KIRKLAND DOWNTOWN STRATEGIC PLAN

Property Owner Group Meeting Summary
July 24, 2007

Property Owner and Developer Participants		Support Staff
Patty Brandt	Andy Loos	
Jann Castleberry	Bonnie McLeod	Bonnie Berk, Berk & Associates
Joe Castleberry	Michael Nelson	Meghann Glavin, Berk & Associates
Rick Chaffey	Joel Ostroff	
Jeff Cole	Jerry Ostroff	
Bill Corbett	Steve Panos	
Gary Craig	Tim Panos	
Mike DeLaurenti	Terry Rennaker	
Marilyn Dillard	Mimi Rosen	
Douglas Howe (guest presenter)	Steve Shinstrom	
	Steve Suskin	
Brian Leibsohn	Bill Woods	

WELCOME & INTRODUCTIONS

Joe Castleberry welcomed the group and thanked them for their participation. He reviewed the meeting's purpose and objectives: to bring downtown Kirkland property owners together and obtain their feedback on the early stages of the Downtown Strategic Plan. Joe also thanked Stuart McLeod of Hector's for providing space and refreshments.

Joe introduced Bonnie Berk, of Berk & Associates, who presented a brief overview of the Downtown Strategic Planning project and the Downtown Advisory Committee (DAC). She reviewed the meeting agenda and described the Downtown Strategic Planning process before opening the floor for questions. The group had multiple questions about the current situation with downtown, what the process and objectives were for revising the DSP and the goals that Berk was hired to achieve including what the City is doing and the status of City projects:

Q. What is happening with downtown planning now? What is the City doing and what are the City's intentions?

   A. The City and the Downtown Advisory Committee (DAC) are evaluating everything from a fresh perspective. The planning process is taking a broad look at downtown's strengths, challenges, and opportunities.

Q. What City projects have been completed from the 2001 Plan?

   A. The Central Way traffic calming project, and there has been initial planning for the Lakeshore Plaza project.

Q. Will there be specific plans and projects coming out of this Plan? What will be the outcome of the updated Plan?

   A. That is yet to be determined. The DAC is focusing first at a strategic and visionary level. We want to make sure the entire community, staff, and Council have a shared vision before we discuss specific projects.

Q. What is the result of Phase 1 and Phase 2 of the Downtown Strategic Plan?

   A. In Phase 1, in addition to a vision statement, the DAC will develop a Strategic Situation Assessment that identifies opportunities and next steps. In Phase 2, the DAC will develop a Strategic Plan with implementable goals and action strategies.

OVERVIEW OF KIRKLAND PARKPLACE DEVELOPMENT PROPOSAL

Douglas Howe of Touchstone Corporation gave a brief overview of the proposal for Kirkland Parkplace. He started by stressing how important he believes it is for the property owners to get involved in the downtown strategic planning process, telling them "you can make a difference."

Touchstone entered into a contract from the Shulman family four months ago to develop Parkplace. The firm's development proposal is intended to revitalize a crucial commercial center and to meet City goals of connectivity by connecting Parkplace with the rest of downtown, from a pedestrian perspective. There will be five office buildings, two hotels, a sports club, 1.2 million square feet of office, and 3,500 parking spaces. Approximately 250,000 s.f. of retail including a QFC that will double in size.

Currently, Howe said, Parkplace doesn't function well. Touchstone is proposing to tear down every building on the site, in two phases. The buildings are proposed to be five to eight stories, with two to two and half acres of open space, almost 20% more than what is there now. Transportation access to the site will be improved, through signalization and other approaches, and it will be safer for pedestrians than currently.

Howe said that Kirkland has become a bedroom community and there is pent-up demand for office space. The parking on the site that will be used for office during the day; it will provide a huge opportunity for additional parking the City could use on the weekend and evenings.

