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March 11, 2015

VIA EMAIL

Kirkland Planning Commission
Kirkland City Hall
123 Fifth Avenue
Kirkland, WA 98033

Re: MRM Comp Plan Request
File No. SEP 13-00554/ZON11-00006

Dear Commissioners,

After your hearing on MRM's PAR a year ago, members of your board discussed and concurred that the case had not been made for changing the uses in the Comprehensive Plan for CBD5. Because of the time constraints, the discussion of the requested change in heights was continued for a month. Realizing that it had lost its request for a change in use and may perhaps lose on the height issue, MRM asked to table its PAR before your April meeting and ultimately agreed to withdraw its PAR and submit its requests for Comp Plan changes as part of the citywide review of the Comprehensive Plan. No doubt their hope was that something might arise from upcoming presentation of a new plan for Parkplace or that memories may fade so that you would reach a different conclusion when the it came up for consideration a year later.

Lest memories fade, I am attaching two exhibits I shared with your board over a year ago. The first lists all the properties in the CBD which have been redeveloped since 1990. It demonstrates that 80% of the land in the CBD which has been redeveloped in the last 25 years has been redeveloped as large multi-family projects. There have been 22 multi-family projects compared to 4 new office projects over that period. All of the sites for these multi-family projects were zoned for office use, but their developers chose the allowed residential use instead. Only half of these multi-family projects contain any retail space. The retail activity in these projects has been anemic at best and marked by high rates of vacancy and tenant turn-over. The predominant retail activities in these projects has been hair salons and coffee and tea shops. In some cases, the landlord has given up on retail tenants and installed such tenants as a Kung Fu studio, an after-school tutoring service and a physical therapy facility. These projects offer little employment and economic vitality to the community.

The second exhibit shows the cluster of Class A office buildings which form the backbone of downtown Kirkland's employment center and the names of national tenants and types of local firms with high paying jobs who have located there. These buildings are

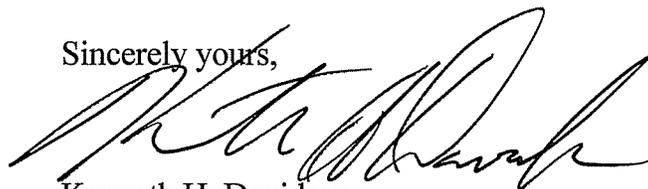
surrounded by many smaller Class B office buildings which also contribute this employment center. In hearings before you, Parkplace's new developer, Bill Pollard, explained how Kirkland competes favorably against Bellevue and Seattle in attracting major office tenants. The list of present and past tenants in the attached exhibit proves his point. The synergy of this office market is about to be improved with the first phase of redevelopment of Parkplace which will bring around 100,000 square feet of new retail space, 200,000 square feet of new office space, a health club and a remodeling of the 5-story Parkplace Tower.

The immediate plans for Parkplace do not foreclose, but rather enhance the opportunities for MRM's commercial property. Mr. Pollard has said that there is no set timetable for when the office buildings in the second and third phase of their project will be built. Those decisions will be made in Prudential's corporate offices when they analyze the Kirkland office market and other markets and decide where to deploy their capital. Thus, opportunities exist for local developers who are more nimble. The region, and indeed the nation, is in a period of strong job growth, which is resulting in low vacancy rates and rising rents in the Eastside office market. The rising demand for office space creates opportunities for MRM and many other commercial property owners to bring a new generation of office buildings into the market.

MRM bought its property knowing full well the terms of its commercial zoning. It benefitted from millions of dollars invested by Microsoft to turn its building into a state-of-the-art computer facility where Microsoft has designed and tested its computer games. When (and if) Microsoft leaves, MRM can either lease this incredible high-tech facility to another tech company and/or build a new office building on the property. Either way, it will enjoy a return on its investment and there will be high paying jobs in Kirkland.

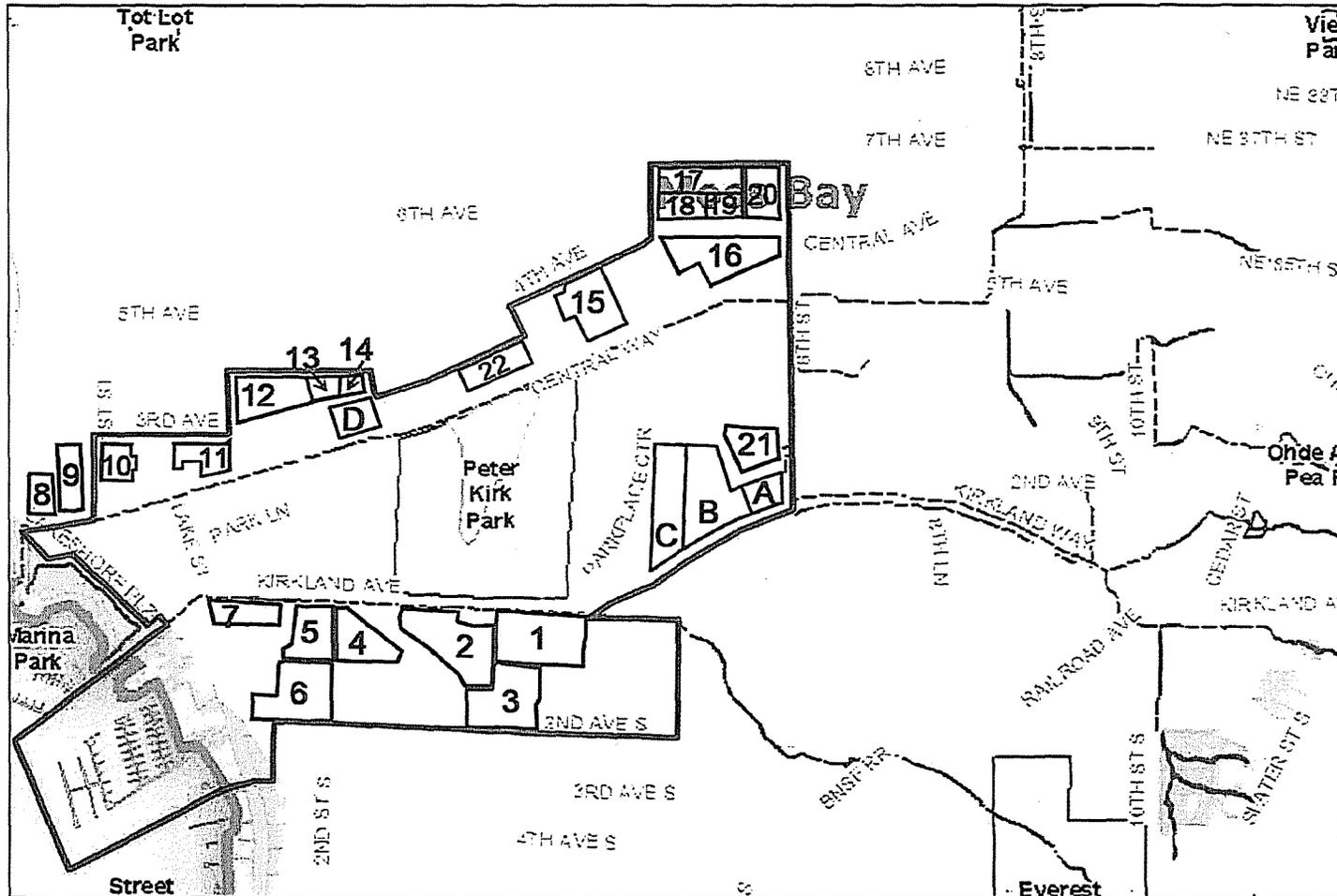
In conclusion, the original vision in the Comprehensive Plan for CBD5 as downtown Kirkland's employment center has been working and has a bright future. This area and across 6th street to the east have, in fact, been the primary areas for office development over the last 25 years and the location of the kinds of employers Kirkland needs to be a place where its people can both live and work. MRM has presented no compelling reason for departing from that vision. As owners of the Emerald building we are concerned that MRM's request would diminish the appeal of this office area generally and the Emerald building in particular to high quality tenants. Reputation and public perception are important. Kirkland's office market in and around Parkplace has a solid reputation which has attracted an impressive list of employers to Kirkland. Kirkland should seek to build upon and not do anything to diminish that reputation. The success of this office market is particularly important in light of analysis our legal counsel has presented which shows Kirkland falling 12% short of the GMA employment targets. The Planning Commission should stay the course and keep the vision in the Comprehensive Plan of CBD5 as the best opportunity for employment in the downtown.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Kenneth H. Davidson", written in a cursive style.

