



Natural and Built Environments LLC
450 Central Way Suite 3000
Kirkland WA 98033

November 30, 2017

Kirkland City Council
123 5th Avenue
Kirkland WA 98033

RE: Totem Lake Residential Suites Zoning Update

"If every city built projects like Areté there would be no affordable housing crisis in this country."

- Hunt Mortgage Group, Fannie Mae Representative

There are great opportunities here for continued affordability in the City of Kirkland in the expansion of residential suites in Totem Lake. Based on the ARCH website, Council has allowed for the increase in the City's affordability by more than 50% in the span of just a few years through the creation of residential suites and the completion of Arete and Plaza.

There is no affordability in high cost housing, as the Council has recognized in its creation of the housing affordability task force. In moving forward in Totem Lake, we ask there to be the same clarity in purpose that brought about Arete's success downtown.

Our requests regarding the Totem Lake Residential Suites Zoning Code Amendments are as follows:

1. LEED Certification Requirement

- The requirement for Built Green 5, LEED Gold, or Living Building Challenge certification should be maintained as written (match CBD).
- LEED is known as quality construction, which is very important to the neighbors and general public.
- LEED keeps long term operating and maintenance costs to a minimum. King County Housing authority has said that their biggest threat to long term affordable housing is increasing operational costs – LEED, by design, keeps these in check compared to standard construction.

2. Affordability Option

- Residential suites are already naturally affordable.
- 74% make under the 80% AMI (Area Median Income) – 7.5 times the 10% threshold proposed. All Arete residential suites rental rates meet the 80% threshold.
- On the Eastside, 47% of residential suite occupants make under the 50% AMI threshold, almost 5 times the 10% proposed.
- To allow a 10% affordability option in lieu of LEED certification is a false equivalency when such high affordability exists naturally, and it stops low income folks who make just a little bit above the threshold (ex 82% AMI) from being able to lease out the designated units when they become available. This does not happen at Arete.
- It burdens projects with expensive reporting costs with no added benefit.

Visitor Parking

- The newly proposed visitor parking requirement is not based on any studies or concrete documentation.
- Arete has consistently demonstrated with hard facts that visitor parking is not necessary for residential suites, as Council concurred when the original code amendment was approved.
- The current parking requirement with rigorous Transportation Management Plan (TMP) Controls at Arete has demonstrated that excess vacant parking, as acknowledged by the City, exist for both Arete's residential suites and apartments. Currently, 45 parking stall stand vacant – unused – at a property that is fully leased and requires, monitors, and enforces all residents to park on site.
- Our 9 guest parking stalls at Arete, created for 62 apartments, are consistently used at less than half of the capacity at peak times. The real challenge has been our residential neighbors without TMP requirements to park on site – they like to use our covered and protected spaces in lieu of parking on the street. That has been solved with a little bit of enforcement.

Next step – requires Comprehensive Plan update

4. Expand housing incentive zones

- There are currently housing incentive zones in Totem Lake Zones 10C, 10D, and 10E that allow for Stacked or Attached Dwelling Units. We propose this be expanded to include residential suites at this time.
- We propose to have these housing incentive zones expanded in Totem Lake Zones 10A and 10B as an agenda item for the 2018 Comprehensive Plan updates.
- Planning Commission requested at the 10/19 meeting that this option be put on the 2018 schedule to be discussed.

Apartment Zoning Issue – Elimination of Parking Buffer

5. TMP Bus Pass Requirement for Apartments

- Proposed language for elimination of the parking buffer requires a free two-zone transit pass for all residents in the development.
- We believe this specific language was included as an oversight. Please ask the opinion of the Planning Department on this. Much like residential suites, this was meant to be a tool available to communities as a way to achieving their TMP requirements. The outcome is what is critical to having successful TMP programs implemented across Totem Lake.

As the Eastside's sole provider of residential suites, we have attached a deeper, thoughtful analysis of the proposed changes for Totem Lake for your review. We look forward to what the next decade will bring for Kirkland in terms of sustainable, enjoyable, and affordable housing.

