely private gain.

The MRM Proposal is Inconsistent with the Growth Management Act

Reduced development at Parkplace, as stated by Prudential and Talon in meetings with Eric Shields, coupled with the loss of office development potential on the MRM site, means that the City will be out of compliance with the Growth Management Act's land capacity requirements if it approves the MRM proposal.

As noted in Eric Shield's June 3, 2013 memo on the land capacity assumptions used for the 2015 Comprehensive Plan Update (included as Attachment K), the City assumed that Parkplace will be developed as shown in the Master Plan, with 1.2 million square feet of office and 592,700 square feet of commercial. The employment generated under that Master Plan (calculated at 4 employees/ 1000 SF for office uses and 2 employees/ 1000 SF for commercial uses) resulted in 5,986 jobs. If Parkplace is only developed with 600,000 square feet of office and 150, 000 square feet of commercial space, there will be a loss of 3,286 jobs from the Parkplace site.[1] The FSEIS on the MRM proposal calculated a loss of 800 jobs if the MRM proposal is approved. With the reduction at Parkplace, that results in a total loss in employment capacity of over 4,000 jobs.

The GMA required employment target for Kirkland is 22,435 jobs, while the land capacity analysis (assuming full build-out of Parkplace and without the MRM rezone) produced an employment capacity of 22,944 jobs. *See* Development Capacity Analysis February 6, 2014 (Attachment L). This results is a "cushion" of only 509 jobs.

A loss of employment capacity of over 4,000 jobs, given the downsizing of Parkplace and approval of MRM's proposal, would mean that Kirkland will fail to meet its GMA obligation of providing land capacity, required by law, to achieve its employment growth target. While the exact capacity loss from Parkplace may be uncertain and other "fixes" might be possible to increase employment capacity before the City adopts the 2015 update to its Comprehensive Plan, the current data and policies would create an immediate GMA noncompliant status if the MRM proposal is approved.

Given recent announcements about the current owners' decision to seek modification of Parkplace approvals to build a smaller office project with less retail and, perhaps, with some residential, now is not the time to change the land use policies and code requirements

[1] 1,200,000 sf office x 4 emp/1000 sf office = 4,800 employees. 592,700 sf commercial x 2 emp/1000 sf comm. = 1,186 employees. The existing land capacity analysis shows 5,986 employees (4,800 + 1,186) as the capacity of Parkplace. Under the smaller development scenario, Parkplace would have a reduced employment capacity as follows: 600,000 sf office x 4 emp./1000 sf office = 2,400 employees and 150,000 sf commercial x 2 emp./1000 sf comm. = 300 employees; or a total reduced employment capacity of 2,700 jobs. The difference between the current land capacity analysis forecast and the reduced development scenario is 3,286 employees (5,986-2,700).

emphasizing office use in CBD-5. At a minimum, the City must take a "wait and see" approach to determine what changes Parkplace actually submits for approval.

The MRM Proposal Fails to Satisfy the Code Established Factors and Criteria Necessary For Approval

MRM has failed to establish that it satisfies the factors and criteria for approving its requested comprehensive plan revisions and code changes. For ease of review, Table 3 below summarizes and documents these failures:

Table 3: Inconsistency of MRM Proposal with Amendment Criteria

Pursuant to KZC 140.25, the City shall take into consideration the following factors when considering a proposed amendment to the Comprehensive Plan:	
Criteria	**Compliance Analysis**
The effect upon the physical, natural, economic, and/or social environments.	**The City has failed to provide the information or analysis necessary to evaluate compliance with this criterion.** The MRM proposal will reduce the employment capacity of the site by over 800 jobs. In addition to a significant reduction in the overall number of jobs on site, the MRM proposal will also reduce the quality of the jobs on site. The MRM proposal trades high-wage office jobs for low-wage retail jobs. In a response letter in the Final SEIS, the consultants respond to concerns about the economic impacts of the MRM proposal by saying, "Wages, personal income and economic competition are types of non-environmental information that are not required to be discussed in an EIS." (4-4). They also say, "The [economic] analysis is not intended or required to be as detailed as the EIS analysis, nor is it designed to reach a precise or quantitative conclusion regarding the benefits of the individual alternatives." (4-10) Because of the loss of jobs, the loss of synergies in office use in the CBD 5 area, and the inconsistency of a residential development with these office uses, the MRM proposal is fails to meet this criteria.
The compatibility with and impact on adjacent land uses and surrounding neighborhoods.	**Both the height and the uses proposed on the MRM property will negatively impact adjacent land uses and the surrounding neighborhood.** The proposed 8-story height limit is inconsistent with any other buildings in the neighborhood and will block views from existing developments. Eliminating long-standing policies that intentionally concentrated a critical mass of employment uses along the eastern edge of the CBD will negatively impact the existing synergy of uses and reduce the desirability of the area as an office location for small and mid-size companies. This will impact the ability to retain and attract quality office tenants.
The adequacy of and impact on public facilities and services, including utilities, roads, public	**Kirkland's park facilities are inadequate to handle increased residential development and the impacts of the MRM proposal on emergency services have not been adequately addressed.** The SEIS acknowledges that the City is not currently meeting its

transportation, parks, recreation, and schools.	adopted LOS standards for neighborhood parks and indoor athletic and recreation space. MRMs proposal to develop the site with residential units instead of commercial uses will exacerbate this problem. Similarly, the SEIS acknowledges that the City's fire department does not currently meet its response time goals. The MRM proposal to change the property from day-time occupancy commercial uses to residential uses with cooking facilities and increase building heights to 100-feet has significant fire and life safety implications. An appropriate service area radius for a ladder truck is 2.5 miles. Kirkland's only ladder truck is approximately 3.9 miles from the MRM property. In a response letter in the Final SEIS, the consultants respond to concerns about impacts on emergency services by suggesting that "As an additional potential mitigation measure, however, the City could require that proposed projects on the MRM site be evaluated by the Kirkland Fire Department to identify staffing, facility, and equipment needs that would result from the project." (4-10) However, deferring such analysis to the project stage is inappropriate. To comply with this criterion, the analysis must occur before, not after, the proposed amendments.
The quantity and location of land planned for the proposed land use type and density.	**The MRM proposal would add to Kirkland's existing surplus housing capacity and reduce needed employment capacity.** MRM is requesting to change the allowed use of the property from employment generating uses to residential uses despite evidence that there is a greater need for employment in Kirkland's CBD than for residential units. In evaluating the MRM proposal, the City must consider the supply of residential property (what MRM is requesting) in Kirkland's CBD compared to the supply of commercial/office property (what MRM has now) as well as the location of the MRM property in a cluster of office development where an eight story residential structure would be an anomaly and inconsistent with surrounding uses. Trading the employment potential of the MRM property for housing units would move the city further out of compliance with its stated jobs to housing ratio policy.
The effect, if any, upon other aspects of the	**The City has failed to provide the information or analysis necessary to evaluate compliance with this criterion.**

Comprehensive Plan.	The SEIS on the proposal listed the policies that the proposal was inconsistent with but did not evaluate the effect that altering those policies would have on the Comprehensive Plan. In a response letter in the Final SEIS, the consultants respond to concerns about the lack of policy analysis by saying, "at the time the Draft SEIS was published, the Planning Commission and City staff had not yet determined how implementation measures might be crafted to address policy inconsistencies or other environmental impacts. The policy analysis, therefore, is based broadly on the location of the proposal, potential uses and maximum building heights, and no decision on how to proceed would be made until after publication of this Final SEIS." (Final SEIS, 4-3) Despite the Final SEIS admitting that only broad and speculative policy analysis could be completed without specific implementing amendments, the staff report claims that the policy review in the SEIS was adequate and satisfies this review criterion. To this date, staff has not proposed Comprehensive Plan or zoning code revisions that would enable the MRM proposal to proceed. Without a specific amendment proposal, it is impossible to consider the effect of the MRM proposal on the Comprehensive Plan.
Pursuant to KZC 140.30, the City may amend the Comprehensive Plan only if it finds that:	
Criteria	**Compliance Analysis**
The amendment must be consistent with the Growth Management Act.	The land capacity assumptions being used for Kirkland's 2015 Comprehensive Plan Update assumes Parkplace will be developed with 1.2 million square feet of office and 592,700 square feet of commercial despite a 2009 study that concluded a reasonable projection would be the addition of a maximum of 150,000 square feet of new retail space in the downtown area. The difference between the city's wishful thinking and the market reality is a difference of more than 3200 jobs. Together with the reduced (800 jobs lost) employment capacity associated with the MRM proposal, Kirkland will be unable to meet its GMA obligation of providing land capacity to achieve its employment allocation.
The amendment must be consistent with the countywide planning policies.	**The City has failed to provide the information or analysis necessary to evaluate compliance with this criterion.** The Final SEIS states that only broad and speculative policy analysis could be completed without specific implementing amendments. Despite this acknowledgment, the staff report claims that the policy review in the SEIS was adequate and satisfies this review criterion.

	To this date, staff has not proposed Comprehensive Plan or zoning code revisions that would enable the MRM proposal to proceed. Without a specific amendment proposal, it is impossible to evaluate the consistency of the MRM proposal with countywide planning policies.
The amendment must not be in conflict with other goals, policies, and provisions of the Kirkland Comprehensive Plan.	**The City has failed to provide the information or analysis necessary to evaluate compliance with this criterion.** The Final SEIS states that only broad and speculative policy analysis could be completed without specific implementing amendments. Despite this acknowledgment, the staff report claims that the policy review in the SEIS was adequate and satisfies this review criterion. To this date, staff has not proposed Comprehensive Plan or zoning code revisions that would enable the MRM proposal to proceed. Without a specific amendment proposal, it is impossible to evaluate the consistency of the MRM proposal with the Comprehensive Plan.
The amendment will result in long-term benefits to the community as a whole, and is in the best interest of the community.	**The MRM proposal is not in the best interest of the community.** The proposal benefits only the property owner, with externalities – such as exacerbating the parks shortage, altering the view and character of the neighborhood, compromising the viability of surrounding businesses, and decreasing needed employment capacity – passed on to the community. The public benefits proposed by the applicant are minimal and do not outweigh the public detriment of a project that is inconsistent with long-standing policies that seek to protect good quality jobs in the CBD.
Pursuant to KZC 135.20, the City may decide to approve a legislative rezone only if it finds that:	
Criteria	**Compliance Analysis**
Conditions have substantially changed since the property was given its present zoning or the proposal implements the policies of the Comprehensive Plan; and	**Conditions have changed in the CBD, but the changes make protecting employment capacity more critical not less.** Over the past two decades, the overwhelming majority of redevelopment projects on properties in the CBD that allow either office or residential development have been developed with residential uses. This is moving Kirkland in the wrong direction for compliance with its desired jobs/housing ratio.

