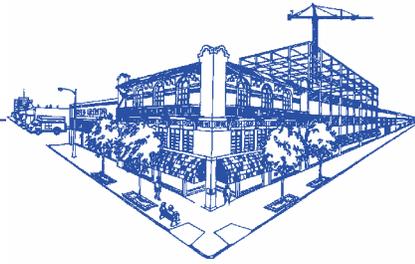


E. D. Hovee & Company, LLC

Economic and Development Services



MEMORANDUM

To: Jeremy McMahan
City of Kirkland

From: Eric Hovee

Subject: Downtown Retail ToolKit (Review Draft)

Date: September 8, 2008

As follow-up to the *Downtown Kirkland Retail Strategy – Interim Report*, this memorandum is intended to outline tools for consideration with implementation of a downtown retail strategy. This memorandum begins with discussion of the types of tools considered followed by outlining of strategic retail initiatives against which toolkit resources can be compared and then recommended next steps for consideration with the Downtown Advisory Committee. A preliminary detailed tool kit inventory is attached as an Appendix to this memorandum.

The listing provided with this memorandum does not include a definitive prioritization of tools or assignment of implementation responsibilities. That final step in this strategic planning process is planned to occur as a result of discussion of the tool resources available and selection of strategic initiatives that can serve to guide public-private implementation.

TOOLS FOR RETAIL REVITALIZATION

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

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

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

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

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

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

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

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

STRATEGIC INITIATIVES

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

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

- *Customer Marketing* – to better understand the interests of resident and visitor shoppers, and to communicate the value of the Kirkland shopping and entertainment experience.

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

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

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

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

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

MATCHING TOOLBOX RESOURCES TO STRATEGIC INITIATIVES

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

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

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

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

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

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

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

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

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

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

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

NEXT STEPS

The *Downtown Kirkland Retail Strategy: Interim Report* (as revised August 2008) identified key next steps as including selection of a preferred option to be accompanied by preparation of draft retail and city tool kits. Four strategic options were identified with the August report for consideration:

- Option 1 – Status Quo
- Option 2 – Reinvigorated Destination
- Option 3 – Go Local
- Option 4 – Locally Driven Destination

With this draft tool kit memorandum now also in hand, it is anticipated that DAC review would lead to recommendation of an overall strategic retail direction coupled with review and initial prioritization of tools potentially available. The final step will be to combine the results of these interim work products into a composite downtown retail strategy – that also identifies a preferred course of action and recommended work program for public-private implementation.

APPENDIX. DETAILED RETAIL IMPLEMENTATION TOOL KIT

<i>Tool Kit Resource</i>	Description	Opportunities	Challenges	Application
RETAIL TOOLS – Customer Focused				
Downtown Events & Festivals	Repositioning of existing events or additions to calendar aimed to coincide with targeted downtown demographics, especially younger clientele.	<ul style="list-style-type: none"> • Can include both direct retail sales promotions & and more general public events for downtown image-building. 	<ul style="list-style-type: none"> • Not all events & festivals generate same-day retail sales, sometimes diluting business owner support. 	Recommend revisiting the existing calendar of events to assure attraction of desired retail clientele & stronger business owner support.
Downtown Customer Information	Key features could include: <ul style="list-style-type: none"> • Regularly updated downtown business directory • Interactive <i>explorekirkland.com</i> website, with survey capability • Downtown kiosks, signage & wayfinding program 	<ul style="list-style-type: none"> • Data tools allow for regular updating, printed & web-based communication. • Potential to combine with joint business promotions & public parking program. 	<ul style="list-style-type: none"> • Requires on-going commitment to data base & wayfinding system maintenance. 	Suggested as initial element to a <i>customer first</i> agenda, later expanded to also cover joint promotion & hospitality training program
Buy Local Program	A program to promote & encourage Kirkland residents to shop downtown, closer to home, for a “zero waste Kirkland”.	<ul style="list-style-type: none"> • Visible complement to sustainability agenda & reduced vehicle travel. • A distinctive & authentic competitive advantage for Kirkland retail. 	<ul style="list-style-type: none"> • A buy local ethic may not achieve expectations if customers are not provided clear personal benefits from shopping downtown 	<i>Shop Kirkland</i> recommended as initial step of downtown retail agenda in conjunction with City-wide sustainability initiative.
Downtown Image Campaign	Print & media campaign to re-introduce downtown Kirkland as the eastside village destination.	<ul style="list-style-type: none"> • Can be combined with <i>Shop Kirkland</i> aimed at resident + destination markets. 	<ul style="list-style-type: none"> • Requires business sponsorship & adept public service placement. 	Suggested as second step of <i>Shop Kirkland</i> campaign.
RETAIL TOOLS – Business Focused				
Business-to-Business Marketing & Recruitment	Use of peer network with joint marketing targeted to fill local & destination gaps in the downtown retail business mix.	<ul style="list-style-type: none"> • Complements sustainability objectives for local business networking & green business recruitment. 	<ul style="list-style-type: none"> • May involve lead private sector role coordinated via Property Owners Group & KDA/Chamber with City support. 	Later step of downtown retail program after customer information & image programs are in place.