Warm Regards,



Robert Pantley
Its Manager and CEO
Natural and Built Environments LLC

Angela Rozmyn, LEED AP
Director of Sustainable Development
Natural and Built Environments LLC

Totem Lake Residential Suites Zoning Update – Analysis

November 30, 2017

I. Current proposed zoning code changes

1. LEED certification must remain a requirement of residential suites.

While on its face, you will be told that LEED certification is an unnecessary extra layer of cost for these affordable units, sustainability is in a fact a key component in the continued success of the affordable residential suites in Kirkland.

As you are well aware, the City of Seattle has had quite a bit of negative press regarding their “apodments,” which is completely the opposite of Kirkland’s overwhelming positive press. Every adjoining neighbor stood up in favor of the project at the Areté public hearing, and Plaza was the first project in the City to receive DRB approval at its first public hearing. LEED is an integral part of residential suites in Kirkland. It is a promise of quality to the neighbors.



Areté -- LEED for Homes Multifamily Project of the Year -- Worldwide Winner

A large part of this difference in public perception is due to their LEED Platinum certifications. While not everyone fully understands the details of what it takes to build a LEED project, the certification is seen as quality construction and an elevated overall community, which is extremely important to those who neighbor residential suites.

LEED is what makes the public proud to have residential suites in their neighborhood.

King County Housing Authority will tell you the biggest threat to affordable units is rising operating costs. The bulk of their existing stock of units are becoming harder to maintain as affordable because utility and operating costs continue to swell. When a project is built to LEED Gold standards or better, long term operating costs are simply much lower as the building is built to last.

Utility bills are also a fraction of the cost of a typical building, which also safeguards against future rising costs. When a natural gas bill doubles from \$5.02/month (current residential suite cost), it becomes \$10.04, which is still very affordable. When the bill instead starts at even \$30/month and doubles to \$60 – and this happens with every utility and maintenance bill – the apartment becomes more difficult for lower income residents to afford.

Long term, LEED protects residents, keeping their overall housing costs lower.

Council recognized the importance of LEED when residential suites were initially added to the City of Kirkland Zoning Code, overturning the Planning Commission when they removed that stipulation from the requirements. LEED is just as important now to show the community that residential suites are a quality addition to the City and to help protect against the rising cost of affordable housing.

1. Totem Lake zoning code language as proposed by Staff (matches CBD):

Development shall be designed, built and certified to achieve or exceed one or more of the following green building standards: Built Green 5 Star certified, LEED Gold certified, or Living Building Challenge certified.

2. Totem Lake zoning code language as proposed by Planning Commission (see Section 55.33, TL 4A, 4B, 4C):

6. Development shall either:

- a. Be designed, built and certified to achieve or exceed one or more of the following green building standards: Built Green 5 Star certified, LEED Gold certified, or Living Building Challenge certified or
- b. Provide for at least 10 percent of the units in new residential suite developments of four units or greater as affordable housing units, as defined in Chapter 5 KZC. See Chapter 112 KZC for additional affordable housing requirements and incentives.

3. Totem Lake zoning code language as we propose (matches CBD and staff recommendation):

Development shall be designed, built and certified to achieve or exceed one or more of the following green building standards: Built Green 5 Star certified, LEED Gold certified, or Living Building Challenge certified.

2. Residential suites are naturally affordable – do not trade away the LEED requirement for affordability that already occurs.

Residential suites, due to their smaller size, will always be affordable in comparison to a larger apartment or single-family home. On the Eastside, 47% of our residents make less than 50% AMI and 74% make less than 80% AMI, without any specific restrictions needed. Because of LEED Platinum, utility bills are extremely low and are included in the rental price, further extending the affordability of these units.



A wonderful community who would otherwise not be able to afford to stay in Kirkland

The monthly rent for a residential suite begins at \$765 and average \$910, where the average downtown Kirkland studio apartment is \$1,878, including utilities.

The proposed 10% affordability clause already naturally occurs. 100% of residential suites rent for below the 80% AMI threshold. When the rents are already this low, an affordability regulation only creates cost and reduces the ability to keep rents affordable for all units. By creating additional costs of administration and tracking, it raises the operational costs of these communities, which will bar any new construction from occurring.