	Furthermore, the future redevelopment of Parkplace – once seen as the answer to the need for retail and office capacity in the CBD – has become uncertain. Recent meetings between the City and Prudential and its new development partner, Talon, confirm that a smaller office project will less retail is being planned. The prior assumptions of how much office and commercial development will occur at Park Place are no longer accurate. Conditions have changed since the CBD-5 zone was established. Residential development has exploded in the CBD and a large office development project failed to launch. These changes make protecting employment capacity more critical than ever before.
The proposal bears a substantial relationship to the public health, safety, or welfare; and	**The City has failed to provide the information or analysis necessary to evaluate compliance with this criterion.** Without a more detailed analysis of the ability of the city's fire department to serve taller buildings in this location and respond to incidents in a timely manner, it is impossible to evaluate compliance with this criterion.
The proposal is in the best interest of the community of Kirkland.	**The MRM proposal is not in the best interest of the community.** The proposal benefits only the property owner, with externalities – such as exacerbating the parks shortage, altering the views and character of the neighborhood, compromising the viability of surrounding businesses, and decreasing needed employment capacity – passed on to the community.
Pursuant to KZC 135.25, the City may amend the text of the Zoning Code only if it finds that:	
Criteria	**Compliance Analysis**
The proposed amendment is consistent with the applicable provisions of the Comprehensive Plan; and	**The City has failed to provide the information or analysis necessary to evaluate compliance with this criterion.** The Final SEIS states that only broad and speculative policy analysis could be completed without specific implementing amendments. Despite this acknowledgment, the staff report claims that the policy review in the SEIS was adequate and satisfies this review criterion. To this date, staff has not proposed Comprehensive Plan or zoning code revisions that would enable the MRM proposal to proceed. Without a specific amendment proposal, it is impossible to evaluate the consistency of the MRM proposal with the Comprehensive Plan.
The proposed amendment bears a	**The City has failed to provide the information or analysis necessary to evaluate compliance with this criterion.**

substantial relation to public health, safety, or welfare; and	Without a more detailed analysis of the ability of the city's fire department to serve taller buildings in this location and respond to incidents in a timely manner, it is impossible to evaluate compliance with this criterion.
The proposed amendment is in the best interest of the residents of Kirkland; and	**The MRM proposal is not in the best interest of the community.** The proposal benefits only the property owner, with externalities – such as exacerbating the parks shortage, altering the views and character of the neighborhood, compromising the viability of surrounding businesses, and decreasing needed employment capacity – passed on to the community.

Conclusion

In conclusion, other than MRM's desire to build an 8-story multifamily project on its property, there is no reason why the City should even be considering this request. MRM's proposal contravenes the strong, long-standing, and critical policies of the City. MRM has presented no compelling public policy reasons to change the City's Comprehensive Plan and Zoning Code. At the same time, market decisions in downtown and recent announcements by the owners of Parkplace demonstrate, even more, the need to retain all of CBD-5 as an area that emphasizes office development and limits residential use.

Likewise, MRM has failed to provide any basis to change policy and code which restricts height on the MRM site to a maximum of five stories. MRM fails to grasp the clear message adopted by the City Council in the 2008 Comprehensive Plan update, that the 8-story height allowance for Parkplace was due to the unique characteristics of that property and the unique master plan development committed to by Parkplace.

The City's adopted policy and the interests of the City must drive this decision, not one owner's desires. While office redevelopment on the MRM property may take longer to implement, the City's Comprehensive Plan necessarily has a longer time horizon. The MRM site should continue to be governed by Kirkland's existing land use policies and CBD-5's existing zoning standards. MRM's proposal should be denied.

Very truly yours,

Brent Carson

BC:jes

Attachments

cc: Client
Ms. Angela Ruggeri

ATTACHMENT 2

TESTIMONY OF DAN W. KILPATRIC

KIRKLAND PLANNING COMMISSION

MARCH 3, 2013

My name is Dan Kilpatric. I am a partner in the law firm of Davidson and Kilpatric, which is located in the Emerald Building at 520 Kirkland Way, adjacent to MRM's property.

I am a trial lawyer. Part of my job as a trial lawyer is to understand who has the burden of proof. Often, for my personal injury cases, my clients have the burden of proof, and my job, as their attorney, is to present sufficient evidence to meet our burden of proof.

Now I'm not a land use attorney but I know that MRM has the burden of proof in this matter.

MRM wants the right to build an 8 story apartment on its property. The current and long-standing policies in the City's Comprehensive Plan and the specific development standards in its City's zoning code, applicable to MRM, prohibit MRM from building an 8 story apartment. These existing policies and code standards limit the uses in CBD-5 to primarily office use and restrict residential use to a small component. These existing policies and code standards also limit development in CBD 5 to 5 stores in height or less.

The City Code does provide a means to change these policies and codes, but only if MRM can meet its burden of proof to demonstrate that these existing policies that restrict residential use and limit height should be changed. MRM has failed to meet its burden of proof.

MRM argues that there is a current demand for multifamily development on its site. So what! The City's Comprehensive Plan and Development Standards establish long-term development policy to benefit the City as a whole, not to meet the economic needs of one property owner. MRM has failed to demonstrate why the office restrictions should be eliminated in CBD 5.

MRM argues that the City should give MRM the height limits that the Council established for Parkplace. But MRM fails to show that its property or its future development is anything like Parkplace. MRM ignores the significant differences between the Parkplace property (its size, location on Central Ave. and existing topographic features) and MRM's property. MRM ignores the unique pedestrian-friendly large-scale retail development proposal and grand open public plazas proposed in the Parkplace master plan. It was that plan, and the unique features of the Parkplace site, which expressly contributed to the City's incentive height increase provided to Parkplace. MRM offers nothing comparable in return for its proposed 8 story height bonus.

The City has had good reason to retain its important policy and code limitations for CBD 5.

I work in a beautiful Class A office building surrounding by other Class A office buildings. Our firm, as other businesses in these office buildings, pays good living wages and contributes to the economic well-

being of Downtown Kirkland. Significant multifamily development has occurred throughout most of the downtown are but, importantly, CBD 5 has been protected from multifamily so that it can continue to flourish as a Class A office core.

MRM has failed to meet it burden of proof. Its application should be denied.

ATTACHMENT 3

Angela Ruggeri

From: Bea Nahon <Bea.Nahon@nahoncpa.com>
Sent: Wednesday, March 11, 2015 4:09 PM
To: Planning Commissioners
Cc: Angela Ruggeri
Subject: MRM proposal, Thursday 3/12/15 Planning Commission meeting
Attachments: Puget_Sound_Office_MarketView_Q4_2014.pdf

As much as I wish I could, I cannot support this proposal by MRM. After all, the current site is clearly the fading memory of an old hardware store surrounded by a mass of asphalt, where only those sanctioned by Microsoft can park. However, just because a proposal could make things better than what is there now, is not reason in and of itself for change.

Why not? Because the activity occurring at that site, is exactly what should be going on: JOBS. Now imagine it developed, with the current zoning, with even more square footage for JOBS. More employers, tech, office, professional, support, you name it. That is what should happen on that site, not more residential. And moreover, since that is what the plan already calls for and what the site is already zoned for, why would it be in the best interests of the City to change it? The answer is simple. It's not in our best interests.

Consider the goals for our core area. First of all, we will hit our GMA targets for residential without a blink of the eye, and well in advance of 2035.

But what about jobs? That is where we need to focus our attention. Moreover – and Jeremy McMahan can give you more information about this particular matter – for our downtown core to achieve status as a Designated Urban Center, which would benefit us greatly for infrastructure benefits in years to come – <u>where we fall behind in our zoning is in employment</u>. Our current zoning in the downtown core gives us just under 11,000 jobs. In order to get Designated Urban Center status, we need zoning for 15,000 jobs. If this site is rezoned residential, it reduces the existing 11,000 and takes us even further away from getting to 15,000.

Don't sell Kirkland short as a desirable place for office tenancies – in fact, see Page 2 of the attached and you will see that Kirkland has the lowest office vacancy rate on the entire eastside, at only 4.5%! That compares to Bellevue with a vacancy rate of 9.3% and an overall eastside vacancy rate of 11%. The space shown as coming online for Kirkland is the Google redevelopment so that's all spoken for. What does this tell us? It tells us that Kirkland is hot, it's desirable, and there's demand. And by the way, look at the lease rates, we're getting closer to Bellevue's rates. Let's see, low vacancy and higher rents. Sounds attractive to me!

Consider this: Think about Park Place and the PAR that was recently approved. This site is contiguous to Park Place. Now imagine - what you would have done had Talon come in as the owner of both sites, to develop the entire area, and if they had wanted to reduce commercial and replace it with that much more residential at the site? You allowed, and many of us supported, a reasonable addition for the residential above QFC, but I'd hope you would have held the limit right there. So why, just because there are two separate owners, would we change the plan for the area and take away the office space and place that much more residential square footage in this key area?

Think about the overall site and its connectivity and flow. Think about the Comp Plan. Think about jobs. This is not about saying no, it's about saying yes to employment goals and about saying yes to keeping the well thought out plan as it stands for this zone.

Thank you for your consideration of these comments.

Bea Nahon
129 Third Ave
Kirkland WA

Please consider the environment before printing this e-mail or attachments.

