



**CITY OF KIRKLAND**  
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## MEMORANDUM

**To:** Kurt Triplett, City Manager

**From:** Tracey Dunlap, Deputy City Manager  
Adam Weinstein, AICP, Planning & Building Director  
Jeremy McMahan, Planning & Building Deputy Director  
Allison Zike, AICP, Senior Planner

**Date:** June 15, 2022

**Subject:** NE 85<sup>TH</sup> ST STATION AREA PLAN – CITY COUNCIL MEETING, FILE NO. CAM20-00153

## STAFF RECOMMENDATION

Review the Planning Commission recommendations on Station Area Plan Phase 1 code amendments. Receive an update on the draft incentive zoning program details, refined with Council direction provided on June 7, 2022. Provide staff with final policy direction on the structure of the incentive zoning program ahead of Council's consideration of adopting Station Area Plan Phase 1 code amendments on June 28, 2022.

## BACKGROUND

At their [December 14 Council meeting](#), Council adopted the Station Area Preferred Plan Direction by adopting Resolution R-5503 (see Attachment 1). The Resolution adopted the following vision for the Station Area Plan:

*The Station Area is a thriving, new walkable district with high tech and family wage jobs, plentiful affordable housing, sustainable buildings, park amenities, and commercial and retail services linked by transit.*

*The vibrant, mixed-use environment is a model of innovation. With an outstanding quality of life and unmatched mobility choices, the Station Area is eco-friendly, a place to connect, and deeply rooted in the history of the land, the people, and the culture of this special crossroads in Kirkland. The highly visible integration of ecological systems within an urban setting sets the Station Area apart while tying the unique sub-area districts together with existing open space and active living opportunities.*

The project team last discussed the Station Area Plan with Council during a special presentation at the [June 7 Council meeting](#), where staff provided an update on the incentive zoning analysis, Main Street (120<sup>th</sup> Ave NE) concept refinement, and Planned Action Ordinance and development agreement schedules. Council provided staff with policy direction related to the incentive zoning program structure options at that meeting, which are discussed below.

## **PLANNING COMMISSION RECOMMENDATION – STATION AREA PLAN PHASE 1**

The Planning Commission held a public hearing on June 9, 2022 to receive public testimony on Phase 1 of the NE 85<sup>th</sup> St. Station Area Plan amendments to the City's Comprehensive Plan, Kirkland Zoning Code (KZC), Zoning Map, and Kirkland Municipal Code (KMC), pursuant to the procedures for amendments set forth in KZC 160. Due to the length of the public testimony segment on June 9 and the extent of written comment, the Planning Commission closed the record after the last speaker was heard and completed their deliberations at a public meeting on June 14.

It should be noted that the City's legislative process is not able to influence the design of the construction project proposed by the Washington State Department of Transportation and Sound Transit. For example, comments about the location of the pick-up and drop-off lot and placement of noise walls is outside the purview of the Planning Commission and Council's review. Rather, the focus of the City's legislative process is to consider how the City's land use and transportation policies can leverage the interchange improvements to create a complete, transit-oriented community that helps achieve broader City-wide goals.

The following are the specific Phase 1 code amendments considered by Planning Commission, and a summary of the Commission recommendation to Council on each. Recommendations are based on the draft documents provided in the June 9 Planning Commission meeting packet (Links: [Part 1](#), [Part 2](#), [Part 3](#)), and the full recommendation is included as Attachment 1.

### Comprehensive Plan Amendments (subarea chapter for the full Station Area) *Adopts and new subarea plan chapter for the NE 85<sup>th</sup> Street Station Area.*

The Planning Commission voted unanimously to recommend that City Council adopt the Comprehensive Plan amendments as drafted, with the following amendments (shown in underline and strikethrough text):

- Section 3- Station Area Vision and Objectives.
  - Amend the first sentence of the vision statement to read: "The Station Area is a thriving, transit-oriented, new walkable district with high tech and family wage jobs, plentiful affordable housing, sustainable buildings, park amenities, and commercial and retail services ~~linked by transit~~."
- Section 9- Transportation and Mobility.
  - Add a policy that reads: "Encourage and support high-frequency, broad-destination, transit throughout the Station Area."
- Section 10- Public Services and Public Facilities.
  - Amend drafted goal as follows: "Create opportunities for additional school capacity in, or near, the Station Area and prioritize the provision of a new school within the Subarea boundaries."
  - Add a policy that reads: "Plan for, and coordinate, construction staging at a subarea-wide level in advance of development."

### Legislative Rezones (Commercial Mixed Use Zoning district) *Rezones Phase 1 properties (those closest to the new Bus Rapid Transit Stride Station) to Commercial Mixed Use.*

The Planning Commission voted unanimously to recommend that City Council adopt the proposed rezones of the indicated parcels to Commercial Mixed Use (CMU). For parcels in the southeast quadrant, designated as CMU 85/250, our recommendation for heights above 150' is contingent upon the resolution of the Commission's recommendation noted above regarding community benefits associated with heights above 150'.

#### KZC Amendments

*Adopts new Chapter 57 of the Zoning Code to establish regulations for properties in the Station Area and adopts supporting miscellaneous amendments. Includes the form based code and associated incentive zoning provisions as well as miscellaneous supporting amendments.*

Planning Commission voted on two separate motions related to the KZC amendments:

1. Planning Commission voted unanimously on a motion to recommend that Council adopt the Form-based Code as proposed, with the exception of regulations related to building heights in excess of 150' and associated incentive zoning.
2. Planning Commission voted unanimously in support of the following statement to City Council regarding KZC amendments related to maximum building heights and incentive zoning in the CMU district:

*We support the form-based code, allowing up to 150 feet of maximum building height, pursuant to the existing proposed inclusionary zoning system. The Planning Commission does not currently support 250 feet of maximum building height.*

*Up to 250 feet may be acceptable pursuant to additional Planning Commission review regarding public benefits only if these conditions are met: Monumental public benefits that prioritize affordable housing in the first tier and transit infrastructure, parks, and schools in the second tier. The Commission would request another meeting where we could further explore these tradeoffs and develop a more specific recommendation to the City Council.*

While it was not explicitly voted upon, the Commission's motions and supporting discussion indicate a general preference for a priority of affordable housing within Option 2 of the Incentive Zoning program structure options discussed by City Council at their June 7 meeting, and scheduled for further policy discussion by Council at their June 21 study session. The Commission also expressed a strong preference that the incentive zoning program should be focused on our priority community benefits (noted in the motion above) and not diluted across a wider range of amenities. As noted, the Commission expressed a strong interest in an additional meeting to further consider the tradeoffs for 250' of height.

#### Station Area Design Guidelines and related Municipal Code Amendments

*Adopts design guidelines for use during Design Board review of future development of properties in the Station Area and amends Design Guidelines for Pedestrian Oriented Business Districts for development of the RH 8 zone (east of the Station Area).*

Planning Commission voted unanimously to recommend that City Council adopt the Design Guidelines and Municipal Code amendments as proposed.

## **DRAFT STATION AREA PLAN UPDATE**

The [final draft Station Area Plan document](#) includes Vision and Goals for: Land Use and Urban Design, Open Space, Transportation and Mobility, and Sustainability. The document includes a summary of the entire process, including an executive summary, overview of the planning process, and plan recommendations. A draft of the Station Area Plan was included in the meeting materials and discussed at the [May 12 joint Council and Commission study session](#). The process to adopt the final Station Area Plan is by a City Council resolution; it was not formally included in the items under consideration at the June 9 public hearing as it does not require the same legislative process as the Zoning Code, Comprehensive Plan, and Zoning Map amendments for the Station Area. Because the document includes a comprehensive overview of the planning process, background information, and implementation strategies, it was included at the end of the Planning Commission public hearing packet as a reference document. It will be considered for adoption by City Council along with the Planning Commission's recommendations on the code amendments.

## **INCENTIVE ZONING PROGRAM – ANALYSIS UPDATE**

As described in the [April 5 Council meeting packet](#), one of the strategies identified in the Preferred Plan Direction was to develop a bonus incentive program, through which additional development capacity could be achieved if development provides community benefits. The benefits that need to be provided to utilize the incentivized development capacity will be beyond the new baseline development allowance and associated new requirements in the Station Area. These base requirements are different than existing requirements under current zoning (e.g., they include more robust infrastructure requirements and increased requirements for sustainability pursuant to the High Performance Building Code). The maximum incentivized development capacity cannot exceed the maximum size and height established in the Preferred Plan Direction.

A technical memorandum by the City's consultant, Habile, describes the background analysis that resulted in the three recommended incentive program structure options (see Attachment 2). The technical analysis was informed by the project team's work around five key issue areas, or community benefits categories (see Fig. 1), that were identified as priorities in the Station Area through community input, and Planning Commission and City Council direction. The analysis and coordination (both interdepartmentally and with partner agencies) for many of

these key issues are discussed further in issue papers included as Attachments 3-5. Council has been provided in-progress versions of these key issue papers in past meeting packets.



Figure 1: Community Benefits Categories

The incentive zoning program structure options were preliminarily discussed with Council at their [June 7 meeting](#), and are listed below.

**Option 1 – *Single Tier, No Weighting*** – Provides greatest flexibility to the developer to choose which amenities to include and does not give preference to any individual amenity category.

**Option 2 – *2-Tier, No Weighting*** – Defines an amenity category that must be satisfied first; in this case, “affordable housing” has been selected for Tier 1 based on the high priority placed on this benefit by the City Council. The remaining amenities follow in Tier 2 and none of the remaining amenity categories are given preference. This option would require that an affordable housing amenity must be provided before any other incentivized capacity is available.

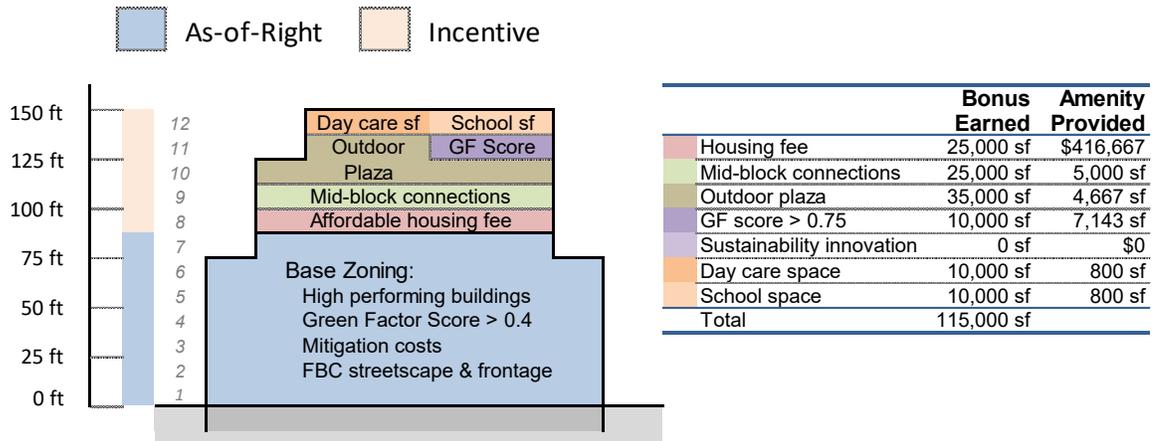
**Option 3 – *Single Tier, Policy Weighting*** – This option is a variation on Option 1, but provides greater incentive for some amenities by weighting them as follows:

- Affordable Housing receives a 1.5 weighting,
- Schools and Parks and Open Space receive a 1.25 weighting, and
- The remaining categories are weighted at 1.0.

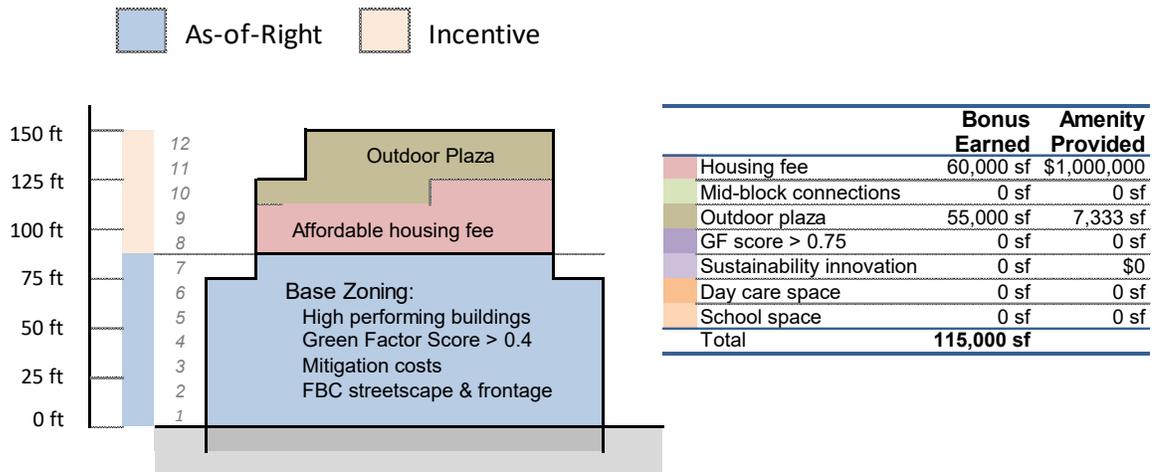
The weighting of amenities makes it more likely that the prioritized amenities would be developed, while giving developers some flexibility to select the amenities that are most efficient or desirable for them to produce.

