KIRKLAND DOWNTOWN STRATEGIC PLAN

Downtown Advisory Committee Meeting Summary #4: August 23, 2007

Task Force Members
Michael Nelson, co-chair
Jeff Trager, co-chair
Brian Berg (*absent*)
Rob Butcher
Denise Campbell
Margaret Carnegie
Joe Castleberry
Jeff Cole
Doug Davis
Ken Dueker
Gary Harshman
Carolyn Hayek
Keith Maehlum (*absent*)
Bea Nahon
Glenn Peterson
Don Samdahl

City & Organizational Staff
Eric Shields, Planning Director
Jeremy McMahan, Planning Supervisor
Ellen Miller-Wolfe, Economic Development Manager
Dick Beazell, KDA Executive Director

Consultants
Bonnie Berk, Berk & Associates
Meghann Glavin, Berk & Associates
Kapena Pflum, Berk & Associates
Chris Zahas, Leland Consulting Group

Members of the Public
Brian Leibsohn

WELCOME AND OVERVIEW OF REMAINING WORK

Jeff Trager opened the meeting and welcomed the Downtown Advisory Committee to its fourth meeting. Previously the DAC had asked questions about how Phase 1 would come to a close and how the necessary products would be developed. In response, Meghann Glavin presented a graphic depicting the process and inputs to develop the group's Phase 1 product – a Strategic Situation Assessment. Meghann explained that between Meetings 4 and 5, Berk & Associates will develop a draft Strategic Situation Assessment based on previous DAC conversations and all the research and analysis done to date, including the stakeholder feedback summary, market analysis, community meeting and online survey results, Downtown 101 presentation, and the Leland situation assessment. At meeting 5, the DAC will review and comment on the draft Strategic Situation Assessment, which Berk will finalize based on DAC feedback. Following the final Strategic Situation Assessment, the DAC's next meeting will be a joint DAC and City Council workshop on October 16, 2007. At this meeting the DAC will present their findings and recommendations for next steps to the Council for review and discussion.

UPDATES ON ONGOING STAKEHOLDER ENGAGEMENT

Property Owner Group

Joe Castleberry briefly reviewed and distributed the full meeting summary from the property owners meeting. Building on his presentation from DAC Meeting 3, Joe said that a major theme in the meeting was developers' need for predictability.

A few DAC members noted that there were some factual errors and misrepresentations in the document, some of the the things said are not true. The group further discussed that different people have different understandings of a given situation. The group agreed the summary was a representation of what was said at the meeting and that would be understood by readers. Several DAC members recognized some disparities between the property owner feedback and the community meeting and online survey feedback. There are definitely different perspectives in the community. The DAC thanked Joe again for his hard work in bringing the property owners together and obtaining this valuable input.

Condo Home Owners Association Group

Bea Nahon announced that she has been working to organize a group of representatives from the downtown Condo Home Owners Associations to also provide input into the Plan. She has invited the president and a board member from each of the 18 condo associations downtown to a meeting on September 5 at 6:30 pm in the Peter Kirk room at City Hall. Response has been good, Bea has heard from at least one-third of all the Associations that they plan on sending representatives, and she expects to hear from more. Jeff Trager and Dick Baezell agreed to attend to represent the DAC and KDA, respectively.

Online Survey

Jeremy McMahan presented the results of an online survey posted to the Kirkland website from July 5, 2007 to July 31, 2007. The survey asked participants to complete three statements:

1. The most important thing to me about downtown Kirkland is…
2. What would make downtown Kirkland a better place is…
3. A question I have about the future of downtown is…

Jeremy reported that the responses generally confirmed and broadened what the DAC has heard to-date. The community sees Downtown Kirkland as the heart and soul of the city. They want to capitalize on the waterfront and the existing character and most are interested in the accessibility and walkability of downtown. Many respondents have concerns about car traffic and parking. The DAC thanked Jeremy for posting and compiling the survey and agreed it was important input into the Strategic Situation Assessment.

DOWNTOWN MARKET ANALYSIS

The DAC welcomed Kapena Pflum, of Berk & Associates, to present economic and market analysis of Kirkland's Downtown. Kapena introduced his analysis and said he developed many of the DAC's questions from Meeting 3 after Chris Zahas's Downtown 101 presentation. The goal of the market analysis is to present a picture of the built landscape – specifically an inventory of office and retail space and costs, and an inventory of downtown businesses, and some measures of business success.

Inventory of Office and Retail Space in Downtown Kirkland

Kapena presented the square footages of office and retail space in Downtown Kirkland and Kirkland Parkplace relative to other neighborhoods in Kirkland. He provided the caveat that the data are based on parcel information from the King County Assessor, which is current as of 2005, and has some limitations including possible miscodings of use, and that he made assumptions about the percentages of mixed-use buildings that are in retail and office use.