Howe also said that he has been making many presentations to community groups, and that the community has been supportive of what he sees as a significant opportunity to improve the assets and enhance downtown amenities. The City has also been supportive, according to Howe. City staff has said that they believe the development could energize day-life and the downtown core. To move forward with its plan, Touchstone has made a private amendment request to the Comprehensive Plan for increased height and revised setback requirements. The City Council has formally agreed to consider the Comp Plan amendment.

Howe said the private amendment request and design review processes should take approximately six months. The City has allocated $200,000 to do a planned action and they have authorized funds to review the economic impact of the development.

Howe asked for support from the other property owners and developers in the room if they believe this is a project that will catalyze downtown Kirkland. He invited anyone who was available to come to the Design Review Board (DRB) meetings and Council meetings to show support. The next DRB meeting is Monday, July 30, 2007.

Questions for Douglas Howe

Q. How realistic do you think it is to get approval in six months?

A. We are confident, the City has been supportive. We are set to purchase the property next month.

Q. What about resistance of building owners around the site?

A. Mostly people have been supportive and interested. Most of what we are proposing is sustainable green development. We are encouraging bicycle traffic, for example. Neighboring retailers have also been supportive. They see increased office space as a benefit. Downtown could benefit from more critical mass and density, to create more opportunities for retail spending.

Q. What will your rents have to be to make this development financially feasible?

A. Our pro forma rents are in the $30's s.f. triple net, even $40 s.f.. For retail we expect high $20's s.f. to $30 s.f. We anticipate being in the $40 s.f. range for successful restaurants.

Q. Is the DRB looking at the proposal assuming the Comprehensive Plan would be amended?

A. Yes. We are going through the process as if we had applied under normal circumstances.

Q. Who has the approval for the private amendment request?

A. The Planning Commission and City Council. We expect that should happen in the first part of next year.

Q. Are you concerned about what happened at the Lake and Central property, where everything was through the approval level and the City Council caved to a vocal minority of residents, at the last minute? They went through two years of process to come up with a viable plan, that everyone signed off on. Council supported it, staff supported it, and then it just fell through. Nothing you have described addresses that; how can you avoid that?

A. You never have total predictability in a project but we trust the City Council will make the right decision this time around.

We are also working closely with the stakeholders and the community. I've been to all the neighborhood groups to present the proposal and get feedback. I'm going to talk to the neighborhoods again this fall. I also think that you all can also make a big difference. I invite you to the DRB meetings to show support. In addition to July 30th, we are scheduled for September 17th.

Joe thanked Douglas for his presentation and said he believed a revitalized Kirkland Parkplace would be a catalyst for change and could have a good ripple effect through the core of downtown.

DISCUSSION OF CURRENT PROPERTY OWNER PLANS, PROJECTS, AND ISSUES

The group shared information on their current plans to improve their properties, and on the status and challenges of other active projects in the downtown. The following is a list of general comments and lessons learned that participants felt were important to share, organized by theme.

Development Regulations and Review Process are Problematic

- **The discretionary nature of the DRB Board is unorthodox, unpredictable, over reaching and challenging**. (Stated by multiple participants)
- The DRB process gives us pause in thinking about development projects downtown. I would be hesitant and think carefully before considering starting a project. It may prove workable but you have to be willing to risk some time and money but developers are not interested in entering processes that are clearly defined .
- **Several property owners commented on the ambiguity and discretion associated with the City's code provisions for superior retail.** What is "superior retail"? How is it clearly defined in implementable terms? It seems arbitrary considering it is the catalyst for higher density and therefore the economic viability of a given project.
- The whole process for determining what is "superior" retail is nebulous. (Stated by several people.)
- We have a potential development project, but we are struggling to understand superior retail.
- Superior retail, as interpreted by the DRB, seems to have something to do with ceiling height. The DRB doesn't like blank facades and they like height. In Seattle retail spaces are around 13 feet, whereas here the City is asking for 14 to 17 feet ceiling heights. That feels unnecessary because a lot of retailers will drop the ceilings anyway to give a warmer feeling to the store. So you are paying for height when its not desired by retailers.
- The DRB likes height and glazing requirements. There are some general guidelines, but no published guidelines.
- **There are no specifics that we can prepare for in order to understand if our project will be economically feasible within the guidelines, and if we can get design approvals.**
- Predictability is a problem; that's a **huge problem**.
- The DRB also has inserted themselves without authority to determine discretion over setbacks; its a subjective approval process for setbacks which is and should remain clear based on the zoning codes. The same can be said for the width of sidewalks that exceed code requirements.
- The discretionary setbacks are also part of the unpredictability we see as developers. Most DRBs have discretion on design, but not on code matters.
- Most DRBs can't force you to have setbacks that are greater than code. They can in Kirkland.