Council’s discussion at the June 7 meeting indicated a preference for Option 3 because it provides the most flexibility for applicants, while also providing an opportunity for the code to encourage specific amenities. Habile has developed the following example illustrations of how a generic project might gain incentive development capacity via three alternative combinations of provided community benefit “packages” under the Incentive Zoning Option 3 structure. Of the amenity categories, staff believes that Council has indicated affordable housing should be the highest priority. The proposed weighting of Option 3 amenities in the draft From-based Code currently reflects that priority. As noted, Option 3 would not require affordable housing as a provided amenity, and the option would allow a development to achieve incentive capacity through the provision of a just one, or a combination, of other amenities.

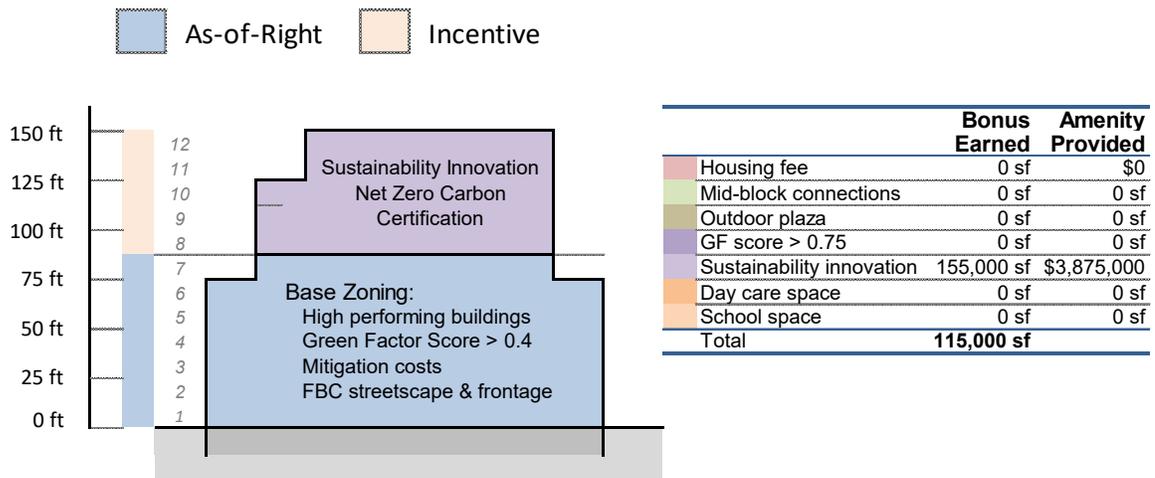
*Example #1: Diversified Package of Amenities (Technical Memo Example)*



*Example #2: Limited Package Concentrating on Higher Priority Amenities*



*Example #3: All Bonus Space Earned through Sustainability Innovation*



At the June 21 study session, staff is seeking Council confirmation that Option 3 is the desired Incentive Zoning program structure, and further direction on the priority weighting of the amenity categories.

### **DEVELOPMENT AGREEMENT UPDATE**

As has been discussed in previous Council meeting packets, and in public meetings, City staff and outside counsel are engaging with Google to explore the terms of a development agreement as the Google project is of the size and scale to be considered a catalyst project under the Station Area Plan and the Form-based Code. The draft Form-based Code proposed in Phase 1 of adoption includes the following draft code provisions enabling development agreements to be utilized in the Station Area:

#### *KZC 57.05.03 DEVELOPMENT AGREEMENTS – CATALYST PROJECTS*

*As a means of encouraging early catalyst transit oriented development projects within the Station Area, projects on sites greater than four acres within the Commercial Mixed Use District are encouraged to apply for and negotiate a development agreement with the City pursuant to Chapter 36.70B RCW.*

*The purpose of such a development agreement is to provide a process for tailoring the regulations and incentives of this Chapter as they apply to specific facts and circumstances. A Development Agreement approved by the City Council pursuant to Chapter 36.70B RCW may approve specific variations or exceptions from the District Regulations if the Council finds and concludes in the Development Agreement that the variations or exceptions result in a project that provides overall greater benefit or overall better mitigation than would a project that strictly complies with the District Regulations, except that a Development Agreement may not authorize (1) additional height above the bonus maximum height; or (2) a principal use that is not otherwise permitted in the District.*

The development agreement is also intended to provide sufficient certainty on requirements and mitigations for the Google project to allow Google to make the proposed purchase of the Lee Johnson properties in the Station Area in mid-2022. A development agreement is a voluntary contract between a local jurisdiction and a property owner, detailing the obligations of both parties and specifying the standards and conditions that will govern development of the property.

As the 85<sup>th</sup> BRT Station Area planning process began in earnest in 2020, Google and Lee Johnson reached out to City staff in support of the vision for the Station Area and expressed their potential interest in developing the property consistent with the vision, assuming adoption of a Station Area Plan and associated development regulations in mid-2021. At that time, the City Council requested additional analysis related to the fiscal impact and community benefits of the Station Area Plan, delaying the planned adoption of the Station Area plan until mid-2022. Upon completion of the supplemental work and adoption of the Preferred Plan Direction in December 2021, staff recommended that the zoning work be completed in two phases to provide more time for Council, Planning Commission, and public consideration of the two phases of zoning, as described earlier. Phase 1 encompassing the Mixed Use Commercial Zone is targeted for adoption by June 30, 2022.

There are two primary reasons why staff believes the development agreement process is important to pursue around the time that Phase 1 of the Station Area Plan work is adopted:

1. For the Station Area to achieve its vision and capitalize on the once-in-a-generation investment in mass transit that the BRT station represents, there needs to be one or more catalyst projects to drive redevelopment. As the City experienced with its up-zoning in Totem Lake over two decades ago, without a catalyst project the vision is likely to be entirely dependent on the volatility of the real estate market. By enabling the catalyst project to proceed, while ensuring it is supportive of the Station Area vision, the City can help ensure that the BRT investment achieves its promise and that the impacts of new development can be addressed. In the absence of the catalyst project and the Station Area Plan, under current market conditions, it is likely that the area will redevelop as multi-family housing that may not be able to support the impacts on services and infrastructure or provide the full range of public benefits desired by the community.
2. At the same time, one of Kirkland's long-time businesses and largest sales tax producers is planning to sell its property and has entered into options for other properties in Kirkland. In order for the owner to decide whether to exercise these options, Google must make a decision by mid-2022 on whether to purchase the Station Area site and develop it as a catalyst project. A development agreement will provide the certainty Google needs to make a timely decision for the current owner. The potential to retain an important existing business within Kirkland in a different location while obtaining a catalyst project within the Station Area presents the best opportunity to maximize community and economic and benefits for the City.

The City and Google are negotiating terms for a potential development agreement that could give Google the certainty it needs to make a purchase decision while ensuring that development of a catalyst project by Google would meet or exceed the outcomes intended by the requirements in the new Form Based Code for the Station Area that the City is developing at the same time. The development agreement may meet or exceed the requirements in alternate ways. An example of a potential difference might be larger floor plates authorized in the development agreement than in the draft Form Based Code but with offsetting investments in community benefits or less height than allowed in some areas. The development agreement is expected to include sections that include terms around the following items:

- Project description;
- Entitlement approvals, including Design Review process;
- Public benefits;
- Vesting of development regulations;
- Deviations from zoning standards;
- Process for amending the agreement;
- Phasing;
- Infrastructure improvements;
- Capital Facilities charges and Impact Fees;
- Concurrency;
- Signage;
- Transportation (e.g., vehicle access locations, pick-up/drop-off areas, parking, etc.);
- Permit processing fees and timing; and,
- Term of agreement.

If agreement is reached on these and other terms of the development agreement, a development agreement could be entered into contingent on approval of the zoning or after Phase 1 zoning is adopted. The development agreement process, as established by RCW 36.70B.170, requires a public hearing before such agreement is approved by ordinance or resolution. Staff anticipates that this hearing is likely to occur in July 2022, after adoption of Phase 1 of Station Area Plan.

### **NEXT STEPS**

Following Council policy direction on the incentive zoning program structure and amenity category weighting, staff will finalize a draft of the Form-based Code that includes the directed options. Council is scheduled to hold a special meeting on June 28, 2022 to consider adoption of Phase 1 which includes the Station Area Plan, Comprehensive Plan Station Area chapter, Design Guidelines, legislative rezones of parcels to the Station Area Commercial Mixed-Use district, and the Form-based Code (zoning) for the Commercial Mixed-Use district.

### **ATTACHMENTS**

1. Planning Commission Recommendation to City Council – Station Area Phase 1
2. Incentive Zoning Program Technical Memorandum, prepared by Habile, dated 06/13/2022
3. Affordable Housing Issue Paper
4. Parks and Open Space Issue Paper
5. Schools Issue Paper



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**MEMORANDUM**

**To:** Kirkland City Council  
**From:** Kirkland Planning Commission  
**Date:** June 15, 2022  
**Subject:** **Planning Commission Recommendation to Council – Station Area Plan Phase 1**

**Planning Commission Public Hearing**

The Planning Commission held a public hearing on June 9, 2022 to receive public testimony on Phase 1 of the NE 85<sup>th</sup> St. Station Area Plan amendments to the City’s Comprehensive Plan, Kirkland Zoning Code (KZC), Zoning Map, and Kirkland Municipal Code (KMC), pursuant to the procedures for amendments set forth in KZC 160. Due to the extent of the public testimony on June 9 and the volume of written comments received just prior to the hearing, the Planning Commission closed the record after the last speaker was heard and completed their deliberations at a public meeting on June 14.

**Planning Commission Deliberation**

Commissioners have received numerous emails and letters from community members and stakeholders since they first began their work on the Station Area Plan in early 2020. For the public hearing, nearly 70 individuals provided the Commission with additional written testimony, and 31 individuals provided oral testimony at the June 9 public hearing. The Commission opted to continue the June 9 meeting specifically to allow more time to consider all the received testimony before beginning deliberations on June 14.

Commissioners discussed several aspects of the Station Area Plan and the draft code amendments under consideration. Discussion largely centered on:

- Questions and concerns regarding draft policies and regulations that would allow for a maximum allowed height of 250’ in the southeast portion of the Commercial Mixed Use (CMU) district;
- Concerns that the incentive zoning program within the FBC does not provide enough clarity and/or certainty about what community benefits would be achieved by development above 150’ of building height, and that the community benefits required to achieve heights up to 250’ may not be commensurate with the community impacts associated with the height;
- Desire for the plan to provide more tangible plans for a new school in the Station Area to serve new students; and,
- Priorities for other community benefits such as affordable housing, parks, and transit

infrastructure.

In summary, the Commission supports allowing up to 150 feet of maximum building height, pursuant to the existing proposed inclusionary zoning system. The Planning Commission does not currently support 250 feet of maximum building height in the southeast quadrant.

Up to 250 feet may be acceptable pursuant to additional Planning Commission review regarding public benefits only if these conditions are met: Monumental public benefits that prioritize affordable housing in the first tier and transit infrastructure, parks, and schools in the second tier. The Commission would request another meeting where we could further explore these tradeoffs and develop a more specific recommendation to the City Council.

### **Planning Commission Recommendations to City Council - Station Area Plan Phase 1**

The following are the specific Phase 1 amendments considered by Planning Commission, and a summary of the Commission recommendation to Council on each. Recommendations are based on the draft documents provided in the June 9 Planning Commission meeting packet (Links: [Part 1](#), [Part 2](#), [Part 3](#)).

Comprehensive Plan Amendments (subarea chapter for the full Station Area)  
*Adopts and new subarea plan chapter for the NE 85<sup>th</sup> Street Station Area.*

The Planning Commission voted unanimously to recommend that City Council adopt the Comprehensive Plan amendments as drafted, with the following amendments (shown in underline and strikethrough text):

- Section 3- Station Area Vision and Objectives.
  - Amend the first sentence of the vision statement to read: "The Station Area is a thriving, transit-oriented, new walkable district with high tech and family wage jobs, plentiful affordable housing, sustainable buildings, park amenities, and commercial and retail services ~~linked by transit~~."
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- Section 10- Public Services and Public Facilities.
  - Amend drafted goal as follows: "Create opportunities for additional school capacity in, or near, the Station Area and prioritize the provision of a new school within the Subarea boundaries."
  - Add a policy that reads: "Plan for, and coordinate, construction staging at a subarea-wide level in advance of development."