Tool Kit Resource	Description	Opportunities	Challenges	Application
Retail Tenant Marketing	Active contacts of successful local & regional specialty retail/ entertainment businesses with systematic follow-up in cooperation with property owners, & local & regional real estate brokerage firms.	<ul style="list-style-type: none"> • Greatest interest expected from the region with some potential national interest. • Opportunity for public-private cooperation, with peer-to-peer contacts. 	<ul style="list-style-type: none"> • Requires on-going systematic effort, often over a multi-year period. • Closing the “early year” deals may depend on availability of incentives. 	Recommended as joint program in concert with <i>business-to-business</i> marketing (with City & private participation).
CITY TOOLS – Public/Private Partnership				
Building Owner Design & Financial Assistance	Provision of no- or low-cost architectural design, cost estimating and business/real estate financing services to encourage business & property owner reinvestment.	<ul style="list-style-type: none"> • Most appropriate for renovation of smaller existing structure & infill development. • Possible opportunity for financial institution participation via Community Reinvestment Act (CRA). 	<ul style="list-style-type: none"> • Direct City funding support to individual businesses may be limited by state “lending of credit” constraints. . 	Suggested as public-private program targeted to encourage storefront improvements & new investment, especially to improve for good & weak retail sites in downtown.
Façade Improvement Grants & Loans	<p>Could involve a program within a specified geographic area offering low interest loan funds &/or grants for renovation of storefront façades.</p> <p>Might be accompanied by technical assistance to business & property owners focused on architectural design & cost estimating services.</p>	<ul style="list-style-type: none"> • Non-local funds may include resources as diverse as CDBG & bank lending. • Direct local City funding may be possible through mechanisms such as façade easements. • Business or building owner funding can be either in the form of a loan or grant. 	<ul style="list-style-type: none"> • For some buildings, investment need may extend well beyond building façades. • In cases where demolition is the best option, the focus might shift to evaluation of options for façade preservation. 	Suggested as program to be launched in participation with local lending institutions, also addressing Community Reinvestment Act (CRA) objectives.
Streetscape Improvement	Could address landscaping, signage, wayfinding, sidewalks, cross-walks with distinctive pavers, benches & trash receptacles, lighting standards & banners.	<ul style="list-style-type: none"> • Private owner participation encouraged. • Can create a cohesive streetscape theme for downtown or subdistricts. 	<ul style="list-style-type: none"> • Property owner improvements may require periodic streetscape modification to best serve changing storefront needs. 	Recommend program initially focused on private development projects & improved connection with Parkplace redevelopment via <i>on-the-way</i> retail activation.