Imagine Housing, one of the major affordable housing providers on the Eastside, tells us that they often have people come to them looking for housing that just barely make over the affordability threshold. For example, someone who makes 82% of AMI, comes to Imagine Housing looking to rent an apartment at the 80% AMI limit. Because their income just barely surpasses the income limit, Imagine Housing cannot help. Residential suites can then provide housing for this person because there is no specific income limit on units; this housing type needs to be kept flexible to help all people along the affordable housing spectrum.

To trade the LEED requirement out for 10% affordability when 100% affordability already exists is a false narrative. All the new proposed language will do is to pay to track what is naturally happening and to break the City's promise to the neighbors that so willingly supported the creation of an affordable housing option in residential suites.

3. The visitor parking requirement is unnecessary and adds substantial costs to development.

Residential suites are also specifically designated in walkable, transit and job oriented location, which allows residents to walk, bike, or use transit instead of an extremely expensive single occupant vehicle. When a car is not required for daily life, a small income goes a lot farther. By the nature of their size, residential suites also do not have many visitors to their units and instead are more likely to meet friends at their apartments and single-family homes, or in coffee shops and restaurants downtown. Council recognized this fact, which is why a near nonexistent visitor parking for residential suites was acknowledged and approved in the parking requirements for both Downtown and Totem Lake. People don't have parties in residential suites.

Per the most recent Peter Kirk parking garage study, **parking costs \$58,000 - \$65,000 per stall to build**. Even just ten excess stalls will cost a new project an additional half a million dollars or more.

Slater 116 is just one example of a new community that is perceived to have built too little parking, by the packed streets that surround the building. However, their parking garage has many vacant stalls every day. What really happened here?

As we were informed by City staff, Luna Sol, the apartment complex adjacent to Slater 116, began charging for parking around the same time Slater 116 was constructed, but they did not require their residents to park on site (nor does Slater 116). When given the option between paid parking in a garage or free street parking in front of their building, many residents choose the free option. Transportation Management Plans (TMPs) are key to parking in our urban areas. It does not matter how many parking stalls are built on site if residents park on the street.

We suggest the Council consider a multi-pronged approach to making parking better in the City. Require TMPs for all multifamily and mixed use properties in trade for "just the right amount" of parking and expand time parking on urban streets. This will also push new communities to park their residents on site and help existing multifamily to park on site, i.e. the Luna Sol experience.

Unless parking is managed, you could build a \$100 Million garage and residents will still park on the street.

Areté is a clear example of successful managed parking where all residents are required to park on site. With a TMP in place and a specific requirement laid out, residents park inside the garage and street parking is available to retail and surrounding neighbors. TMPs should have a great toolbox of options, such as transit passes for non car users who commute, to both reduce the total vehicle count and to ensure resident vehicles are parked on site. TMPs should be results based; if parking goals are met, the project is successful, and the City will have reduced operating costs for management.

A detailed parking study was completed for Arété after full occupancy to analyze the real parking demand for residential suites. The current demand was determined to be 0.43 vehicles per residential suite. This number is expected to drop to 0.35 or less once Kirkland Urban is reopened and jobs return to Kirkland's downtown core. Redmond has shown this lowered parking need and has responded accordingly to actual demand; the last two Redmond communities have been approved at 0.31 and 0.42 parking stalls per residential suite. We expect the same in Totem Lake as well with its heavy job concentration.

The 0.50 parking requirement is above the demand and we propose to keep it at that level until a smaller demand is demonstrated, which will occur. We can expect, that the year after the first residential suite community is completed in Totem Lake, there will be a similar demand to Redmond's, or about 0.35, less when within blocks of a transit hub. Those who are employed within the city, and do not have cars, find our residential suites.

Since the parking study, we have monitored our guest parking carefully. At this time, because Arété is the only community with strict managed parking, it is an island surrounded by construction, offices, and residences in an unmanaged condition. This was clear when, for a short while, the guest parking at Arété was near full overnight – what we found is that residents and guests at Capri had found nice, covered, free parking at Arété. Once we implemented signage that the spaces were for Arété visitors only, our average dropped immediately to 4-5 cars (out of 9 stalls, which are in place for the 62 apartments but accessible for all 290 units).