- The setback requirements are OK, if the City will stand up for the zoning guidelines, but the requirements around extra floors are a make or break financial issue for projects.
- In other cities, the DRB can't require or decide about additional floors, for example.
- **Kirkland is the only place I've ever seen where the DRB decides if its superior – and you need to guess what their decision will be.**
- An extra floor can be the determining factor for financial feasibility of projects, so the discretionary DRB process is breaking deals. That type of control is unique in my experience. And I have worked with many, many cities.
- **That discretion and amount of control exercised by a DRB is unique in the country. It's a big issue.**
- **Property owners need predictability for zoning, height and yield (financial feasibility)**. That determines the economic feasibility of projects. If we are operating in an environment we can predict, we can plan appropriately and find a way to make a project feasible. Property owners do not want to invest in planning for an extra story and find out later if it was worth their effort.
- With the City's requirements and the lack of support against the DRB discretionary approvals, there are a lot of properties that won't be redeveloped – but at least you can know that! There should be a situation where you do not have to guess.
- The City has control over zoning, but they have to understand that if they only listen to neighborhood groups without considering the property owners needs, then the City will continue to want heights significantly limited, then some buildings won't be worth redeveloping.
- There is a conflict between the City's requirements for superior retail and the other element in the community that are asking for small, tight streets like Park Lane; these are mutually exclusive. You can't have what I understand to be superior retail on a meandering street. Superior retailers want high volumes of traffic to drive past the store.
- **The City's requirements are very prescriptive; overly prescriptive**. Many people don't understand these requirements and the City and the DRB do not understand their impacts on development in the real world.
- In order to get a fifth story, I would have to develop three of four floors as residential and cap them at 10 foot floors. These requirements are working against the City getting mixed use projects, with office components. Because three of the floors have to be residential there can only be one floor of office. The current code works against the need for more office downtown.
- The City needs to have a code that results in financially viable, feasible projects. It is clear the city, and the DRB and the City Council do not understand what it takes for property owners to be incentivized to develop.

Effect of Parking Requirements

- Parking is the biggest issue for me in making my project feasible. We will have to replace existing stalls, plus build structured parking spots to meet code. The unnecessary parking requirements are enough to make you give up on redevelopment.
- In Kirkland, the code calls for 1.7 stalls per residential unit. The City has the freedom to analyze parking requirements on a case-by-case basis and staff is helpful, but the code requirement is too high. Again, there is unpredictability for developers which prevents these projects from getting started.
- Assuming a reasonable cost of $25,000 to $35,000 per below grade parking stall, if you actually build 1.7 stalls per unit, that's around $50,000 of building cost per unit. That has to be a huge residential unit to spread out the high cost of parking. We're talking about 3,000 square feet condo units. And that is actually happening. That has a huge impact on the housing stock in downtown Kirkland. The City and community should understand if that fits into their vision. The result is fewer people and a less vibrant downtown.
- The City needs to revisit the parking requirement! Its one of the most difficult impediments to development in downtown.
- There is discussion at the City of vesting existing parking spaces, which could be helpful. It could change the equation; help facilitate redevelopment projects.
- There can be some interchange for office and retail parking. Office workers need spots on weekdays, shoppers need spots in the evenings and on weekends. If the City is interested in promoting office, they should consider that. There is currently no clear path for this shared parking situation.