High level findings from the inventory include:

- Downtown and Kirkland Parkplace are inverses: downtown has 13% of the total retail and 4% of the total office and Parkplace has 12% of the total office and 4% of the retail. That distribution will inevitably change, given the development proposals.
- There is a cluster of small offices on Market Street. There is also significant office development at Yarrow Bay, near the SR 520 exit. Kapena asked the group to consider the relationship between Market Street, Sixth Street, and other office clusters and the downtown core.

The DAC asked the following questions about the space inventory:

- Does this include permitted square footage within the City?
    - Exhibits 1,2, and 3 did not account for the permitted space. An additional 45K SF of office and 81K SF of retail space has been permitted in the downtown area.
- This is interesting and helpful, is this something the City can continually update?
    - This is something the City could do; they have access to the data. However, there are assumptions and analysis that need to be made in sifting through and organizing the data.

Downtown Kirkland Business Inventory

Next Kapena presented findings from analysis of the City's business license database showing the distribution of types of businesses. Kapena mentioned that all of this information is self-reported and therefore subject to error, however, on the aggregate level it is very useful data, which shows patterns of business activity.

High level findings:

- There is a healthy, relatively large services business sector in Downtown Kirkland.
- Food services and retail are major employers Downtown Kirkland at 23% and 17% respectively.
- The majority of Downtown Kirkland is made up of small businesses with ten or fewer employees. Full-service restaurants and businesses in the information sector have the largest average numbers of employees.
    - Q: What information businesses are downtown? A: Google and Filenet, mostly.

- This inventory implies there are significant home-based businesses downtown. The DAC should discuss how this could influence strategies. Ellen Miller-Wolfe added there are currently approximately 1,000 home-based businesses citywide, out of a total 3,500 businesses.
- Government employees are not listed in this inventory, since it covers only business license data. So for example, City Hall employment isn't included. Eric Shields said City Hall has between 100-200 employees, maybe closer to 200.
- One DAC member asked if non-profits are included in this summary, specifically the Kirkland Performing Arts Center. Kapena responded he would need to confirm, but he expected they were not.

Taxable Retail Sales in Downtown Kirkland

Next Kapena presented data showing the total taxable retail sales in Kirkland and the taxable retail sales for restaurants in Kirkland relative to peer cities. Kapena also presented Kirkland and Downtown Kirkland person-expenditures, a metric calculated by taking the total Taxable Retail Sales (TRS) in a retail category and dividing it by the annual per capita average spending in the same category statewide. For example, if a city has $100,000 of TRS in the groceries category and the statewide TRS per capita average spending on groceries is $1,000, the city would have 100 person-expenditures ($100,000/$1,000=100). Kapena said person-expenditures are a useful way to measure the relative strength of different retail sectors in a city. Kapena also mentioned that the area used for downtown in the TRS analysis is the Moss Bay neighborhood planning area, which includes parts of the Norkirk neighborhood.

High level findings from the TRS analysis:

- Sales in Kirkland per capita are strong, particularly in restaurants.
- Kirkland is a net importer of business, meaning that more money is spent in Kirkland than one would expect only City residents to spend.
  - There is some room for growth in the apparel market.
  - In addition to restaurants, art galleries are doing well (listed under Miscellaneous Retail).
- Non-store retail is also strong, again pointing to the strength and prevalence of home-based businesses and e-commerce.

DAC members had the following questions about the TRS analysis:

- What is general merchandise?
  - General merchandise is for stores like Target and other department stores. In Kirkland it is most likely Costco and other larger players.
- We have a relatively high per capita income in Kirkland, do you adjust for this?
  - There are reasons to adjust and not to adjust. You expect spending by category to differ based on the average income and we felt it was appropriate not to adjust in this case. The bottom line is that the retail economy is strong in Kirkland. Autos are Kirkland's biggest strength, but restaurants and galleries are strong in the downtown.

Office and Retail Rents and Vacancy

Kapena thanked Doug Davis for his help in collecting data on Downtown Kirkland rental rates and vacancies. Kapena and Doug shared the results of their research.

High level findings:

- Kirkland is in the middle of its Eastside peers in terms of vacancy, and the lease rates for office space are relatively high, which indicates that demand is strong.
- We did not average the retail lease numbers because a major challenge of downtown retail is the configuration of space in small, older buildings. The spaces are not ideal for retailers and therefore command different levels of rent. Each space has to be looked at individually; a basement space is different than a space with great frontage.
- A variety of types of space are available – some with rents closer to $20 per SF and some with higher rents – in the high $30s. The lower rents tend to be in older buildings with owners who want stable tenants.
- Shorter, two to three-year leases are not uncommon as some owners are preparing for the possibility of redevelopment.
- There are many older owners willing to lease at lower rates in order to maintain a stable tenant.