Regarding our significant concerns related to school capacity reflected in our amendment to Section 10, the Planning Commission recommends that the City Council [view the video recording of the August 12, 2021 Planning Commission meeting](#). At that meeting, Lake Washington School District Superintendent, Dr. Jon Holman, provided a [presentation about growth trends and capital planning](#) in the District and noted the need for a school in the Station Area and emphasized the particular need for an elementary school.

Legislative Rezones (Commercial Mixed Use Zoning district)

*Rezones Phase 1 properties (those closest to the new Bus Rapid Transit Stride Station) to Commercial Mixed Use.*

The Planning Commission voted unanimously to recommend that City Council adopt the proposed rezones of the indicated parcels to Commercial Mixed Use (CMU). For parcels in the southeast quadrant, designated as CMU 85/250, our recommendation for heights above 150' is contingent upon the resolution of the Commission's recommendation noted above regarding community benefits associated with heights above 150'.

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Station Area Design Guidelines and related Municipal Code Amendments

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Planning Commission voted unanimously to recommend that City Council adopt the Design Guidelines and Municipal Code amendments as proposed.

# City of Kirkland NE 85<sup>th</sup> Street Station Area Plan Implementation

## Technical Memorandum: Incentive Zoning Structure Options

### BACKGROUND AND CONTEXT

The Station Area Plan fiscal and community benefits analysis established a broad residual land value analysis that indicated that, in aggregate, there was sufficient value that the City could expect to realize community benefits from the additional density. However, the scale of community benefits that can be achieved varies by development type and trade-offs will be necessary based on the City Council's priorities.

The analysis evaluates several different levels of amenities for potential inclusion in the base requirements, or as incentive options- the Key Issue Updates section below includes elements that will be considered and "tested" in the analysis for each key issue. This analysis will inform the ultimate incentive zoning program that will be embedded within the future zoning regulations for the Station Area and will be reviewed by Planning Commission and Council with both phases of zoning code amendments.

### SAP Implementation

With the Preferred Plan Direction, Council adopted a framework to guide development of strategies to achieve community benefits across the 5 key issue areas through future redevelopment in the Station Area.

One of the strategies identified was to develop a bonus incentive program, through which additional development capacity could be achieved if development provides community benefit amenities. The voluntary developer-provided amenities would be in addition to existing and potentially new development requirements in the Station Area.

To the extent that the new Form-Based Code includes new mandatory requirements under the base, as-of-right (AOR) zoning code (e.g. increased baseline requirements for sustainability), it will likely be necessary to use some of the additional value created by the upzone in the SAP to recognize potential increased development costs.

As a result, the economic analysis of proposed changes to the zoning in the station area, including consideration of options to integrate an incentive zoning program, will assist in setting future base requirements for community benefits and calibrating an appropriate policy to align available bonus development capacity – the capacity beyond the base AOR capacity – with a list of eligible amenities designed to further Council policy priorities in each of the 5 key community benefit categories.

### Incentive Zoning Elements

As per the Council Direction established in December 2021, a key implementation strategy for the Station Area Plan is to create a new form-based zoning code that integrates an incentive component that would provide a basis for linking new development capacity (upzone value) with provision of community benefits and/or amenities.

#### 5 KEY POLICY ISSUE AREAS



AFFORDABLE HOUSING, JOBS & WORKFORCE DEVELOPMENT



MOBILITY: WALKING, ROLLING



OPEN SPACE, PARKS, GREEN INFRASTRUCTURE



SUSTAINABILITY, CLIMATE ACTION, RESILIENCE

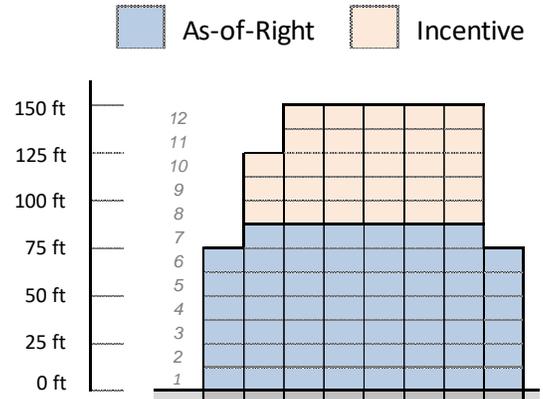


SCHOOLS



The simple graphic to the right shows how such a system could be structured. This conceptual zoning model would include the following components:

1. An as-of-right component that would define the allowed height, intensity and other zoning parameters that describe the base zoning and development requirements, which are proposed to change under the new form-based code. Some of these new base requirements would provide mandatory community benefits, through new sustainability standards and design standards for frontage and streetscape improvements identified in the proposed form-based code.
2. An incentive component that would define the additional height and/or intensity of development that would be allowed in exchange for additional developer-provided improvements and/or amenities. Based on Kirkland’s traditional approach to zoning, height will be the principal measure defining base and bonus capacity.



Zoning regulations present a set of opportunities and constraints that will shape the real estate development options for a given piece of property. The objective is to deliver a product that the market is willing to pay for and a cost that will support construction costs, financing, land acquisition and a profit margin in line with the risk involved. Doing this involves optimizing the characteristics of a project to appeal to a target market and to minimize costs, particularly where costs will have marginal impact on net operating income (NOI), all within the development framework defined by the zoning code.

The objective of the economic analysis is to evaluate the economic implications of the SAP land use regulations (proposed form-based zoning code), the potential and structure of an incentive zoning program as a mechanism to provide community benefits and public amenities in the station area, and to provide a sound technical basis from which the City can make informed policy choices about how to optimize the implementation of the strategies identified in the Fiscal and Community Benefits Report and adopted in the Council’s Direction. This work has been informed by the other technical work program elements and conducted in parallel with the development of the form-based code.

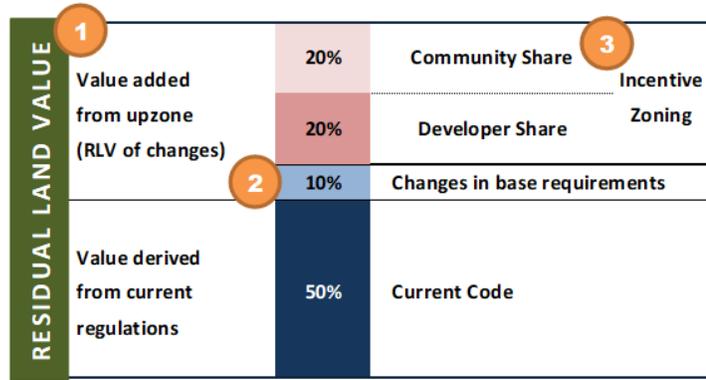
The analysis is principally concerned with addressing three key questions related to how the proposed upzone and related land use policies are likely to create new private value in the station area and how this increment of new value might support new development requirements and a program of voluntary developer-provided community amenities. Toward this end, the analysis focuses on the following three key questions:

### FORM-BASED CODE ADOPTION

The adoption process has been split into phases, where the CMU zone is proposed for adoption first, with all other new designating districts following in a Phase 2 Adoption process.

To ensure consistency and because of the potential inter-dependence among the proposed districts, the economic analysis was conducted for the entire station area at the same time.

1. How much private value can be created through changes in land use policy?
2. How much of that new value might be used to increase base development requirements?
3. How much of the new private value might be left to support a functional incentive zoning program?



## ECONOMIC ANALYSIS IMPLICATIONS OF PROPOSED FBC

A key challenge of adding an incentive program as part of implementing proposed land use regulations is to assess how the changes in development capacity and requirements are likely to affect the development economics in the NE 85<sup>th</sup> Street Station Area. Land values in the area are a function of the current zoning, physical constraints on development and market conditions, and any significant changes to the zoning parameters will influence future land values.

For example, if a package of changes shifted the relative cost/value relationship of a development opportunity in a negative way, then the cost that a developer would be willing to pay for a piece of property might drop, affecting current landowners. Similarly, if a developer has recently acquired property under the current rules, but has not yet secured their development rights, then a poorly designed revision to the land use code could materially reduce the financial return on that land purchase.

To implement Council direction, a new form-based code proposes changes to the potential development capacity in the area and includes new development requirements to address mitigation needs identified in the FSEIS and to support City policy goals, particularly with respect to sustainability, active transportation, and affordable housing. These proposed changes will have implications for the financial calculus that drives real estate development decisions. As such, a major objective of this analysis is to assess options for balancing the proposed code changes to maximize the potential value of the station area, support new market opportunities consistent with the City’s vision, and to mitigate potential for adverse impacts to current development economics in the area.

### Upzone Analysis

While the premise of incentive zoning is clear, the underlying economics are subject to a range of dynamic factors. To date, there has not been a great deal of directly applicable empirical research on the impacts of incentive programs. However, it is worth pausing to consider the development economics that are at the heart of the program’s technical structure. Policies that increase development capacity and/or reduce the cost of development are principal mechanisms for the City to create the economic conditions to support new baseline development requirements and a functional incentive zoning program. The following summarizes the key assumptions and findings related to the Upzone Analysis.

1. **Proposed Form-Based Code Elements.** The upzone analysis begins with a comparison of how the proposed form-based code land use designation and height limits align with the current zoning for the station area.
  - The new code proposes five districts, each with a range of allowed uses and maximum height limits.
  - There are 21 existing zoning code designations in the affected area.

- To consider how any given parcel of land may be affected by the proposed land use changes, it is necessary to overlay the proposed designations on to the existing zoning map to identify how the current and future rules intersect.
2. **Current to Proposed Zoning Crosswalk.** To evaluate the potential value of the proposed upzone, it is necessary to consider how the capacity allowed under the new code aligns with existing zoning capacity in the area.
- There are 41 unique zoning pairs which reflect instances where the current zoning capacity and proposed future zoning capacity are sufficiently different as to warrant consideration of the potential impact on development economics:
  - Of these unique zoning pairs, 6 involve future zones where the proposed changes are likely to have minimal to marginally positive economic benefits. These were all located in either the Neighborhood Residential (NR) or Civic Mixed Use (CVMU) zones and were excluded from more detailed assessments.
  - For the remaining 35 zoning combinations a threshold analysis was conducted to assess potential economic implications of the proposed form-based code.
- The zoning pairs that were evaluated further represent almost 100 acres of land and are generally consistent with properties evaluated in the Fiscal Impacts and Community Benefits Analysis conducted in support of the Station Area Plan, FSEIS, and the Council Direction decision.
3. **Proposed Capacity Increases.** Given the number of affected zoning pairs and the relatively fine distinctions that are made in allowed height under both the current and proposed zoning, there is a wide range in terms of incremental development capacity and thus, potential for increased land value.
- When comparing current maximum heights to the proposed maximums, of the 35 unique zoning pairs only two current zones would not experience an increase in allowed height under the new rules, leaving 33 which would experience some increased capacity. Of these:
    - 8 would experience an increase of less than 30 feet
    - 12 would see increases of at least 30 feet, but less than 50 feet
    - 8 would see increases of at least 50 feet, but less than 100 feet, and
    - 5 would see increases of greater than 100 feet over the current zoning maximum
  - Given the low allowed maximum heights under current zoning, the more than 50% of zoning pairs that would see height increases of less than 50 feet nonetheless represents a significant percentage of the potential development capacity in the station area.
    - Despite the meaningful percentage increase for many of these properties, these are likely to be the zoning pairs where the proposed capacity boost may be needed to offset proposed new development requirements.
  - Zones that would experience increases of more than 100 feet offer the greatest overall increase in potential land value and thus are most likely to be able to support proposed new base development requirements and a functional incentive zoning program.
4. **Additional Upzone Value from Reduced Parking Ratios.** The proposed form-based code includes recommended reductions in minimum parking requirements for future development in the station area. This



approach is both supported by, and supportive of, the vision for a multi-modal transportation system that leverages the investment in the Bus Rapid Transit (BRT) station.

- Providing parking facilities as part of new development add significant costs to a project, thus reducing the parking ratios offers the potential for material cost savings by lowering the minimum quantity of parking required to support a given development proposal.
- The table to the right shows the relevant current and proposed parking ratios in the station area for each of the principal land uses allowed under the new designating districts.
  - Except for Flex industrial, all of the principal land uses would see reduced minimum parking requirements.
  - The most significant proposed reductions are for office and retail uses, which happen to also be the principal uses in the CMU zone, the zone with largest increase in development capacity. The CMU zone is the only district included in the code amendments for Phase 1 of Station Area Plan adoption; the district allows only Commercial and Institutional uses.
- As a result, the lower parking ratios are included as a new policy and change that would be reflected in the form-based code which will likely have a material impact on the creation of new private value and contributing factor in the analysis of the potential value of the upzone.

