



DOWNTOWN KIRKLAND *Project Memorandum*

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DATE: 14 August 2007

SUBJECT: Situation Assessment
Project Number: 4704

This memorandum summarizes the situation assessment of Downtown Kirkland as prepared by Leland Consulting Group. It answers several questions asked by the City of Kirkland regarding Downtown's current state of health, barriers to realizing the vision, and opportunities for success. The assessment relies largely on information gathered by the project team to date (visual assessment, stakeholder interviews, preliminary market research) and on best practices seen by Leland Consulting Group in other downtowns across the U.S. The assessment is organized into several categories, but there is considerable overlap between topic areas.

Vision for Downtown

Downtown Kirkland today has largely fulfilled the vision of the original DSP - it includes a residential core with a combination of local and destination retail. When viewing downtown in the larger context (Lake Street to Sixth), Downtown actually has a much broader range of uses, including entertainment, civic uses, office, and a wider spectrum of retail. Recent developments and proposals at Park Place indicate that the market in Downtown Kirkland is shifting to include office uses. It is likely that over the next ten years, Downtown Kirkland will see significant office development whereas it has largely only seen residential development in the past five years. The challenge for the next Downtown Strategic Plan will be how to integrate and connect these uses throughout the various parts of Downtown.

On the retail side, the market tendency for Downtown Kirkland is essentially what it is seeing today. Since there is an open market of leasable retail space (multiple owners, variety of spaces and locations), tenants have a choice, thus the mix of retail uses is reflective of the market from a theoretical economic point of view. Assuming that there is enough market demand for a retailer to afford Downtown Kirkland rents, smaller retailers who desire to be in Downtown Kirkland should be able to find sites in which to locate. On the other hand, larger retailers (e.g., supermarkets, large bookstores, department stores, etc.) may find themselves excluded from Downtown due to the lack of large sites that can accommodate both a larger building footprint and parking.



While no amount of public investment will attract a market that does not already exist, planning and strategic investments can help accelerate the pace of development and can attract what is desired in greater quantities and at a higher quality than would otherwise occur. On the other hand, if a plan targets a market that is not present and ignores one that is, a city sets itself up for failure by laying the groundwork for uses that will not come; meanwhile it ignores (or even prohibits through new zoning) investment that is waiting in the wings. Therefore, it is important to strike a balance between the aspirational goals of a strategic plan and market realities.

Office Uses

There is no single standard formula for the mix of office and residential uses in a downtown. That is part of the uniqueness of one city's downtown from another's. A balance is important, however, in terms of strengthening retail (workers shopping/dining during the day; residents shopping/dining on the weekends), balancing parking demand, and creating an 18-7 or 24-7 environment.

The current height limits in Downtown Kirkland (bonus floor only applicable to housing projects) may be a real barrier to new office development. Given the high cost of office development (expensive structured parking, typical use of steel and concrete construction methods), a three or four story building may not be able to justify the huge fixed cost of parking and foundation and the site may not be able to accommodate the needs of larger employers. Larger buildings, however, can achieve better economies of scale. With parking ratios at three or four spaces per 1,000 square feet, office users require three or four times as much parking as a residential unit would. With structured parking costing upwards of \$15,000 to \$20,000 per stall and underground parking costing \$25,000 to \$30,000 per stall, it is no wonder that development in downtown Kirkland has focused almost exclusively on housing in the past five years.

Additional constraints to office development in the downtown core include the smaller size of sites, which reduces flexibility in building configuration and makes parking more inefficient to build. An expansion of office development at Park Place at the east end of Downtown could bring new employment on a site that can more easily accommodate the floor plate and parking requirements of modern offices.

While efforts to increase office employment Downtown should be encouraged, it should not necessarily be done by restricting housing. For one thing, office markets are very cyclical while housing tends to be steadier year to year. Thus, zoning that restricts housing may inhibit new investment in the downtown (in new housing) in periods when the office economy is slow. These down cycles can last for many years as the period between 2001 and 2006 has shown. When the goal is to sustain momentum, sometimes it is more important to assure an ongoing stream of investment rather than worry about the specific uses. Flexibility is key – allowing buildings to pursue office development when employment is growing and residential development when it is slower.

Keep in mind, also, that mixed-use is inherently a complicated and difficult development type. If additional height is only allowed when housing is included in a structure, as it is today, then a building that includes office uses and maximizes height must incorporate



three uses (ground floor retail, office, and housing). This is a very complicated and inefficient mix of uses, requiring multiple entrances, lobbies, and elevators (residents and office tenants should be segregated).

Since parking is one of the greatest costs for office development and it is often inefficient to build parking on small sites (higher cost per stall), a centralized parking structure that offers monthly parking to office tenants could help level the playing field and make office development more feasible. The parking structure would have a lot of shared use potential, filling with office users during the day and shoppers during evenings and on weekends.

Retail Uses

The perception that the downtown retail is suffering due to a lack of office workers may or may not be reality. Retail businesses fail for a wide range of reasons – lack of customers, poor merchandising, rising costs (wages, rent, insurance, wholesale products), lack of advertising, low-visibility location, lack of business planning, short hours (most shopping happens on evenings and weekends), inexperienced management, failure to adjust to changing market preferences, and a myriad of other reasons. Just because a cluster of small businesses has failed does not indicate a common cause. Each failure must be examined individually to determine the true cause – only then can conclusions be drawn as to what strategies should be used to strengthen the market.