Puget Sound Office, Q4 2014

Strong growth increased building values

Total Vacancy Rate 13.7%

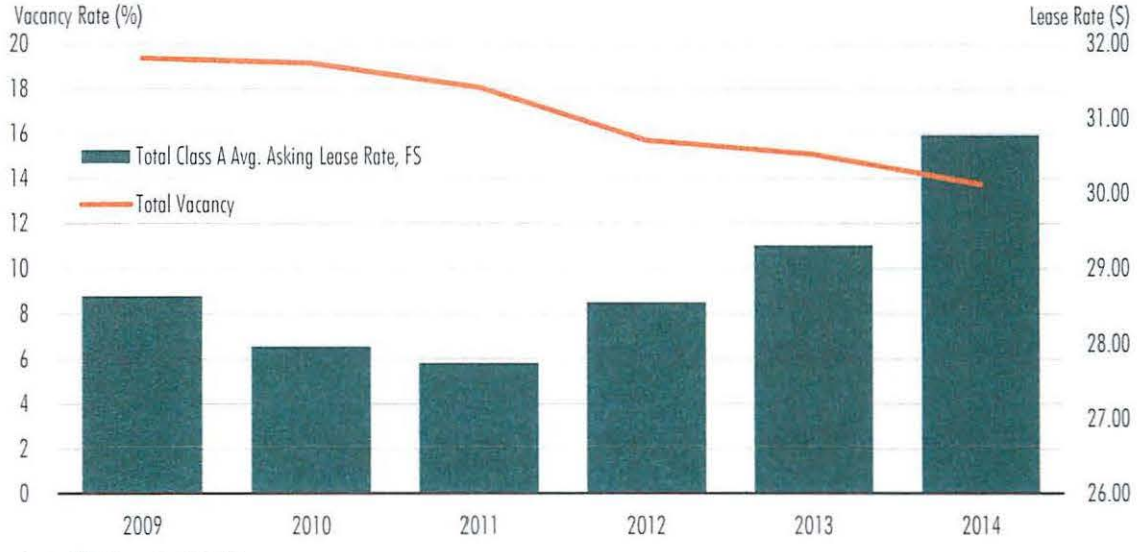
Lease Rate $31.33 PSF

Net Absorption 865,061 SF

Completions 487,586 SF

*Arrows indicate change from previous quarter.

Figure 1: Vacancy vs. Class A Avg. Asking Lease Rate



Source: CBRE Research, Q4 2014.

Technology tenants continued to expand in the Puget Sound region, prompting developers to start more speculative projects to insure adequate space for future needs. As evidence of growth, net absorption is running well above normal; 2014 recorded nearly 2.4 million sq. ft. of new occupancy compared to the 20-year average of 1.5 million sq. ft. per year. Total (direct and sublease) vacancy declined to 13.7% at the end of the fourth quarter, down 670 basis points since the middle of 2010. Leases to tenants in technology fields accounted for nearly 3.0 million sq. ft. per year, or 40% of the new leasing activity in the Puget Sound region in each of the last two years, this is up from 30% of new leases in the years 2010-2012.

DOWNTOWN SEATTLE

The Downtown Seattle market continued its bullish pace through the fourth quarter with average Class A asking rents climbing to $36.17 per sq. ft., per year, full service, up from $35.49 at the end of the third quarter. Strong demand of 745,208 sq. ft. of net absorption Downtown drove vacancy from 12.2% to 11.5% during the quarter.

Figure 2: Market Statistics

Submarket	Net Rentable Area (SF)	Total Vacant (SF)	Total Vacancy Rate (%)	Q4 2014 Net Absorption (SF)	Last 4 Qtrs Net Absorption	Under Construction	Direct Gross Class A Avg. Asking Lease Rate ($/SF/Yr)	Total Gross Class A Avg. Asking Lease Rate ($/SF/Yr)
Seattle CBD	20,561,510	3,236,085	15.7	(75,856)	(4,161)	1,233,725	37.36	36.48
Waterfront	2,443,436	235,841	9.7	91,117	275,136	0	32.15	30.43
Pioneer Square	4,072,025	437,997	10.8	42,050	130,787	0	31.87	34.11
Denny Triangle/Regrade	6,722,423	594,225	8.8	266,493	178,887	280,425	31.79	29.48
Lower Queen Anne	3,105,837	513,908	16.5	32,267	69,486	0	30.22	28.80
Lake Union	5,458,422	339,726	6.2	404,102	401,747	2,072,094	35.64	35.45
Canal	1,499,836	66,686	4.4	(14,965)	207,662	208,000	29.68	30.53
Downtown Seattle	43,863,489	5,424,468	12.4	745,208	1,259,544	3,794,244	36.17	34.90
N Seattle/Interbay	2,405,343	245,680	10.2	(2,121)	(47,350)	0	25.74	25.76
Capitol Hill/Rainier	1,123,254	109,707	9.8	27,979	142,914	25,000	33.56	33.56
South/West Seattle	1,782,751	577,603	32.4	24,093	35,072	0	31.18	31.18
Seattle Close-In	5,311,348	932,990	17.6	49,951	130,636	25,000	29.76	29.66
Sea-Tac	957,876	272,909	28.5	5,885	20,691	0	21.94	21.94
Tukwila	2,132,576	267,836	12.6	2,714	43,288	0	21.39	21.49
Renton	3,189,774	383,053	12.0	28,786	21,883	0	23.31	23.24
Kent	1,223,908	425,898	34.8	3,765	(11,086)	0	23.10	22.92
Auburn	289,025	48,041	16.6	(3,507)	372	0	21.35	19.91
Federal Way	2,289,565	590,427	25.8	(4,963)	23,210	0	20.89	20.89
Southend	10,082,724	1,988,164	19.7	32,680	98,358	0	21.96	21.81
Bellevue CBD	7,911,531	737,934	9.3	110,216	21,844	1,522,000	39.16	37.38
I-405	2,879,969	327,255	11.4	(12,488)	64,907	0	27.92	28.04
SR-520	2,579,812	281,070	10.9	(28,864)	(4,890)	0	28.74	28.04
I-90	6,698,025	895,643	13.4	84,473	493,561	0	30.21	29.89
Bel-Red Road	1,501,719	105,540	7.0	9,668	(10,985)	0	31.18	31.18
Kirkland	1,465,805	65,279	4.5	1,787	42,897	180,000	35.94	35.11
Redmond	4,159,595	548,280	13.2	(47,737)	180,456	0	25.59	24.95
Bothell	2,787,948	322,878	11.6	(6,557)	163,096	0	26.47	26.40
Eastside	29,984,404	3,283,879	11.0	110,498	950,886	1,702,000	31.61	31.02
Lynn/Edm/Mtlk Terr	2,502,650	523,210	20.9	34,577	12,258	0	25.04	24.12
Everett	1,966,996	346,531	17.6	(26,915)	34,703	0	22.49	22.49
Northend	4,469,646	869,741	19.5	7,662	46,961	0	24.12	23.58
Tacoma CBD	2,856,552	440,606	15.4	(10,639)	(52,152)	0	25.85	26.21
Tacoma Suburban	1,186,039	171,695	14.5	(76,035)	(64,426)	0	25.25	25.25
Fife	213,994	31,270	14.6	0	(4,050)	0	24.00	24.00
Puyallup	456,997	56,186	12.3	5,736	6,411	0	20.56	20.56
DuPont	1,038,802	472,000	45.4	0	0	0	N/A	N/A
Tacoma/Fife	5,752,384	1,171,757	20.4	(80,938)	(114,217)	0	24.82	25.27
Market Total	99,463,995	13,670,999	13.7	865,061	2,372,168	5,521,244	31.33	30.78

Source: CBRE Research, Q4 2014.

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In the Seattle CBD, Zillow made news by committing to an additional 113,470 sq. ft. in Russell Investments Center. Occupancy is phased over several years with their total to be just over 280,500 sq. ft. The space became available due to Dendreon's bankruptcy.

Daniels Development broke ground at its planned Fifth and Columbia office/hotel, which will add 528,000 sq. ft. of new office space, and Schnitzer West began site work on its 750,000 sq. ft. Madison Centre project. These buildings are the first new Class A+ projects in a decade in the Seattle CBD.

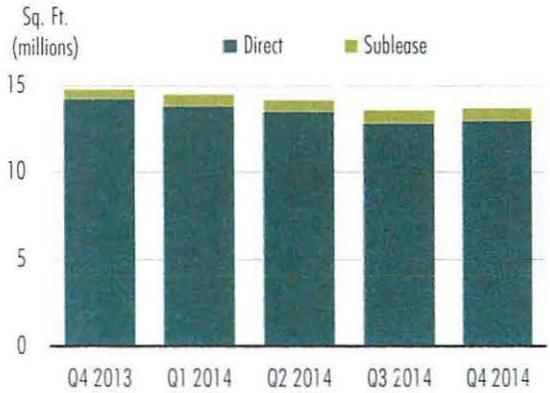
The Lake Union, Denny Regrade and Canal submarkets are the center of the exploding technology community. Impinj leased 52,000 sq. ft. at 400 Fairview, to be occupied upon delivery in the summer of 2015. Nanostring Technologies agreed to expand its footprint by 21,500 sq. ft. of biotech space at 500 Fairview, also a project under construction with expected completion in early 2016. Amazon.com took occupancy at Phase VI, a 385,500 sq. ft. build-to-suit, and over 200,000 sq. ft. at Blanchard Plaza, driving most of the net absorption Downtown for the quarter. Three sites started construction this quarter: Schnitzer West's 278,000-sq. ft. Urban Union building, 150,000 sq. ft. at 1101 Westlake being developed by Holland Partner Group, and NorthEdge Technology Center, a Touchstone building totaling 208,000 sq. ft.

Pioneer Square and the South/West Seattle submarkets are also seeing growing activity. For example, Galvanize leased 70,599 sq. ft. at 111 South Jackson for a business incubator, continuing the neighborhood's reputation for fostering startup companies.

