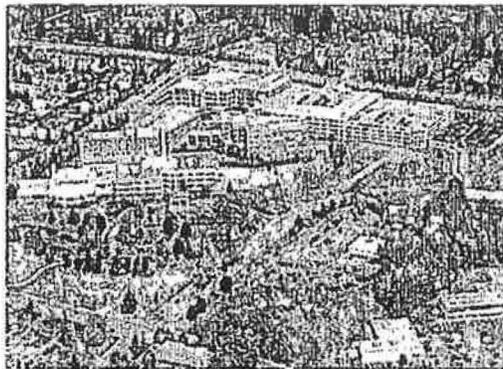


The majority of Kirkland businesses are in the small to medium size range (50 or fewer employees). Of the 3,460 licensed businesses in 2003, the largest number were in 1) the Service sector (i.e. personal services, contracting services), 2) Professional Offices, 3) Retail, 4) Medical/Dental, 5) Other, 6) Wholesale Trade, and 7) Manufacturing. Kirkland's largest employers represent a broad range of business types including healthcare, government, groceries and housewares, and high technology. (Source: City of Kirkland Business Licenses Division)

Kirkland is a desirable place to do business and has the infrastructure to support businesses. Kirkland is accessible from freeways, water and rail, and is close to major markets, high technology and medical clusters. The cost of doing business is competitive in Kirkland. A range of housing types exists in addition to quality schools, parks and healthcare facilities. Our beautiful waterfront setting and strong community support for recreation, cultural and arts activities also contribute to a positive business environment.



Evergreen Health Care Center

FUTURE TARGETS, TRENDS AND CAPACITY

Kirkland is part of a regional, national and international economy. While we can work to attract and retain residents and businesses through policies that promote economic development and a high quality of life, many economic trends are beyond the City's control. Regional and national trends show an increase in service, high-technology, communication, and information technology industries, with continued decline in traditional light industrial companies. Kirkland is consistent with this trend.

The King County Planning Policies have assigned Kirkland and other jurisdictions housing and growth targets. Kirkland is expected to grow in population from 45,054 in 2000, to 55,327 by the year 2022. In 2000, 32,384 people were employed in Kirkland. By the year 2022, Kirkland is targeted for an additional 8,800 jobs for a total employment of 41,184. Figure ED-1 below shows that the service industry will be the fastest growing sector in Kirkland. (See *2003 Kirkland Community Profile* for additional economic data).

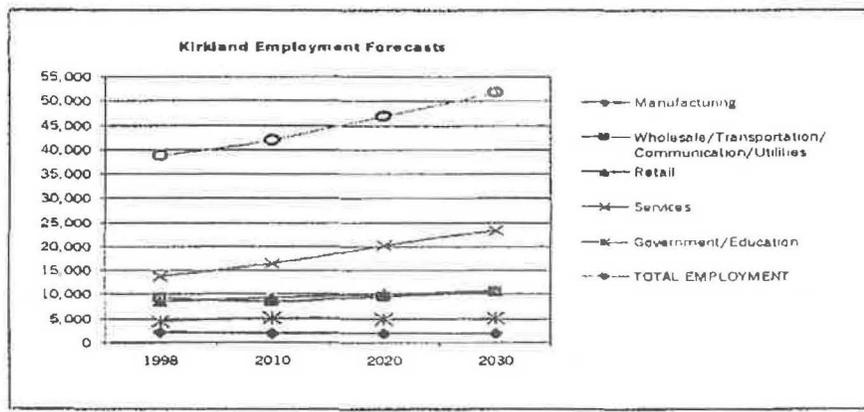


Figure ED-1: Kirkland Employment Forecasts

Source: 2003 Kirkland Community Profile

Key trends that may have an impact on Kirkland and the regional economy are "globalization" of businesses, changes in demographics, and increased immigration. Businesses can now reach international customers and with the "freeing up" of trade agreements and advances in telecommunications, they can locate virtually anywhere. Consistent with our region, Kirkland's workforce will continually change as the population ages and becomes more ethnically diverse.