Kenneth H. Davidson

Residential and Office Development in Downtown Kirkland (CBD) Since 1990

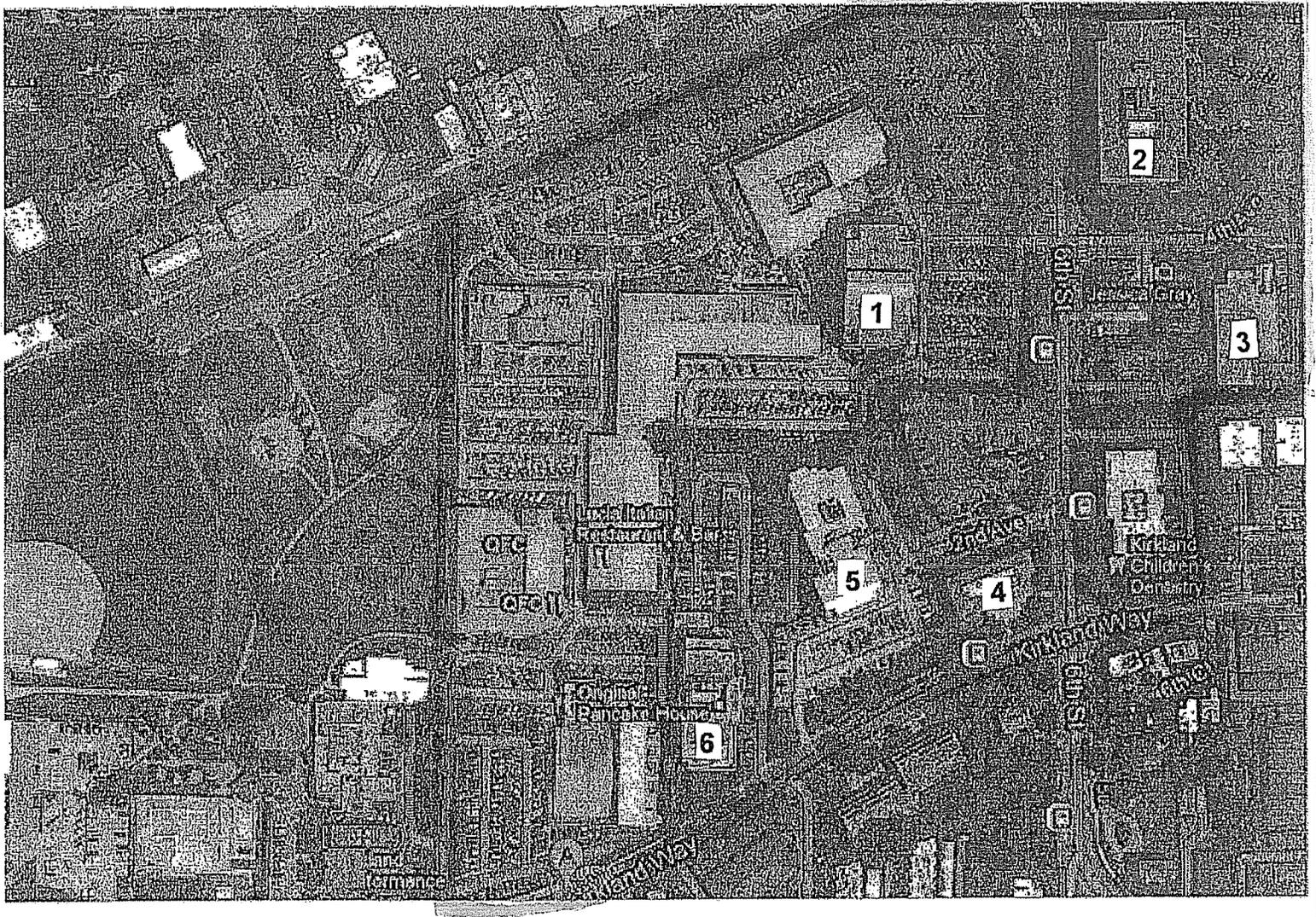


LEGEND

RESIDENTIAL			
	Project Name	Year Built	Lot Size (sf)
1	Boulevard	2006	72,000
2	Plaza on State	1995	72,314
3	128 on State	2007	65,397
4	Kirkland Central	2005	41,526
5	Merrill Gardens	2008	35,432
6	Portsmith	1997	71,626
7	Merrill Gardens	2010	28,269
8	Tiara Lago	1998	10,686
9	Westwater	2002	22,950
10	Water View	2000	22,459
11	Marina Heights	1996	25,198
12	Brezza	1997	39,760
13	255 4 th Ave	1990	13,852
14	Park 34	1998	9,297
15	450 Central Way	Proposed	48,475
16	Tera	2000	67,403
17	Soho	2000	38,500
18	602 Fifth Street	1996	16,500
19	520 5 th Ave	1998	22,007
20	Park Avenue	1997	33,007
21	Watermark	1997	35,428
22	324 Central Way	Proposed	27,459
Residential Subtotal:			819,545

OFFICE			
	Project Name	Year Built	Lot Size (sf)
A	570 Kirkland Way	1990	18,064
B	Continental Plaza	1990	73,180
C	Emerald Building	1995	59,375
D	Opus Bank	2000	19,951
Office Subtotal:			170,570

KIRKLAND DOWNTOWN CLASS A OFFICE ZONE



Buildings

1. Parkplace
2. Central Way Plaza
3. Kirkland Central Office
4. 570 Kirkland Way
5. Continental Plaza
6. Emerald Building

National Tenants

Google
IBM
Nokia
Brocade Communication
Charles Schwab
Wells Fargo Mortgage
BDO Siedman
Microsoft

Local Tenants with High Paying Jobs

Accountants
Aeronautical Engineers
Financial planners
Lawyers
Medical providers
Mortgage brokers
Real estate brokers
Software companies
Technology companies

Angela Ruggeri

From: Bea Nahon <Bea.Nahon@nahoncpa.com>
Sent: Wednesday, March 11, 2015 4:09 PM
To: Planning Commissioners
Cc: Angela Ruggeri
Subject: MRM proposal, Thursday 3/12/15 Planning Commission meeting
Attachments: Puget_Sound_Office_MarketView_Q4_2014.pdf

As much as I wish I could, I cannot support this proposal by MRM. After all, the current site is clearly the fading memory of an old hardware store surrounded by a mass of asphalt, where only those sanctioned by Microsoft can park. However, just because a proposal could make things better than what is there now, is not reason in and of itself for change.

Why not? Because the activity occurring at that site, is exactly what should be going on: JOBS. Now imagine it developed, with the current zoning, with even more square footage for JOBS. More employers, tech, office, professional, support, you name it. That is what should happen on that site, not more residential. And moreover, since that is what the plan already calls for and what the site is already zoned for, why would it be in the best interests of the City to change it? The answer is simple. It's not in our best interests.

Consider the goals for our core area. First of all, we will hit our GMA targets for residential without a blink of the eye, and well in advance of 2035.

But what about jobs? That is where we need to focus our attention. Moreover – and Jeremy McMahan can give you more information about this particular matter – for our downtown core to achieve status as a Designated Urban Center, which would benefit us greatly for infrastructure benefits in years to come – where we fall behind in our zoning is in employment. Our current zoning in the downtown core gives us just under 11,000 jobs. In order to get Designated Urban Center status, we need zoning for 15,000 jobs. If this site is rezoned residential, it reduces the existing 11,000 and takes us even further away from getting to 15,000.

Don't sell Kirkland short as a desirable place for office tenancies – in fact, see Page 2 of the attached and you will see that Kirkland has the lowest office vacancy rate on the entire eastside, at only 4.5%! That compares to Bellevue with a vacancy rate of 9.3% and an overall eastside vacancy rate of 11%. The space shown as coming online for Kirkland is the Google redevelopment so that's all spoken for. What does this tell us? It tells us that Kirkland is hot, it's desirable, and there's demand. And by the way, look at the lease rates, we're getting closer to Bellevue's rates. Let's see, low vacancy and higher rents. Sounds attractive to me!

Consider this: Think about Park Place and the PAR that was recently approved. This site is contiguous to Park Place. Now imagine - what you would have done had Talon come in as the owner of both sites, to develop the entire area, and if they had wanted to reduce commercial and replace it with that much more residential at the site? You allowed, and many of us supported, a reasonable addition for the residential above QFC, but I'd hope you would have held the limit right there. So why, just because there are two separate owners, would we change the plan for the area and take away the office space and place that much more residential square footage in this key area?

Think about the overall site and its connectivity and flow. Think about the Comp Plan. Think about jobs. This is not about saying no, it's about saying yes to employment goals and about saying yes to keeping the well thought out plan as it stands for this zone.

Thank you for your consideration of these comments.

Bea Nahon
129 Third Ave
Kirkland WA



Please consider the environment before printing this e-mail or attachments.

Puget Sound Office, Q4 2014

Strong growth increased building values

 Total Vacancy Rate
13.7%

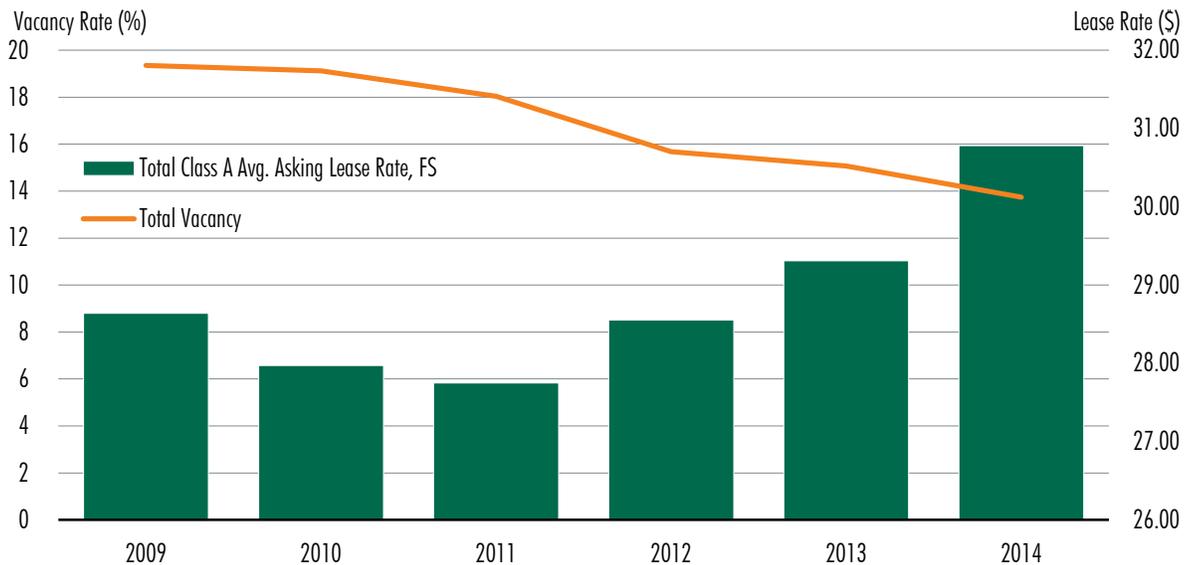
 Lease Rate
\$31.33 PSF

 Net Absorption
865,061 SF

 Completions
487,586 SF

*Arrows indicate change from previous quarter.

Figure 1: Vacancy vs. Class A Avg. Asking Lease Rate



Source: CBRE Research, Q4 2014.