**Station Area Parking Ratios**

Principal Land Use	Current	New
Office	3.33	2.00
Retail	3.33	2.00
Flex industrial	1.00	1.00
Residential	1.68	1.30
Residential - affordable	1.21	1.21

*Note: parking requirements per 1000sf*

**New Base (As-of-Right) Development Requirements**

As mentioned previously, a key step in designing the new form-based code is to determine the degree to which new base (as-of-right) development requirements might increase the cost and/or risk of development. Since these requirements are mandatory and apply to most, if not all, future permit applications, any significant cost impacts would likely impact the development economics in the station area, which in turn could materially impact the success of the Station Area Plan.

To mitigate these potential market and implementation risks, the new or incremental development requirements were reviewed to assess potential cost impacts to and identify how best to mitigate them. Working with City staff and the Station Area Planning team, three specific development requirements were identified that warranted additional review, including: (1) recently adopted High Performance Building Code; (2) a proposed threshold Green Factor Score which new projects would need to exceed; and, (3) requiring new development in the station area to fund the incremental infrastructure requirements to support the greater density.

1. **High Performance Building Code.** Earlier this spring, City Council approved a new high performance building code to raise the minimum sustainability standards for new development projects. While some of the new requirements reflect an incorporation of building features that were either required by other regulating agencies (state and local) or industry practices that have evolved based on market expectations, others bring Kirkland up to code standards among its peer jurisdictions in the area.
  - Since these new development requirements were adopted recently, any potential impact on land values in the city will not have been factored in to the “current” land values used in the economic analysis.



- To assess whether there could be a material construction cost impacts associated with meeting these higher building standards, a team comprising City staff and experts from the station area planning team reviewed the new regulations, placed then into a broader market and regulatory context, then discussed potential impacts on development.
  - On that basis, it was concluded that it was unlikely that construction costs would be materially affected due to several factors, including:
    - The new code is largely in line with peer jurisdictions and so the development and construction community has already incorporated many of the new requirements into their business practices.
    - Some of the more stringent requirements are related to incorporating updates to the State energy code, which is consistently ramping up climate and sustainability rules. Since these affect all communities, there wouldn't be an expectation that projects in Kirkland would be differentially affected.
    - There were few, if any, significant, cost-related concerns raised during the Council's review, public hearing testimony or deliberations adoption of the new building code.
2. **Minimum Green Factor Score Requirement.** Sustainability provisions in the proposed form-based code for the station area would require future development to incorporate ecological and habitat elements sufficient to meet or exceed a threshold Green Factor Score of 0.4.

Applicants can fulfill this requirement by including specific project elements in their development proposal that cumulatively generate Green Factor points based on the ecological value of the improvements. There are six primary categories of improvements and a total of 27 discrete project types of from which to choose, each of which earn points in proportion to their ecological value. As with the building performance standards, a team-based approach was used to consider the development cost implications of this standard.

Green Score Factor Categories	
1	Landscape Elements
2	Green Roofs
3	Green Walls
4	Landscape Quality Benefits
5	Permeable Paving
6	Innovation

- To gain insight into the cost implications, City staff evaluated several recent development applications to evaluate how they would have fared if the Green Factor Score had been in place at the time.
  - Only one of the sample projects did not achieve the 0.4 threshold score, falling just short with a score of 0.3.
- In addition, it was possible to generate a conceptual-level cost estimate for each of the sample projects that were reviewed using cost factors developed by the Station Area Planning team for the sustainability evaluation. This analysis suggests that:
  - There are a wide range of project elements, many of which offer substantial value in terms of the relative cost to generate green factor score points.
  - Estimated costs varied widely when compared on a cost per square foot of land basis, which seemed to suggest that many of the landscaping choices were made based on other factors, such as design and/or marketing goals, rather than a strict cost minimization approach.
  - Each of the proposals reviewed included between 8 and 10 specific project elements (out of the 27 available options).

- The project which did not meet the threshold could have by marginally increasing the quantity of one or more elements in the proposal or added a new element among those that are particularly cost effective. As such the overall cost impact of raising the score would likely be negligible in the context of the overall construction costs.
  - As a result of these findings, it was determined that meeting the minimum threshold standard proposed for the new Green Factor Score requirement would be unlikely to have a material impact on future construction costs.
3. **Allocation of SAP Infrastructure Costs.** Among the implementation strategies identified in the 2021 Station Area Planning work was for the City to use available funding mechanisms and permit requirements to maximize the opportunities to allocate the higher infrastructure costs necessary to support the increased development capacity.
- The Fiscal Impact Analysis identified specific capital projects that would be necessary to mitigate the impact of the incremental development beyond what is expected under current zoning with respect to the transportation system and public utilities.
    - The analysis identified a shortfall in capital funding for new projects that would be necessary to support the additional development in the area and identified strategies for addressing the shortfall.
  - Potential development mitigation costs were organized according to an assessment of the relative role and contribution of the additional development allowed by estimating preliminary proportionate shares of each project among:
    - Specific sites based on development scale or other triggers.
    - Development in the four station area quadrants around the intersection of NE85th and I-406.
    - System improvements, to reflect where a project would benefit the system as whole by creating capacity beyond what is needed for the expected development over the planning horizon.
  - Based on this proportionality assessment, conceptual-level mitigation scenarios developed to evaluate potential range of costs that could be funded directly by new development in the station area.
  - The result of this effort suggested that potential mitigation-related infrastructure cost impacts could be significant and thus should be factored into the establishment of the new Base zoning maximum height.
  - This was an order of magnitude analysis intended to identify the range of possible mitigation impacts for the purpose of informing how best to establish a new base height limit for each of the new designating districts in the proposed form-based code. The eventual share of infrastructure costs that would be either developer-provided or developer-funded will be determined as part a broader set of funding strategies, including the potential role of a Tax Increment Financing District.

### Establish a New Base Maximum Height (As-of-Right)

The objective in setting the new base zoning maximum height is ensure that the base zoning can both reasonably support the new mandatory development requirements and to preserve as much of the upzone value as practical to support an incentive zoning program. Given the magnitude of the potential infrastructure costs discussed earlier, it is clear that even with the additional value created by reduced parking requirements, an increase in the current maximum allowed height will be necessary to support new development requirements.



With so many combinations of current to future zoning, it was determined that it would be beneficial to have a method to standardize the new maximum base zoning height within the new designating districts, while also providing a reasonably proportionate increase over current zoning limits. Toward this end, the following rule was applied to establish the new base height:

The new standard base height for each district would be set to the **smaller** of:

- The maximum height under current code increased by 25% and rounded to nearest 5ft; or,
- The proposed maximum height under new code

The table to the right shows the result of applying this approach and results in:

- Base height would increase in most current properties.
- Where base height increases are marginal or not proposed, the reduced parking ratios provide the additional value to address new requirements.
- 26 of 38 zoning pairs would still have a margin of height remaining to potentially support an IZ program
- Among the designating districts:
  - Incentive capacity in the CMU district is concentrated in the CMU-150 & CMU 250 zones east of I-405.
  - There are a wide range of zoning pairs in the NMU district that could potentially support a functional IZ program
  - There is insufficient upzone capacity for IZ in Urban Flex or Neighborhood Residential Districts
- For consistency and simplicity, it was determined that a minimum of 20 feet of height would be needed beyond the new standardized base maximum to support a functional incentive system. As a result, in three of the CMU zones and one NMU zone, the new base height would be equal to the proposed maximum height.

FBC Zone Designation	Current Max Height	New Base & Max Heights		Total IZ Height Available
		Base Height	Max Height	
<b>Phase 1 Adoption</b>				
CMU-250	30-67	85	250	165
CMU-150	67	85	150	65
CMU-75	35	75	75	0
CMU-65	55-67	65	65	0
CMU-60	30	60	60	0
<b>Phase 2 Adoption</b>				
NMU-150	35	40	150	110
NMU-125	30	40	125	85
NMU-85	30-65	40	85	45
NMU-75	30-65	40	75	35
NMU-65	30-35	40	65	25
NMU-60	30-35	40	60	20
NMU-40	30-40	40	40	0
UF-45	30-45	45	45	0

## INCENTIVE ZONING PROGRAM DESIGN

With a new base zoning height in place, it is possible to consider options for incorporating an incentive zoning program into the form-based code for the station area. Toward this end, there are three key design elements for how best to implement incentive zoning:

- IZ program structure options
- List of eligible amenities
- Establish exchange rates for each eligible amenity – the ratio of bonus incentive space to the quantity of amenity to necessary earn the bonus space

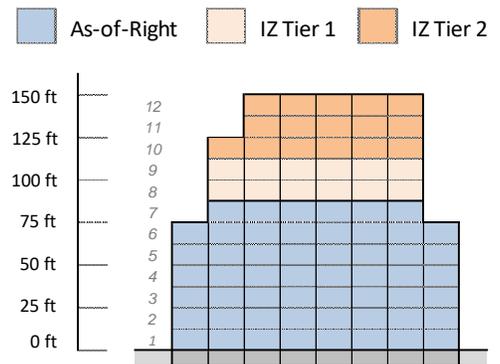
As noted earlier, this discussion includes information related to both Phase 1 and 2 of the form-based code. Action

on Phase 1 is anticipated in June 2022; Phase 2 will be addressed later in 2022.

## IZ Structure Options

There are two principal mechanisms that would allow the IZ program to reflect specific policy priorities among the developer-provided amenities:

1. A Tiered amenity system where the incentive capacity is divided into distinct bands of bonus capacity with each one aligned with eligible amenities based on policy priorities. For example:
  - In a 2-Tier system (illustrated to the right) high priority amenities would be targeted in Tier 1
  - Where additional IZ capacity is available, applicants could choose among a longer list of eligible amenities
    - Where there is insufficient capacity to effectively divide the bonus space into tiers, then either:
      - Only Tier 1 amenities would be available if the priority is ensure that these amenities are provided everywhere; or,
      - These zones would operate as a single tier system where all eligible amenities are available to applicants



2. The other exchange rates used to define the ratio of earned IZ capacity to the quantity of each eligible amenity can be weighted according to policy priorities

These approaches are not mutually exclusive. The mechanisms can be combined such that amenities are first assigned to tiers and then weighted within the tiers, though this would add additional.

### Determine the Practical Functionality of a Tiered IZ Program

While most properties in the Commercial Mixed Use (CMU) and Neighborhood Mixed Use (NMU) zones have remaining height capacity beyond the new maximum base limit, the increments of potential bonus capacity vary widely, and in some cases may not be sufficient or practical to support an incentive zoning program. Building on the results of the new base height discussion earlier, the table below shows how the increment of bonus capacity could be organized into tiers, if that approach to prioritization was the preferred design.

The key decision in creating these potential IZ Tiers was how much of the capacity to put into the first tier, since applicants would need to provide Tier 1 amenities first to access the bonus space in the second tier. This ensures that all applicants seeking to use the bonus space would be required to provide the higher priority Tier 1 amenities. However, placing too large a share of the bonus capacity in Tier 1 would result in a more limited range of amenities provided, since not all the new zones would have sufficient capacity for a second tier. Also, it would be beneficial to have reasonable level of consistency for all IZ Program zones in terms of the total capacity that would be targeted to the Tier 1 high priority amenities.

Based on the available bonus capacity for zones, it was determined that 20 feet (above the proposed base height) was a reasonable Tier 1 height increment that would both provide sufficient useable bonus capacity to

generate functional quantity of priority amenities and allow for a reasonable consistency across all of the potential IZ Program-eligible zones.

Further, the same 20-foot suggested minimum standard for a functional incentive Tier was applied to the remaining bonus capacity, which has the effect of increasing the Tier 1 capacity in zones where a second tier would be not meet this standard and would thus be impractical. The table below presents the recommended Base, Bonus and Maximum heights for each zone, including how this approach could be applied to the zones that are being deferred to the Phase 2 Adoption process. The table also shows how much property is estimated to be included in each, which indicates that a majority of area in the CMU and NMU zones could support a 2-Tier approach if that were desired.

The first set of values would represent how a single tier design would be represented in the code, where the Base and Max Heights are defined and the increment between would be the bonus capacity available for the IZ Program. The second set of values the bonus increment is further divided into tiers and the Tier 1 Height would be added to Base and Max Heights in the code to define all the relevant break points. In the 2-Tier scenario, three of the NMU zones would be limited to Tier 1, as there is insufficient capacity to support a second tier.