EASTSIDE

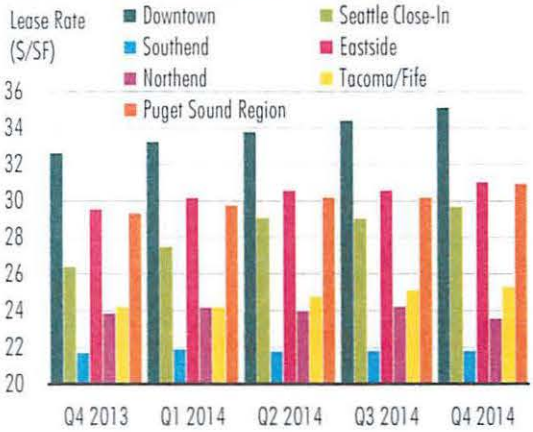
In addition to Kemper Development's 400 Lincoln Square project and Trammell Crow's 929 Office

Figure 3: Vacant



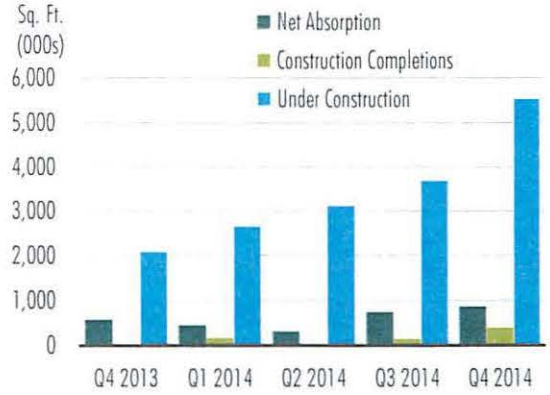
Source: CBRE Research, Q4 2014.

Figure 4: Total Class A Asking Rent, Full Service, per Year



Source: CBRE Research, Q4 2014.

Figure 5: Absorption and New Construction



Source: CBRE Research, Q4 2014.

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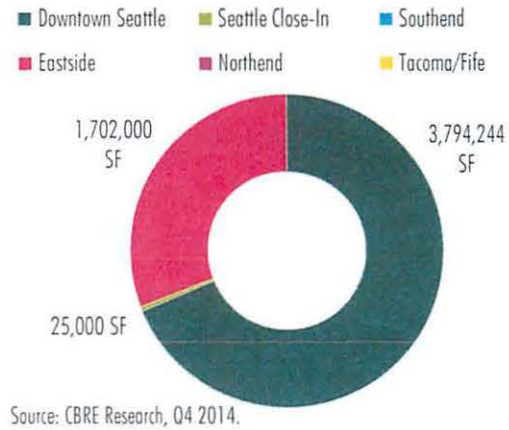
Tower, downtown Bellevue saw another large office development break ground with Schnitzer West's Centre 425 Building. Together, these three projects will usher in approximately 1.5 million sq. ft. of new office space, a 22% increase in class A office product in the downtown area. 929 Office Tower will be ready for occupancy in late 2015, while Lincoln Square and Centre 425 are scheduled to open in 2016. The suburban market captured the largest lease on the Eastside this quarter, 36,062 sq. ft. leased to SpaceX at NW Technical Center, Building A in Redmond.

Figure 6: Sq. Ft. Under Construction



Source: CBRE Research, Q4 2014.

NORTHEND

With the Downtown Seattle and Eastside office markets becoming tighter and the benefit of more affordable lease rates, the Northend has seen a gradual increase in activity. The spillover effect into the Northend has resulted in a flurry of smaller deals. Radia, for example, moved into 23,000 sq. ft. at Redstone Corporate Center. This steady trend will continue as long as demand in the Downtown Seattle market drives up lease rates, making the Northend market more attractive to tenants.

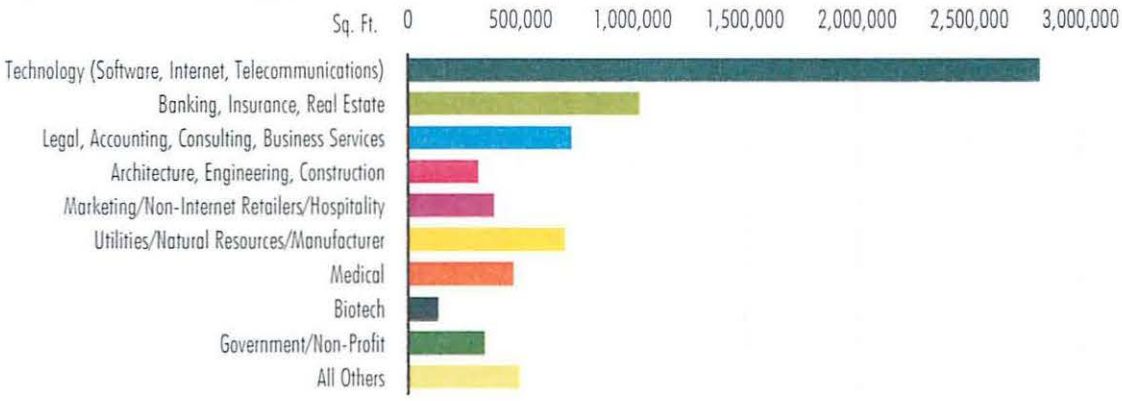
SOUTHEND

The Southend market experienced nearly 100,000 sq. ft. of net absorption in 2014, though vacancy remains near 20%. During the fourth quarter, a significant lease to Southlake Clinic for 13,890 sq. ft. was signed at Time Square in the Renton submarket

TACOMA

Vacancy in the Tacoma market climbed sharply due to the addition of two formerly owner-occupied buildings sold by Intel in the DuPont submarket. The new owner, Fortress Investment, is marketing 470,000 sq. ft. of vacant space after leasing back 180,000 sq. ft. to the chip manufacturer.

Figure 7: 2014 New Office Leasing by Business Sector



Source: CBRE Research, Q4 2014. Includes buildings outside the survey criteria

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INVESTMENT SALES

Investment Sales were dynamic during the fourth quarter due to both increased occupancy and asking rates. Unico Properties was the most active buyer at the end of the year, spending $147 million on the Buttnick, City Loan and Grand Central buildings; Stone 34; and PEMCO's headquarters. The largest transaction was the sale of 1111 Third and Second & Spring, sold to Ivanhoé Cambridge and Callahan Capital Properties for $280 million, a blended cost of $413 per sq. ft. Rockpoint Group sold the Pacific Building to Brickman for $50 million, or $390 per sq. ft., realizing $15 million in additional value since buying it for $35 million only 18 months earlier. Real Capital Analytics reports cap rates for sales over $2.5 million remained stable at 6.0% during the third quarter.

ECONOMY

Employment prospects in the Puget Sound region continued to outpace the nation, earning the spot of sixth best in WalletHub's recent poll of "2015's Best and Worst Metro Areas for STEM Professionals". Echoing that, Conway & Pedersen Economics forecasts a 2.6% increase in jobs in 2015, after a 3.0% rise, or 49,500 new positions in 2014. The unemployment rate has steadily declined, currently at 4.7% for Seattle-Bellevue-Everett and 7.0% for Tacoma, seasonally adjusted. The growing population and employment figures likely spell continued economic prosperity for the region.

Figure 8: Key Transactions

Tenant	Type	Sq. Ft.	Building	Submarket	Business Sector
HomeStreet Bank	Renewal	141,784	Two Union Square	Seattle CBD	Banking
Zillow	Expansion	113,470	Russell Investments Center	Seattle CBD	Technology
Tableau Software	Renewal & Expansion	±100,000	Lake Union Center, Plaza Building & Lakeview Building	Canal	Technology
Galvanize	New	70,599	111 S Jackson	Pioneer Square	Business Incubator
BECU	Purchase	62,700	Gateway Corporate Center, Building 7	Tukwila	Banking
Impinj	New	51,626	400 Fairview	Lake Union	Technology
Evergreen Home Loans	Purchase	42,438	Former PCL Building	I-90	Banking
SpaceX	New	36,062	NW Technical Center, Building A	Redmond	Technology
Facebook	Expansion	25,691	Metropolitan Park East	Denny Triangle	Technology
Limeade	New	23,293	The Summit, Puget Sound Energy Building	Bellevue CBD	Technology

Source: CBRE Research, Q4 2014.

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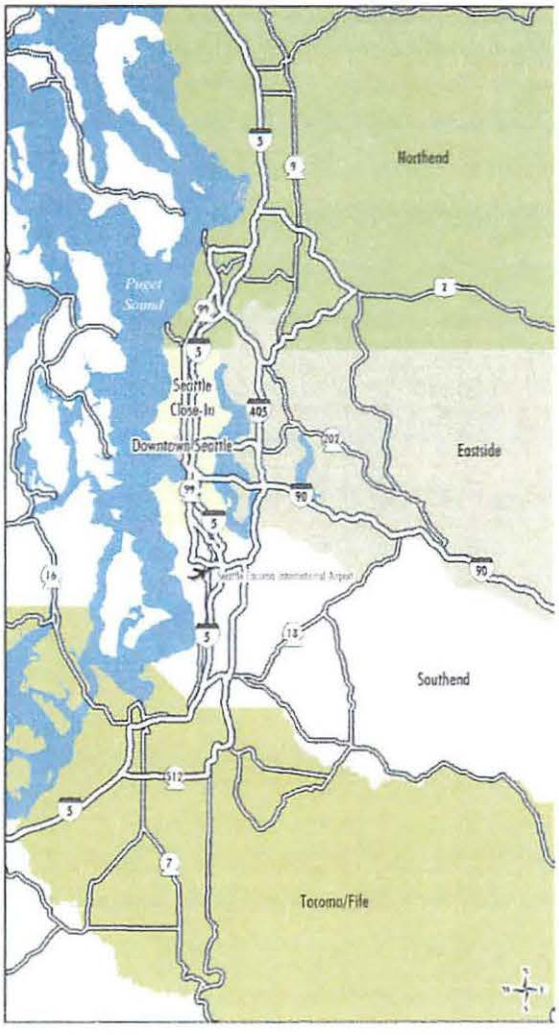

SURVEY CRITERIA

The market includes competitive (typically investor-owned) office buildings over 10,000 sq. ft. It does not include medical office or biotech space.

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ATTACHMENT 4

DAVIDSON SERLES & ASSOCIATES

(425) 822-2228

520 KIRKLAND WAY, SUITE 400
PO BOX 817
KIRKLAND, WASHINGTON 98083-0817

FAX (425) 827-8725

March 11, 2015

VIA EMAIL

Kirkland Planning Commission
Kirkland City Hall
123 Fifth Avenue
Kirkland, WA 98033

Re: MRM Comp Plan Request
File No. SEP 13-00554/ZON11-00006

Dear Commissioners,

After your hearing on MRM's PAR a year ago, members of your board discussed and concurred that the case had not been made for changing the uses in the Comprehensive Plan for CBD5. Because of the time constraints, the discussion of the requested change in heights was continued for a month. Realizing that it had lost its request for a change in use and may perhaps lose on the height issue, MRM asked to table its PAR before your April meeting and ultimately agreed to withdraw its PAR and submit its requests for Comp Plan changes as part of the citywide review of the Comprehensive Plan. No doubt their hope was that something might arise from upcoming presentation of a new plan for Parkplace or that memories may fade so that you would reach a different conclusion when the it came up for consideration a year later.