RELATIONSHIP TO OTHER ELEMENTS

Other Elements of the Comprehensive Plan contribute related goals and policies necessary for a vital local economy. The Land Use Element sets forth the development pattern for the City's commercial areas and targets new employment growth primarily in the Totem Lake Urban Center and Downtown Activity Area. The Housing Element policies promote a sufficient range of housing options, including increasing the amount of "affordable housing" to support a diverse employment base. The Transportation Element supports an efficient circulation system that enables the mobility of people, goods, services, customers and employees to access Kirkland businesses. The Capital Facilities and Utilities Elements ensure that adequate public infrastructure and facilities such as public utilities, telecommunications, and roads are available to support the economic viability of businesses and private development.

B. ECONOMIC CONCEPT

The following goals and policies provide the framework for a three pronged strategy for the future of the Kirkland economy: the importance of diversifying our tax base, providing job opportunities, and providing goods and services to the community. The challenge will be to provide an economic climate that maintains a healthy economy for jobs and businesses without sacrificing the qualities that make Kirkland a desirable place to live.

To accomplish this, the Economic Development Element:

- Encourages economic growth while maintaining attractive residential neighborhoods and a healthy natural environment.

- Promotes a growing and diverse economy that has a variety of business sectors.
- Promotes a positive business climate so businesses will grow and enhance Kirkland's role in the Eastside and Seattle Metropolitan economy.
- Supports strengthening our retail shopping areas, including specialty retail in the Downtown, destination retail in Totem Lake, providing local goods and services in our neighborhood commercial areas and encourages attractive commercial and mixed use development.

C. ECONOMIC DEVELOPMENT GOALS AND POLICIES

A healthy economy is an integral part of Kirkland's high quality of life and an important community value. Kirkland's economy allows residents access to job opportunities, goods and services, and provides revenue sources that help to ensure needed public services. Economic development should not compromise residential neighborhoods or the natural environment. Balancing economic development with other community values is an overarching philosophy that should be taken into consideration as the following goals and policies are implemented.

Economic Development Goals:

- Goal ED-1: Foster a strong and diverse economy consistent with community values, goals and policies
- Goal ED-2: Promote a positive business climate
- Goal ED-3: Strengthen the unique role and economic success of Kirkland's commercial areas
- Goal ED-4: Develop and implement economic development strategies that reflect the role of Kirkland businesses in the regional economy
- Goal ED-5: Provide the infrastructure and public facilities to support economic activity and growth
- Goal ED-6: Foster collaborative partnerships among community interest groups to achieve Kirkland's desired economic goals
- Goal ED-7: Recognize Kirkland's artistic, cultural, historic and recreational resources as important contributors to economic vitality.

Goal ED-1. Foster a strong and diverse economy consistent with community values, goals and policies.

Policy ED-1.1. Work to retain existing businesses and attract new businesses.

Business retention is a number one priority for Kirkland's economic development efforts. Existing businesses are the foundation of the Kirkland economy and are encouraged to thrive and expand. Businesses contribute to a stable tax base and are integral to the community as many business owners and employees are Kirkland residents. Existing businesses are the best source for business expansion and job growth, as 60-80% of all new jobs typically are created by existing businesses.

Attracting new businesses can help diversify the local economy and strengthen existing businesses. Business recruitment strategies differ for different commercial areas based upon market demand and the desired

character of each district. Opportunities exist in several of our commercial areas for redevelopment to strengthen or intensify commercial development. Ideally, in addition to strengthening retail areas, recruitment efforts should focus on businesses that provide higher paying jobs and draw customers from outside the community to purchase goods and services in Kirkland.



Juanita Village

Policy ED-1:2. Maintain a strong job and wage base.

Businesses that provide new employment opportunities and high wage rates are important to strengthening the economy. Higher than average wages are preferred to maximize the economic benefits to the community. Employment growth and wage rates are a measure of economic success and therefore should be monitored.

Policy ED-1:3. Encourage a broad range of businesses that provide goods and services to the community.

A healthy mix of businesses that provide goods and services for the everyday needs of Kirkland residents and businesses is important for a diverse economy. Businesses that bring customers from outside the city to purchase goods and services bring dollars into the local economy. In Kirkland, businesses in retail sales, service, automobile sales and service, healthcare, and wholesale distribution and manufacturing serve this purpose.