Tool Kit Resource	Description	Opportunities	Challenges	Application
Site Assembly	Purchase of selected properties within a target revitalization area by the City or its designee with the intent of public-private redevelopment pursuant to a development offering. Acquisition must be for public use & purpose.	<ul style="list-style-type: none"> • May be critical to correct blight or assemble multiple properties for redevelopment to be financially feasible. • Can be coupled with development offering to facilitate retail and/or mixed use development. 	<ul style="list-style-type: none"> • Purchase negotiations can be protracted if the seller is not motivated or does not see benefits. • Usually depends on voluntary sale with eminent domain rarely considered. 	Recommended for consideration with high visibility sites subject to owner interest & participation.
Public Development Offering (RFP/RFQ)	Request for Proposal (RFP) or Request for Qualifications (RFQ) could be issued by the City for single properties or assemblages Each RFP/RFQ would identify desired uses together with listing of incentives & process for developer selection/negotiations.	<ul style="list-style-type: none"> • An effective means of securing development interest, especially for challenging redevelopment projects. • RFP/RFQ process can be used with priority properties, whether publicly or privately owned. 	<ul style="list-style-type: none"> • Requires up-front willingness of public sector participants to deliver on commitments stated with the development (RFP/RFQ) offering. 	Recommended for consideration, after pre-testing with property owners & developers. RFQ more appropriate than detailed RFP in soft or pioneering markets, allowing greater negotiating flexibility with public & private parties.
Public / Private Redevelopment	An overall approach to urban revitalization predicated on active involvement by public & private entities to invest in specific economic development, real estate & supporting public improvement projects.	<ul style="list-style-type: none"> • A wide range of development models are available, based on previous experience throughout the state of Washington. • Best facilitated with added public sector tools such as Public Development Authority (PDA). 	<ul style="list-style-type: none"> • Strict state constitutional prohibition against lending of public credit requires public use and purpose for project components involving public investment. • Can be complex & is sometimes controversial. 	Recommended for consideration with major downtown opportunity sites, especially sites for which private redevelopment initiative is not forthcoming on its own.

Tool Kit Resource	Description	Opportunities	Challenges	Application
Public Development Authority (RCW 35.21.730-32.21.755)	<p>Authorized as a “public corporation,” a sub-agency of a city, town, or county with no defined authority. Intent is to improve administration of federal grant programs, improve governmental efficiency.</p> <p>PDA funds & indebtedness “shall not constitute public moneys or funds of any city, town, or county and at all times shall be kept segregated and set apart from other funds.”</p>	<ul style="list-style-type: none"> • Liabilities are those solely of the PDA and not those of the creating city or county. • May avoid state “lending of credit” issues if project is funded through federal or non-state/ local contributed resources (with PDA serving a “conduit” role). • PDA property & revenues are exempt from taxation in a manner equivalent to that of a city, town or county. 	<ul style="list-style-type: none"> • PDAs have no power of eminent domain nor power to levy taxes or special assessments. • In effect, PDAs do not confer any added advantages for <i>locally generated</i> municipal financing beyond what is already available to city & county governments. 	<p>Potentially viable as a governing structure – especially if other options prove to be unsuitable for downtown project funding & governance.</p> <p>Advantages of this public organizational structure are greatest if significant federal or other non-local funding and/or public-private partnerships are involved.</p>
Return on Investment (ROI) Model for City Incentive Funding	<p>Applies an ROI metric to determine the <i>maximum</i> appropriate level of City funding for targeted downtown projects. Key steps are to:</p> <ul style="list-style-type: none"> • Estimate all City tax revenues (property, sales, other) realized from a development project. • Compare to City-incurred costs. • Capitalize 20-25 year net income as net present value (NPV). • Approve incentive when NPV of revenues exceeds costs. 	<ul style="list-style-type: none"> • Offers an objective, tested mechanism to determine supportable public investment yielding positive net revenue to the City. • Can be combined with other City incentive tools such as supportable bond funding or public-private development partnership agreements. 	<ul style="list-style-type: none"> • Requires in-house City financial modeling or review capability for proposed development projects. • Most successful if City articulates commitments via a formal development solicitation or offering & carries through per stated terms & conditions. 	<p>Recommended as financial keystone (the ROI Perspective) for consideration with downtown and retail revitalization programs</p>
CITY TOOLS – Planning & Regulatory				
Land Use Planning (GMA)	<p>Planning tools under the state’s Growth Management Act can be used to affect commercial land allocations, type of use, building form (design, height, density) & off-site effects (as with parking, landscaping, buffers, etc.)</p>	<ul style="list-style-type: none"> • Planning regulations & incentives function best in a strong market setting. • Planning is increasingly understood & accepted by the public as a legitimate public regulatory function. 	<ul style="list-style-type: none"> • Regulatory-focused approach is less effective in a weak market or where development feasibility is questionable. 	<p>Tools of potential importance for Kirkland retail include downtown preferences for retail street presence, building height & density, mixed use development & off-street parking.</p>