Technology tenants continued to expand in the Puget Sound region, prompting developers to start more speculative projects to insure adequate space for future needs. As evidence of growth, net absorption is running well above normal; 2014 recorded nearly 2.4 million sq. ft. of new occupancy compared to the 20-year average of 1.5 million sq. ft. per year. Total (direct and sublease) vacancy declined to 13.7% at the end of the fourth quarter, down 670 basis points since the middle of 2010. Leases to tenants in technology fields accounted for nearly 3.0 million sq. ft. per year, or 40% of the new leasing activity in the Puget Sound region in

each of the last two years, this is up from 30% of new leases in the years 2010-2012.

DOWNTOWN SEATTLE

The Downtown Seattle market continued its bullish pace through the fourth quarter with average Class A asking rents climbing to \$36.17 per sq. ft., per year, full service, up from \$35.49 at the end of the third quarter. Strong demand of 745,208 sq. ft. of net absorption Downtown drove vacancy from 12.2% to 11.5% during the quarter.

Figure 2: Market Statistics

Submarket	Net Rentable Area (SF)	Total Vacant (SF)	Total Vacancy Rate (%)	Q4 2014 Net Absorption (SF)	Last 4 Qtrs Net Absorption	Under Construction	Direct Gross Class A Avg. Asking Lease Rate (\$/SF/Yr)	Total Gross Class A Avg. Asking Lease Rate (\$/SF/Yr)
Seattle CBD	20,561,510	3,236,085	15.7	(75,856)	(4,161)	1,233,725	37.36	36.48
Waterfront	2,443,436	235,841	9.7	91,117	275,136	0	32.15	30.43
Pioneer Square	4,072,025	437,997	10.8	42,050	130,787	0	31.87	34.11
Denny Triangle/Regrade	6,722,423	594,225	8.8	266,493	178,887	280,425	31.79	29.48
Lower Queen Anne	3,105,837	513,908	16.5	32,267	69,486	0	30.22	28.80
Lake Union	5,458,422	339,726	6.2	404,102	401,747	2,072,094	35.64	35.45
Canal	1,499,836	66,686	4.4	(14,965)	207,662	208,000	29.68	30.53
Downtown Seattle	43,863,489	5,424,468	12.4	745,208	1,259,544	3,794,244	36.17	34.90
N Seattle/Interbay	2,405,343	245,680	10.2	(2,121)	(47,350)	0	25.74	25.76
Capitol Hill/Rainier	1,123,254	109,707	9.8	27,979	142,914	25,000	33.56	33.56
South/West Seattle	1,782,751	577,603	32.4	24,093	35,072	0	31.18	31.18
Seattle Close-In	5,311,348	932,990	17.6	49,951	130,636	25,000	29.76	29.66
Sea-Tac	957,876	272,909	28.5	5,885	20,691	0	21.94	21.94
Tukwila	2,132,576	267,836	12.6	2,714	43,288	0	21.39	21.49
Renton	3,189,774	383,053	12.0	28,786	21,883	0	23.31	23.24
Kent	1,223,908	425,898	34.8	3,765	(11,086)	0	23.10	22.92
Auburn	289,025	48,041	16.6	(3,507)	372	0	21.35	19.91
Federal Way	2,289,565	590,427	25.8	(4,963)	23,210	0	20.89	20.89
Southend	10,082,724	1,988,164	19.7	32,680	98,358	0	21.96	21.81
Bellevue CBD	7,911,531	737,934	9.3	110,216	21,844	1,522,000	39.16	37.38
I-405	2,879,969	327,255	11.4	(12,488)	64,907	0	27.92	28.04
SR-520	2,579,812	281,070	10.9	(28,864)	(4,890)	0	28.74	28.04
I-90	6,698,025	895,643	13.4	84,473	493,561	0	30.21	29.89
Bel-Red Road	1,501,719	105,540	7.0	9,668	(10,985)	0	31.18	31.18
Kirkland	1,465,805	65,279	4.5	1,787	42,897	180,000	35.94	35.11
Redmond	4,159,595	548,280	13.2	(47,737)	180,456	0	25.59	24.95
Bothell	2,787,948	322,878	11.6	(6,557)	163,096	0	26.47	26.40
Eastside	29,984,404	3,283,879	11.0	110,498	950,886	1,702,000	31.61	31.02
Lynn/Edm/Mtlk Terr	2,502,650	523,210	20.9	34,577	12,258	0	25.04	24.12
Everett	1,966,996	346,531	17.6	(26,915)	34,703	0	22.49	22.49
Northend	4,469,646	869,741	19.5	7,662	46,961	0	24.12	23.58
Tacoma CBD	2,856,552	440,606	15.4	(10,639)	(52,152)	0	25.85	26.21
Tacoma Suburban	1,186,039	171,695	14.5	(76,035)	(64,426)	0	25.25	25.25
Fife	213,994	31,270	14.6	0	(4,050)	0	24.00	24.00
Puyallup	456,997	56,186	12.3	5,736	6,411	0	20.56	20.56
DuPont	1,038,802	472,000	45.4	0	0	0	N/A	N/A
Tacoma/Fife	5,752,384	1,171,757	20.4	(80,938)	(114,217)	0	24.82	25.27
Market Total	99,463,995	13,670,999	13.7	865,061	2,372,168	5,521,244	31.33	30.78

Source: CBRE Research, Q4 2014.

In the Seattle CBD, Zillow made news by committing to an additional 113,470 sq. ft. in Russell Investments Center. Occupancy is phased over several years with their total to be just over 280,500 sq. ft. The space became available due to Dendreon's bankruptcy.

Daniels Development broke ground at its planned Fifth and Columbia office/hotel, which will add 528,000 sq. ft. of new office space, and Schnitzer West began site work on its 750,000 sq. ft. Madison Centre project. These buildings are the first new Class A+ projects in a decade in the Seattle CBD.

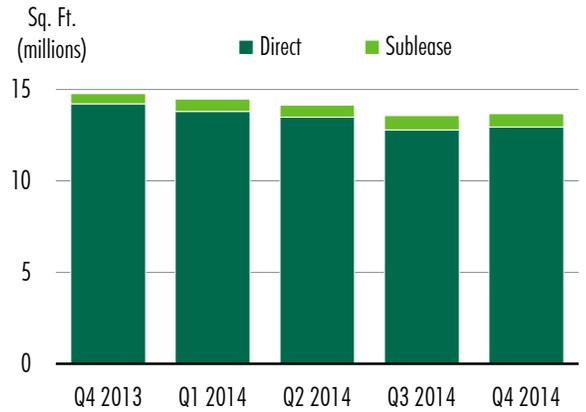
The Lake Union, Denny Regrade and Canal submarkets are the center of the exploding technology community. Impinj leased 52,000 sq. ft. at 400 Fairview, to be occupied upon delivery in the summer of 2015. Nanostring Technologies agreed to expand its footprint by 21,500 sq. ft. of biotech space at 500 Fairview, also a project under construction with expected completion in early 2016. Amazon.com took occupancy at Phase VI, a 385,500 sq. ft. build-to-suit, and over 200,000 sq. ft. at Blanchard Plaza, driving most of the net absorption Downtown for the quarter. Three sites started construction this quarter: Schnitzer West's 278,000-sq. ft. Urban Union building, 150,000 sq. ft. at 1101 Westlake being developed by Holland Partner Group, and NorthEdge Technology Center, a Touchstone building totaling 208,000 sq. ft.

Pioneer Square and the South/West Seattle submarkets are also seeing growing activity. For example, Galvanize leased 70,599 sq. ft. at 111 South Jackson for a business incubator, continuing the neighborhood's reputation for fostering startup companies.

EASTSIDE

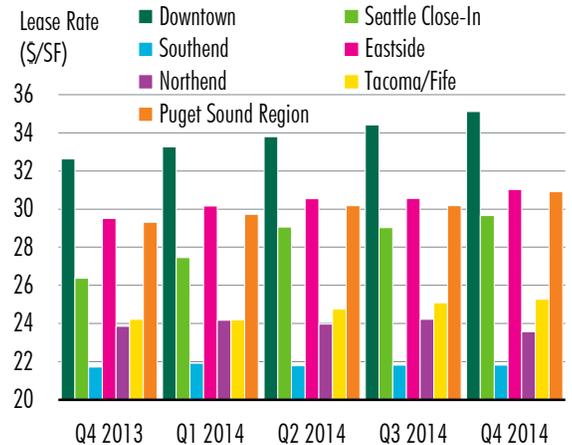
In addition to Kemper Development's 400 Lincoln Square project and Trammell Crow's 929 Office

Figure 3: Vacant



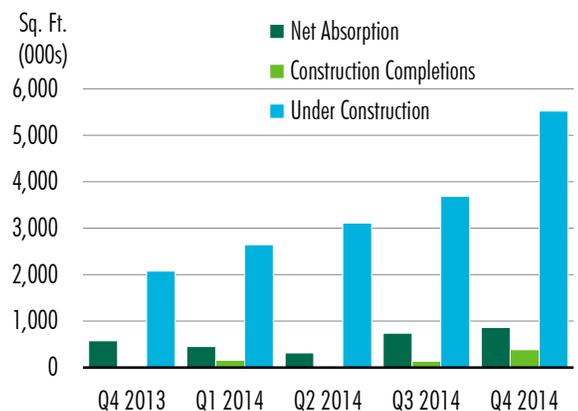
Source: CBRE Research, Q4 2014.

Figure 4: Total Class A Asking Rent, Full Service, per Year



Source: CBRE Research, Q4 2014.

Figure 5: Absorption and New Construction



Source: CBRE Research, Q4 2014.

Tower, downtown Bellevue saw another large office development break ground with Schnitzer West's Centre 425 Building. Together, these three projects will usher in approximately 1.5 million sq. ft. of new office space, a 22% increase in class A office product in the downtown area. 929 Office Tower will be ready for occupancy in late 2015, while Lincoln Square and Centre 425 are scheduled to open in 2016. The suburban market captured the largest lease on the Eastside this quarter, 36,062 sq. ft. leased to SpaceX at NW Technical Center, Building A in Redmond.