Policy ED-1:4. Strengthen Kirkland's tax base.

Business plays an important role in the City's tax base. Taxes are a general purpose revenue source which are used to support basic government services such as public safety and parks maintenance. Sales tax is the largest contributor (25%) to the city's revenue. Retail businesses are the largest generator of sales tax followed by contracting, wholesale, and service businesses. The amount of revenue generated by sales tax fluctuates from year to year due to changes in the economy, buying habits of consumers, and the level of construction taking place in the City.

From a geographic standpoint, in 2003, Totem Lake generated the largest retail sales of the city's total sales tax receipts. Figure ED-2 below shows how all of the key commercial districts and other districts (Houghton,

Juanita, and Bridle Trails) contribute to sales tax revenue. Note that the *Unassigned Other and Contracting* categories comprise the contracting sector, businesses with no physical location in Kirkland and unassigned small businesses in Kirkland. (Source: City of Kirkland Finance Department)

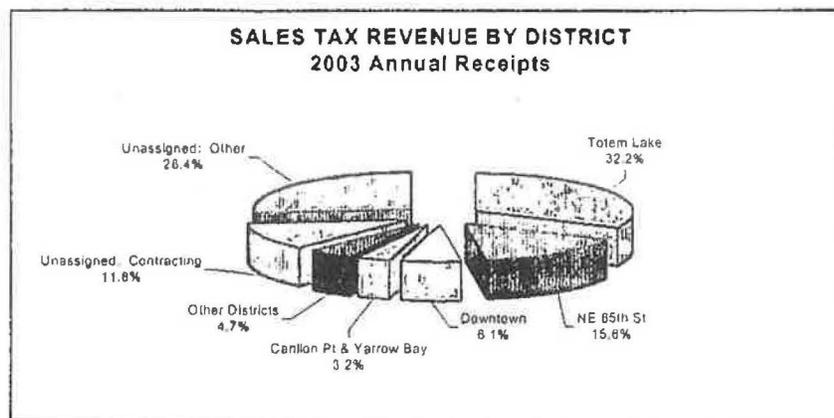


Figure ED-2: Sales Tax Revenue By District

Source: City of Kirkland Finance Department

In addition to the \$11.9 Million (2003) in the General Fund, sales tax is a funding source for transportation related capital projects (\$670,000 in 2003) and neighborhood capital projects (\$100,000 in 2003).

Operating government with sales tax as a major source of revenue accentuates the importance of having a strong retail sector. Therefore, it is in the community's interest to encourage businesses that contribute to the City's revenue base in order to help provide the needed public services to the community. Fluctuations in the retail sector can, however, have significant impact to the City's primary revenue source and thus city services. Steps should be taken to provide economic balance by maintaining a diversity of retail and other businesses that generate sales tax.

Businesses also make a significant contribution to the City's property tax base.

With the above in mind, economic strategies in Kirkland should strive to achieve:

- A net importation of sales tax (reduce sales leakage to other jurisdictions), and
- A diversity of business sectors that contribute both jobs and revenue such as, high-technology, start-up companies; wholesale, manufacturing, contracting, and businesses involved in the emerging arts, tourism and recreation.

The mix of businesses in the community should be monitored so that business recruitment efforts can adjust to maintaining a diverse tax base.

Policy ED-1:5. Encourage clusters of complementary businesses

Industry clusters are geographic concentrations of mutually supportive businesses. In 2003, the prominent business clusters were in the areas of automobile sales and services, art galleries, healthcare, restaurants, high technology, and furniture sales. Encouraging clustering of complementary businesses helps diversify

our local economy. Businesses can foster a competitive economic advantage by locating near each other to draw consumers, to be near the wholesale distributor or to attract employees. For example, many businesses and professional services involved in the medical field locate near Evergreen Medical Center. In Downtown Kirkland, restaurants, galleries, shops, hotels and performing arts organizations work together to promote the area as a destination. Economic development efforts should strive to develop new business clusters and identify ways to strengthen existing clusters, both locally and within the region.

Policy ED-1.6. Strive to maintain a balance of jobs and housing.