Lest memories fade, I am attaching two exhibits I shared with your board over a year ago. The first lists all the properties in the CBD which have been redeveloped since 1990. It demonstrates that 80% of the land in the CBD which has been redeveloped in the last 25 years has been redeveloped as large multi-family projects. There have been 22 multi-family projects compared to 4 new office projects over that period. All of the sites for these multi-family projects were zoned for office use, but their developers chose the allowed residential use instead. Only half of these multi-family projects contain any retail space. The retail activity in these projects has been anemic at best and marked by high rates of vacancy and tenant turn-over. The predominant retail activities in these projects has been hair salons and coffee and tea shops. In some cases, the landlord has given up on retail tenants and installed such tenants as a Kung Fu studio, an after-school tutoring service and a physical therapy facility. These projects offer little employment and economic vitality to the community.

The second exhibit shows the cluster of Class A office buildings which form the backbone of downtown Kirkland's employment center and the names of national tenants and types of local firms with high paying jobs who have located there. These buildings are

surrounded by many smaller Class B office buildings which also contribute this employment center. In hearings before you, Parkplace's new developer, Bill Pollard, explained how Kirkland competes favorably against Bellevue and Seattle in attracting major office tenants. The list of present and past tenants in the attached exhibit proves his point. The synergy of this office market is about to be improved with the first phase of redevelopment of Parkplace which will bring around 100,000 square feet of new retail space, 200,000 square feet of new office space, a health club and a remodeling of the 5-story Parkplace Tower.

The immediate plans for Parkplace do not foreclose, but rather enhance the opportunities for MRM's commercial property. Mr. Pollard has said that there is no set timetable for when the office buildings in the second and third phase of their project will be built. Those decisions will be made in Prudential's corporate offices when they analyze the Kirkland office market and other markets and decide where to deploy their capital. Thus, opportunities exist for local developers who are more nimble. The region, and indeed the nation, is in a period of strong job growth, which is resulting in low vacancy rates and rising rents in the Eastside office market. The rising demand for office space creates opportunities for MRM and many other commercial property owners to bring a new generation of office buildings into the market.

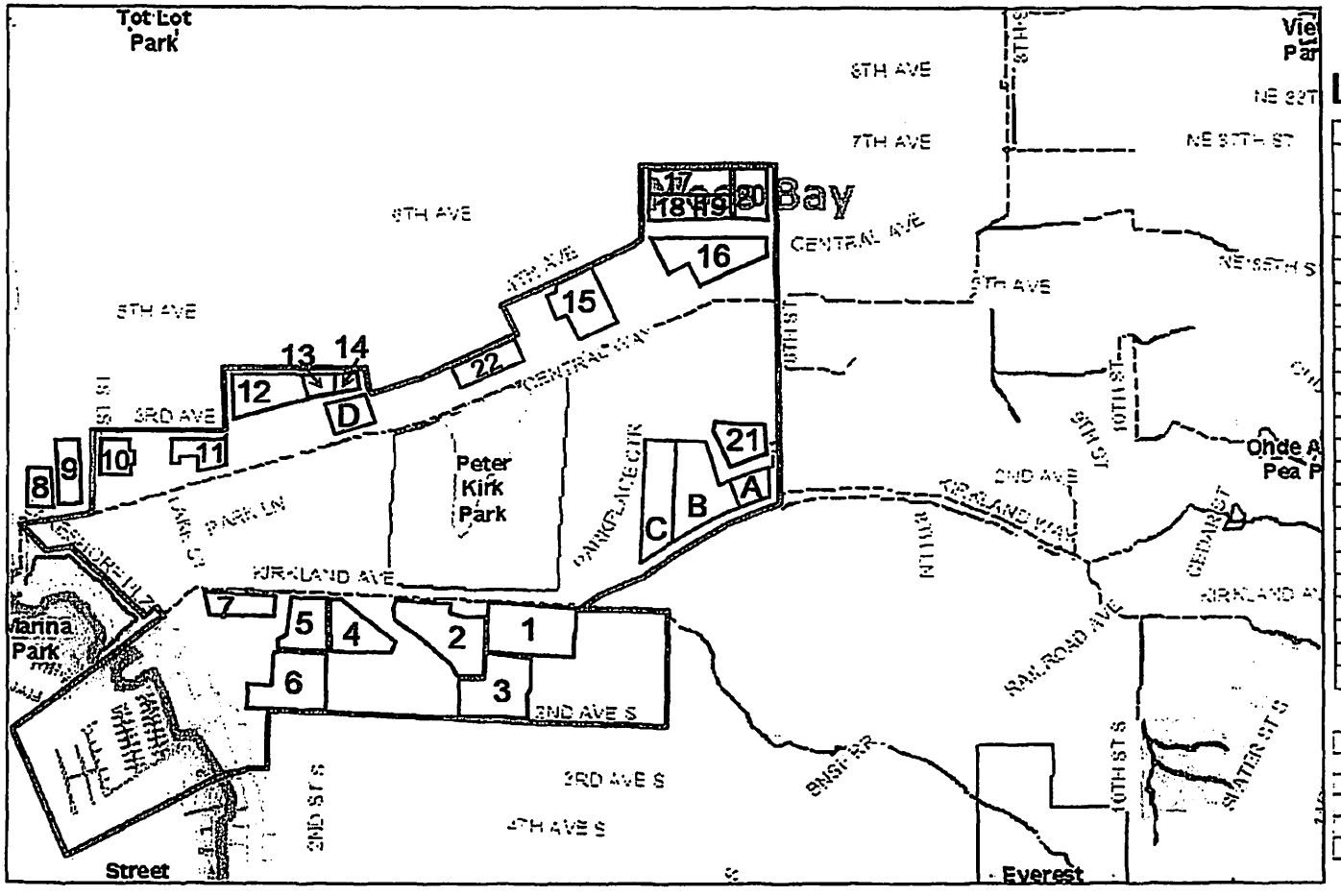
MRM bought its property knowing full well the terms of its commercial zoning. It benefitted from millions of dollars invested by Microsoft to turn its building into a state-of-the-art computer facility where Microsoft has designed and tested its computer games. When (and if) Microsoft leaves, MRM can either lease this incredible high-tech facility to another tech company and/or build a new office building on the property. Either way, it will enjoy a return on its investment and there will be high paying jobs in Kirkland.

In conclusion, the original vision in the Comprehensive Plan for CBD5 as downtown Kirkland's employment center has been working and has a bright future. This area and across 6th street to the east have, in fact, been the primary areas for office development over the last 25 years and the location of the kinds of employers Kirkland needs to be a place where its people can both live and work. MRM has presented no compelling reason for departing from that vision. As owners of the Emerald building we are concerned that MRM's request would diminish the appeal of this office area generally and the Emerald building in particular to high quality tenants. Reputation and public perception are important. Kirkland's office market in and around Parkplace has a solid reputation which has attracted an impressive list of employers to Kirkland. Kirkland should seek to build upon and not do anything to diminish that reputation. The success of this office market is particularly important in light of analysis our legal counsel has presented which shows Kirkland falling 12% short of the GMA employment targets. The Planning Commission should stay the course and keep the vision in the Comprehensive Plan of CBD5 as the best opportunity for employment in the downtown.