City Leadership & City Investments

- The City needs backbone. Until the Council steps up and take command nothing is going to happen in this City. Property owners and developers are very skeptical that anything will change. Most property owners will not even enter the development process because of the way things can fall through. I love being in town but it is very hard to make investments in large projects with the planning and development climate as it is.
- Does the City have any funds to invest in major capital improvements on its own? Right now redevelopment feels like it is on the backs of downtown property owners, not the City.
- The City needs to adopt a Development Agreement process like many other cities have in the county. This will enable smart development planning on an individual project basis. The Development Agreement process will also allow developers to better project certainty before expending the huge amounts of money and time only to face uncertainty with the City, City Council and DRB.

ROUNDTABLE DISCUSSION: DSP & SUPPORTING CODE

After a brief break, Bonnie asked the group to go around the room and speak to what is working well in the downtown and what could be improved.

City Vision, City Understanding, and the Impacts of the Development Process on Downtown Vitality

- There are many good projects that can't work – aren't economically feasible – under the current code and zoning restrictions.
- **The City and the DRB can be arbitrary when it comes to the development process.** The staff, volunteers, and elected officials don't have skin in the game the way developers do. When we get burned, it can hurt for a long time, and I don't think the City understands that because they haven't felt it. The City needs to know they have a stake in it.
- **To have a healthy environment for development downtown there cannot be an arbitrary DRB process.**
- The DRB is out of control; making arbitrary decisions.
- There is a lack of education on the Council's part. They don't understand what it takes to complete a project. The City staff should take it upon themselves to educate the City Council, DRB, Planning commission, Park Advisory Board, etc. on what developers need economically to make a project go.
- Lots of the City staff are great, but ultimately they take vision and direction from Council. The Council sets priorities. And the Council seems to only listen to the most vocal minority neighborhood group without taking a stand that would promote growth in downtown.
- What kind of businesses do the City and the community want here? Do they want banks and salons? Because that is what the current code and environment perpetuates.
- Economics is what drives property owners. Retail tenants have other options and will take them, if there isn't space that works for them. Retailers need people, density, traffic flow and a pro growth environment.
- I have had comments from members of the City Council that indicate they do not understand economic drivers. The Councilmember didn't seem to understand that I would do a project if it made money and if the project did not make money, I would not take it on. This Councilmember said I could attract a superior retailer without two-way traffic which obviously proves a lack of knowledge and understanding.
- Good retail won't just come to downtown. We have to create a physical environment that works for retail. This means more density. The City really needs to understand that better.
- The City needs to look at uses and the impact of those uses. Development has to make sense economically, but that's just one part.
- The existing code is maddening.

- The City needs to apply consistency and common sense to its development planning.
- Would like to see the City offer some incentives – open space, greenery, etc – to obtain an additional floor height.
- Kirkland will never be a Bellevue or Seattle, there isn't enough space. And that's fine. We are geographically limited. We just need enough flexibility to make projects pencil. And given that you have to go down for parking because of the limited space, it would be at least nice to be able to go up one or two stories. Many projects can not go underground for parking due to the lake level.
- Kirkland has to think about its reputation and how the Downtown Strategic Plan is viewed by the development community. Is the City development-friendly and more importantly, is it perceived to be? Renton is seen regionally as being business friendly, they know and understand how to work with developers. In Kirkland that understanding is unclear and vague and many developers will steer clear of Kirkland until things are clearly changed.

City, Property Owners, and the Community

- In the last strategic planning process, our property lost a potential floor because of changes in zoning. In that process, a small group of residents were vocal about their feelings in downtown. We didn't get involved, and it's had an economic impact on our property. It is time we stand up for ourselves.
- The community thinks they own my property and should determine its uses. I have also found it interesting that the community feels they have a proprietary interest in my property.
- Parkplace will have fewer challenges developing than others in the downtown core because there isn't the same community ownership over that property.
- The City Council is oriented to the neighborhoods and their vision for downtown, but the residents don't shop or eat in downtown. I don't know how we can change anything unless the Council gets the message and stops being influenced by a small group of no-growthers. They just don't understand development or return on investment.
- There is definitely a "Lake and Central" effect. The City has not assured anyone that this won't happen again.
- The Council seems to be influenced by a small group of vocal people who do not understand what it takes to build a village.