Job growth should be accompanied by growth in housing opportunities for workers filling those new jobs. When a significant percentage of the population can both work and live in Kirkland, economic vitality, quality of life and civic involvement are enhanced and transportation problems are mitigated. In 2000, Kirkland's ratio of jobs to housing was approximately 1.5 (similar to the region as a whole). As growth occurs, Kirkland should strive to maintain this balance. As discussed in the Housing Element and the Affordable Housing Strategy, Kirkland should also seek to encourage a variety of housing types including housing that is affordable to a range of income levels.

Policy ED-1.7. Promote Kirkland as a visitor destination

Tourism is another economic development tool to help diversify the economy. Visitors from outside the community spend money in local shops, restaurants, stay in hotels, and attend performing arts events. Tourism also creates jobs. Tourism promotion also benefits residents by providing increased amenities, community events and shopping opportunities.

Kirkland's tourism marketing focus is on promoting Kirkland as a cultural arts, eco-tourism and recreation destination. The targeted audiences for tourism promotion are visiting friends and relatives of residents, and business travelers. Kirkland is a unique destination on the Eastside and region because of its beautiful setting, pedestrian-oriented Downtown, art galleries, restaurants, performing arts facilities, retail shops, and parks. The Totem Lake and Juanita areas offer visitors nature and recreational experiences, lodging in close proximity to I-405, and the nearby attractions of Woodinville wineries, breweries, and other East King County destinations.

Policy ED-1.8. Support home based businesses that are compatible with neighborhood character.

Home based businesses continue to be a growing trend as telecommunication infrastructure and computers have increased opportunities to allow for integration of home and work. Many of Kirkland's small businesses began as home based businesses and now are a source for new jobs. Home based businesses can also reduce commuter traffic and increase security for neighborhoods while other residents are away at work.

Development standards should be maintained to minimize impacts of home based businesses on residential neighborhoods by limiting the types of activities that are not complementary to residential areas, such as the number of signs; number of employees; parking; truck deliveries and noise, light, outdoor storage, odors and construction activity. Some businesses by their nature are not compatible with residential neighborhoods and, therefore, should be located in commercial or industrial areas.

Goal ED-2: Promote a positive business climate.***Policy ED-2.1. Recognize that businesses are a valued part of the community.***

Businesses play important roles in our community. They contribute a high percentage of public revenue to enable government to provide public services, facilities and community amenities. Our commercial areas contribute to the distinctive character of our city and neighborhoods and provide valuable goods and services to our residents. Kirkland strives to provide a positive business climate by nurturing business success through business retention programs, and values business interests in both community discussions and in making policy decisions.

Kirkland is committed to providing excellent customer service to all sectors of the community. Business customer service needs are distinct from those of other customers and can be a factor in whether or not a business chooses to stay or locate in Kirkland. The City should continue to assess customer service and provide open communication to ensure business needs are being met.

Policy ED-2.2. Create and maintain a tax and regulatory environment that is reasonable, responsive and timely.

A business climate that combines a fair and competitive tax environment with a positive regulatory environment contributes to business success. Kirkland has favorable tax rates and user fees compared with other cities in the region. The City should proactively work with businesses and neighborhoods to improve the business climate in our community for everyone's benefit. Businesses are encouraged to work with the City and neighborhood organizations to identify and make recommendations for changes to regulations and improvements to permit processes. Having clear and reasonably fast permit processes in government also contributes to a positive business climate. The City should remove unnecessary barriers to economic development and provide a regulatory environment that allows for flexibility without sacrificing community standards. Improvements to permit processes should be continually made so that permits are handled in a reasonable, responsive and timely manner.

Policy ED-2.3. Foster a culture of creativity and innovation.

A business climate that supports the entrepreneurial, creative and innovative spirit of business owners ensures a healthy economic future for Kirkland. Kirkland is unique as a center for such creativity and innovation. It is strong in arts, culture, and amenities for both residents and visitors to enjoy. Kirkland attracts living wage employers, strives to provide the highest quality technology infrastructure, and supports emerging trends in industry sectors such as staggered work times and use of shared business facilities.

Policy ED-2.4. Consider the economic effects on businesses and the economic benefit to the community when making land use decisions.