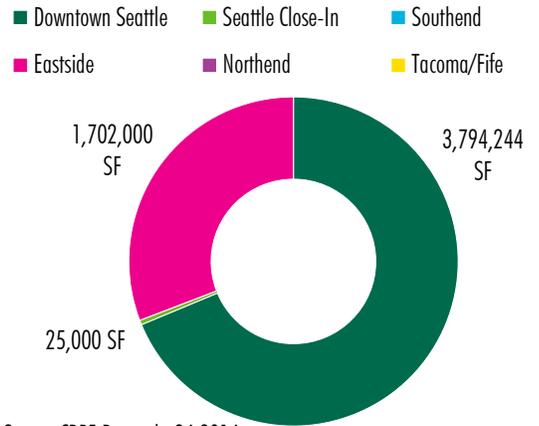
NORTHEND

With the Downtown Seattle and Eastside office markets becoming tighter and the benefit of more affordable lease rates, the Northend has seen a gradual increase in activity. The spillover effect into the Northend has resulted in a flurry of smaller deals. Radia, for example, moved into 23,000 sq. ft. at Redstone Corporate Center. This steady trend will continue as long as demand in the Downtown Seattle market drives up lease rates, making the Northend market more attractive to tenants.

SOUTHEND

The Southend market experienced nearly 100,000 sq. ft. of net absorption in 2014, though vacancy

Figure 6: Sq. Ft. Under Construction



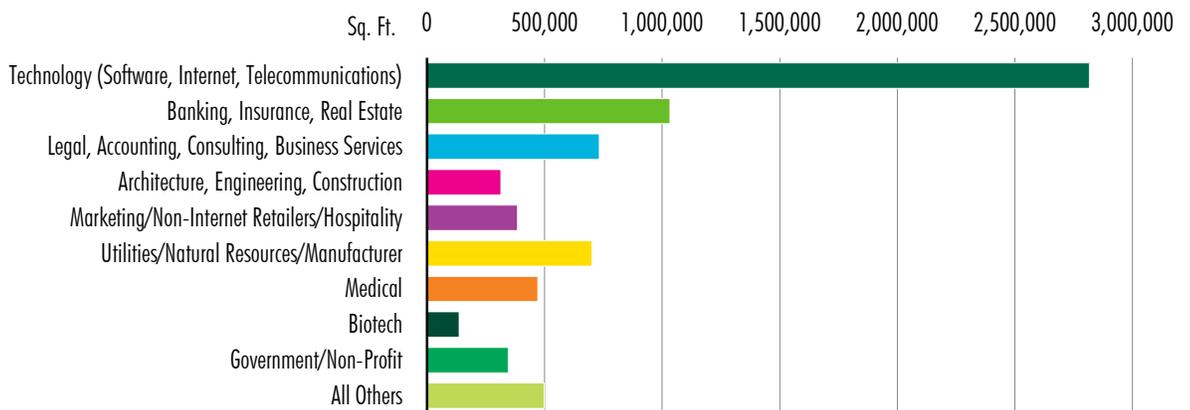
Source: CBRE Research, Q4 2014.

remains near 20%. During the fourth quarter, a significant lease to Southlake Clinic for 13,890 sq. ft. was signed at Time Square in the Renton submarket

TACOMA

Vacancy in the Tacoma market climbed sharply due to the addition of two formerly owner-occupied buildings sold by Intel in the DuPont submarket. The new owner, Fortress Investment, is marketing 470,000 sq. ft. of vacant space after leasing back 180,000 sq. ft. to the chip manufacturer.

Figure 7: 2014 New Office Leasing by Business Sector



Source: CBRE Research, Q4 2014. Includes buildings outside the survey criteria

INVESTMENT SALES

Investment Sales were dynamic during the fourth quarter due to both increased occupancy and asking rates. Unico Properties was the most active buyer at the end of the year, spending \$147 million on the Buttnick, City Loan and Grand Central buildings; Stone 34; and PEMCO’s headquarters. The largest transaction was the sale of 1111 Third and Second & Spring, sold to Ivanhoé Cambridge and Callahan Capital Properties for \$280 million, a blended cost of \$413 per sq. ft. Rockpoint Group sold the Pacific Building to Brickman for \$50 million, or \$390 per sq. ft., realizing \$15 million in additional value since buying it for \$35 million only 18 months earlier. Real Capital Analytics reports cap rates for sales over \$2.5 million remained stable at 6.0% during the third quarter.

Best and Worst Metro Areas for STEM

Professionals”. Echoing that, Conway & Pedersen Economics forecasts a 2.6% increase in jobs in 2015, after a 3.0% rise, or 49,500 new positions in 2014. The unemployment rate has steadily declined, currently at 4.7% for Seattle-Bellevue-Everett and 7.0% for Tacoma, seasonally adjusted. The growing population and employment figures likely spell continued economic prosperity for the region.

ECONOMY

Employment prospects in the Puget Sound region continued to outpace the nation, earning the spot of sixth best in WalletHub’s recent poll of “2015’s

Figure 8: Key Transactions

Tenant	Type	Sq. Ft.	Building	Submarket	Business Sector
HomeStreet Bank	Renewal	141,784	Two Union Square	Seattle CBD	Banking
Zillow	Expansion	113,470	Russell Investments Center	Seattle CBD	Technology
Tableau Software	Renewal & Expansion	±100,000	Lake Union Center, Plaza Building & Lakeview Building	Canal	Technology
Galvanize	New	70,599	111 S Jackson	Pioneer Square	Business Incubator
BECU	Purchase	62,700	Gateway Corporate Center, Building 7	Tukwila	Banking
Impinj	New	51,626	400 Fairview	Lake Union	Technology
Evergreen Home Loans	Purchase	42,438	Former PCL Building	I-90	Banking
SpaceX	New	36,062	NW Technical Center, Building A	Redmond	Technology
Facebook	Expansion	25,691	Metropolitan Park East	Denny Triangle	Technology
Limeade	New	23,293	The Summit, Puget Sound Energy Building	Bellevue CBD	Technology

Source: CBRE Research, Q4 2014.



SURVEY CRITERIA

The market includes competitive (typically investor-owned) office buildings over 10,000 sq. ft. It does not include medical office or biotech space.

CONTACTS

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March 11, 2015

VIA EMAIL

Kirkland Planning Commission
City of Kirkland
123 Fifth Avenue
Kirkland, WA 98033

Re: MRM Amendment Request
File No. SEP13-00554/ZON11-00006

Honorable Planning Commission Members:

As you know, I represent Davidson, Serles and Associates, owner of the Emerald Building at 520 Kirkland Way. I am writing, once again, to express my client's opposition to the requests by MRM to amend the Comprehensive Plan and Zoning Code to allow an 8-story residential development on the MRM site.

MRM's initial Private Amendment Request (PAR) to remove the site's current 12.5% residential use limitation and to increase the maximum allowable height from 5 stories to 8 stories was withdrawn by MRM a year ago. Withdrawing the PAR allowed the City to first consider changes at Parkplace proposed by the new Parkplace development partner, and to evaluate MRM's proposed policy and code changes in light of the overall 2015 Comprehensive Plan Update.

Before MRM's PAR was withdrawn, the Planning Commission received considerable testimony in opposition to this request from a wide spectrum of the public. We provided the Planning Commission with detailed written comments. The March 5, 2015 Staff Report provides a link to these comments, but for your convenience, I am attaching my March 13, 2014 comment letter (without attachments), which provides references to numerous public policies and prior land use decisions that demonstrate why the MRM request must be denied.

The key points from my March 13, 2014 letter can be summarized as follows:

- Allowing Residential Only Development on the MRM Property is improper because:
 - The MRM site has long been identified in the Moss Bay Neighborhood Plan as being in an area that provides the "best opportunities" in downtown Kirkland for an employment center;

- Office development on the MRM site is needed in order to add to the vital employment base of the City;
 - The Kirkland Downtown Strategic Plan, adopted by the City Council in Resolution 4294, calls for preserving the MRM site and the remainder of CBD 5 as a Class A office district;
 - Since the early 1990's, whenever property in Downtown Kirkland has had zoning that allowed both residential and office use, the owner has nearly always chosen to develop only residential. The same will occur if the zoning of the MRM site is opened to exclusive residential development;
 - Kirkland's multifamily capacity far exceeds its GMA target, while the City is falling far short of its GMA obligation to provide sufficient employment capacity.
- The 5-Story height limit should not be changed for the MRM Property because:
 - No other property in Downtown Kirkland has been allowed to exceed a 5 story height limit except Parkplace;
 - The unique features of the Parkplace property, which led the City Council to authorize up to eight stories at Parkplace, do not exist on the MRM property. These unique features were identified by the City Council as follows:

[The Parkplace] property is distinguished from the remainder of the Design District 5 by the following factors: it is a large parcel under common ownership; it is topographically distinct based on previous excavation... it has frontage on Center Way; and it contains a mix of uses not found on other office or residential only properties;
 - The extensive public amenities and open space provided at Parkplace, which led the City Council to authorize up to eight stories at Parkplace, cannot be matched by MRM. The 2008 Parkplace Master Plan included 51,000 square feet of open space, including a network of pedestrian trails, public plazas, courtyards and outdoor seating areas.

Since last year, the new development partner at Parkplace submitted and received City approval for a major revision to the Parkplace Master Plan. During the last twelve months, the City has also made considerable progress on its 2015 Comprehensive Plan update. The new Parkplace Master Plan and the lessons learned during the 2015 Comprehensive Plan update process provide even more compelling reasons why the MRM proposal should be denied.

As you know, the new partners at Parkplace were approved for a significant reduction in the magnitude of development at Parkplace. The newly adopted Master Plan now calls for 600,000 square feet of office space instead of the 1.2 million square feet previously approved. A significant reduction in commercial space was also approved. This reduced density allowed Parkplace to expand the amount of public plaza and roof terraces, increasing the total open space to 75,000 square feet. Parkplace also reduced the overall heights of its buildings. The 2008

Parkplace plan had five eight-story buildings and one seven-story building. The 2015 approved plan has reduced these heights to four seven-story buildings and one four-story building, with the building located closest to CBD 5 being set back and stepped back to the north and west with increasing height.

The increased open space and significant public amenities at Parkplace continue to highlight the unique features of that project, justifying the incentives that allow Parkplace to build up to eight stories in height. In contrast, MRM's proposed development cannot match the public open space proposed by Parkplace. The revisions to the Parkplace Master Plan provide no basis to conclude that MRM should be up-zoned to eight stories in height.