Tool Kit Resource	Description	Opportunities	Challenges	Application
Capital Facilities Plan (CFP) Projects	Funding of infrastructure for projects of high downtown & city – wide priority.	<ul style="list-style-type: none"> • Can utilize existing CFP process consistent with state GMA planning framework. 	<ul style="list-style-type: none"> • Downtown & retail district enhancements compete with other project priorities city-wide. 	Most appropriate for core infrastructure such as roads, utilities & public facilities.
CITY TOOLS – with City Resources				
Historic Property Tax Abatement (RCW 84.26)	As adopted by the 1985 Washington State Legislature, historic properties may qualify for “special valuation” with rehabilitation improvements not taxed for 10 years.	<ul style="list-style-type: none"> • Available to commercial & residential structures. • Kirkland has adopted a required local ordinance and a board to review applications. 	<ul style="list-style-type: none"> • Property must be listed in a local or national historic register. • Rehabilitation costs must be 25%+ of a building’s assessed valuation prior to application. 	Potential use for qualifying downtown structures through local review process.
Urban Center Residential Property Tax Abatement (RCW 84.14)	<p>Post-2007, this program provides:</p> <ul style="list-style-type: none"> • 8-year property tax freeze for new multi-family construction, conversion & rehabilitation. • 12-year property tax freeze for housing rented or sold with 20%+ as affordable to low & moderate income households. 	<ul style="list-style-type: none"> • Applies to multifamily housing of 4+ units. • Available for rental & owner-occupied housing, including live-work units. • Targeted to urban centers as a compact district offering a variety of retail products, services & mixed use. 	<ul style="list-style-type: none"> • New or rehabilitated housing must be in a residential targeted area as designated by the City. • 50%+ of space must be for permanent residential occupancy. • Not directly available for commercial uses 	Potential incentive for the residential portion of mixed use development with retail ground floor use.
General Obligation Bonds (Voted or Non-Voted)	Downtown projects with public purpose and/or use could be funded through voted or non voted GO bond funding. Backed by full faith and credit of issuing public agency.	<ul style="list-style-type: none"> • Can use a portion of the City’s available voted or non-voted debt capacity. • Up-front funding allocation could be used to incent desired private development. 	<ul style="list-style-type: none"> • Limited to projects for which there is clear public use & public purpose (to avoid constitutional lending of credit issues in state of Washington). 	Most suited for high priority downtown improvements (e.g. parking, streetscape, parks) of broad public benefit.
Revenue Bonds (Non-Recourse)	Municipal debt for public improvements backed only by revenues of the project being financed (without recourse to general fund revenues).	<ul style="list-style-type: none"> • Bonds do not count against a city’s overall debt limit. • Avoids risk of tapping taxpayer revenues in event of bond default. 	<ul style="list-style-type: none"> • Only suited for projects with sufficient revenue to repay operating expenses, debt payments & added coverage reserve. 	Potential use for public parking facilities at high demand locations charging market rates.

Tool Kit Resource	Description	Opportunities	Challenges	Application
Direct City Funding Contribution	Direct contribution by City typically to a non-profit organization for downtown promotion & revitalization purposes.	<ul style="list-style-type: none"> • Current source of funding support for programs of Kirkland Downtown Association and Kirkland Chamber of Commerce. 	<ul style="list-style-type: none"> • Funding is discretionary & subject to budget availability. • Funds tied to contractual services for clear public use & purpose. 	Potential application in conjunction with early phase sustainability initiative such as a <i>Shop Kirkland</i> campaign.
Local Improvement District (RCW 35.43)	Assessment of property owners for the costs of a public improvement (as for public parking & transportation facilities, utility infrastructure or public facilities).	<ul style="list-style-type: none"> • Can be paid over time via City bonds repaid by owner assessments (enforceable). • Widely used mechanism with payments structured proportionate to benefits. 	<ul style="list-style-type: none"> • Subject to remonstrance if protested by owners paying 60%+ of proposed improvement. • Differential rate structures can be difficult to set. 	Most suited for improvements of widespread public benefit (as for shared parking or streetscape). Recommended as later phase of retail & parking strategy.
Parking & Business Improvement Area (RCW 35.87A)	Similar to LID except that business rather than property owners are assessed. Can be used for promotion, management & planning as well as capital improvements.	<ul style="list-style-type: none"> • Ability to assess businesses if more supportive than property owners. • Flexibility in assessment formula and ability to pay for operating as well as capital expenses. 	<ul style="list-style-type: none"> • Subject to remonstrance if opposed by owners paying 50%+ of proposed assessment. • Less ability to enforce repayment, especially as collateral for bonds. 	Most appropriate for on-going programs, e.g. downtown promotion or Clean & Safe rather than as source of funding for major capital improvements.
Community Revitalization Financing (RCW 39.89)	Authorized by the 2001 Legislature. CRF enables 75% of the added property tax generated within a geographically defined “increment area” to fund public improvements (infrastructure including park facilities) encouraging development in areas characterized by unemployment & stagnant job/income growth. Can utilize general revenue or general obligation (GO) bonds.	<ul style="list-style-type: none"> • CRF may be coordinated with other programs by the local government or other jurisdictions. • May receive less than full increment as long as bond payments are covered. May be securitized by non-public participants. • Implemented in Spokane (Iron Bridge TIF area). 	<ul style="list-style-type: none"> • CRF increment area requires prior written agreement from taxing districts levying 75%+ of regular property tax. • Not usable for projects not covered by “public improvements” definition. • Not widely used to date in Washington State. 	Most suitable for downtown projects centers that fit with the statutory definition of a public improvement, and will directly stimulate or are within an area in which substantial new private tax assessed valuation is being developed.