Cities frequently require retail uses at the ground floor of *all* buildings in certain districts. While it is a reasonable goal to encourage an active ground floor experience, this can also force developers to build retail in locations that don't have the visibility, foot traffic, or proximity to other retail that is necessary for a merchant to succeed. Two outcomes typically occur:

- The spaces stay vacant for long periods of time; and
- “Weak” retailers fill the spaces, but often fail and turn over frequently.

Neither of these is a good outcome for a downtown. The developer is discouraged by poor financial returns on the building (although many developers will completely discount the value of ground floor retail if it is not a strong location) and the downtown is blighted by empty or weak storefronts.

A downtown retail strategy should identify core retail districts where retailers can cluster and feed off of each other. This has the added benefit of sending a clear signal to visitors and new merchants as to where the “heart” of downtown lies and where to walk and browse. When retail is forced everywhere, it can be hard to identify the center and visitors can be confused as to the best “loop” walk that will let them see all the retailers.

Even in the most unique and quaint downtowns, there is a need for anchor retailers. This does not necessarily mean a need for national chains, although increasing numbers of chains are finding ways to fit into smaller downtowns. An anchor simply needs to be a retailer that does one of the following:



- Draws local residents to the area again and again on a frequent basis (e.g., grocery store that attracts residents two or more times per week); or
- Draws people from throughout the region to a unique destination on a less frequent basis (e.g., specialty restaurant, entertainment venue, one-of-a-kind retailer).

Anchor retailers ensure a steady flow of customers to the downtown. Traditionally, anchor retailers in shopping centers and malls are the largest stores in the center (typically department stores). In a downtown setting, however, the definition of an anchor retailer can be much broader. For example, in a downtown an anchor retailer could be a highly regarded restaurant, a bookstore, a specialty grocer, or even an espresso shop. Anything that serves as the primary reason to draw locals on a frequent basis or regional visitors on a less frequent basis can be considered an anchor.

Strategies to attract anchor retailers to a downtown can include:

- Coordinated marketing program with visitors maps, events, advertising, logos, etc. This helps package the downtown as a shopping district instead of a series of individual stores working alone.
- Strong downtown business association that encourages common (and late) business hours, signage and window display standards, data gathering (sales, patronage, customer demographics), parking validation, etc. The business association should also build strong relationships with real estate brokers to make contacts with regional retailers.
- Patient landlords who carefully consider the tenant mix in their buildings and weed out those that don't support the greater downtown vision. Unlike a mall where a single landlord controls all the tenants, landlords in a downtown must cooperate in order to achieve the proper synergies.

Ground floor uses can vary throughout the downtown. Along main streets (e.g., Lake, Central), “true” retail should be encouraged (i.e., stores that sell merchandise, restaurants). Elsewhere in the downtown, the goal is to ensure active uses at the ground level, which does not always mean retail. Hair salons, copy centers, and similar services could keep the streetscape active in a location that may not be prime retail real estate. The key is to keep the ground floor occupied and active. Even when service or office uses are at the ground floor, care should be taken to ensure that window displays are interesting and creative. When a traditional retailer cannot be found for a site, finding a less active user is often better than letting the space go vacant. Indeed, in order to keep pedestrians interested in the street scene and to get them to walk the few blocks it may take to get from a central garage to the retail core, interesting ground-level uses with few, if any, gaps is a must.

On the outskirts of the downtown as the downtown streets extend into adjacent neighborhoods, retail and services may not be viable at all due to the limited visibility and foot traffic. In such locations, live-work units can be a viable alternative, allowing



development to take housing down to the ground floor while still allowing for some street-level interest. Live-work units often appeal to professionals (lawyers, architects, realtors, accountants), service providers (massage, psychiatry), and even small boutiques.

Parking

Creating and managing a centralized parking supply is often the role of the public sector. In smaller cities, where parking has traditionally been free, private parking operators simply are not present. It is important to keep in mind, however, that the main purpose of paid parking is parking management, not revenue generation. Thus, the pricing, regulations, enforcement, and marketing should all be geared to encourage turnover of short-term on-street spaces, while directing longer-term parkers to centralized lots or garages. While paid parking is sometimes seen as a negative by downtown merchants, the benefits of a comprehensive parking program should allow the merchants to achieve higher sales and be more successful. Key elements of a parking program should include:

- Validation
- Metered parking for on-street spaces
- Centralized garages and lots
- Prices lower in garages than on the street
- Monthly permit program for garage stalls to keep resident and employee parking off the street
- Good signage and marketing
- Education and enforcement
- Separate accounting that keeps parking revenues in the downtown (as opposed to going to the general fund)

Housing

A new housing strategy may be needed to encourage a broader and more affordable range of housing in Downtown Kirkland. Particularly as office employment grows, there will be a need for entry-level housing options for the new workers – either ownership or rental.

As mentioned earlier, parking is a huge expense for both housing and office uses. While current standards require multiple parking spaces per dwelling unit, cities such as Seattle and Portland have successfully seen many urban housing projects built with parking ratios of less than one space per unit (i.e., some units do not come with any parking at all). In a downtown such as Kirkland, where a wide range of services are within walking distance, these lower ratios may be feasible and could be a useful tool to encourage a wider range of housing options.