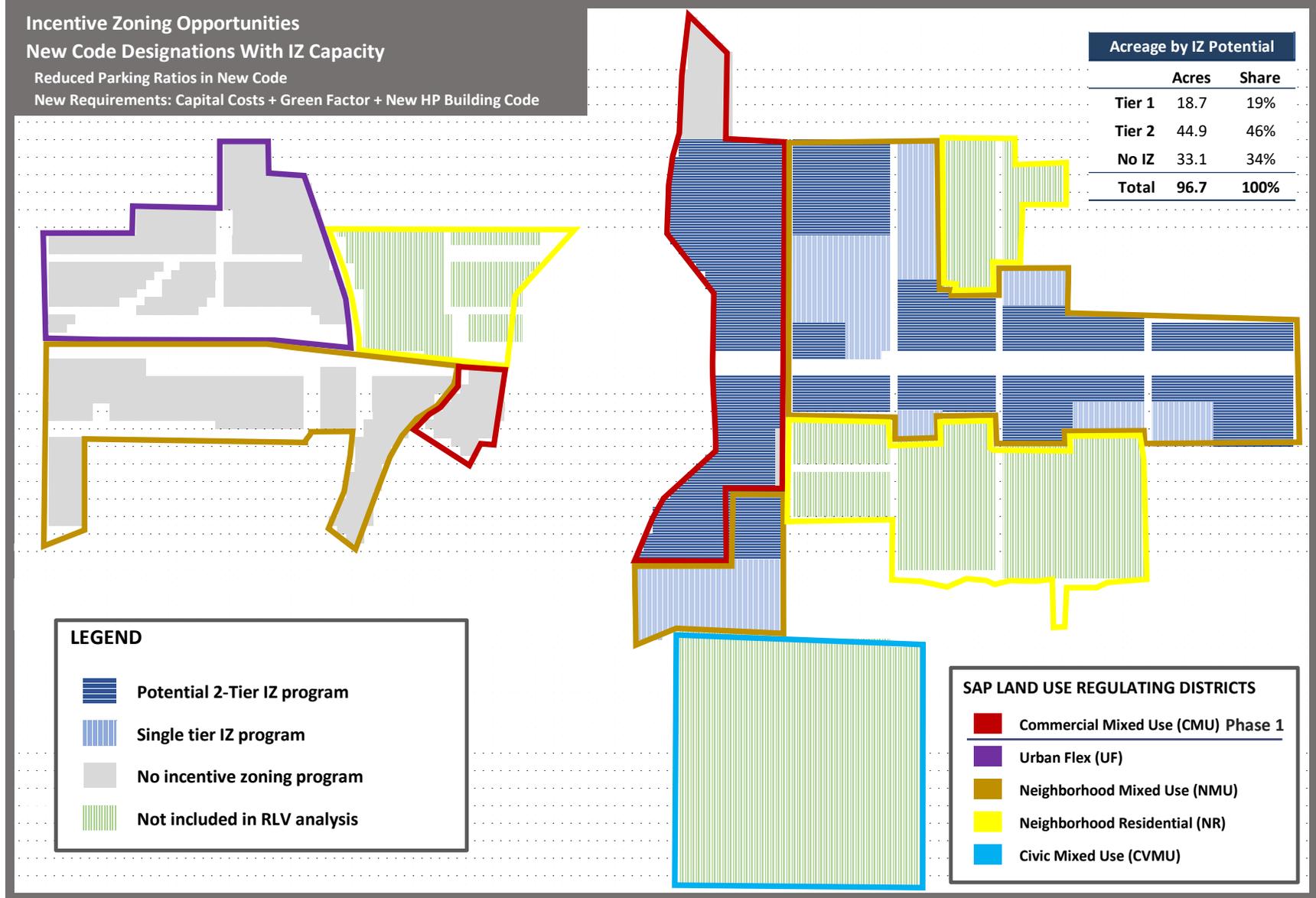
### Recommended Base, Bonus and Max Heights by Zone

FBC Zone Designation	Current Max Height	New Base & Max Heights			New Base & Max Heights				Acres	Share	
		Base Height	Max Height	Total IZ Height Available	Tier 1 Height	Tier 2 Height	Add'l Height to Tier 1	Add'l Height to Tier 2			
<b>Phase 1 Adoption</b>											
<b>CMU-250</b>	30-67	85	250	165	105	250	20	145	7.4	7.6%	
<b>CMU-150</b>	67	85	150	65	105	150	20	45	10.7	11.0%	
<b>CMU-75</b>	35	75	75	0	n/a	n/a	n/a	n/a	2.8	2.9%	
<b>CMU-65</b>	55-67	65	65	0	n/a	n/a	n/a	n/a	0.3	0.3%	
<b>CMU-60</b>	30	60	60	0	n/a	n/a	n/a	n/a	2.2	2.3%	
<b>Phase 2 Adoption</b>											
<b>NMU-150</b>	35	40	150	110	60	150	20	90	1.8	1.9%	
<b>NMU-125</b>	30	40	125	85	60	125	20	65	2.0	2.0%	
<b>NMU-85</b>	30-65	40	85	45	60	85	20	25	23.1	23.9%	
<b>NMU-75</b>	30-65	40	75	35	75	n/a	35	n/a	10.9	11.3%	
<b>NMU-65</b>	30-35	40	65	25	65	n/a	25	n/a	7.8	8.0%	
<b>NMU-60</b>	30-35	40	60	20	60	n/a	20	n/a	8.7	9.0%	
<b>NMU-40</b>	30-40	40	40	0	n/a	n/a	n/a	n/a	5.0	5.2%	
<b>UF-45</b>	30-45	45	45	0	n/a	n/a	n/a	n/a	14.1	14.6%	

As the map on the following page graphically depicts, a functional IZ program would be an option for most of the CMU and NMU zones east of I-405. While on the westside, the additional capacity from the upzone would be consumed by the increased base height.



Areas with Potential to Support an Incentive Program



## IZ Program Eligible Amenities (CMU)

The list of eligible public amenities has been developed based on the Station Area Plan vision, the Council Direction and consideration of City of Kirkland’s policy priorities.

Applicants would be able to choose from eight specific developer-provided amenity options to earn all or a portion of the available bonus space to support their development goals.

This list is limited to the options that would be available in the Commercial Mixed Use zone, though it is largely consistent with the one was included in the materials for the Joint City Council and Planning Commission meeting on May 12<sup>th</sup>, 2022, with three exceptions.

1. Under the sustainability amenities, the option to provide all electric or all renewable energy sources, with no exceptions for combustion was removed to recognize that it may not need to be incentivized as the energy code may make this the default in the future.
2. The option for an applicant to propose an amenity that is not on the current list, subject to City approval to allow for options beyond the list that could be beneficial to both applicants and the City. The flexibility could result in creative options that would add diversity to the public amenities in the station area.
3. The Green Factor Score was increased from 0.6 to 0.75 based on test cases that indicated that the initial factor might not produce desired level of investment.

Any proposed amenities not on the list that were to be included in an application would need to: (1) demonstrate clear public benefits, (2) be negotiated as part of the application review process; or (3) be formalized as part of a development agreement and approved by the City Council.

## Development of IZ Program Exchange Rates (CMU)

The greater the additional capacity (or incentive space) allowed under the IZ program, the greater the potential offsetting profit for the developer after providing the required public amenities. The challenge that all incentive

Proposed List of Eligible Amenities	Public Benefit Provided
<b>AFFORDABLE HOUSING</b>	
<b>Commercial development:</b> Affordable housing contribution (fee-in-lieu)	Fee revenue for affordable housing
<b>MOBILITY / TRANSPORTATION</b>	
<b>Enhanced Mid-block Green Connections:</b> Enhancement to an active transportation connection through a property that provides a route alternate to the vehicular road network, established through either a public easement, or right-of-way dedication.	Square feet of enhanced mid-block green connections
<b>PARKS / OPEN SPACE</b>	
<b>Public Open Space (outdoor):</b> Outdoor space available for public use such as plazas, pocket parks, linear parks, rooftops, etc .	Square feet of improved public outdoor park-like space
<b>Public Community Space (indoor):</b> Space available for civic or community uses such as arts or performance spaces, after-school programming, recreation, event space, etc .	Square feet of improved public indoor community space
<b>SUSTAINABILITY</b>	
<b>Enhanced Performance Buildings:</b> Design, build, and certify to achieve <u>Living Building Challenge v4 Carbon Certification</u> or <u>Living Building Challenge v4 Petal Certification</u>	New buildings that exceed Kirkland High Performance Building Code
<b>Ecology and Habitat:</b> Achieve a Green Factor Score <u>of at least 0.75</u> - (as-of-right requires projects to demonstrate a score of at least 0.4)	SF of land, enhanced ecology/habit
<b>Innovation Investments:</b> Design, build and operate innovative energy and/or decarbonization systems (on-site or within SAP)	New and innovative sustainability infrastructure in the Station Area
<b>SCHOOLS, EDUCATION, AND CHILDCARE</b>	
<b>ECE/Day Care Operation Space:</b> Floor area dedicated to child care, or Preschool learning space, as defined in KZC 5 .10 .194	Long-term dedication of building space for non-profit childcare use
<b>School Operation Space:</b> Floor area dedicated to school operation as defined in KZC 5 .10 .825	Long-term dedication of building space for education use
<b>OTHER APPLICANT PROPOSED AMENITIES</b>	
<b>Flexible Amenity Options:</b> Applicant may propose amenities not on this list (on a case-by-case basis). Amenities must have a clear public benefit and will be subject to approval by the City and formalized in a development agreement.	TBD



programs face is to determine where the offsetting profit of additional project size is equal to, or greater when building under the incentive zoning program as compared to the option of building under the base zoning. In other words, for the incentive program to be used, the additional capacity available must be a true economic incentive.

To ensure that the IZ program is a desirable element to future development, the key is to set the bonus exchange rate at a level that offers a true incentive to participate. The exchange rate is the ratio of the value of the available bonus space (to a developer) and the cost of providing the necessary amenities to earn the bonus space. Since an incentive program essentially operates as a barter system, the question is how much bonus space the City needs to offer in exchange for the items on the eligible amenity list.

For example, if the City established an exchange rate of 5:1 for an eligible amenity and estimates the cost of providing the amenity at \$100/sf, then for this exchange to offer a real incentive to participate, one of the following would need to be true:

1. The applicant would need to value the bonus space at a minimum of \$20/sf, since they would be receiving 5 bonus square feet for each square foot of the amenity provided. In this scenario, the applicant is participating because the extra building space would provide an expected net profit \$20/sf after accounting for the cost of the amenity **and** the incremental costs of building a larger project; or,
2. The applicant might be able deliver the amenity at a lower net cost than the \$100/sf assumed in the exchange rate. This could be the case if the marginal costs of adding the amenity to a larger construction project is lower than what it might cost to build it as a separate project. It could also be that the amenity in question fits within the applicant's program objectives and could be added to the project by reallocating resources that might have been spent on another discretionary different project feature.

In either scenario, participation in the IZ program is entirely based on the applicant's assessment of their own financial interest based on how they value of the bonus space in exchange for their expected marginal cost to qualify for the bonus. As a result, setting the exchange rate is the single biggest factor in the potential success of an incentive zoning system, assuming that the market is strong enough to support the greater building capacity. Given this, the preliminary exchange rates developed for the station area IZ Program were developed using a residual land value analysis which was informed by the exchange rates offered by in competing commercial and mixed-use development areas outside Kirkland.

1. **Residual Land Value Analysis.** The analysis estimated residual land value for a wide range of development prototypes that are limited to capacity available under the proposed base zoning and another set of prototypes that would be built under the maximum capacity allowed. Using the results from the base versus maximum build scenarios, the potential incremental value of the bonus space can be estimated by dividing by the additional building square footage allowed over the base zoning scenario (useable bonus space) into the increase in the residual land value for building to the maximum allowed capacity – (RLV maximum zoning less RLV base zoning) ÷ Bonus SF.
  - The estimated value described above represents an estimate of the **total value** of the additional space and does not necessarily represent how an applicant might view the incremental value in light of other factors such as potential risks associated with a larger project.
  - The analysis concluded that in most scenarios studied, there was additional residual land value created by building to the maximum allowed and that the increment in value could range widely by use and according to the specific development parameters of the various prototypes.
  - The results suggest that there is also a range of potentially useable bonus space that can vary based on site size and conditions and the application of necessary setbacks and floor plate limits in the proposed zoning code.

- The resultant estimates of the potential value of bonus space also varied widely, including some scenarios where the peculiarities of how a prototype might fit into the zoning structure resulted in marginal or even negative values.
- On balance, however, there were scenarios for each of the zones to suggest that the additional capacity available in through an IZ program would be valuable for range of development scenarios.

2. **Market Context.** It is important to remember that whatever exchange rates are adopted, the development community will be considering opportunities in the station area in a regional context where some of Kirkland’s peer jurisdictions also offer incentive zoning programs. As a result, the RLV analysis was augmented with a review of the incentive programs in Bellevue and Seattle as these are the most likely alternative areas to be considered by future applicants.

The table below presents the preliminary exchange rates (bonus ratio) for the list of eligible amenities for the Commercial Mixed Use zone. There are two scenarios presented, a base ratio and a priority-weighted ratio that reflects a possible approach to integrating policy priorities within the exchange rate structure. To provide context, the table also shows the quantity of eligible amenities that would be provided in exchange for a hypothetical 20,000 sf of bonus space for each of the bonus ratios.