Tool Kit Resource	Description	Opportunities	Challenges	Application
Community Renewal (RCW 35.81)	<p>Adopted by the 2002 Legislature as a replacement for the state’s urban renewal laws. Allows purchase of property, public improvements & public-private development pursuant to a community renewal plan within an area declared as “blighted.”</p> <p>Funding can be provided by GO, revenue, or LID bonds. Allows for excess property & sales taxes to pay for capital costs for up to 5 years.</p>	<ul style="list-style-type: none"> • Renewal areas have been established in cities such as Anacortes, Bremerton (with Kitsap Housing) & Vancouver. • May be implemented directly by the local government or delegated to another public body including PFD, PDA, port district or housing authority. • Can be coupled with eminent domain for public use or community renewal. 	<ul style="list-style-type: none"> • Requirement for declaration of blight limits flexibility of program in some high performing urban centers. • Does not directly provide new funding resources except as are already available to local municipalities. 	Potential tool for projects considered as integral to revitalization of blighted portions of a community within the context of a broader renewal plan.

CITY TOOLS – with State & Regional Resources

Washington State Main Street Program (CTED)	Washington state’s program provides services and assistance for downtown revitalization focused on organization, promotion, design & economic restructuring	<ul style="list-style-type: none"> • Program based on a proven model pioneered by the National Trust for Historic Preservation • Offers a <i>tiered approach</i> to participation – at the start-up, affiliate and designation levels. 	<ul style="list-style-type: none"> • May be less suitable for downtowns unprepared to commit staff resources or in non-traditional settings. • State funds limited for added cities @ top tier designation level (11 as of July 2008) 	Kirkland Downtown Association is currently at affiliate level.
Main Street Tax Credit Incentive Program (RCW 82.73)	Provides a 75% Business & Occupation (B&O) or Public Utility Tax (PUT) credit for private contributions to eligible downtown or neighborhood commercial district revitalization organizations.	<ul style="list-style-type: none"> • Applicant can be a nonprofit commercial district revitalization organization. • No restriction on fund use as long as the non-profit meets its exempt purpose. 	<ul style="list-style-type: none"> • Limited to a total of \$1.5 million in credits statewide & \$100,000 annually to each downtown program. 	Potentially available for organizations such as Kirkland Downtown Association.