Sincerely yours,

Kenneth H. Davidson

Residential and Office Development in Downtown Kirkland (CBD) Since 1990

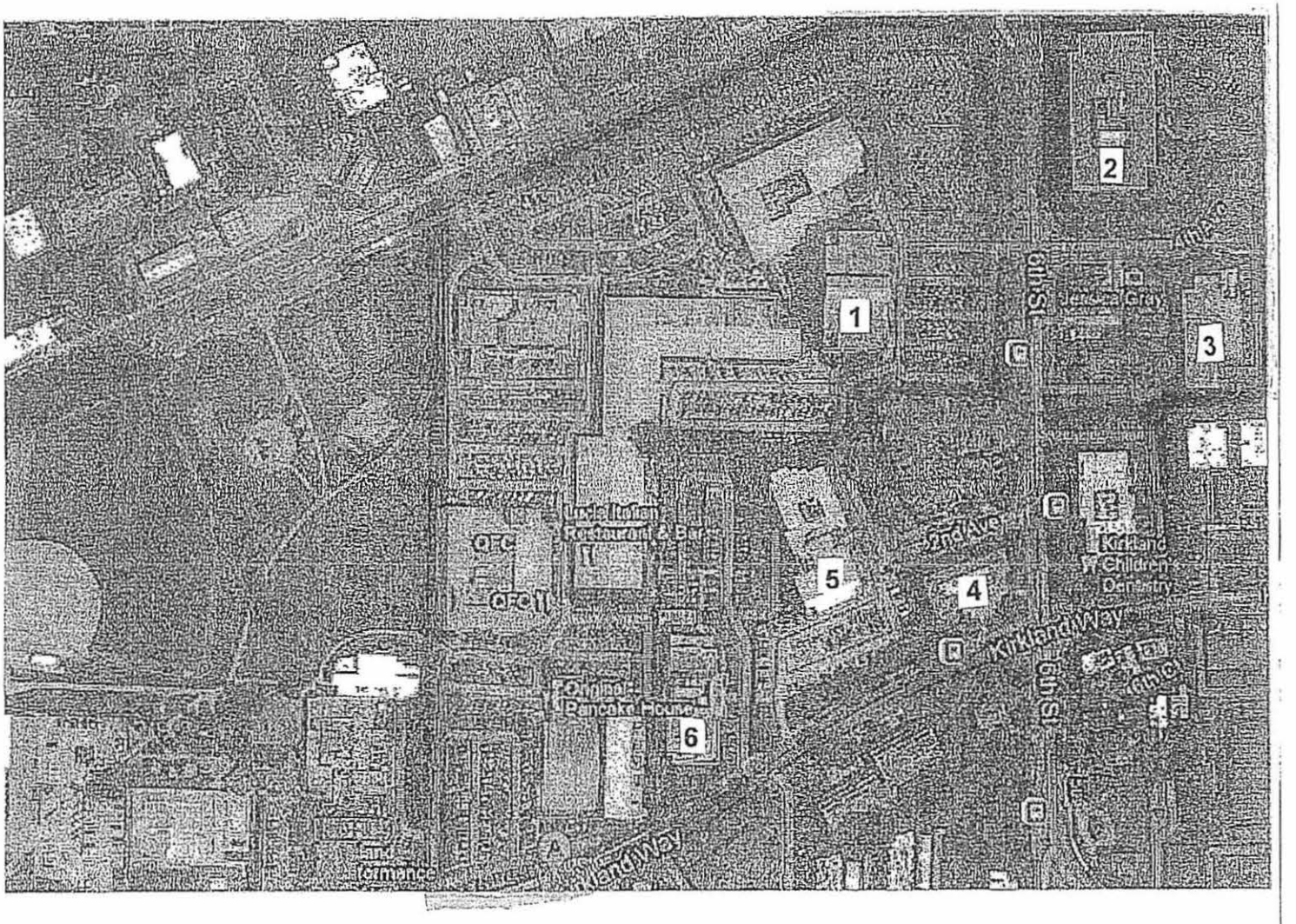


LEGEND

RESIDENTIAL			
	Project Name	Year Built	Lot Size (sf)
1	Boulevard	2006	72,000
2	Plaza on State	1995	72,314
3	128 on State	2007	65,397
4	Kirkland Central	2005	41,526
5	Merrill Gardens	2008	35,432
6	Portsmith	1997	71,626
7	Merrill Gardens	2010	28,269
8	Tiara Lago	1998	10,686
9	Westwater	2002	22,950
10	Water View	2000	22,459
11	Marina Heights	1996	25,198
12	Brezza	1997	39,760
13	255 4th Ave	1990	13,852
14	Park 34	1998	9,297
15	450 Central Way	Proposed	48,475
16	Tera	2000	67,403
17	Soho	2000	38,500
18	602 Fifth Street	1996	16,500
19	520 Sixth Ave	1998	22,007
20	Park Avenue	1997	33,007
21	Watermark	1997	35,428
22	324 Central Way	Proposed	27,459
		Residential Subtotal:	819,545

OFFICE			
	Project Name	Year Built	Lot Size (sf)
A	570 Kirkland Way	1990	18,064
B	Continental Plaza	1990	73,180
C	Emerald Building	1995	59,375
D	Opus Bank	2000	19,951
		Office Subtotal:	170,570

KIRKLAND DOWNTOWN CLASS A OFFICE ZONE



Buildings	National Tenants	Local Tenants with High Paying Jobs
1. Parkplace	Google	Accountants
2. Central Way Plaza	IBM	Aeronautical Engineers
3. Kirkland Central Office	Nokia	Financial planners
4. 570 Kirkland Way	Brocade Communication	Lawyers
5. Continental Plaza	Charles Schwab	Medical providers
6. Emerald Building	Wells Fargo Mortgage	Mortgage brokers
	BDO Siedman	Real estate brokers
	Microsoft	Software companies
		Technology companies

ATTACHMENT 5

Gardner Economics

MRM AMENDMENT REQUEST
FILE #: SEP-1300554/ZON11-00006

Prepared for:

VAN NESS FELDMAN, LLP

Tuesday, May 12, 2015

524 SECOND AVENUE, SUITE 500
SEATTLE, WASHINGTON 98104
206.442.9200

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Gardner Economics

MEMORANDUM

DATE: Tuesday, May 12, 2015

TO: Brent Carson Esq.
Attorney at Law
VAN NESS FELDMAN, LLP.
719 Second Avenue, Suite 1150
Seattle, WA 98104

FROM: GARDNER ECONOMICS LLC

SUBJECT: MRM AMENDMENT REQUEST - SEP-1300554/ZON11-00006

GARDNER ECONOMICS has been retained by VAN NESS FELDMAN, LLP. on behalf of DAVIDSON, SERLES & ASSOCIATES to prepare an opinion letter in connection with the above-referenced matter.

It is our understanding that DAVIDSON, SERLES & ASSOCIATES has expressed significant concern to the City of Kirkland Planning Commission as it relates to MRM Capital Partners' request to amend the Comprehensive Plan and Zoning Code to allow an 8-story residential development on the MRM site.

Following this request, VAN NESS FELDMAN has requested our opinion as to the claims by MRM and the concerns expressed by Davidson, Serles & Associates.

This memorandum summarizes our findings and conclusions in regard to this task.

I. STATEMENT OF OPINION & FACTS CONSIDERED

MRM's Private Amendment Request is to remove the site's current 12.5 percent residential use limitation and to increase the maximum allowable height from five to eight stories.

Van Ness Feldman have already opined on the matter in letters to the Planning Commission dated March 11, 2015 and March 13, 2014 which raised substantial questions regarding the voracity of the request.

From our perspective, the question appears to be as to whether the proposed change in zoning from commercial to residential is appropriate from both a market as well as policy standpoint.

To address these questions, we will look at the proposed amendment from two different perspectives. Firstly, we will consider the office market in Kirkland and whether there is anything that could negatively influence the development of office space. Secondly, we will discuss development need in order to comply with the State GMA requirement for employment within the City.

1. THE KIRKLAND OFFICE MARKET

From a contextual standpoint, it is appropriate to consider the Kirkland office market as it relates to the other Eastside market areas.

The Eastside office market comprises of approximately 29.9M square feet of commercial office space. Unsurprisingly, the area is dominated by the Bellevue Central Business District which contains 7.88M square feet of office space. This is followed by the Interstate-90 corridor which houses 6.7 millions square feet of office space. The Kirkland market is small, containing 1.465M square feet of office space (which is not owner occupied).

Details of the component office sub-markets within the Eastside are shown in the table on the following page [FIGURE 1].

FIGURE 1: EASTSIDE OFFICE MARKET OVERVIEW (Q1-2015)

SUB-MARKET	SQUARE FOOTAGE	VACANT SPACE	VACANCY RATE	AVG. DIRECT RENT	AVAILABILITY RATE
Bellevue CBD	7,886,290	777,591	9.86%	$39.50	14.6%
I-405	2,879,969	314,683	10.93%	$28.08	15.5%
SR-520	2,579,812	373,075	14.46%	$29.27	17.6%
I-90	6,689,025	838,023	12.51%	$30.64	15.7%
Bel-Red Road	1,501,719	138,262	9.21%	$32.07	8.6%
KIRKLAND	1,465,805	32,452	2.21%	$36.83	2.7%
Redmond	4,159,595	553,522	13.31%	$25.59	16.0%
Bothell	2,787,948	304,980	10.94%	$26.91	17.7%

Source: CBRE & Gardner Economics LLC

As can be clearly seen, the Kirkland sub-market stands out from its peers in respect to overall vacancy rates as well as the remarkably low availability rate. (The availability rate takes into account space which is currently occupied but is scheduled to come to market in the near future. As such, it provides a more granular look at the market.)

In additional to the very low vacancy rates relative to other Eastside sub-markets, the data suggests that the average rental rate in Kirkland is at the higher end of the spectrum when placed against its peer Eastside sub-markets.

When we further refine our analysis to account for just class A[1] office space in Kirkland, we note that the market is even tighter with a vacancy rate of 1.26 percent and an availability rate of 1.9 percent (there being just 24,600 square feet of space available at the present time). We would add that the expansion of Kirkland Parkplace is excluded from these figures but contend that, even with additional space planned to come online – which will negatively impact vacancy rates – the Kirkland market will continue to absorb commercial space.

At this juncture, it is appropriate to discuss the proposed Parkplace redevelopment as MRM appears to consider this to be the overriding factor that would prohibit development of their site as an office building per prevailing zoning.

We have reviewed the preliminary conceptual phasing plan that was prepared by Collins Woerman. In this plan, the project would be developed in the following phases:

A1– 70,000 square feet of office, 85,000 square feet of retail and 315,000 square feet of apartments;

A2 – 130,000 square feet of office, 42,000 square feet of retail and a 30,000 square foot health club;

B – 210,000 square feet of office and 10,000 square feet of retail; and

[1] Class A buildings represent the newest and highest quality buildings in their market. They are generally the best looking buildings with the best construction, and possess high-quality building infrastructure. These buildings also are well located, have good access, and are professionally managed. As a result of this, they attract the highest quality tenants and also command the highest rents.

C – 200,000 square feet of office, 8,000 square feet of retail and a 35,000 square foot theater.

Now it is certainly true that, if we look at these numbers from an aggregated standpoint, it appears as if the development plans to add 620,000 square feet of new office space to downtown Kirkland. However, upon closer scrutiny, this is not the case.

As it stands today, Parkplace contains approximately 95,300 square feet of commercial office space. In order to develop phase A1&2 we understand that Talon will be razing an existing 25,300 square foot office building (to be replaced by a new grocery store and apartments). At that time, net office space would comprise just 70,000 square feet.

Concurrent to this, the developer then intends to renovate the remaining 70,000 square foot building and then develop a new 130,000 square foot office structure.

Given this information – and as the calculations below demonstrate – the total commercial office space at Parkplace would increase from 95,300 square feet today to 200,000 square feet – an increase of 104,700 square feet. Details are shown in the table below [FIGURE 2):

FIGURE 2: PHASES A1 AND A2 OF THE TALON PLAN

	TOTAL FOOTPRINT
Existing Park Place development (office space only)	95,300 SF
Phase A1 (70,0000 SF renovation); therefore no change to total square footage	95,300 SF
Razing the Existing Garden Building (c. 25,300 SF) to be replaced by a grocery store	70,000 SF
Phase A2 (Development of 130,000 SF of office space)	200,000 SF
TOTAL NET NEW COMMERCIAL OFFICE SPACE	104,700 SF

As can be seen, the net new space from development of the first phases (expected to be delivered by 2019) is just a rather negligible 105,000 square feet. As such, and given the pervasive demand for space by the market, we see no reason why the MRM site could not be developed as commercial office space without saturating the market.