The approved reduction in office and commercial development at Parkplace increases the importance of office development at the MRM site. As shown in the chart that I presented at your last study session, and which I have attached to this letter, the reduced office capacity at Parkplace will place Kirkland at a significant employment deficit (12%) for complying with its obligations under GMA. The City's Supplemental FEIS on the MRM project calculated a significant loss in employment capacity (832 jobs) if MRM were allowed to develop a residential project over first floor commercial space. The City's analyses of Parkplace and MRM show a cumulative loss of nearly 3,500 jobs if the MRM request is approved.

While staff may suggest that the employment deficit may be eliminated by proposing further zoning changes at Totem Lake, this is a poor assumption. The properties targeted for upzoning in Totem Lake are highly successful and high-tax generating auto dealership properties that are unlikely to develop into more intensive office uses.

Moreover, there is strong support for emphasizing downtown Kirkland, as well as Totem Lake, as an urban center with a strong mix of both residential and office uses.

Most recently, the Kirkland City Council directed staff to include a new policy in the draft Land Use Element of the 2015 Comprehensive Plan to designate Downtown Kirkland as an urban center. Such a designation could open up opportunities for regional transportation funding to support the City's goals of making Downtown Kirkland a vibrant location for housing, employment and City services. Demand is high, and growing, for downtown locations for high tech office workers seeking an urban experience in which they can live, work and play. City policy should continue to emphasize downtown Kirkland as a high wage employment center.

The criteria for designating downtown Kirkland as an urban center includes minimum densities for employment, which downtown Kirkland does not yet meet. Approving a zoning change for MRM, to allow multifamily use instead of office use, could jeopardize a future application for designating downtown Kirkland as an urban center. The MRM site, along with the rest of CBD 5, should remain a vital part of the downtown Kirkland Class A office core.

During the last year, the City made substantial progress on the 2015 Comprehensive Plan Update. Staff, community members and the Planning Commission took time to look at the Moss Bay Neighborhood. The Moss Bay Neighborhood meetings identified no community sentiment to increase heights in this neighborhood, nor interest in encouraging rezoning of office property for more residential use. In contrast, strong community voices asked the City to retain and

encourage office use to create a vibrant daytime worker population that would support services and amenities that complement the existing and growing residential population.

This past January, staff presented the Planning Commission with possible text changes to the Moss Bay Neighborhood Plan. None of these proposed changes suggested any need for more multifamily zoning in the Moss Bay Neighborhood. None of the changes suggested a need to increase height limits in this neighborhood.

In conclusion, nothing has occurred during the past twelve months since the MRM PAR was withdrawn that provides support for approving MRM's proposed policy and code changes. In contrast, both the approved revisions at Parkplace and the 2015 Comprehensive Plan update process provide further reasons why the MRM request should be denied.

Very truly yours,

A handwritten signature in black ink, appearing to read "Brent Carson", with a long horizontal line extending to the right.

Brent Carson

Attachments

cc: Client
Ms. Angela Ruggeri

**March 13, 2014 Letter to
Planning Commission
(without Attachments)**

March 13, 2014

Kirkland Planning Commission
City of Kirkland
123 Fifth Avenue
Kirkland, WA 98033

Re: MRM Private Amendment Request (PAR)
File No. SEP13-00554/ZON11-00006

Honorable Planning Commission Members:

I am writing on behalf of Davidson, Serles and Associates, owner of the Emerald Building at 520 Kirkland Way. Please consider this letter and the attached documents as you deliberate and develop your recommendations on MRM's PAR.

The MRM proposal is in direct violation of numerous adopted city policies that have been consistently applied to protect and enhance office zoned properties in CBD-5 and to limit residential use in this area. Approval of MRM's proposal will undermine the critically important goal of maintaining a strong office environment in the core of downtown Kirkland.

The MRM proposal is also in conflict with the mandates of the Growth Management Act. If approved, the MRM proposal, coupled with the recently announced reduction in planned development at Parkplace, will put Kirkland in non-compliance with state law, which requires Kirkland to maintain zoning that provides adequate job capacity to meet the City's employment target.

Finally, the MRM proposal is contrary to the best interests of the City of Kirkland. Kirkland's citizens deserve a consistent approach to land use policy, continued focus on limiting residential use within CBD-5, and maintenance of the appropriate 5-story height limit in CBD-5. The City should not be granting MRM's requested spot rezone and arbitrarily changing established comprehensive plan policies that benefit only one property owner.

We urge you to recommend denial of MRM's request.

Policy Decisions from 1997 to 2008 Demonstrate that the MRM Proposal Should be Denied

Decisions by the Kirkland City Council since 1997 demonstrate that MRM's Proposal is wholly inconsistent with the City's Comprehensive Plan policies, which emphasize office use in CBD-5, prohibit primary residential uses in this area, and limit height to 5 stories. MRM's representatives have improperly suggested to the Planning Commission that the City's Land Use Policies concerning the East Core Frame and CBD-5 are long outdated. Nothing could be further from the truth.

The following Table summarizes these policy decisions:

TABLE 1 – POLICY DECISIONS FOR DOWNTOWN KIRKLAND (1997-2008)

Date	Reference	Description	How Decision Addresses Use	How Decision Addresses Height
December 18, 1997	Ord. 3608	Annual Comprehensive Plan Amendment	Updated the Downtown Neighborhood Plan (later renamed the Moss Bay Neighborhood) and amended the East Core Frame policy to add the following new language: <i>“[B]ecause the area between Central Way and Kirkland Way provides the best opportunities in the Downtown for a vital employment base, this area should continue to emphasize office redevelopment over residential.”</i>	Update heights for Design Districts, including Design District 5 stating that <i>“Building heights of two to six stories are appropriate in Design District 5. . . . Buildings over two stories in height should be reviewed through a City Council process Facades facing Central Way, Kirkland Way, and Peter Kirk Park should be limited to between two and three stories, with taller portions of the building stepped-back significantly. Buildings over three stories in height should generally reduce the building mass above the third story.”</i>
June 5, 2001	Res. #R-4294	Kirkland Downtown Strategic Plan	After intensive study, the Kirkland Downtown Action Team recommended a new downtown policy for CBD 5 which read: <i>12. Preserve the designation of the CBD 5 area as a Class A office district while allowing limited housing . . . c. Housing will be minor percentage of any project, and allowed only on western edge of CBD 5 . . .”</i>	

December 11, 2001	Ord. 3809	Annual Comprehensive Plan Amendment	<p>Updated Moss Bay Plan</p> <p>Retained Language that East Core Frame between Central Way and Kirkland Way <i>“provides the best opportunities in the Downtown for a vital employment bases”</i>. . . <i>area should continue to emphasize office redevelopment over residential</i></p> <p>Added policy for <i>“limited residential use”</i> <i>adjoin eastern edge of Peter Kirk Park as a complementary use.”</i></p>	<p>Addressed heights in several downtown design districts. For Design District 5 is stated: <i>Maximum building height should be between three and five stories. . . Buildings over two stories in height should be reviewed by the Design Review Board . . . Facades facing Central Way, Kirkland Way, and Peter Kirk Park should be limited to between two and three stories, with taller portions of the building stepped-back significantly. Buildings over three stories in height should generally reduce the building mass above the third story.</i></p>
December 14, 2004	Ord. 3974	Major Comprehensive Plan Update	<p>Retained all of Economic Development Policies from prior plan and adopted new Economic Policy ED-6 –“Implement and update the Downtown Strategic Plan” reaffirming CBD-5 as a Class A office district.</p>	<p>No adjustments were made to height policy during the major 2004 update.</p>

<p>December 16, 2008</p>	<p>4170</p>	<p>Annual Comprehensive Plan Amendment</p>	<p>Updated Moss Bay Plan with edits to East Core Frame. Those edits <i>continued to emphasize the East Core Frame for office use: "Because the area provides the best opportunities I the Downtown for creating a strong employment base, redevelopment for office use should be emphasized."</i> "Limited residential use should be allowed as a complementary use."</p>	<p>Height in new Design District 5A (Parkplace) was increased up to 8 stories due to unique circumstances as stated in the Plan: <i>"This property [5A] is distinguished from the remainder of Design District 5 by the following factors: it is a large parcel under common ownership; it is topographically distinct based on previous exaction ...; it has frontage on Central Way; and it contains a mix of uses not found on other office or residential only properties.</i> The policy language for height limits in Design District 5 was retained as in the 2001 update, with this slight modification: <i>"Portions of buildings facing Kirkland Way, and Peter Kirk Park should be limited to between two and three stories ..."</i></p>
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Policy Decisions Concerning Office Use

Beginning slightly over 15 years ago and continuing throughout the last decade, the City Council has consistently maintained strong public policies designed to encourage, maintain and protect a vital office core in CBD-5.

In 1997, the Council updated the Downtown Neighborhood Plan (later renamed the Moss Bay Neighborhood Plan) and adopted the key policy into the East Core Frame that MRM now seeks to dismantle. See Ord. 3068 (Attachment A). That policy reads:

[B]ecause the area between Central Way and Kirkland Way provides the best opportunities in the Downtown for a vital employment base, this area should continue to emphasize office redevelopment over residential.

Soon after this policy was adopted, a “Blue Ribbon Panel” was established by the City Council, known as the Kirkland Downtown Action Team, to recommend policies to advance Kirkland’s Downtown area. This was a major undertaking supported by a team of consultants. In 2001, the Kirkland Downtown Action Team produced the *Kirkland Downtown Strategic Plan* (a copy of which is included as Attachment B). Among its important recommendations, the *Kirkland Downtown Strategic Plan* made recommendations for CBD-5 including adding the following policy:

Preserve the designation of the CBD-5 area as a Class A office district while allowing limited housing.

The *Kirkland Downtown Strategic Plan* was adopted by the City Council as Resolution #R-4294 on June 5, 2001 and was incorporated into the City’s Comprehensive Plan as Policy ED-6 in the 2004 Major Update to the City’s Comprehensive Plan. See Ord.3974 (Attachment C).