Tool Kit Resource	Description	Opportunities	Challenges	Application
Community Economic Revitalization Board / Local Infrastructure Financing Tool Competitive Program (CERB/LIFT)	<p>Authorized by the 2006 Legislature (as E2SHB 2673) to fund public infrastructure including roadway, utility, sidewalk, parking and public park/recreation facilities.</p> <p>Utilizes a form of tax increment financing with revenue or GO bonds repaid over up to 25 year as a state sale/use tax credit matched by increased local funds including local sales/use & property tax revenues within a defined Revenue Development Area (RDA).</p> <p>Projects funded to date in Bellingham, Spokane County, Vancouver, Bothell, Everett & Federal Way.</p>	<ul style="list-style-type: none"> • Offers the most comprehensive form of tax increment financing available to date in Washington State. • Added revenues return to local governments after bonds are repaid. • Authorizes securitization of debt from non-public participants – including the private developer with whom the sponsoring government has contracted for private improvements. 	<ul style="list-style-type: none"> • Limited to projects involving private development that also increase RDA sales & property taxes. • Limited to one RDA per county, and maximum of \$1 million per year to any single project. • Statewide cap of \$2.5 million for 2008 competitive funding. • No longer generally available for cities within King & Snohomish Counties. 	<p>In its current form, CERB/LIFT is most suited for downtown projects that involve committed on-site or nearby significant private investment.</p> <p>Greater utility as a sustainable tool likely is predicated on future legislative amendments.</p> <p>Kirkland has considered CERB funding for Totem Lake.</p>
Port District (RCW 53)	<p>In addition to authority for harbor, transportation & industrial related facilities, Ports may improve land for commercial use, use community revitalization financing & powers of a community renewal agency, engage in economic development, and provide park & recreation facilities linked to water & transport activity.</p>	<ul style="list-style-type: none"> • Ports may annually levy up to \$0.45 per \$1,000 tax assessed value <i>plus</i> a 6-year (renewable) industrial development district levy of up to an added \$0.45. • Non-voted property tax base provides stable funding for a wide range of economic development purposes. 	<ul style="list-style-type: none"> • Downtown development is often viewed as outside the purview of core Port operations & facilities. • However, Port of Seattle funds the downtown Bell Harbor conference center & participates in the Bellevue Entrepreneur Center. 	<p>May be appropriate for downtown consideration, especially for projects in which there is expressed Port interest, coupled with linkage to existing Port activities such as waterfront or related economic development.</p>

<i>Tool Kit Resource</i>	<i>Description</i>	<i>Opportunities</i>	<i>Challenges</i>	<i>Application</i>
CITY TOOLS – with Federal Resources				
Federal Historic Preservation Tax Credit	<p>The Tax Reform Act of 1986 provides tax credits of:</p> <ul style="list-style-type: none"> • 20% for certified rehabilitation of certified historic commercial & rental residential structures. • 10% credit for rehabilitation of non-historic, non-residential buildings built before 1936. <p>Expenditures must exceed the adjusted basis of the building.</p>	<ul style="list-style-type: none"> • One of the most powerful federal tax incentives available. • 20% applicable to structures in national historic districts. • Substantial track record across the U.S. & state of Washington via the State Historic Preservation Office (SHPO) as first point of property owner contact. 	<ul style="list-style-type: none"> • 20% tax credit projects must meet Secretary of Interior standards for “certified rehabilitations”. • In some cases, cost of meeting rehab standards may equal or exceed value of the tax credit. 	Potential use for qualifying downtown structures through consultation with City & SHPO.
New Markets Tax Credits	<p>Federal program of tax credits over 7 years for up to 39% of the investment cost of qualified equity investments through a Certified Development Entity (CDE). Investments must be made in low income communities or for low income persons.</p>	<ul style="list-style-type: none"> • Most commercial & mixed use projects in low income communities qualify. • May be combined with historic tax credits • To date 294 awards have been made totaling \$16 billion across the U.S. 	<ul style="list-style-type: none"> • Requires a commercial use component (can not be residential rental only). • Has required on-going reauthorization by Congress. • Complex program needing experienced CDE partner. 	Possible funding source for major mixed use redevelopment with demonstrated low income benefit (as for residential). Depends on finding suitable recognized CDE/banking partner.
Community Development Block Grant (CDBG)	<p>CDBG projects require that at least 51% of the new jobs created must be for persons of low or moderate income. Project priorities cover expansion of economic opportunity, provision of decent housing & suitable living environment.</p>	<ul style="list-style-type: none"> • Funds typically available for planning an implementation of community & economic development projects. • Can include Section 108 lending for economic development projects. 	<ul style="list-style-type: none"> • Non-entitlement cities (less than 50,000 population) have less discretion over funding & apply for funds on a competitive basis. 	<p>Possible consideration as a source of pilot or start-up/early year funding, as for façade improvements.</p> <p>Might also be used to incent retail façade or building improvements.</p>

Notes: State of Washington specific tools not included with this evaluation as not anticipated for downtown funding include Public Facility District (PFD), Metropolitan Parks District (MPD), Community Economic Revitalization Board (CERB) economic development infrastructure funding, and sales and use tax/B&O tax exemptions, deferrals and credits (related to activities such as manufacturing, high tech, aerospace, and warehousing). Federal tools not covered include Small Business Administration (SBA) programs, Enterprise Zones, Industrial Revenue Bonds, Foreign Trade Zones, and 63-20 non-profit tax-exempt financing. Information provided with this listing is in summary form and should not be construed as representing all resource-related requirements. Information is subject to change without notice.

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