Now we are certainly cognizant that there are additional phases to the project and that Talon Capital Partners do plan to add a further 410,000 square feet of commercial office space which is certainly substantial. However, Talon have stated on record that they do not plan to deliver phases B and C until some point in the future when they deem timing to be right. This further suggests that the market is not going to be inundated with a substantial amount of new product in the foreseeable future and that development of office space at the subject site in the mid-term is not an overly risky proposition.

In its EIS on the MRM proposal, the City estimates that a building of 249,312 square feet of space could be accommodated on the site within the existing height limitations. We believe that this is a gross number and one that would likely be reduced fairly substantially given efficiency requirements. As such, we would contend that a more reasonable figure would be between 180,000 and 200,000 square feet of net leasable space.

Given these figures, we conclude that the immediate area could see the introduction of around 300,000 square feet when one combines the early phases of the Parkplace development and the MRM office development. This is certainly not a substantial amount of new space that could be delivered to the market over the next five year period. In fact, we would suggest that, given the current lack of inventory in Kirkland and existing tenant demand, 300,000 square feet would likely be absorbed quickly.

We have read the Planning Commission packet[2] concerning the proposed amendment and would specifically refer to the May 5, 2015 letter to the Commission from MRM. In it, MRM makes reference to the Expedia move from Bellevue as well as data regarding new office projects that are scheduled to be delivered in the Bellevue CBD over the next several years. We can only conclude that they feel this is relevant as it pertains to an increase in office supply on the Eastside; however, we do not see how this is at all germane to the matter at hand.

As has been discussed above, the Kirkland market – although not totally autonomous from the Eastside in general – is a market unto itself and is unlikely to be unduly influenced by any potential overdevelopment elsewhere.

Given the above analysis, we believe that there is healthy demand for commercial space – particularly Class A office space – in the Kirkland market and that future development of commercial office space is highly likely to meet with success.

[2] May 7, 2015

2. *Growth Targets under GMA*

From an historic perspective, development of commercial office space has not been buoyant in Kirkland. To quote Messrs. VanNess Feldman's letter[3]:

> *"Since the early 1990's, whenever property in downtown Kirkland has had zoning that allowed both residential and office use, the owner has nearly always chosen to develop only residential."*

We find this to be accurate. Although we only have accurate data going back to 1999, we would note that the area has seen a net addition of just 543,000 square feet of new office space over the last 16-years.

As part of our charge, we have reviewed the analysis which has been prepared by the City's Planning & Community Development Department[4], which suggests that the City has the capacity to add 20,400 new jobs between 2013 and 2015.

Interestingly, in as much as they believe that there is capacity for these additional employees, we have not seen development keep up. Even given the addition of 900,000 square feet which is either under construction or in the planning process, there remains a dramatic shortage of development in order to meet the purported goals of the City.

To calculate the commercial office space needed to accommodate the number of new jobs required under the growth targets suggested by the City, we use the following equation:

Gross Office Square Footage = Number of Employees x 200

This presumes that each employee will require 200 square feet of space. This number is a generally accepted rule and it is universally used to calculated office demand.

Given the 180,000 square foot of space currently under construction (the Google expansion) as well as the 732,000 square feet which is proposed (Kirkland Park Place & Lake Street Place) and, if all of these developments were built and become occupied, employment would likely rise by about 4,600.

920,000 square feet /200 square feet per employee = 4,600 new employees

The table below [Figure 4] further expands this calculation and demonstrates the number of jobs which would be created if all existing, under construction and proposed space were to be occupied. Given this analysis, we conclude that Kirkland needs to develop an additional 3,135M square feet of new space over the next 20-years in order to fulfill its requirement under GMA.

Figure 4: Space Needs Analysis

	Square Feet	Jobs
Total Vacant Space	32,452	162
Under Construction	180,000	900
Planned & Proposed	732,000	3,660

[3] March 11, 2015
[4] Draft Land Development Capacity Analysis, June 3, 2013

NEED (SHORTFALL) UNDER GMA	3,135,548	(15,678)

Now, it is certainly true to suggest that not all jobs need office space, but our analysis suggests that a majority of jobs within the City do use office spaces to some degree and that the *Finance/Insurance & Real Estate*, *Service*, and *Public Administration* sectors all are heavy users of office space.

Details of the make-up of employment in the City can be seen in the table [FIGURE 5] below.

FIGURE 5: INDUSTRY SUMMARY REPORT

2014B Major SIC Division	Employees	% Emp	Establishments
Agricultural, Forestry, Fishing (SIC 01-09)	226	0.7%	48
Construction (SIC 15-17)	1,958	5.7%	224
Finance, Insurance & Real Estate (SIC 60-69)	2,599	7.6%	400
Manufacturing (SIC 20-39)	1,603	4.7%	123
Mining (SIC 10-14)	11	0.0%	3
Public Administration (SIC 90-98)	173	0.5%	12
Retail Trade (SIC 52-59)	4,850	14.2%	473
Services (SIC 70-89)	18,240	53.5%	2,319
Transportation & Communications (SIC 40-49)	1,778	5.2%	86
Wholesale Trade (SIC 50-51)	2,634	7.7%	167

Source: Gardner Economics & Alteryx Systems

If we were to assume that 75 percent of all new employees require office space, this still suggests that the City needs to develop over 2.35M square feet of commercial office space to meet its GMA goals.

Development of the MRM site as commercial office will allow the City to continue to head toward meeting it's mandated employment goals.

Closing Statement

Given the analysis presented above, we believe that acceptance of this amendment request is inappropriate from a market demand standpoint as well as to further limit Kirkland's ability to meet its obligations under the GMA for the following reasons:

1. The office market is tight and there is no reason to suggest that development of new space would not be successful; and
2. The market is not meeting its growth requirements under GMA and to rezone the subject site will further reduce capacity for the development of job producing space.

This report was written by Matthew Gardner whose *curriculum vitae* is attached below.

Facts Considered in Forming our Opinion

In this matter, the following documents were reviewed:

1. VanNess Feldman letter to the Kirkland Planning Commission (March 11,2015);
2. VanNess Feldman letter to the Kirkland Planning Commission (March 13,2014); and
3. City of Kirkland Draft EIS (April 2008);
4. City of Kirkland Planning & Community Development Department Memorandum concerning the Draft Land Development Capacity Analysis (June 3, 2013); and
5. City of Kirkland Planning & Community Development Department Memorandum concerning Parkplace Amendment Request (January 21, 2015);

II. QUALIFICATIONS

Matthew Gardner heads all residential commercial, economic and litigation support assignments dealing with market evaluation, market positioning, economic base assessment, financial feasibility and fiscal implications of residential and commercial real estate projects. Mr. Gardner is particularly involved on highest and best use assignments where market trends are given residual land value expressions. He is the retained economist for the Master Builders Association and Windermere Real Estate Company and has over twenty five years of professional experience in the U.K. and U.S.

PROFESSIONAL AFFILIATIONS

University of Washington Center for Real Estate Research - Chair of the Board of Trustees.
University of Washington -Advisory Board Member to the Runstad Center for Real Estate Studies.
Urban Land Institute - Technical Assistance Panel Member.
Central Puget Sound Real Estate Research Report - Chair & Editor.

AREAS OF SPECIALIZATION:

Land Use and Regional Economic

Housing Needs Assessment;
Supply & Demand Analysis;
Project Feasibility Analysis; and
Product and Positioning Analysis.

Financial Analysis

Financial Feasibility Analysis;
Residual Land Value Analysis & Highest and Best Use Analysis; and
Tax Credit Analysis.

Expert Witness Testimony

EXPERIENCE:

- Author of numerous white papers concerning affordable housing, inclusionary zoning and other topics.
- Prepared market analyses for proposed income restricted (tax credit) apartment developments for numerous clients.
- Retained by the Master Builders Association of King & Snohomish Counties and Windermere Real Estate Company as in-house economist.
- Lecturer in real estate forecasting at both the undergraduate and graduate levels at the University of Washington.
- Expert witness in multiple matters where real estate development is involved.

Mr. Gardner holds a bachelor's degree from Saint John's College, Oxford where he read economics.

LIST OF SELECTED CLIENTS

PRIVATE SECTOR DEVELOPERS

Affinity Investments
Archstone Smith Trust
Associated Grocers
Avalon Bay Investment Trust
Barrientos Development
Beacon Capital Partners
BRE Properties
CamWest Development
Carmel Partners
Catapult Community Developers
Chaffey Corporation, The
Columbia West Properties
ConocoPhillips
Equity Residential
Essex Property Trust
Fairfield Residential
GE Capital Corp.
GE Pension Fund
Gerding Edlen
Harbor Properties
HomeSight
ING Clarion
Integra Northwest
Intracorp
KG Investments
Kimco Realty Corporation
Legacy Partners
Lennar Multifamily Investors
Lorig Development
Lowe Enterprises
Martin Selig Real Estate
Nitze Stagen & Co. Inc.
Olympic Property Group
Opus Northwest
Path America
Quadrant Corporation
Resmark
S.R.M. Development
Saybrook Capital
Schnitzer West
Security Properties
Segale Business Parks
Shea Homes
Trammell Crow Company
Triad Development
TriMet Development
Unico
Tarragon Development
Touchstone Development
Urban Visions
Vulcan Inc.
Wal-Mart
Westridge Development Company
WRECO Land Management

PRIVATE SECTOR CONSULTANTS

Alecta Real Estate Investment, LLC
Canada Pension Plan Investment Board
CB Richard Ellis
Coldwell Banker Real Estate
Collins Woerman
Goldman Sachs
Institute of Real Estate Management
John L Scott Real Estate Company
Jones Lang LaSalle
Keller CMS
KPFF Consulting Engineers
LaSalle Investments
Madison Marquette
Marcus & Millichap
Master Builders Association
Pacland
Paul G Allen Family Foundation
ReMax Real Estate Company
Resource Transition Consultants
Seattle Children's Hospital
Seattle Mariners, The
Seattle Seahawks, The
Seattle Art Museum
Seattle Hotel Association
WA Multifamily Housing Council

FINANCIAL INSTITUTIONS

Bank of America
Golf Savings Bank
J P Morgan
Key Bank of Washington
Opus Bank
Peoples Bank
Wells Fargo Bank