Every annual update to the Comprehensive Plan since 1997 has either left these core office policies for CBD-5 intact or adopted refinements that retained this significant policy directive.

For example, in the 2001 Annual Comprehensive Plan Update, the Moss Bay Neighborhood Plan was amended to read:

[The East Core Frame between Central Way and Kirkland Way] provides the best opportunities in the Downtown for a vital employment base. . . [This] area should continue to emphasize office redevelopment over residential.

See Ord. 3809 (Attachment D). A new policy was also added in 2001 providing for “limited residential use” adjoining the eastern edge of Peter Kirk Park and only as a complementary use.

In 2008, when the Parkplace master plan was being approved, the City Council could have changed the remaining portions of CBD-5 to deemphasize office use outside of Parkplace, but they did not. Instead, the City Council updated the Moss Bay Neighborhood Plan in 2008

and continued to emphasize office use throughout the East Core Frame area, including the area owned by MRM. The 2008 updated policy language reads:

Because the [East Core Frame] area provides the best opportunities in the Downtown for creating a strong employment base, redevelopment for office use should be emphasized. Limited residential use should be allowed as a complementary use.

Ord. 4170 (Attachment E).

The Planning Commission should also recall that, on three prior occasions, former owners of the MRM property have unsuccessfully attempted to overturn the City's sound land use policies that emphasize office use on the MRM property. The most recent attempt was made by Quadrant in 2003, when Quadrant proposed a residential project in conjunction with a transit center. Quadrant's PAR, like the two PAR's that preceded it, was denied because it was inconsistent with the core policies that prohibit primary residential use in CBD-5. MRM's PAR deserves the same fate.

Policy Decisions Addressing Height in Design District 5

In 1997, the Downtown Neighborhood Plan was amended and maximum building heights were established for various Design Districts. In Design District 5 (which now includes CBD-5), the following height policy was established:

Building heights of two to six stories are appropriate in Design District 5. . . Buildings over two stories in height should be reviewed through a City Council process...Facades facing Central Way, Kirkland Way, and Peter Kirk Park should be limited to between two and three stories, with taller portions of the building stepped-back significantly. Buildings over three stories in height should generally reduce the building mass above the third story.

Attachment A.

In 2001, during the annual Comprehensive Plan update, the heights in Design District 5 were lowered to a maximum of five stories. Council retained the same policy for limiting height to two stories without further review, but directed that review to take place with the Design Review Board instead of the City Council.

The 2004 major update to the Comprehensive Plan retained all of the height policies previously in effect.

During consideration of the Parkplace master plan, new height policies were added by the City Council specific to new Design District 5A, applicable only to Parkplace. The City Council expressly retained the same height policy (a maximum of three to five stories) for Design District 5. The policy language for Design District 5A provides important guidance that distinguished the Parkplace property from Design District 5 (where MRM's property is located). That policy language states:

[The Parkplace] property is distinguished from the remainder of Design District 5 by the following factors: it is a large parcel under common ownership; it is topographically distinct based on previous exaction ...; it has frontage on Central Way; and it contains a mix of uses not found on other office or residential only properties.

Ord. 4170 (Attachment E). The policy decision on why Parkplace was granted this unique increase in height continues in the 2008 Comprehensive Plan update with the following language:

Heights of up to eight stores are appropriate [for Parkplace] as an incentive to create a network of public open spaces around which is organized a dynamic retail destination. . . transformation of this district . . . into a pedestrian-oriented center . . . creating generous pedestrian paths, public spaces and gathering spaces.

No Changes Have Occurred in Downtown Kirkland to Justify Changing the Strong City Policies Emphasizing Office Use in CBD-5

Nothing has changed since the City Council's 2003 denial of Quadrant's PAR that suggest the need to revise City policies that require office use as the primary use on the MRM site. In fact, the changes that have occurred in Downtown Kirkland strengthen, not diminish, the need for these policies.

In past meetings, the Planning Commission has been presented with illustrations showing the significant multifamily development that has occurred in downtown Kirkland since 1990. Copies of these illustrations are included at Attachment F and G. These illustrations confirm that in zones where multifamily use and office use were both allowed, the development community responded clearly and consistently by building multifamily projects. Although City policies and zoning supported and anticipated a mix of residential and office development in the downtown area, because office development was not emphasized by strict policies and standards in most downtown zones, office opportunities throughout much of Downtown Kirkland have been lost.

Parkplace was approved for significant office development in 2008 but with major strings attached. While 1.2 million square feet and 592,700 square feet of commercial development was approved in the Parkplace master plan, the City conditioned the master plan so that office development could only be achieved by developing a significant retail component (a 4:1 ratio of office to retail was imposed by condition).

In 2009, the City commissioned a study of the retail capacity of downtown Kirkland based on the potential to capture retail demand. This report, known as the Downtown Kirkland Retail Strategy, was written by E.D. Hovee & Company LLC, Economic and Development Services (the "Hovee Report"). A copy of the summary section of the Hovee Report is included here as Attachment H. In the expert opinion of the authors, retail space in downtown Kirkland could increase by 150,000 square feet between 2008 and 2020 under a moderate capture scenario. The authors cautioned, however, that such a capture rate was far above the city's

“track record averaging less than 6,000 square feet of new retail construction annually since 1994.”

The latest news from the owners of Parkplace appears to confirm the accuracy of the Hovee Report – that there is a limited demand for retail in downtown Kirkland and the assumptions in the approved Parkplace master plan were overzealous.

The most recent articles on Parkplace are included as Attachments I and J. These articles confirm that the current owners of Parkplace are interested in a smaller development with less retail. While the details have yet to emerge, one could reasonably assume that the 150,000 square feet of additional retail capture, identified in the Hovee Report, will be the maximum amount of retail to be built at Parkplace. Given the required 4:1 office to retail ratio in the approved master plan, this translates into a maximum of 600,000 square feet of office – half the master planned amount.

Given these changes at Parkplace, now is NOT the time to change the policies and zoning in CBD-5. Strong office-focused policies for this core area are needed now more than ever.

MRM’s 8-Story Height Increase is Contrary to City Policy and Not Supported by the Policy Changes Approved for Parkplace

The unique height increase granted to Parkplace was an express exception to the City’s long standing height policies for downtown Kirkland and is inapplicable to the MRM property and to MRM’s planned development.

As noted above, several factors, not present for MRM’s site or proposal, lead the City Council to approve 8-story height limits for Parkplace. These differences were expressly articulated in the adopted Comprehensive Plan policy for Design District 5A, covering only Parkplace. These factors included the large size of the Parkplace parcel, its specific topographic conditions, its frontage on Central Way, and the specific commitments made by Parkplace and written into a binding “master plan” to develop a dynamic, pedestrian-oriented regional shopping center with generous pedestrian paths and public gathering spaces. The City Council expressly distinguished Design District 5A from Design District 5 by retaining the three to five story height limit policy for the MRM site and the rest of Design District 5.

MRM’s property has none of the unique features of Parkplace’s property or proposal. Nor do any of the potential public “benefits” that MRM has suggested that it might provide compare with the elements within the Parkplace binding master plan.

The MRM Proposal is Inconsistent with Multiple City Policies

The policy decisions noted in Table 1 above do not represent the only policies that MRM seeks to ignore or eviscerate. Table 2 below summarizes all of the applicable City Comprehensive Plan policies and explains why the MRM proposal is inconsistent with each.

**Table 2: Summary of MRM Inconsistencies
with Key Comprehensive Plan Polices**

	Key Policies	Compliance Analysis
Land Use Policies	<p><i>Policy LU-2.3: Ensure an adequate supply of housing units and commercial floorspace to meet the required growth targets through efficient use of land.</i></p> <p>... The City should monitor its existing residential and nonresidential capacity to determine how fast and where new growth is occurring and whether Kirkland can accommodate the required growth targets. (KCP VI-10)</p>	<p>Inconsistent.</p> <p>The MRM proposal provides excess housing units (which the city doesn't need to meet growth targets) while reducing the employment capacity of the site by more than 800 jobs and jeopardizing the city's ability to meet job growth targets.</p>
	<p><i>Policy LU-3.2: Encourage residential development within commercial areas.</i></p> <p>... Residential development within commercial areas should be compatible with and complementary to business activity. Residential use should not displace existing or potential commercial use. (KCP VI-12)</p>	<p>Inconsistent.</p> <p>The MRM proposal would do exactly what the guidance for this policy attempts to prevent – displacing existing and potential commercial uses with residential development.</p>
	<p><i>Policy LU-4.4: Consider neighborhood character and integrity when determining the extent and type of land use changes.</i></p> <p>... Community character is most clearly expressed through the Neighborhood Plans. (KCP VI-13)</p> <p><i>Development in the East Core Frame should be in large, intensively developed mixed-use projects.</i></p> <p>Because this area provides the best opportunities in the Downtown for creating a strong employment base, redevelopment for office use should be emphasized.... Limited residential use should be allowed as a complementary use. (XV.D-8)</p>	<p>Inconsistent.</p> <p>The MRM proposal is located in the East Core Frame. The Moss Bay Neighborhood Plan explicitly calls for limiting residential uses and emphasizing redevelopment for office use.</p> <p>The MRM proposal for a predominantly residential building is inconsistent with the established character of the East Core Frame.</p>
	<p><i>Policy LU-5.2: Maintain and strengthen existing commercial areas by focusing economic development within them and establishing development guidelines.</i></p> <p>The intent of this policy is that future economic development be concentrated in existing commercial areas. This concentration can help to maintain and strengthen these areas and also promote orderly and efficient growth that minimizes impacts and service expansion costs. Concentration also allows businesses to benefit from proximity to each other. (KCP VI-16)</p>	<p>Inconsistent.</p> <p>The MRM proposal weakens the concentration of office uses in the CBD-5 zone by exchanging existing (and potential) office development space for more residential units.</p>
	<p><i>Policy LU-6.2: Encourage and support locations for businesses providing primary jobs in Kirkland.</i></p> <p>Primary jobs bring dollars into the community and result in a higher per capita income for Kirkland residents. (KCP VI-20)</p>	<p>Inconsistent.</p> <p>The MRM proposal reduces the job capacity of the site by more than 800 jobs and exchanges current well-paying office jobs for low-paying retail jobs.</p>