General Questions and Comments

The DAC thanked Kapena for his presentation and had the following comments and questions:

- It seems like Kirkland's major strengths are restaurant and art. Do we have the right parking strategies in place to capitalize on our strengths? Is two-hour parking appropriate?
- I think the key question for the DAC is now that we understand our strengths, what are the complimentary businesses that can help others grow while complimenting our downtown?

LELAND SITUATION ASSESSMENT

Chris Zahas then presented Leland Consulting's analysis of the current situation in Downtown Kirkland based on his research and national perspective. Chris opened by saying that the City has largely realized its vision from the 2001 plan – growing the residential capacity of downtown, encouraging private investment, and improving quality of life and business strength. Chris then discussed the situation for Downtown Kirkland in what he saw as the four major themes: Office, Retail, Housing, and Parking.

Office

Chris said it is clear that office growth in Downtown Kirkland is going to be significant during this planning horizon. While the community has experienced growth in residential development, which, he added, will continue, there is significant demand for large and small office space downtown. More demand for parking is an obvious implication of new office development. Chris also reminded the DAC that office markets are more cyclical than residential markets. This cyclical nature implies a need for flexibility in zoning codes. Chris said that codes that allow for both residential or office, will result in steadier, healthier development in the long-term. Chris felt that while the intentions of Kirkland's mixed use zoning codes were appropriate, they appear to be restrictive for development. He stressed the importance of flexibility in regulations for example, it is extremely difficult for cities to try to mandate triple mixed use (housing, office, and retail together in one building). In his experience, having these uses together in a building, is often not successful; there need to be multiple lobbies and entrances and it can often be uncomfortable for tenants.

A new relationship between larger and smaller businesses in downtown and the surrounding neighborhoods is emerging. Chris said the groundwork is already established for large businesses to develop on Market and Sixth Streets and act as neighbors to complementary smaller offices that are located downtown.

DAC members had the following comments:

- Except at Parkplace, downtown Kirkland doesn't have sites for new, large buildings that could accommodate the office space a Google or other tech company would need. But we want those businesses to locate in or near downtown, because there will be spin-off businesses from larger tech companies, and other opportunities for businesses needed to support the tech companies. This type of situation could lead to demand for smaller office spaces, come of which are already available Downtown.

Ellen Miller-Wolfe shared some of the advantages of doing business in Kirkland, for example: there is not a business and occupations tax, which the Council has said will not change anytime soon. Bellevue and Redmond both have significant taxes on businesses, Bellevue through a B&O tax and Redmond through an employee head tax.

Jeremy mentioned that there are currently three Private Amendment Requests before the City Council to change zoning to allow for more height and office uses, these include requests for Kirkland Parkplace, and two developments in the area south of Sixth Street, and behind the Post Office.

Retail

Chris said that academics would answer the question "What is the market for Downtown Kirkland?" by responding that the market is what currently exists. It is the role of the City and the community to leverage and direct the market. Of course, there are limitations to how much the public sector and general public can drive development, but there are some tools. Chris said that by zoning for retail on the ground floor throughout downtown, the City could be inadvertently forcing retail into difficult locations which results in frequent turnover, weak tenants, and vacancy. The goal, he said, is to have active ground floor uses throughout downtown and to focus good retail energy in the retail core. Active ground floor uses could include live/work units, service businesses, organizations with interesting storefronts, anything that keeps a pedestrian focus. Chris suggested that the DAC could identify the core pedestrian shopping loop and restrict service uses in that area. Outside of that core, he said, there needs to be flexibility in the codes.

Chris also discussed the importance of having an anchor retailer downtown. An anchor can either be something that creates draw for the nearby community once or twice a week or a regional draw. There is a broad definition to "*anchor*" – it can be anything from a department store to a signature restaurant, in a small town it may even be a Starbucks. Chris said in Kirkland there is an existing anchor: a collection of fine dining. Kirkland appears to be drawing from multiple zip codes – Bonnie reminded the group that during the restaurant focus group, owners said weekend clientele came from across the Eastside, while Monday through Wednesday most customers were from Kirkland.

Housing

Chris applauded the success of the community and the 2001 Plan in promoting residential development downtown. However, because Downtown Kirkland is in such high demand and there is limited space to build out and build up, there is little housing that is affordable for many employees that work downtown, seniors, etc. Downtown Kirkland's housing stock is narrowly focused on one market niche. Chris thought the new Downtown Strategic Plan could have a housing strategy that supports housing that is affordable, including promoting rental units and targeting the needs of younger tech workers.