Totem Lake zoning code language as written:

All requirements currently in place for this use in the CBD, including a reduced parking rate of .5 stall/living unit with a parking management plan, and 1/stall per unit where parking is not managed.

Totem Lake additional zoning code language as proposed (see Section 55.33, TL 4A, 4B, 4C):

4. For managed and non managed developments, parking for visitors shall be provided at a rate of an additional 5% above the parking requirement.



Arete Visitor Parking at 2am – 5 of 9 stalls vacant



Arete street parking at 2am – 3 of 5 stalls vacant

As documented in the photographs above, Arete clearly shows a surplus of visitor parking, both inside the parking garage and on the street. These nine visitor stalls, as required by code for the 62 full size apartments on site, are more than sufficient for the community, including the 228 residential suites. The proposed 5% visitor parking requirement for residential suites in Totem Lake simply has no basis in fact and, similar to the proposed affordability condition, would simply layer on additional costs on a type of housing that is already difficult to build, as shown by the fact that there is only one company on the Eastside who builds them.

A 5% visitor requirement added to Areté's parking garage would just have led to a lot of vacant stalls - an additional cost of hundreds of thousands of dollars for even more parking to stand empty. **Affordability cannot exist with high cost housing.**

II. Future Comprehensive Plan Update Proposal

4. Expand housing incentive areas.

Currently, there are housing incentive zones in Totem Lake Zones 10C, 10D, and 10E that allow for Stacked or Attached Dwelling Units. We propose this be expanded to include residential suites as well.

Proposed zoning code changes should include all Totem Lake zones, including those that do not traditionally include residential housing. When discussed at the October 19th meeting, the Planning Commission requested that this option be put on the schedule to discuss. We would propose to have those zones studied on next year's Planning Commission work plan. This action, if eventually approved, could provide additional affordable residential suites and help Residence XII achieve additional housing support for extended stay opportunities. Affordable housing options could exist within blocks of the City's justice center and a great deal of other employment. Putting affordable residential suites within walking distance to work while protecting key commercial areas creates the possibility for excellent village dynamics.

It is critical to take a superior approach to zoning concepts. The goal should be to provide opportunities to live, work, and play in the same neighborhood. Job location is most important; transit is a supporting choice when all three aspects are not together. Creating villages with homes, employment, and recreation within a very local area allow residents to walk and bike to their everyday destinations.

These edge areas that we suggest for a laser focus of review are made up of lots that are not able to be redeveloped as light manufacturing due to their small size, and they would be a nice transition with residential and open space from the single family zoned areas beyond.