	Key Policies	Compliance Analysis
Economic Development Policies	<p><i>Policy ED-1.1: Work to retain existing businesses and attract new businesses.</i></p>	<p>Inconsistent.</p> <p>Attracting new businesses requires adequate space for new businesses to locate. Class A office space in downtown Kirkland is in high demand and eliminating it to make room for more condos is a move in the wrong direction.</p>
	<p><i>Policy ED-1.5: Encourage clusters of complementary businesses.</i></p> <p>... Economic development efforts should strive to develop new business clusters and identify ways to strengthen existing clusters, both locally and within the region. (KCP VIII-6)</p>	<p>Inconsistent.</p> <p>The MRM proposal will negatively impact the existing cluster of Class A office buildings in the CBD-5 zone by removing existing office jobs and displacing future office development with residential units.</p>
	<p><i>Policy ED-1.6: Strive to maintain a balance of jobs and housing.</i></p> <p>...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. (KCP VIII-6)</p>	<p>Inconsistent.</p> <p>According to the SEIS, Kirkland’s jobs to housing ratio was just above 1.0 in 2006 but is projected to rise to 1.25 by 2031. Trading commercial space for residential space means trading jobs for housing units and is a move in the wrong direction.</p>
	<p><i>Policy ED-2.4: Consider the economic effects on businesses and the economic benefit to the community when making land use decisions.</i></p> <p>...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. (KCP VIII-7)</p>	<p>Inconsistent.</p> <p>The MRM proposal will impact the aesthetics and economics of the CBD. An 8-story building would be out of scale with surrounding development. Development of a predominantly residential building would significantly decrease the employment potential of the CBD-5 zone both in terms of absolute job capacity and in terms of job quality.</p>
	<p><i>Policy ED-3.3: Encourage infill and redevelopment of existing commercial areas consistent with the role of each commercial area.</i></p> <p>...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. (KCP VIII-9)</p>	<p>Inconsistent.</p> <p>As discussed above in the land use section, the CBD-5 zone was intended to emphasize office development and restrict residential development. Redevelopment should be consistent with this established role of the East Core Frame.</p>

A proposal like the one offered by MRM, inconsistent with all of the policies cited in Table 2, cannot be approved under applicable criteria. KZC 135.20. Moreover, any private request that seeks to revise or eliminate all of these policies in order to gain the ability to develop one residential project on a single parcel must be rejected as an illegal spot zone or an improper attempt by one property owner to shift long standing public policy for purely private gain.

The MRM Proposal is Inconsistent with the Growth Management Act

Reduced development at Parkplace, as stated by Prudential and Talon in meetings with Eric Shields, coupled with the loss of office development potential on the MRM site, means that the City will be out of compliance with the Growth Management Act's land capacity requirements if it approves the MRM proposal.

As noted in Eric Shield's June 3, 2013 memo on the land capacity assumptions used for the 2015 Comprehensive Plan Update (included as Attachment K), the City assumed that Parkplace will be developed as shown in the Master Plan, with 1.2 million square feet of office and 592,700 square feet of commercial. The employment generated under that Master Plan (calculated at 4 employees/ 1000 SF for office uses and 2 employees/ 1000 SF for commercial uses) resulted in 5,986 jobs. If Parkplace is only developed with 600,000 square feet of office and 150, 000 square feet of commercial space, there will be a loss of 3,286 jobs from the Parkplace site.¹ The FSEIS on the MRM proposal calculated a loss of 800 jobs if the MRM proposal is approved. With the reduction at Parkplace, that results in a total loss in employment capacity of over 4,000 jobs.

The GMA required employment target for Kirkland is 22,435 jobs, while the land capacity analysis (assuming full build-out of Parkplace and without the MRM rezone) produced an employment capacity of 22,944 jobs. See Development Capacity Analysis February 6, 2014 (Attachment L). This results is a "cushion" of only 509 jobs.

A loss of employment capacity of over 4,000 jobs, given the downsizing of Parkplace and approval of MRM's proposal, would mean that Kirkland will fail to meet its GMA obligation of providing land capacity, required by law, to achieve its employment growth target. While the exact capacity loss from Parkplace may be uncertain and other "fixes" might be possible to increase employment capacity before the City adopts the 2015 update to its Comprehensive Plan, the current data and policies would create an immediate GMA noncompliant status if the MRM proposal is approved.

Given recent announcements about the current owners' decision to seek modification of Parkplace approvals to build a smaller office project with less retail and, perhaps, with some residential, now is not the time to change the land use policies and code requirements

¹ 1,200,000 sf office x 4 emp/1000 sf office = 4,800 employees. 592,700 sf commercial x 2 emp/1000 sf comm. = 1,186 employees. The existing land capacity analysis shows 5,986 employees (4,800 + 1,186) as the capacity of Parkplace. Under the smaller development scenario, Parkplace would have a reduced employment capacity as follows: 600,000 sf office x 4 emp./1000 sf office = 2,400 employees and 150,000 sf commercial x 2 emp./1000 sf comm. = 300 employees; or a total reduced employment capacity of 2,700 jobs. The difference between the current land capacity analysis forecast and the reduced development scenario is 3,286 employees (5,986-2,700).

emphasizing office use in CBD-5. At a minimum, the City must take a “wait and see” approach to determine what changes Parkplace actually submits for approval.

The MRM Proposal Fails to Satisfy the Code Established Factors and Criteria Necessary For Approval

MRM has failed to establish that it satisfies the factors and criteria for approving its requested comprehensive plan revisions and code changes. For ease of review, Table 3 below summarizes and documents these failures:

Table 3: Inconsistency of MRM Proposal with Amendment Criteria

Pursuant to KZC 140.25, the City shall take into consideration the following factors when considering a proposed amendment to the Comprehensive Plan:	
Criteria	Compliance Analysis
The effect upon the physical, natural, economic, and/or social environments.	<p>The City has failed to provide the information or analysis necessary to evaluate compliance with this criterion.</p> <p>The MRM proposal will reduce the employment capacity of the site by over 800 jobs. In addition to a significant reduction in the overall number of jobs on site, the MRM proposal will also reduce the quality of the jobs on site. The MRM proposal trades high-wage office jobs for low-wage retail jobs.</p> <p>In a response letter in the Final SEIS, the consultants respond to concerns about the economic impacts of the MRM proposal by saying, “Wages, personal income and economic competition are types of non-environmental information that are not required to be discussed in an EIS.” (4-4). They also say, “The [economic] analysis is not intended or required to be as detailed as the EIS analysis, nor is it designed to reach a precise or quantitative conclusion regarding the benefits of the individual alternatives.” (4-10)</p> <p>Because of the loss of jobs, the loss of synergies in office use in the CBD 5 area, and the inconsistency of a residential development with these office uses, the MRM proposal is fails to meet this criteria.</p>
The compatibility with and impact on adjacent land uses and surrounding neighborhoods.	<p>Both the height and the uses proposed on the MRM property will negatively impact adjacent land uses and the surrounding neighborhood.</p> <p>The proposed 8-story height limit is inconsistent with any other buildings in the neighborhood and will block views from existing developments.</p> <p>Eliminating long-standing policies that intentionally concentrated a critical mass of employment uses along the eastern edge of the CBD will negatively impact the existing synergy of uses and reduce the desirability of the area as an office location for small and mid-size companies. This will impact the ability to retain and attract quality office tenants.</p>
The adequacy of and impact on public facilities and services, including utilities, roads, public	<p>Kirkland’s park facilities are inadequate to handle increased residential development and the impacts of the MRM proposal on emergency services have not been adequately addressed.</p> <p>The SEIS acknowledges that the City is not currently meeting its</p>

<p>transportation, parks, recreation, and schools.</p>	<p>adopted LOS standards for neighborhood parks and indoor athletic and recreation space. MRMs proposal to develop the site with residential units instead of commercial uses will exacerbate this problem.</p> <p>Similarly, the SEIS acknowledges that the City’s fire department does not currently meet its response time goals. The MRM proposal to change the property from day-time occupancy commercial uses to residential uses with cooking facilities and increase building heights to 100-feet has significant fire and life safety implications.</p> <p>An appropriate service area radius for a ladder truck is 2.5 miles. Kirkland’s only ladder truck is approximately 3.9 miles from the MRM property.</p> <p>In a response letter in the Final SEIS, the consultants respond to concerns about impacts on emergency services by suggesting that “As an additional potential mitigation measure, however, the City could require that proposed projects on the MRM site be evaluated by the Kirkland Fire Department to identify staffing, facility, and equipment needs that would result from the project.” (4-10)</p> <p>However, deferring such analysis to the project stage is inappropriate. To comply with this criterion, the analysis must occur before, not after, the proposed amendments.</p>
<p>The quantity and location of land planned for the proposed land use type and density.</p>	<p>The MRM proposal would add to Kirkland’s existing surplus housing capacity and reduce needed employment capacity.</p> <p>MRM is requesting to change the allowed use of the property from employment generating uses to residential uses despite evidence that there is a greater need for employment in Kirkland’s CBD than for residential units.</p> <p>In evaluating the MRM proposal, the City must consider the supply of residential property (what MRM is requesting) in Kirkland’s CBD compared to the supply of commercial/office property (what MRM has now) as well as the location of the MRM property in a cluster of office development where an eight story residential structure would be an anomaly and inconsistent with surrounding uses.</p> <p>Trading the employment potential of the MRM property for housing units would move the city further out of compliance with its stated jobs to housing ratio policy.</p>
<p>The effect, if any, upon other aspects of the</p>	<p>The City has failed to provide the information or analysis necessary to evaluate compliance with this criterion.</p>