Density to Create Vitality

- All downtowns are reliant upon density and this City discourages density. So businesses that rely on density are suffering. Businesses are turning over.
- The Council has to come to grips with the fact that it takes density to create vitality. Density will help create an economically viable, thriving, exciting downtown.
- Density is the key to increased vitality. The code is written to limit office and residential density.
- Density also requires height. It may also require an investment on the City's part for parking. They cannot put the whole burden on developers or it won't happen. Density won't kill the downtown.

Density will enhance it. Where are the City projects to create a parking garage? Where is the funding to get things done?

- We have heard of at least one group of vocal residents that want downtown building heights to be low. This is the formula for "killing" downtown and the property owners.

Development Agreements to Improve the Planning Process

- There should be a partnership between the City and property owners. The stage has not yet been set for that.
- For example, approval of the fourth and fifth floors comes very late in the process. And there is a lot of discretion being exercised by the DRB in making that decision.
- We would like clarity on development requirements otherwise property owners and developers will not even get started.
- City doesn't have a development agreement process in place. (Other cities do.) This is needed.

Parking and Access

- There are so many signs about parking as you come into town, but none of them make sense. Many of the signs at parking spots take three signs to define the parking rules. We have to clarify all of this for visitors.
- A concern is access in and out of Kirkland, which seems to be getting more and more difficult, in part because the City is cutting down the amount of lanes. Talking about increasing parking is great, but if people can't get here it doesn't matter. The traffic calming project on Central has resulted in increased gridlock, which is worse on nice days. I think we need the lanes back.
- I think the redoing of Central Avenue was a fiasco. It has taken traffic that comes west from the freeway and funneled it more slowly though town. This is an example where the needs of retailers and property Owners were not considered.
- The City needs to step up and play a role in expanding parking. You can't put 100% of the parking needs on the developers.

Central Avenue Traffic Calming. Based on these comments, Joe asked if any of the group believed the Central Way improvements were positive for downtown. Everyone agreed they were not. Everyone also agreed the financial investment did not benefit property owners in any way.

LakeShore Plaza at Marina Park

Property owners indicated that they generally did not support this project:

- This project does not make a lot of sense. If the project happens, the people who own the lower floors are looking into a parking lot so you will lose retail there. Also, they won't be able to go up in height because the City took away the third floor and the City won't get that many parking stalls in the end.

- I wonder if there is really any funding for this project. Again there is uncertainty with this project. As long as this and other projects are still on the books, no surrounding property owners can do any real planning with their properties due to this uncertainty.
- Again, the problem with the LakeShore Plaza project is uncertainty. No one will redevelop around that site as long as the City's actions are unclear, and pending.
- What is the purpose and goal for the project? It seems that it will only hurt surrounding businesses and discourage development.

What Property Owners Can Do: Working Together

- There is a vocal minority that has negatively impacted development by putting pressure on the City Council. We [property owners] could also stand up for our needs and be another vocal minority. The property owners speaking with a united voice is critical to economic vitality and viability for downtown Kirkland. I really think this is our opportunity to be heard.
- I think its time we became more active and vocal as a group about what we need. This seems like the perfect storm and we should continue following the Downtown Strategic Plan process and stay involved.
- Property owners need to give their feedback. We need to be the vocal minority. We should continue meeting and have a communications line to the City.
- We need a communication plan and we need to be getting in front of the Council. We should also be educating the Council about our needs.
- I think we need to outline a list of development principles that we would like to see. Development in the downtown needs to be a partnership and we can help set the stage for that.

NEXT STEPS

The property owners agreed to continue meeting. They agreed that it was important to provide input to the Downtown Strategic Plan and to work on a list of development principles. They also agreed to continue with support from Ellen Miller-Wolfe, the City's Economic Development Manager.

Joe thanked the group for their participation and commitment, and adjourned the meeting.