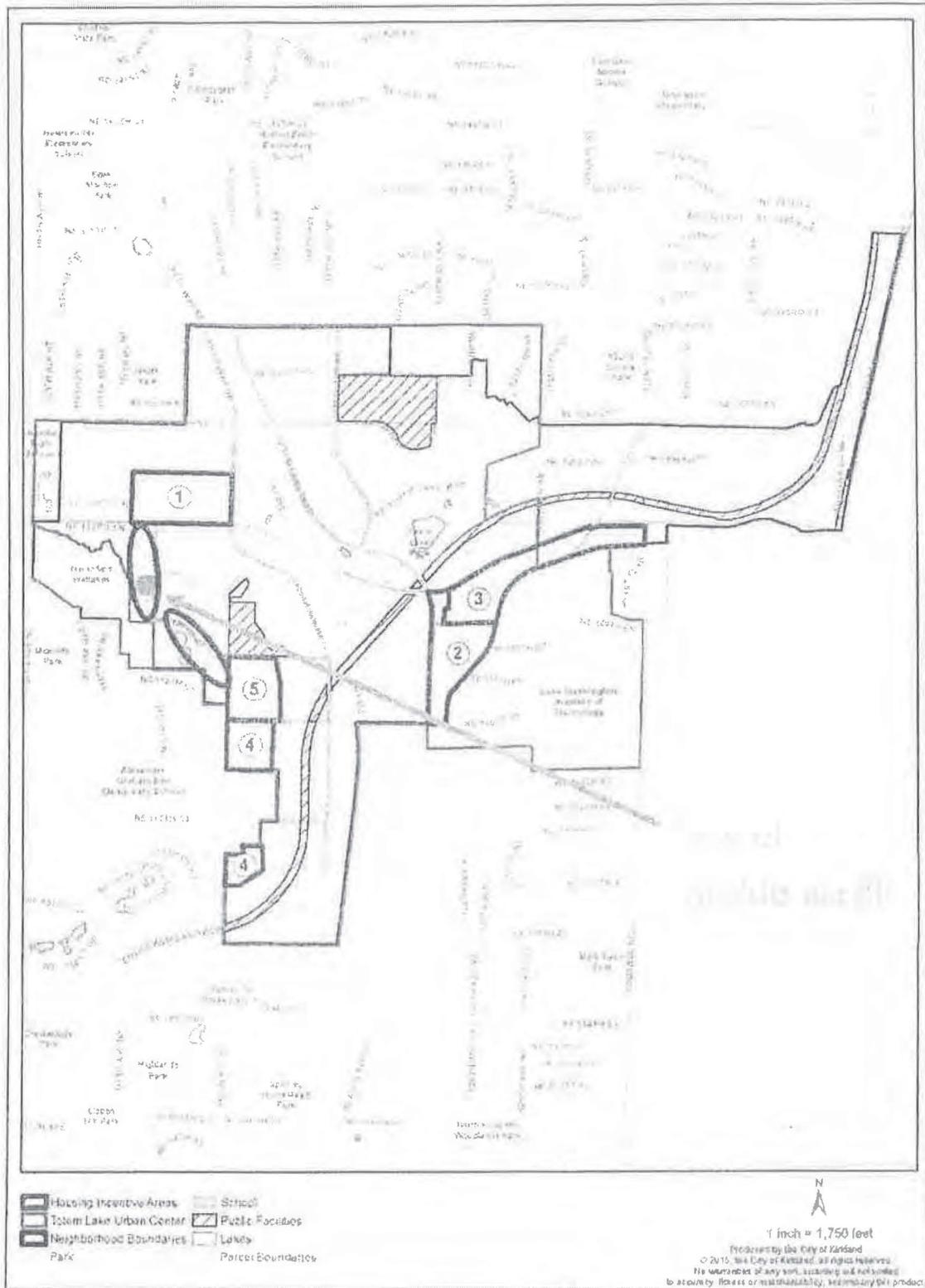
Totem Lake zoning code language as written (see Section 55.33 TL 10C):

1. This use is permitted only in Housing Incentive Area 4 (see Plate 37, Chapter 180 KZC)

Totem Lake zoning code language as proposed:

Match language from TL 10C and add incentive areas in 10A and 10B as appropriate. Include residential suites as a permitted use.