List of Eligible Amenities	Measure of Exchange Rate	Alternative Bonus Ratio Options				Amenity Provided per 20,000 Sf of IZ Space	
		Bonus Ratio (base)	Policy Weighted Bonus Ratio			Bonus Ratio (base)	Bonus Ratio (priority)
			Priority Rank	Priority Weight	Bonus Ratio (priority)		
<b>AFFORDABLE HOUSING</b>							
Commercial development contribution	Voluntary fee per SF of incentive bonus space	\$25.00	1	1.50	\$16.67	\$500,000	\$333,333
<b>MOBILITY / TRANSPORTATION</b>							
Enhanced Mid-block Green Connections	Bonus SF per SF of enhanced connections	5.0	3	1.00	5.0	4,000 sf	4,000 sf
<b>PARKS / OPEN SPACE</b>							
<u>Public Open Space (outdoor)</u>	Bonus SF for each SF of improved public space	6.0	2	1.25	7.5	3,333 sf	2,667 sf
<u>Public Community Space (indoor)</u>	Bonus SF for each SF of improved public space	7.0	2	1.25	8.8	2,857 sf	2,286 sf
<b>SUSTAINABILITY</b>							
Enhanced Performance Buildings	Bonus SF per \$1,000 invested	40.0	3	1.00	40.0	\$500,000	\$500,000
Ecology and Habitat (GF score above 0.75)	Bonus SF for each SF of enhanced ecology/habitat land	1.4	3	1.00	1.4	14,286 sf	14,286 sf
Innovation Investments: Energy and Decarbonization	Bonus SF per \$1,000 invested	40.0	3	1.00	40.0	\$500,000	\$500,000
<b>SCHOOLS, EDUCATION, AND CHILDCARE</b>							
ECE/Day Care Operation Space	Bonus SF for each SF of ECE/Day Care space	10.0	2	1.25	12.5	2,000 sf	1,600 sf
School Operation Space	Bonus SF for each SF of school space	10.0	2	1.25	12.5	2,000 sf	1,600 sf
<b>OTHER APPLICANT PROPOSED AMENITIES</b>							
Flexible Amenity Options	TBD	40.0	3	1.00	40.0	\$500,000	\$500,000

## PROGRAM STRUCTURE OPTIONS UNDER CONSIDERATION

With the proposed amenities list and the preliminary exchange rates, it is possible to construct options for how the City might design the station area IZ Program. Based on discussions with staff and the key design considerations described earlier, the following IZ program incentive program options are suggested for future consideration.

- **Option 1** would be a single tier structure that would not apply any prioritization in the exchange rates among eligible amenities. This is the simplest and most straightforward approach.
- **Option 2** would be a 2-Tier approach, where Tier 1 would require applicants to provide affordable housing to ensure that all projects would be contributing to the City’s highest policy priority. For Tier 2 bonus space applicants can choose any eligible amenity, including providing additional Tier 1 amenities. The exchange rates would not reflect additional prioritization:
  - For residential projects, applicants could provide additional units and/or deeper levels of affordability,
  - For commercial projects, applicants would pay a fee-lieu to fund affordable housing in the community.
- **Option 3** would be single tier system with the application of priority weighting to the exchange rates This option is a variation on Option 1, but provides greater incentive for some amenities by weighting them as follows:
  - Affordable Housing receives a 1.5 weighting,
  - Schools and Parks and Open Space receive a 1.25 weighting, and
  - The remaining categories are weighted at 1.0.

To illustrate the implications of these options a hypothetical project in the CMU 150 zone is used to show how the building space would be divided in the base and bonus and how an applicant might choose among the amenities to earn the maximum allows bonus space.

The table below shows the basic development assumptions used in this example. In the single tier IZ program options the first 7 stories are assumed to fit within the base zoning limits with a maximum base height of 85 feet, leaving 5 additional stories of bonus capacity up to the maximum allowed height of 150 feet. Assuming the applicant is able to build to the maximum floor plates under the proposed code would yield a building of 350,000 sf, a third of which (115,000 sf) would be bonus space. In the 2-Tier IZ option, bonus space is further divided into a 2-story Tier 1 of 50,000 sf and a 3-story Tier 2 of 65,000 sf.

### Hypothetical Project (CMU 150)

Single Tier IZ Program	Height	Stories	GSF	Share
Base capacity	85 ft	7	235,000	67%
<b>IZ capacity</b>	<b>65 ft</b>	<b>5</b>	<b>115,000</b>	<b>33%</b>
<b>Total capacity</b>	150 ft	12	350,000	100%

2-Tier IZ Program	Height	Stories	GSF	Share
Base capacity	85 ft	7	235,000	67%
<b>IZ, Tier 1 capacity</b>	<b>20 ft</b>	<b>2</b>	<b>50,000</b>	<b>14%</b>
<b>IZ, Tier 2 capacity</b>	<b>45 ft</b>	<b>3</b>	<b>65,000</b>	<b>19%</b>
<b>Total capacity</b>	150 ft	12	350,000	100%



### Illustration of Potential Implications of IZ Program Structure Options

List of Eligible Amenities	Bonus Ratio (base)	Bonus Ratio (weighted)	Developer Provided Amenity	OPTION 1 Single-Tier, No Weighting		OPTION 2 2-Tier, No Weighting		OPTION 3 Single-Tier, Policy Weighting	
				IZ Space Earned	Amenity Provided	IZ Space Earned	Amenity Provided	IZ Space Earned	Amenity Provided
<b>AFFORDABLE HOUSING</b>									
Commercial development contribution	\$25.00	\$16.67	Funds for Affordable Housing	10,000 sf	\$250,000	50,000 sf	\$1,250,000	25,000 sf	\$416,667
<b>MOBILITY / TRANSPORTATION</b>									
Enhanced Mid-block Green Connections	5.0	5.0	SF of enhanced investment in mid-block connections	25,000 sf	5,000 sf	25,000 sf	5,000 sf	25,000 sf	5,000 sf
<b>PARKS / OPEN SPACE</b>									
Public Open Space (outdoor)	6.0	7.5	SF of outdoor public open space	35,000 sf	5,833 sf	10,000 sf	1,667 sf	35,000 sf	4,667 sf
Public Community Space (indoor)	7.0	8.8	SF of indoor community use space	15,000 sf	2,143 sf	10,000 sf	1,429 sf	0 sf	0 sf
<b>SUSTAINABILITY</b>									
Enhanced Performance Buildings	40.0	40.0	Investment in enhanced building performance	0 sf	\$0	0 sf	\$0	0 sf	\$0
Ecology and Habitat (GF score above 0.75)	1.4	1.4	SF of enhanced ecological investment	10,000 sf	7,143 sf	10,000 sf	7,143 sf	10,000 sf	7,143 sf
Innovation Investments: Energy and Decarbonization	40.0	40.0	Investment in energy and decarbonization innovation	0 sf	\$0	0 sf	\$0	0 sf	\$0
<b>SCHOOLS, EDUCATION, AND CHILDCARE</b>									
ECE/Day Care Operation Space	10.0	12.5	SF of indoor ECE/day care space for non-profit user	10,000 sf	1,000 sf	10,000 sf	1,000 sf	10,000 sf	800 sf
School Operation Space	10.0	12.5	SF of indoor school operation space	10,000 sf	1,000 sf	0 sf	0 sf	10,000 sf	800 sf
<b>OTHER APPLICANT PROPOSED AMENITIES</b>									
Flexible Amenity Options: applicant proposed and City approved amenities (case-by-case)	40.0	40.0	Negotiated amenities to be approved by Council	0 sf	0 sf	0 sf	0 sf	0 sf	0 sf
<b>Total IZ Space Earned</b>				<b>115,000 sf</b>		<b>115,000 sf</b>		<b>115,000 sf</b>	

The table on the preceding page illustrates one potential set of tradeoffs that an applicant might choose under each of the IZ Program options. It is important to note that, except for Option 2, the applicant has complete discretion as to which amenities to provide in exchange for the same 115,000 square feet of bonus space as the incentive zoning is voluntary.

Based on this hypothetical example, a package of amenities was constructed for Option 1 using most of the available amenities to earn the desired bonus space to illustrate how much of each could be provided if an applicant chose a diversified approach to meeting the IZ Program requirements. For comparison purposes, Option 1 is treated as a base case, to show how this diversified package of amenities *could* change under the different IZ Program options. For simplicity purposes the investment-based amenities were excluded from these hypothetical comparisons in favor of a more diversified package of amenities.

For Option 2, the Tier 1 bonus space available (50,000sf) exceeds the amount of space earned through the affordable housing payment assumed in to be provided in Option 1 (10,000sf). In this scenario the affordable housing payment would need to increase to \$1.25M (from \$250,000) to earn the Tier 1 bonus space. This would leave 65,000 square feet to be earned through Tier 2 amenities, resulting in lower investments in Parks/Open Space and space provided for Schools, Education and Childcare.

In Option 3, the only change from Option 1 is the addition of a weighting scheme to the exchange rates. By providing a more attractive incentive “tradeoff”— more bonus space for each unit of amenity provided – an applicant could choose to shift their investments to take advantage of the favorable exchange rates. In this scenario, it is assumed that the applicant would shift some of their investments into the highest weighted amenity, the affordable housing payment. In doing so, they would increase the bonus space earned from 10,000sf to 25,000sf (150% increase) by increasing their housing payment from \$250,000 to \$416,667 (67% increase). Taking advantage of this increased leverage, it is possible to eliminate the 15,000sf indoor public space from the Option 1 package.

### Preliminary Council Direction

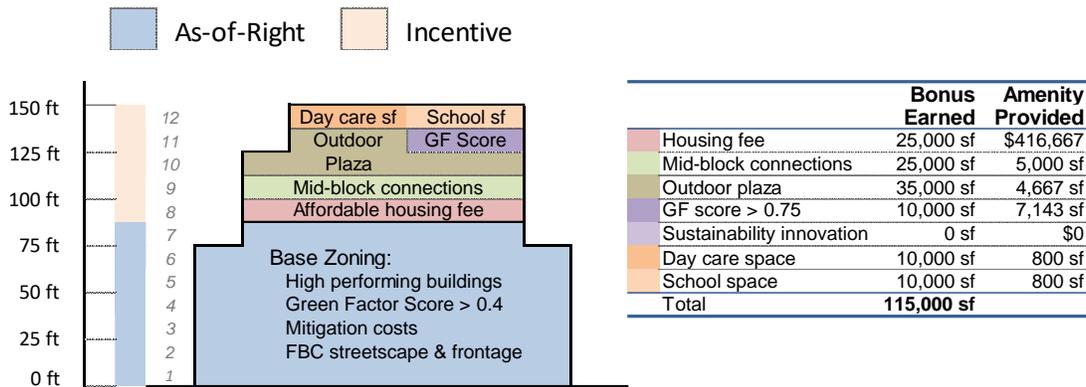
Council’s discussion at the June 7 meeting indicated a preference for Option 3 because it provides the most flexibility for applicants, while also providing an opportunity for the code to encourage specific amenities. The proposed weighting of eligible amenities described in the draft Form-based Code currently reflects the priority ranking and weighting described above for Option 3. As noted previously, participation in the IZ Program is entirely voluntary and, under the Council’s preliminary policy direction, the choice of amenities is also at the discretion of the applicant.

Based on this initial policy preference the following illustrates how the same development proposal could earn the requested incentive development capacity via three alternative combinations of provided community benefit “packages” under the Incentive Zoning Option 3 structure.

As noted, Option 3 would not require an applicant to provide any particular amenity, though the weighting is designed to encourage the provision of priority amenities, such as affordable housing. In addition, the applicant may select any combination of amenities that align with their project design and financial objectives. As such, an applicant could propose an amenity package comprises just one, or any combination, of other amenity(ies) sufficient to earn the desired bonus capacity.

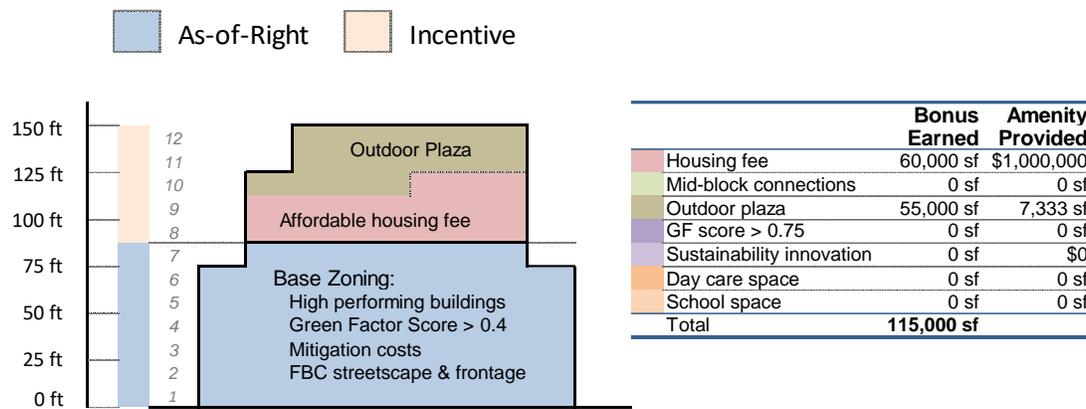
*Example #1: Diversified Package of Amenities*

The first illustration is a graphical presentation of the same information for shown for Option 3 in the hypothetical scenarios for each of the structure options. This represents a potential diversified package of amenities.