Land use regulations, and the decisions made in the implementation of these regulations, can impact the business community. The City should periodically review its regulations and where appropriate, modify those which unreasonably restrict opportunities for economic development. At the same time, economic

development should conform to the goals, policies and development standards established by the Comprehensive Plan and city codes. It will be necessary to work closely with the Chamber of Commerce, and other business organizations to ensure potential economic impacts of regulations are identified and considered, to meet the intent of this policy.

When considering commercial land use decisions, City decision makers should carefully evaluate the short and long term economic benefits to the community in addition to social, environmental and aesthetic concerns. Economic factors to consider may include such things as the number and type of new jobs created, the types of goods or services provided, and fiscal benefits that businesses will contribute to the community.

Policy ED-2.5. Support the provision of educational and training opportunities to maintain a skilled work force.

A vital economy relies on maintaining educational and job-training programs that keep up with business trends. In the future, a factor for business success will be workers' ability to keep up with accelerating changes in the work place, especially in the areas of technology. Kirkland is fortunate to have a high-quality K-12 public school system, a university, a community college and other community education programs. Local, state and federal educational and job training programs are available. Partnerships between educational institutions and the business community, with the City's support, should continue.

Policy ED-2.6. Establish or support incentives to encourage economic development.

Providing incentives as a way to attract and retain quality businesses or create new jobs may be necessary to create a positive business environment. Washington State statutes strictly limit the types of incentives that cities may use to attract or retain private business.

Types of incentives that could be explored are:

- public/private development agreements for construction projects
- recruitment strategies that will result in new jobs
- tax deferrals or credits to certain industries
- County sponsored industrial revenue bonds,
- participating in county, state or federally sponsored low interest loans or grants
- installing infrastructure improvements
- use of special taxing districts
- expediting permitting and regulatory incentives

Goal ED-3: Strengthen the unique role and economic success of Kirkland's commercial areas

Policy ED-3:1. Promote economic success within Kirkland's commercial areas.

The Land Use Element sets forth the general land-use development pattern for Kirkland's commercial areas. Consistent with each Neighborhood Plan there will be opportunities to strengthen commercial area in the types of businesses provided and redevelopment opportunities. Following is a summary of the role of each commercial area.

- Totem Lake's role is an Urban Center that serves as a community and regional center for destination retailing, health care, automobile sales, high technology, light industrial, professional offices and housing.
- Downtown's role is an Activity Area that serves as a community and regional center for professional and government services, specialty retail, tourism, arts and entertainment, neighborhood services and housing.
- The Yarrow Bay and Carillon Point Business Districts provide corporate headquarters, professional offices, professional services, restaurants and housing.
- The Rose Hill Business District along NE 85th Street provides regional and neighborhood services in general retail, automobile sales, high technology, small office parks and housing.
- The North Rose Hill Business District provides both regional and neighborhood services, retail stores and housing.
- The Market, Juanita, Houghton and Bridle Trails Neighborhood Centers provide neighborhood retail stores, professional services, recreation and housing.
- The Everest and Norkirk Industrial Areas provide opportunities for small businesses in light industrial, manufacturing, wholesale, office and high technology.
- The Residential Markets along Lake Washington Blvd. provide convenience commercial goods and services.

Policy ED-3.2. Encourage businesses to develop and operate in a manner that enhances the character of the community, minimizes impacts on surrounding development, and respects the natural environment.

As members of the community, businesses should be corporate stewards of the environment as well as good neighbors to adjacent less intensive uses. In some instances, economic activities may create impacts on surrounding development because of the way the business functions or building location and site design. Impacts may include open storage, large structures, poorly maintained grounds, parking lots, signs, exterior lighting, noise, air or water pollution, and pedestrian or vehicular traffic and may be especially noticeable along transition areas of commercial areas.

These adverse visual or other impacts created by economic activities should be minimized through development standards that maintain the character of adjacent development. Development standards should ensure that outdoor storage areas, parking lots, and structures are adequately buffered with landscaping or some other appropriate means, and that on-site debris and waste are removed. Landscaping, both within and around the edges of development, can serve to provide visual screening and separation, as well as help to decrease surface runoff. Additional standards may include noise limitations, appropriate setbacks, open space requirements and building design guidelines. Even with efforts taken by businesses to reduce impacts, residential uses located along commercial area boundary edges may continue to experience some level of unavoidable impact.