Current (Blue) and Future Review (Purple) Totem Lake Housing Incentive Areas



Totem Lake Walkability, Jobs, Income, and Transit Analysis

TL Zone	Walk Score	Transit Score	Median Income (2015)	AMI %	Pop.	RSP* Jobs Concentration	RSP* Transit Service	RSP* Parking/Unit
1A	59	45	\$74,010	82.60	5695	36,659	1321	1.05
1B	48	45	\$74,010	82.60	5695	36,209	1311	1.05
2	59	45	\$74,010	82.60	5695	37,599	1338	1.04
3A	55	45	\$74,010	82.60	5695	37,064	1295	1.07
3B	60	45	\$74,010	82.60	5695	37,225	1484	0.94
3C	45	44	\$74,010	82.60	5695	37,064	1232	1.11
3D	55	45	\$74,010	82.60	5695	36,676	1306	1.06
4A	63	44	\$74,010	82.60	5695	39,530	1297	1.06
4B	55	44	\$90,442	100.94	4725	38,470	1238	1.09
4C	61	40	\$90,442	100.94	4725	40,649	1222	1.10
5	67	40	\$74,010	82.60	5695	40,554	1338	1.03
6A	67	43	\$74,010	82.60	5695	39,687	1256	1.09
6B	68	41	\$90,442	100.94	4725	37,447	1321	1.04
7A	63	43	\$74,010	82.60	5695	39,170	1214	1.12
8	61	45	\$74,010	82.60	5695	38,140	1347	1.03
10A	57	41	\$90,442	100.94	4725	39,111	1215	1.10
10B	57	41	\$90,442	100.94	4725	40,039	1225	1.10
10C	54	40	\$98,058	109.44	3686	40,598	1272	1.07
10D	50	35	\$126,193	140.84	7935	41,840	1178	1.13
10E	60	39	\$126,193	140.84	7935	41,236	1206	1.11
11	66	44	\$90,442	100.94	4725	36,922	1280	1.06
PLA 14	26	35	\$102,968	114.92	5324	39,775	1202	1.14
Total	57	42	\$85,644.73	95.59	5526	38711	1277	1.07

*Right Size Parking

III. Non Residential Suite Zoning Issue

5. Elimination of apartment parking buffer.

The proposed language to eliminate the parking buffer requirement for apartment projects currently recommends a requirement for all residents to be given a free two-zone transit pass. We believe this language was meant to mirror what has been required for residential suite TMPs, and that the bus pass be one part of a toolbox of options open to the community to achieve their TMP goals. For two-car apartment, a free two-zone transit pass is well beyond what will be used.

Full two-zone transit passes are a huge cost burden to the apartment complex developer, as they are included in the financial projections of the project and must be calculated with a 5% cap rate – an annual bus pass cost of \$1,404 reduces the value of the project by \$28,080 per person. Because there is no added value for the bus pass (unlike a parking stall, that will be calculated with the ability to be rented out), a developer will simply have to build the parking

stalls that will stand vacant instead, or choose not to build the project at all if the numbers do not pencil well.

IV. Conclusions

6. Affordability cannot be created with high cost housing.

Affordability cannot be created with high cost housing. A key aspect of keeping affordable housing affordable – long term – is to keep additional costs to a minimum. Arete has demonstrated the extremely low parking demand with the parking study after completion that allowed for a further reduction of 45 stalls below code requirements. Excess parking and regulations, as stated above, will push the base rent higher without any additional value brought to the community, as the stalls will stand vacant. Once they've been built, however, the property will need to charge an increased rent in order to cover the up front cost of the unnecessary parking. That is, if the numbers still work and the project is completed even with the staggering, unnecessary costs of vacant parking.

Ultimately, if the costs rise too high, this type of housing cannot be financed, and without financing, new affordable residential suite communities will not get built. Luxury, high cost apartments are easier to finance, so that is what is built.

The initial cost of sustainability has continuing paybacks that keep down the cost of housing long term. Housing durability and vastly reduced energy and water costs hedge against future maintenance and utility increases by simply needing less than a typical apartment.

For someone whose income doesn't exceed \$2,000 a month, an extra \$50 can break a tight budget. Only the rich can afford to waste money.



Saturday Farmers Market at Arete

The residential suite code as currently in place in the CBD Zone works extremely well, and for good reason, the City was recognized for this effort with the Governor's Smart Communities Award this year. Residential suites are a wonderful piece of the affordability and growth management puzzle that is so important to the vibrancy of our City. It is vital that they continue to grow and provide this important housing type to include all those who want to live in such a special place. When something works so well, it should be supported and celebrated, not weighed down by superfluous costs and regulations.

The proposed code simply burdens residential suites with added costs and unnecessary regulations. We suggest staying with what has been successful and directing staff to seek ways to encourage more of this kind of development through expedited permit processing, parking based on actual demand, and reduced utility sizing that reflects actual lower demand.

Kirkland needs affordable housing. Residential suites help fill that need.



Natural and Built Environments LLC
450 Central Way Suite 3000
Kirkland WA 98033
Robert Pantley, Owner
Angela Rozmyn, LEED AP

10 Minute Neighborhood Analysis – Heat Map