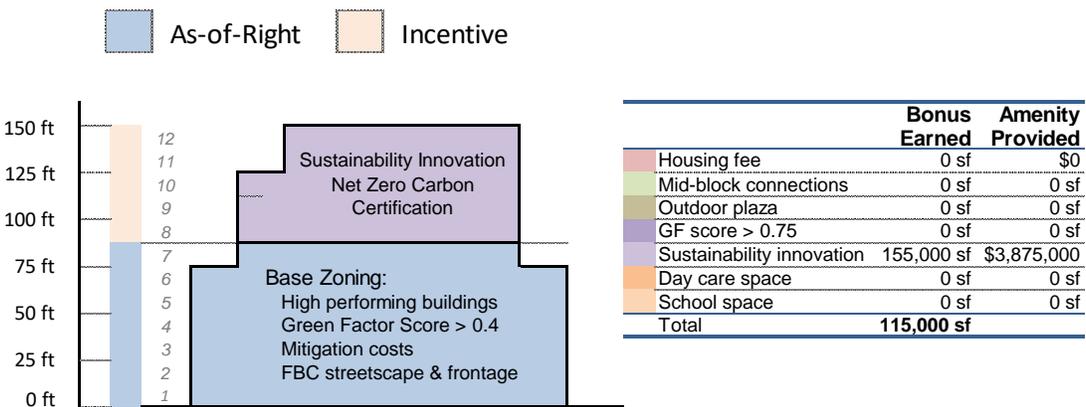
*Example #2: Limited Package Concentrating on Higher Priority Amenities*

The second illustration presents a scenario where the applicant might choose to focus their amenity package on two of the higher priority amenities (affordable housing and parks/open space).



*Example #3: All Bonus Space Earned through Sustainability Innovation*

The final illustration shows how it would be possible for an applicant to earn more than enough bonus space – 155,000sf earned vs 115,000sf needed --- through Net Zero Carbon certification. Since the costs associated with achieving the certification requirements affect the entire project and not just the incentive space, it is possible that these investments may be sufficient to satisfy the amenity requirements for a given project.



## Issue Paper: Affordable Housing Mitigation Options Analysis

June 10, 2022

### Issue Description

As part of the Final SEIS for the 85<sup>th</sup> Station Area Plan, Affordable Housing Mitigation Options were identified to address the need for additional affordable housing associated with the increased density associated with the plan. City staff has evaluated these options and has developed preliminary staff recommendations summarized in this Issue Paper, and incorporated into the Phase 1 Station Area Plan draft documents for City Council consideration in advance of plan adoption in June 2022. The purpose of these issue papers is to assist the City Council in balancing the incentive options to achieve community benefits, while not discouraging redevelopment.

### Background

**Policy Context:** The Preferred Plan Direction approved by Resolution 5503 at the City Council meeting on December 14, 2021 included the following findings and direction (**emphasis added**):

*WHEREAS, the focus of the Community Benefits Analysis was to find out how the public can receive benefits of growth and how development can advance the City's priority objectives if the City implements its vision of the Station Area as a thriving, new walkable district with high tech jobs, **plentiful affordable housing**, sustainable building, and shops, and restaurants linked by transit;*

*Section 4. The City shall continue coordination with LWSD, regional transit agencies, major property owners in the Station Area, and community members to explore creative solutions to key issues such as **affordable housing**, school capacity, future transit capacity and service, and other opportunities to achieve community benefits from growth that may require future strategic partnerships.*

As part of the Final SEIS for the 85<sup>th</sup> Station Area Plan issued on December 31, 2021, the following Affordable Housing Mitigation Options were identified to address the need for additional affordable housing:

- Leverage regional partnerships (e.g., A Regional Coalition for Housing [ARCH]) to add affordable housing opportunities in the Station Area
- Create density bonuses that prioritize affordable housing
- Establish minimum requirements for family-size units
- Require development to provide a minimum number of activity units
- Commercial linkage fees

### **Affordable Housing Needs:**

The City currently has two significant affordable housing programs in place:

- Since 2010, Kirkland has required new multifamily and mixed-use developments to include affordable housing units. Regulations apply in most of the City and are in Chapter 112 of the Kirkland Zoning Code. The standard requirement is that 10% of the units be affordable.

- The City has also adopted Multifamily Tax Exemption (MFTE) regulations. Tax exemptions can be granted for projects in which 10% to 20% of the units are affordable housing. Requirements are in Chapter 5.88 of the Kirkland Municipal Code.

Future redevelopment in the Station Area will be subject to the City's existing inclusionary zoning requirement that at least 10% of new multi-family units are affordable – yielding an estimated 600-800 new affordable units (based on the a studied capacity of up to 6,243 additional housing units). Additional strategies to promote and incentive affordable housing production in the area were identified in the FSEIS and are evaluated below. The expectation is that well over 800 new affordable housing units would be developed as a result of Station Area development.

Under the City's existing inclusionary zoning requirements, owner-occupied affordable units must be reserved for households whose annual household income does not exceed 80%-100% of the King County median household income (based on the underlying zone). The City requires that a covenant be recorded on the property that limits the sales price of the unit and requires any transfer of ownership to be to households meeting the affordable eligibility criteria for a period of 50 years. The first sale of the property after 50 years requires that the surplus of proceeds beyond the restricted sale price is recovered by the City and invested into affordable housing funds.

Renter-occupied affordable units must be reserved for households whose annual household income does not exceed 50% of the King County median household income. These units require a covenant to be recorded on the property that requires the affordable rental units to be maintained in perpetuity.

### **Analysis of Affordable Housing Mitigation Options**

As noted earlier, the FSEIS identified the following options to address the need for additional affordable housing associated with the increased density:

- Leverage regional partnerships (e.g., ARCH) to add affordable housing opportunities in the Station Area
- Create density bonuses that prioritize affordable housing
- Establish minimum requirements for family-size units
- Require development to provide a minimum number of activity units
- Commercial linkage fees

It is important to note that the Station Area Plan policies and regulations will be adopted in two phases. The first phase will be considered by Council for adoption in June 2022. This phase includes Comprehensive Goals and Policies for housing in the entire Station Area district, and the zoning regulations for the Commercial Mixed Use District only (this district will not allow residential uses). The second phase of Station Area Plan adoption will include zoning regulations for the remainder of the zoning districts, all of which will allow mixed/residential uses. Each option has been analyzed as described below followed by preliminary staff recommendations, and some options will continue to be studied as draft zoning regulations for Phase 2 districts are developed.

### **Leverage regional partnerships (e.g., ARCH) to add affordable housing opportunities in the Station**

**Area:** City staff has met with ARCH staff to discuss techniques that the City might consider to add

affordable housing opportunities in the Station Area. The concepts discussed have been incorporated in the options evaluated below. ARCH will be a key partner in assisting the City with investing resources to produce affordable housing. To the extent that the City receives cash payments toward affordable housing rather than units being built directly by the developer, it will be important that those funds be directed to affordable housing projects located in or near the Station Area to assist with making progress towards the goals of locally-available affordable housing. Staff and ARCH are coordinating further in 2022 by holding a roundtable with affordable housing providers to understand how zoning regulations in the phase 2 Station Area districts can best accommodate and maximize affordable housing units.

**Create density bonuses that prioritize affordable housing:** The project team will continue collaborating with ARCH to design a set of potential affordable housing provisions to “test” in the incentive zoning analysis. The items staff will continue to analyze for inclusion in the incentive zoning program for the Phase 1 and 2 districts include incentivizing affordable units provided above any base requirements, and units that are provided at a deeper level of affordability than currently required. The incentive zoning program for the Commercial Mixed Use district (Phase 1) includes an option for commercial development to gain access to incentivized development capacity through cash contributions to affordable housing, but does not include a “performance standard” option (i.e., additional development capacity for affordable housing amenities provided on-site) since residential uses are not allowed in the Commercial Mixed Use district.

**Establish minimum requirements for family-size units:** The City will continue coordinating with ARCH to explore the possibility of requiring, and/or incentivizing, new residential projects to provide a certain number of higher bedroom-count (2+) affordable units that may better support the needs of lower income families. Initial conversations with ARCH staff indicated that the primary focus for incentives should be on providing units at deeper levels of affordability; however, staff plans to continue exploring this concept in the aforementioned roundtable with affordable housing providers and can provide more detail on how such a requirement can be tested in the incentive zoning analysis, and provide possible options for implementation, with Phase 2 of Station Area Plan draft code amendments.

**Require development to provide a minimum number of activity units:** These requirements would establish that development be built to a minimum site intensity, as well as establish an expected amount of affordable housing. Staff is considering a code recommendation to establish a minimum density requirement for residential development in the Phase 2 regulating districts that will make up the Station Area. This requirement currently exists in select zones throughout the City, and requires multi-family development to reach at least 80% of the maximum density allowed.

**Commercial linkage fees:** An interest identified in the Community Benefits study was to establish if and how commercial growth can contribute to goals for affordable housing. The study suggested that implementing a mandatory Commercial Linkage Fee to address affordable housing and workforce

development might be an option, in coordination with a density bonus system. Staff has completed more in-depth research on commercial linkage fees, summarized briefly as follows.

A Commercial Linkage Fee is a regulatory tool intended to offset the marginal impact that new commercial development has in generating the need for new affordable housing. It is a mechanism by which proposed new non-residential development contributes to the provision of affordable housing. To establish a Commercial Linkage Fee, a Commercial/Housing Nexus Study is necessary to document the relationship between job growth and affordable housing needs of various types of development and establish the maximum commercial linkage fee that could be considered.

After additional research into commercial linkage fees for affordable housing, staff recommends deferring consideration of this fee as a mitigation strategy at this time. Instead, the recommendation is to use the potential development agreement, existing programs, and incentive zoning to generate affordable housing in the Station Area. This approach can generate additional units of affordable housing. For Phase 1, an incentive zoning-based cash contribution toward affordable housing by commercial development could approximate the revenue that might be generated by a commercial linkage fees in the near term. Staff believes that commercial linkage fees could be a valuable tool and should be evaluated in the future. To support evaluation of commercial linkage fees as a tool for the future, the City should continue to work with ARCH to identify legislative changes that could support mandatory, City-wide fees.

### **Staff Recommendations**

Staff recommends Council adopt the provisions discussed above as they are included in the draft Phase 1 Station Area amendments as follows:

- Station Area Plan document (Vision and Goals);
- Comprehensive Plan: Housing sub-section goals and policies; and,
- KZC: Commercial Mixed-Use District Form-based Code and included incentive zoning program that provides an incentive option for commercial contributions to affordable housing.

Staff anticipates providing additional Housing recommendations with Phase 2 Station Area amendments.

### **Reference Materials**

- Opportunities & Challenges Report
- Market Analysis
- Fiscal Impacts & Community Benefits Analysis
- Community Benefits Strategy Framework (Preferred Plan Direction)
- Final SEIS

## Issue Paper: Parks and Open Space Options Analysis

June 10, 2022

### Issue Description

As part of the Final SEIS for the 85<sup>th</sup> Station Area Plan, impacts of the plan on Parks and Open Space were identified. City staff has evaluated these options, coordinated with the draft Parks, Recreation, and Open Space (PROS) plan, has developed staff recommendations summarized in this Issue Paper, and incorporated these recommendations into the Phase 1 Station Area Plan draft documents for City Council consideration of adoption in June 2022. The purpose of these issue papers is to assist the City Council with balancing any potential new baseline requirements and the incentive options for new development to achieve community benefits, while not discouraging redevelopment.