<p>Comprehensive Plan.</p>	<p>The SEIS on the proposal listed the policies that the proposal was inconsistent with but did not evaluate the effect that altering those policies would have on the Comprehensive Plan. In a response letter in the Final SEIS, the consultants respond to concerns about the lack of policy analysis by saying, “at the time the Draft SEIS was published, the Planning Commission and City staff had not yet determined how implementation measures might be crafted to address policy inconsistencies or other environmental impacts. The policy analysis, therefore, is based broadly on the location of the proposal, potential uses and maximum building heights, and no decision on how to proceed would be made until after publication of this Final SEIS.” (Final SEIS, 4-3)</p> <p>Despite the Final SEIS admitting that only broad and speculative policy analysis could be completed without specific implementing amendments, the staff report claims that the policy review in the SEIS was adequate and satisfies this review criterion.</p> <p>To this date, staff has not proposed Comprehensive Plan or zoning code revisions that would enable the MRM proposal to proceed. Without a specific amendment proposal, it is impossible to consider the effect of the MRM proposal on the Comprehensive Plan.</p>
<p align="center">Pursuant to KZC 140.30, the City may amend the Comprehensive Plan only if it finds that:</p>	
<p>Criteria</p>	<p>Compliance Analysis</p>
<p>The amendment must be consistent with the Growth Management Act.</p>	<p>The land capacity assumptions being used for Kirkland’s 2015 Comprehensive Plan Update assumes Parkplace will be developed with 1.2 million square feet of office and 592,700 square feet of commercial despite a 2009 study that concluded a reasonable projection would be the addition of a maximum of 150,000 square feet of new retail space in the downtown area. The difference between the city’s wishful thinking and the market reality is a difference of more than 3200 jobs. Together with the reduced (800 jobs lost) employment capacity associated with the MRM proposal, Kirkland will be unable to meet its GMA obligation of providing land capacity to achieve its employment allocation.</p>
<p>The amendment must be consistent with the countywide planning policies.</p>	<p>The City has failed to provide the information or analysis necessary to evaluate compliance with this criterion.</p> <p>The Final SEIS states that only broad and speculative policy analysis could be completed without specific implementing amendments. Despite this acknowledgment, the staff report claims that the policy review in the SEIS was adequate and satisfies this review criterion.</p>

	<p>To this date, staff has not proposed Comprehensive Plan or zoning code revisions that would enable the MRM proposal to proceed. Without a specific amendment proposal, it is impossible to evaluate the consistency of the MRM proposal with countywide planning policies.</p>
<p>The amendment must not be in conflict with other goals, policies, and provisions of the Kirkland Comprehensive Plan.</p>	<p>The City has failed to provide the information or analysis necessary to evaluate compliance with this criterion.</p> <p>The Final SEIS states that only broad and speculative policy analysis could be completed without specific implementing amendments. Despite this acknowledgment, the staff report claims that the policy review in the SEIS was adequate and satisfies this review criterion.</p> <p>To this date, staff has not proposed Comprehensive Plan or zoning code revisions that would enable the MRM proposal to proceed. Without a specific amendment proposal, it is impossible to evaluate the consistency of the MRM proposal with the Comprehensive Plan.</p>
<p>The amendment will result in long-term benefits to the community as a whole, and is in the best interest of the community.</p>	<p>The MRM proposal is not in the best interest of the community.</p> <p>The proposal benefits only the property owner, with externalities – such as exacerbating the parks shortage, altering the view and character of the neighborhood, compromising the viability of surrounding businesses, and decreasing needed employment capacity – passed on to the community.</p> <p>The public benefits proposed by the applicant are minimal and do not outweigh the public detriment of a project that is inconsistent with long-standing policies that seek to protect good quality jobs in the CBD.</p>
<p align="center">Pursuant to KZC 135.20, the City may decide to approve a legislative rezone only if it finds that:</p>	
<p>Criteria</p>	<p>Compliance Analysis</p>
<p>Conditions have substantially changed since the property was given its present zoning or the proposal implements the policies of the Comprehensive Plan; and</p>	<p>Conditions have changed in the CBD, but the changes make protecting employment capacity more critical not less.</p> <p>Over the past two decades, the overwhelming majority of redevelopment projects on properties in the CBD that allow either office or residential development have been developed with residential uses. This is moving Kirkland in the wrong direction for compliance with its desired jobs/housing ratio.</p>

	<p>Furthermore, the future redevelopment of Parkplace – once seen as the answer to the need for retail and office capacity in the CBD – has become uncertain. Recent meetings between the City and Prudential and its new development partner, Talon, confirm that a smaller office project with less retail is being planned. The prior assumptions of how much office and commercial development will occur at Park Place are no longer accurate.</p> <p>Conditions have changed since the CBD-5 zone was established. Residential development has exploded in the CBD and a large office development project failed to launch. These changes make protecting employment capacity more critical than ever before.</p>
The proposal bears a substantial relationship to the public health, safety, or welfare; and	<p>The City has failed to provide the information or analysis necessary to evaluate compliance with this criterion.</p> <p>Without a more detailed analysis of the ability of the city’s fire department to serve taller buildings in this location and respond to incidents in a timely manner, it is impossible to evaluate compliance with this criterion.</p>
The proposal is in the best interest of the community of Kirkland.	<p>The MRM proposal is not in the best interest of the community.</p> <p>The proposal benefits only the property owner, with externalities – such as exacerbating the parks shortage, altering the views and character of the neighborhood, compromising the viability of surrounding businesses, and decreasing needed employment capacity – passed on to the community.</p>
<p>Pursuant to KZC 135.25, the City may amend the text of the Zoning Code only if it finds that:</p>	
Criteria	Compliance Analysis
The proposed amendment is consistent with the applicable provisions of the Comprehensive Plan; and	<p>The City has failed to provide the information or analysis necessary to evaluate compliance with this criterion.</p> <p>The Final SEIS states that only broad and speculative policy analysis could be completed without specific implementing amendments. Despite this acknowledgment, the staff report claims that the policy review in the SEIS was adequate and satisfies this review criterion.</p> <p>To this date, staff has not proposed Comprehensive Plan or zoning code revisions that would enable the MRM proposal to proceed. Without a specific amendment proposal, it is impossible to evaluate the consistency of the MRM proposal with the Comprehensive Plan.</p>
The proposed amendment bears a	The City has failed to provide the information or analysis necessary to evaluate compliance with this criterion.

<p>substantial relation to public health, safety, or welfare; and</p>	<p>Without a more detailed analysis of the ability of the city's fire department to serve taller buildings in this location and respond to incidents in a timely manner, it is impossible to evaluate compliance with this criterion.</p>
<p>The proposed amendment is in the best interest of the residents of Kirkland; and</p>	<p>The MRM proposal is not in the best interest of the community.</p> <p>The proposal benefits only the property owner, with externalities – such as exacerbating the parks shortage, altering the views and character of the neighborhood, compromising the viability of surrounding businesses, and decreasing needed employment capacity – passed on to the community.</p>

Conclusion

In conclusion, other than MRM's desire to build an 8-story multifamily project on its property, there is no reason why the City should even be considering this request. MRM's proposal contravenes the strong, long-standing, and critical policies of the City. MRM has presented no compelling public policy reasons to change the City's Comprehensive Plan and Zoning Code. At the same time, market decisions in downtown and recent announcements by the owners of Parkplace demonstrate, even more, the need to retain all of CBD-5 as an area that emphasizes office development and limits residential use.

Likewise, MRM has failed to provide any basis to change policy and code which restricts height on the MRM site to a maximum of five stories. MRM fails to grasp the clear message adopted by the City Council in the 2008 Comprehensive Plan update, that the 8-story height allowance for Parkplace was due to the unique characteristics of that property and the unique master plan development committed to by Parkplace.

The City's adopted policy and the interests of the City must drive this decision, not one owner's desires. While office redevelopment on the MRM property may take longer to implement, the City's Comprehensive Plan necessarily has a longer time horizon. The MRM site should continue to be governed by Kirkland's existing land use policies and CBD-5's existing zoning standards. MRM's proposal should be denied.

Very truly yours,



Brent Carson

BC:jes

Attachments

cc: Client
Ms. Angela Ruggeri

**Kirkland Compliance with GMA Required
Housing and Jobs Targets**

KIRKLAND COMPLIANCE WITH GMA REQUIRED HOUSING AND JOBS TARGETS

GMA REQUIRED TARGETS FOR KIRKLAND 2013 - 2035		KIRKLAND LAND CAPACITY ANALYSIS			2015 PARKPLACE PLAN AND MRM EXISTING ZONING		2015 PARKPLACE PLAN AND MRM 100% MULTIFAMILY	
					Excess <Deficit>	Percentage Over <Under>	Excess <Deficit>	Percentage Over <Under>
		2010 Parkplace Plan and MRM Existing Zoning	2015 Parkplace Plan and MRM Existing Zoning	2015 Parkplace Plan and MRM Allowed 100% Multifamily				
Housing (units)	8,361	9,516	9,816	10,105	1,475	18%	1,764	21%
Employment (jobs)	22,435	22,944	19,779	18,947	<2,656>	<12%>	<3,488>	<16%>

Sources: Kirkland Development Capacity Analysis, February 6, 2014

MRM Private Amendment Request Supplemental Final Environmental Impact Statement, February 2014

SEPA Addendum to the Downtown Area Planned Action Ordinance EIS 2008 and Related SEPA Documents, January 2015.

Angela Ruggeri

From: Andrew Cox <AndrewC@unicoprop.com>
Sent: Wednesday, March 11, 2015 9:24 AM
To: Angela Ruggeri
Subject: Kirkland Land Use Project

Ms. Ruggeri,

Please pass this along to the City Council and Planning Commission.

My company, Unico Properties, owns Continental Plaza at 550 Kirkland Way and are a part of the same CBD 5 Zone as the MRM property at 434 Kirkland Way. We fully support MRM's proposal to build an apartment project on the site and feel that residential should be an integral part of the Kirkland CBD. We've seen residential, office and retail work together across the 12 million square feet of property we own and operate – in fact those combined uses are integral, in our opinion.

The tenants in our 75,000 square foot office building would benefit by having additional housing alternatives nearby and would certainly be in favor of new retail options. Additionally, the residents in this project would help make the existing and incoming retail businesses in the area more successful/vibrant. The office demand for the CBD can more-than be accommodated by the combination of the existing product and the planned Park Place development. Please approve the MRM request and help us continue the momentum you started by approving the Park Place re-design.

Please call with questions.

Sincerely,

Andrew Cox

Vice President, Regional Director

Unico Properties LLC

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