Policy ED-3.3. Encourage infill and redevelopment of existing commercial areas consistent with the role of each commercial area.

Kirkland's commercial areas have the potential for increasing economic activity by infilling underutilized land or redeveloping without expanding district boundaries. Consistent with the Land Use Element and Neighborhood Plans, commercial areas are encouraged to be intensified where it will result in superior redevelopment. Expansion of commercial area boundaries should be discouraged and considered only when adequate transitional uses or buffer issues can be resolved to reduce potential adverse impacts. To maintain the land use capacity to support the local economy, it will be necessary to encourage full utilization of planned development potential within employment centers, monitor commercial development activity, and maintain efficient infrastructure systems.

Policy ED-3.4. Establish development standards that promote attractive commercial areas and reflect the distinctive role of each area.

Businesses with attractive site and building design, landscaping, and signs that blend in with the context of the neighborhood or commercial area, show pride in ownership and contribute to the economic success of the commercial area. Commercial area revitalization programs are encouraged. Gateway or unique signage, attractive public spaces, decorative pedestrian lighting and other urban design improvements help promote economic development by creating an inviting environment. Depending on the commercial area, specific design standards tailored to the unique characteristics, and natural features of the neighborhood, may be appropriate. Public and private sector investment and commercial development that adherences to development standards will ensure that Kirkland's positive civic image and character will be maintained.



Downtown Kirkland

Policy ED-3.5. Encourage mixed-use development within commercial areas.

A mix of uses improves the vitality of commercial areas. Mixed-use residential and commercial development provides the opportunity for residents to live, shop and work in commercial areas. Mixed-use development encourages one-stop shopping when a variety of businesses are located in close proximity to each other and shared parking is provided. Mixed use development, when combined with multi story structures, promotes a more compact and sustainable land use pattern and encourages walking and transit use to reduce dependence on automobiles.

Goal ED-4: Develop and implement economic development strategies that reflect the role of Kirkland businesses in the regional economy.

Policy ED-4.1. Enhance the competitive advantage of Kirkland businesses.

The City and business organizations should take a proactive role in the region to promote Kirkland as a place to do business. To stay competitive, Kirkland should be aware of and respond to international, national and regional trends, continue to provide excellent government customer service and a positive business climate, and provide sufficient public infrastructure to support economic development opportunities.

Policy ED-4.2. Collaborate with other cities and agencies to enhance economic growth on the Eastside and region.

Economic activities are not defined by political boundaries. Kirkland's economy is interrelated with other cities on the Eastside and King County and therefore, it is important to cooperate with other cities and the region toward a common regional economic strategy.

Goal ED-5: Provide the infrastructure and public facilities to support economic activity and growth.

Policy ED-5.1. Build and maintain infrastructure systems for utilities, transportation and telecommunications to optimize service delivery to the business community.

Providing superior utilities, transportation and telecommunications networks to the community supports business growth and maintains Kirkland's competitive advantage to attract and maintain jobs. Emphasis should be on providing telecommunication and transportation infrastructure in higher density mixed use employment and housing centers such as in the Totem Lake, Downtown and Rose Hill commercial areas.

Funding for infrastructure improvements comes from a combination of private and public sources. The City allocates public funds through capital improvement programs for transportation, sewer and water service and surface water management facilities. The private sector installs needed improvements with new development. The City should explore and encourage innovative and entrepreneurial efforts to provide technology infrastructure and communication services by forming public/private partnerships to facilitate or leverage funds for infrastructure improvements that will increase economic opportunities. The City, through the Capital Facilities and Utilities Elements, should continually assess our capacity and infrastructure needs as they relate to the needs of the business community especially in the area of advanced-technology infrastructure.

Policy ED-5.2. Create strong circulation linkages to and within commercial areas.

Improving circulation within commercial areas and connecting neighborhoods to commercial areas with both motorized and non-motorized options, make it easier for customers to access businesses. In some cases, this may require new street connections to break up large blocks or improve circulation. As the city becomes more developed, pedestrian improvements should be encouraged to reduce vehicle congestion. Standards should be in place to minimize the impacts generated by economic activities on pedestrian and vehicular