COUNSEL

Cairncross & Hempelmann P.S.
Carney Badley Spellman P.S.
Carr Tuttle Campbell P.S.
Davis Wright Tremaine P.S.
Dorsey & Whitney L.L.P.
Gordon Derr P.S.
Graham Dunn P.S.
Hillis Clark Martin & Peterson P.S.
K&L Gates P.S.
McCullough Hill, P.S.
McNaul, Ebel, Nawrot & Helgren PLLC
Sager Legal Advisors, LLP
Schwabe Williamson & Wyatt
Short Cressman Burgess P.S.
Snohomish County Prosecuting Attorney
Stoel Rives, LLP
VanNess Feldman LLP

PUBLIC SECTOR

City of Auburn, WA
City of Bremerton, WA
City of Marysville, WA
City of Seattle, WA
City of SeaTac, WA
City of Tukwila, WA
Seattle Office of Housing
City of Seattle D.P.D.
Downtown Seattle Association
King County Housing Authority
Port of Seattle
Puget Sound Regional Council
United States Federal Government
University of Washington

III. RECENT EXPERT WITNESS APPEARANCES/DEPOSITIONS

Ashworth Cottages v Bank of America (Mediation)

KPFF Consulting Engineers v Northgate South Commons (Mediation)

Paramount Petroleum v. King County (Deposition)

BT Olson Family LLC v. Opus Bank (Mediation)

Sound Transit v. P.S. Business Parks Inc. (Testimony)

Current Consulting Engagements

North Shore Investors LLC, et al v. City of Tacoma;

First- Citizens Bank & Trust Company v. DCR Property Management LLC; Proctor Investments, LLC; Hollis Beebe; Timothy E. Proctor; David C. Reed;

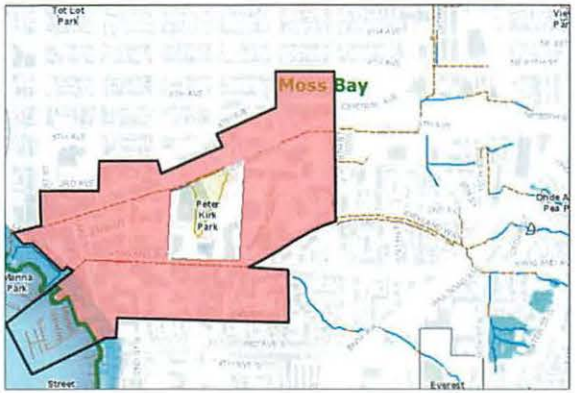
Highbridge Road, LLC v Snohomish County and Snohomish Health District;

Koontz Coalition v. City of Seattle; and

Sound Transit v. Simon Property Group.

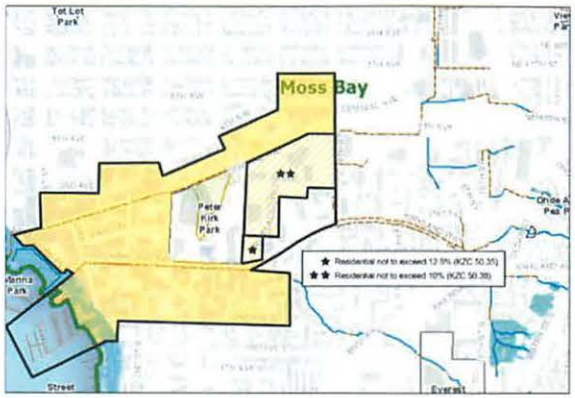
ATTACHMENT 6

Allowed Uses in Kirkland CBD



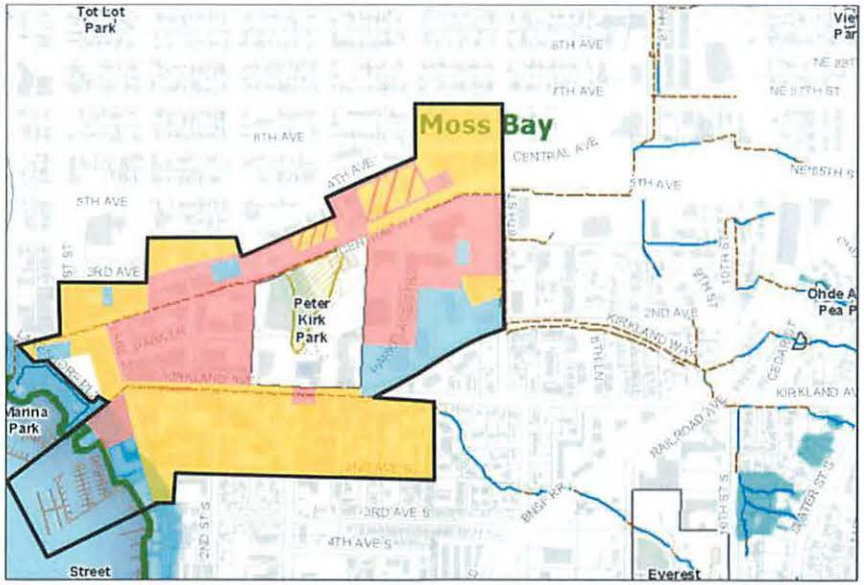
Commercial uses allowed

Office uses allowed



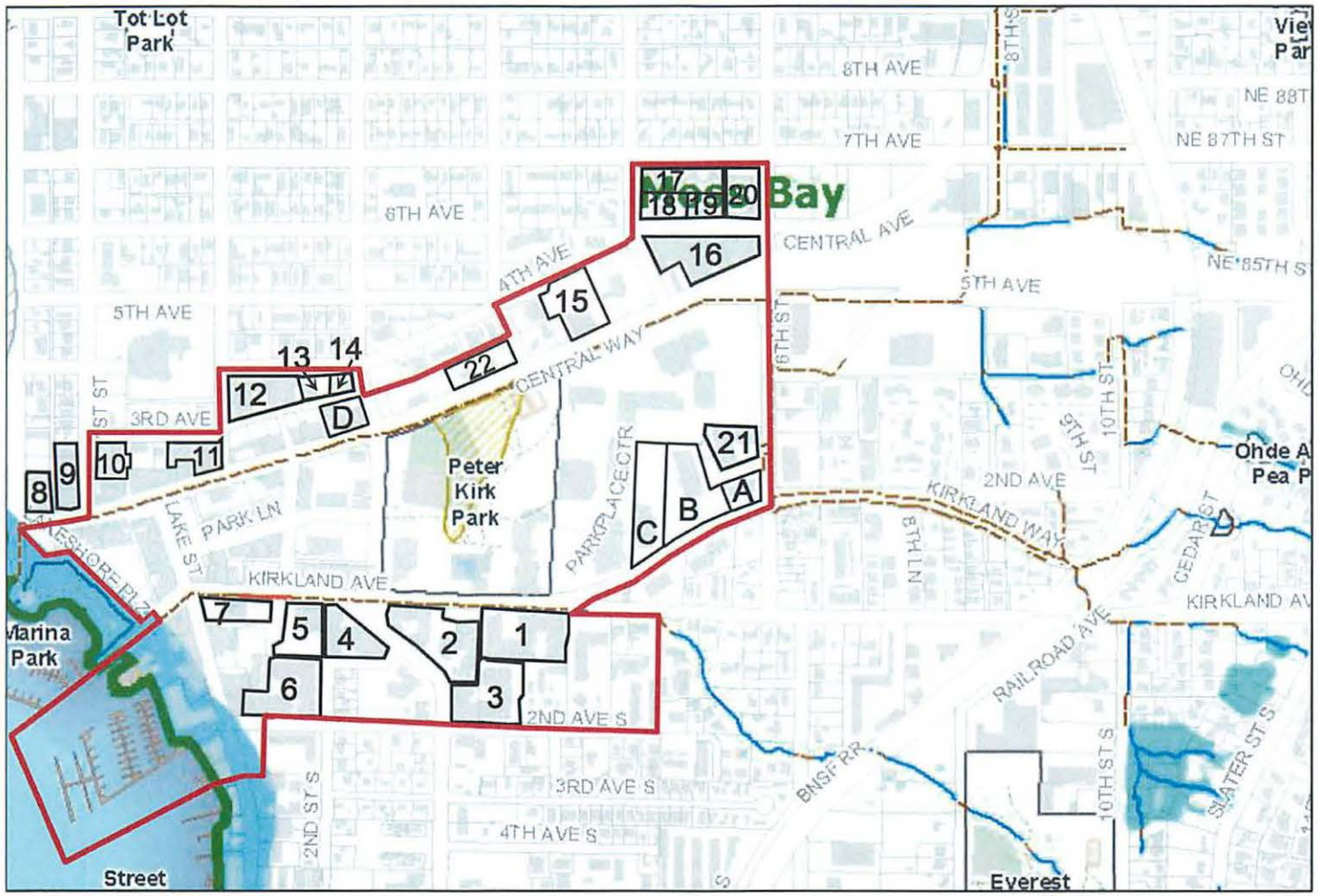
Residential uses allowed

Dominant Development Types in Kirkland CBD



Commercial development | Office development | Residential development | Proposed Residential

Residential and Office Development in Downtown Kirkland (CBD) Since 1990



LEGEND

RESIDENTIAL			
	Project Name	Year Built	Lot Size (sf)
1	Boulevard	2006	72,000
2	Plaza on State	1995	72,314
3	128 on State	2007	65,397
4	Kirkland Central	2005	41,526
5	Merrill Gardens	2008	35,432
6	Portsmith	1997	71,626
7	Merrill Gardens	2010	28,269
8	Tiara Lago	1998	10,686
9	Westwater	2002	22,950
10	Water View	2000	22,459
11	Marina Heights	1996	25,198
12	Brezza	1997	39,760
13	255 4th Ave	1990	13,852
14	Park 34	1998	9,297
15	450 Central Way	Proposed	48,475
16	Tera	2000	67,403
17	Soho	2000	38,500
18	602 Fifth Street	1996	16,500
19	520 Sixth Ave	1998	22,007
20	Park Avenue	1997	33,007
21	Watermark	1997	35,428
22	324 Central Way	Proposed	27,459
		Residential Subtotal:	819,545

OFFICE			
	Project Name	Year Built	Lot Size (sf)
A	570 Kirkland Way	1990	18,064
B	Continental Plaza	1990	73,180
C	Emerald Building	1995	59,375
D	Opus Bank	2000	19,951
		Office Subtotal:	170,570