Parking

Chris introduced the parking segment of his presentation by saying that supporting and managing parking is a role that the public sector plays in smaller cities. The City of Kirkland is managing parking, including at the library, and at Lake and Central. Given the existing demand on those resources, Chris said there is a case to be made for a parking structure in the core, and that the DAC could recommend conducting a study to determine the feasibility of building a structured garage. Chris said that the only way to have a successful garage is to price the on-street parking at higher rates than the garage, to encourage its use.

Conversation ensued about parking in the downtown. DAC members had the following comments:

- The online survey results reveal a divergence of views about downtown. Some want to keep downtown the way it is and others want it to be more dense and more vital. Depending on which Vision prevails, the DAC's recommended parking strategies should be different. For example, if the DAC wants to see Downtown Kirkland more developed, the surface parking lots should be redeveloped, causing more demand for a structured garage.
- What is the situation with employee permit parking spots at the library's parking garage?
    - Retailers apply for spots with the City. The original intent was to support buildings that were grandfathered in the parking code, but new buildings can apply for spots as well. For example, the Heathman Hotel, which has filled its parking requirements within the building, has applied for employee parking in the library garage.
- We do have a parking study from 2003 available online. That study is where the Parking Advisory Board originated and the Board tries to follow its principles.
- Chris, how does an anchor retailer respond to this debate and the parking situation in general in Downtown Kirkland?
    - Not positively. Parking here is chaotic. Private lots are abundant, but they are confusing and intimidating. An anchor retailer, like a customer, wants to have a sure bet of where to go, and, want its customers to easily find parking spots.
- Chris, do you know where cities have successfully used Flex cars? Parkplace could be an opportunity for locating some type of shared vehicle program.

- It is definitely an interesting idea that is growing. I don't personally know enough about it. I do know that there are more opportunities in bigger buildings that have larger employment bases.

Chris closed the discussion by reminding the DAC that no matter what the subject, the community's vision should be the driver of strategies and projects. Parking, zoning, parks, and other public investments are implementation tools.

VISION STATEMENT: REVIEW AND DISCUSSION

Bonnie presented Draft 2 of the DAC's Vision Statement. Berk & Associates took the DAC's feedback from Meeting 3, which included shortening the Vision and adding Guiding Principle bullets. Bonnie then opened the floor for comment. The DAC shared the following feedback:

- Should the Vision be in the future tense? The group agreed to keep the Vision in the present tense.
- The Vision is not specific enough yet. What makes Kirkland unique and different than other cities? I am not getting direction about what kind of parking strategies to develop.
- I don't see anything that reflects sustainability. The core behind encouraging connections between residents and business is conservation. This is a community that encourages that type of thing.
- Downtown is the the center of our community, where we interact.

Vision Statement

- I don't think economically vital should be first. What about "Downtown Kirkland is a vibrant, beautiful, urban waterfront community with great shopping, dining, art, parks, and recreation and working places which is economically vital" as a first sentence?
- This needs to say "pedestrian friendly".
- Consider "charming" instead of "beautiful".
- I don't think we're about great shopping, that sounds like a shopping mall. What about interesting, unique, or small shopping instead?
- How can we reflect the information we learned today, the strength of art and dining, in the vision?

Guiding Principles

- I think bullet 2 or 4 is should be at the top, the respect bullet should be lower in the order.
- Add safe to the principle that includes family-friendly.
- The fourth bullet should be more prominent.
- I like the word "encourage" instead of "maintain".
- There needs to be more about the marina and waterfront. A city that takes full advantage of its waterfront. Our waterfront is our anchor, our park is our anchor.

- Encourage a mix of residential and employment uses.
- I'm not sure about the word, "neighborhood" in the first sentence. What about "center" or "community"? Neighborhood includes residential, and we shouldn't lose that.
- We need to discuss scale. Right now, nothing gives a sense of what scale we want.
- Historic character isn't working for me. Put in pedestrian-friendly character instead.

Bonnie thanked the group for their comments on the Vision. Berk & Associates will prepare Draft 3 based on this feedback and the group will finalize it at the next DAC meeting.

UPCOMING MEETINGS, OUTSTANDING ISSUES, AND NEXT STEPS

The DAC agreed that they didn't want to lose any of the shared momentum built in the first four meetings and with the community outreach and that they were looking forward to Phase 2 of this process. The DAC also very briefly discussed the Private Amendment Requests currently before the City Council, including for Kirkland Parkplace. Jeremy offered to send the group draft Principles City staff have preopared to guide City review of the requests.

The DAC will continue to discuss these issues and the draft Strategic Situation Assessment at the next DAC meeting on:

- Wednesday, September 19, from 4 to 7 pm.

The DAC will then present the Strategic Situation Assessment at a Joint DAC/City Council work session on:

- Tuesday, October 16th, 2007, 6 pm.