### Background

**Policy Context:** The Preferred Plan Direction approved by Resolution 5503 at the City Council meeting on December 14, 2021 included the following findings and direction (**emphasis added**):

*WHEREAS, the comments on the Draft SEIS and planning process from the community included concerns about the impacts of growth and increased density such as ...a desire for the plan to help achieve community benefits such as ... **plentiful parks and recreational spaces...**;*

*WHEREAS, on October 26, 2021, the City published the Fiscal Impacts and Community Benefits Analysis Technical Memo and Appendices, which found that if the City were to select June Alternative B to implement its vision of the Station Area, the City could afford the investments necessary to address increased demand on public services (especially schools, **parks/open spaces**, transportation, and utilities), and avoid a reduction in service for existing community members and businesses **if** the City also adopts a series of policy changes, impact fees, commercial linkage fees, and benefit capture strategies such as Tax Increment Financing, density bonuses, and partnership opportunities;*

*Section 1. The 85<sup>th</sup> Station Area Plan Preferred Plan Direction, ..., and consisting of the following elements is adopted:*

- 1. **Conceptual Long Range Vision Statement:** The Station Area is a thriving, new walkable district with high tech and family wage jobs, plentiful affordable housing, sustainable buildings, **park amenities**, and commercial and retail services linked by transit;*

The Final SEIS for the 85<sup>th</sup> Station Area Plan issued on December 31, 2021, and the Community Benefits framework adopted as part of Resolution 5503 included the following strategies to explore to address the Parks and Open Space needs created by the increased density:

- In addition to park impact fees generated by new development, consider using a portion of general government operating revenues generated by increased density in the Station Area toward Parks and Open Space projects,
- Consider incorporating level of service (LOS) guidelines more appropriate for urban centers, in coordination with the Parks, Recreation and Open Space (PROS) plan,

- Evaluate opportunities for Tax Increment Financing (TIF) to provide funding for qualifying projects serving the Station Area,
- Leverage existing public space and partnerships for shared use agreements,
- Incorporate development requirements and/or bonuses (including publicly accessible amenities on private property),
- Evaluate opportunities to adapt existing public spaces like Forbes Lake, existing right-of-way, and potential surplus interchange right-of-way.

### **Coordination with the PROS Plan**

On a parallel timeline with the Station Area Plan, the Parks and Community Services Department has been updating the PROS plan, both of which are expected to be discussed by the City Council in June 2022. This updated PROS plan will set the strategy for the City's investments and includes elements related to serving the Station Area. As discussed later in the document, the process of funding and executing these projects will be done as part of the existing capital improvement program (CIP) and capital facilities plan (CFP). This section discusses how the PROS Plan and SAP have been coordinated.

The City's current level of service guideline is based on parks and open space investment per capita. This guideline is used in setting Park impact fees on residential development (currently being phased in to generate approximately 45% of the per capita investment). The City does not currently impose impact fees on commercial development.

Urban Parks and Level of Service considerations are expected to be addressed in the PROS Plan as follows:

*As Kirkland continues to grow, housing developments are becoming more dense to accommodate the rise in population. This "urban" character is often reflected through taller, more compacted building layouts leaving little if any room for traditional parks or recreational amenities to support the residents. As a result, the city needs to remain cognizant of the importance of open space to continue to support the health and wellness of the residents as well as the vibrancy of the urban setting. This means that the City should think creatively on how to include elements that would support the population within a smaller footprint. Although typical LOS analysis relies heavily on population per acres, an urban development does not lend itself to that model. Rather than acreage, proximity becomes the primary driver for designing park amenities. A strategic approach would be to consider smaller, park-like areas within the development to provide the most immediate and convenient experience for the residents. To supplement these areas, planners should then look to the nearest public park and augment the facilities to also support the growth. Lastly, it is important to take the opportunity to build walking and biking connections from the urban development to other parks in the system.*

*Pocket-parks and amenity considerations may be small in size but have the potential to support a higher capacity due to proximity alone. Examples include:*

- *Linear Parks*
- *Dog Runs*
- *Plazas/Civic Spaces*
- *Playgrounds*
- *Pea-patches*

- *Exercise Stations*
- *Roof-top Gardens*
- *Unprogrammed green space*

*The urban park service level guideline should be based on both resident and employee populations:*

- *1.5 acres of urban park space / 1,000 residents*
- *1.0 acre of urban park space / 10,000 employees*

*Urban parks are smaller than typical suburban parks and can range from under ½ acre to 5 acres.*

*The typical service area for an urban park is within a 5-10-minute walking distance (or ¼ -½ mile) from nearby offices, retail, and residences.*

In addition, the draft PROS Plan will address the relationship of that document to the Station Area Plan as follows:

### ***The Station Area Plan***

*With the passage of the 2019-2020 budget, City Council authorized creation of a Station Area Plan associated with the Sound Transit Bus Rapid Transit (BRT) station planned for the I-405/NE 85th Street interchange. The BRT station, anticipated to be operational in 2026, will provide the Station Area with frequent high-capacity transit service to regional destinations and transit connections. In December 2021, with passage of Resolution R-5503, City Council adopted the Preferred Plan Direction for the Station Area, including the following vision.*

*The Station Area is a thriving, new walkable district with high tech and family wage jobs, plentiful affordable housing, sustainable buildings, park amenities, and commercial and retail services linked by transit.*

*The resolution also adopted a maximum growth capacity, subject to future private redevelopment under forthcoming Station Area zoning, of up to 8,152 total households and up to 22,751 total jobs in the area. This population growth is likely to impact density or park use, provide opportunities for additional park expansion, and/or added LOS through increased amenities. The Kirkland City Council, in resolution R-5503, mandated:*

- *Coordination within this master plan*
- *Consideration of policy changes to LOS*

*The 85<sup>th</sup> Station Area Plan provides a unique opportunity to put these alternate approaches into action in the near-term. As noted in the Fiscal Impacts and Community Benefits Study, options to be explored include:*

- *Explore the ability to integrate parks and open space in needed and planned infrastructure investments in the public right-of-way, including street and utility improvements,*
- *Leverage existing spaces by enhancing existing neighborhood parks, open space around Forbes Lake, and the Cross Kirkland Corridor,*

- *Consider the role of school facilities and non-City parks, as well as existing publicly owned parcels (including WSDOT clover leaf space and Taylor Fields,*
- *Expand shared Use agreements to leverage existing park and recreation spaces for public use,*
- *Consider Community Park options that may include supporting the re-design of Peter Kirk Park and renovation of other community parks to increase capacity,*
- *Evaluate development requirements and development bonuses to provide smaller scale publicly accessible open spaces and trail connections.*

Another highlight related to service to the Station Area is included as follows:

### ***Peter Kirk Park and Lee Johnson Field***

*This showcase park presents an important opportunity to provide service to the entire community. Co-located with the seasonal swimming pool, the Kirkland Teen Union Building (KTUB) and a Peter Kirk Community Center, the [PROS plan] consultants believe the park could best serve the City if it is refreshed and reconfigured to capture the growing capacity needed in this urban core and the community as a whole. A new master plan may suggest that Lee Johnson Field be moved to another location. Potentially, the field could move to Taylor Fields which could be developed as a first-class championship facility with parking and other amenities. A park specific master plan and the narrative of what should be included is one of the highest priorities for the city. The Park needs to be updated to serve the density of the urban core and adapt to the changing character.*

It is important to note that any voted measure to fund the redevelopment of Peter Kirk Park would apply to the increased assessed valuation generated by redevelopment in the Station Area, which would contribute a proportionate share toward this project.

The PROS Plan also identifies specific projects that will service the 85<sup>th</sup> Station Area, including:

- Forbes Lake Park Development and Connections to 85th St SAP (\$7.68 million)
- CKC Enhancements and Future Development (\$5.0 million)
- NE 85th SAP Parks Acquisition & Development Opportunity Fund (\$5.0 million)
- Increasing Use, Capacity, and Amenities at Rose Hill Park (\$97,500)

In addition, other projects on the list would serve the Station Area, as well as the larger City, such as Community Parks improvements to Everest Park and redevelopment of Peter Kirk Park (as noted above).

### **Station Area Plan Open Space Element**

The draft Station Area Plan document provides policy guidance, and representative imagery, that supports the below Parks and Open Space opportunities in the district and includes:

- *Conceptual projects and diagrammatic plans to enhance existing neighborhood parks, including open space around Forbes Lake, and the Cross Kirkland Corridor,*
- *Long-range vision graphics that show integration of enhanced green spaces into other elements of the urban environment through strategies such as mid-block green connections that provide opportunities for landscaping, active and passive recreation, and improved connections to existing parks and open spaces.*

- *Policies that:*
  - *Consider the role of school facilities and non-City parks, as well as existing publicly owned parcels (including WSDOT clover leaf space and Taylor Fields), in helping to provide recreation opportunities,*
  - *Leverage public assets and partnerships, including excess WSDOT right-of-way, for open space benefits such as stormwater treatment, natural areas, canopy restoration, and/or sustainable landscape areas.*
  - *Support expanding shared use agreements to leverage existing park and recreation spaces for public use, and,*
  - *Consider Community Park options that may include supporting the re-design of Peter Kirk Park and renovation of other community parks to increase capacity.*
  - *Evaluate development requirements and development bonuses to provide smaller scale publicly accessible open spaces and trail connections.*

### **Form Based Code/Incentive Zoning**

As part of the draft form-based code, developer-built amenities for outdoor and indoor parks and recreational spaces are included as available amenities in the incentive zoning section. Specific amenities included are:

- **Public Open Space (outdoor):** Outdoor space available for public use such as plazas, pocket parks, linear parks, rooftops, etc.
- **Public Community Space (indoor):** Space available for civic or community uses such as arts or performance spaces, after-school programming, recreation, event space, etc.

### **Implementation Consideration**

The PROS Plan will inform development of the City's funded Capital Improvement Program (CIP), as well as identify projects for funding in the future. In addition, the CIP will inform the Capital Facilities Plan (CFP) that is incorporated in the City's Comprehensive Plan. Inclusion in the CFP ensures that Park impact fees can be used to fund the capacity-enhancing elements of the identified projects.

In general terms, the City Council sets a framework for funding capital projects with each CIP process. Projects are then scoped and prioritized based on Council direction within available funding. The majority of the Parks and Open Space investments in the Station Area will likely be funded by the City, with the exception of publicly accessible amenities that will be constructed by new development on their property or as part of right-of-way improvements. Private redevelopment in the Station Area will provide funding sources through impact fees (currently charged on residential projects) and through general purpose revenues generated by the new development. In addition, the Station Area Plan also offers the option to form a Tax Increment Area to help fund improvements that are necessary to support redevelopment via Tax Increment Financing (TIF). Park and Open Space projects will be evaluated for eligibility for funding using this tool.

In brief, Tax Increment Financing (TIF) is a tool approved for use in Washington in 2021 pursuant to House Bill 1189. TIF allows a jurisdiction to capture the future value of public investments and catalyze growth, by designating a geographic area in which public investment is needed and issuing bonds against a likely increase in assessed values catalyzed by those investments. This tool may be a good opportunity for the Station Area as improvements that are the best fit for a TIF are ones that are unlikely

to happen through the typical CIP process, critical to make desired development possible, and ideally can provide multiple benefits. The City issued a request for proposals late last year and selected Stowe Development Strategies to provide analysis and expertise to evaluate the use of TIF in the Station Area. The work is being done in two steps. The first is currently underway and will develop a TIF Strategy to identify targeted public improvements as well as the TIF area boundary and potential revenue. The City's priority for targeted public improvements are multi-benefit projects that are unlikely to be funded through the CIP, especially related to Open Space, Parks, Green Infrastructure, and Active Transportation. This work is expected to be completed during 2Q 2022.

Once a TIF area and candidate projects are identified, the second phase is to develop the TIF Project Implementation Study and Report and support the public process that is defined in the statute. If projects are identified to begin in the next couple of years, this process would take place over about a 9-month window, enabling the TIF program to be established by June 1, 2023.

### **Staff Recommendations**

Staff recommends Council adopt the provisions discussed above as they are included in the draft Phase 1 Station Area amendments listed below:

- Station Area Plan document (Vision and Goals);
- Comprehensive Plan: Parks and Open Space sub-section goals and policies; and
- KZC: Commercial Mixed-Use District Form-based Code and included incentive zoning program that provides an incentive option provision of publicly available parks and/or community spaces.

### **Reference Materials**

- Fiscal Impacts & Community Benefits Analysis
- Community Benefits Strategy Framework (Preferred Plan Direction)
- Final SEIS

## Issue Paper: School Mitigation Options Analysis

June 10, 2022

### Issue Description

As part of the Final SEIS for the 85<sup>th</sup> Station Area Plan, School Mitigation Options were identified to address the anticipated student growth associated with the plan. City staff has evaluated these options and has developed preliminary staff recommendations summarized in this Issue Paper and incorporated into the Phase 1 Station Area Plan draft documents for City Council consideration in advance of plan adoption in June 2022. The purpose of these issue papers is to assist the City Council in balancing the incentive options to achieve community benefits, while not discouraging redevelopment.

### Background

**Policy Context:** The Preferred Plan Direction approved by Resolution 5503 at the City Council meeting on December 14, 2021, included the following findings and direction:

*WHEREAS, the Station Area Project team has coordinated with Lake Washington School District (“LWSD”), regional transit agencies, and major property owners in the Station Area to explore creative solutions to key issues that will require future strategic partnerships to which the City may, or may not, be a necessary party to;*

*Section 4. The City shall continue coordination with LWSD, regional transit agencies, major property owners in the Station Area, and community members to explore creative solutions to key issues such as affordable housing, school capacity, future transit capacity and service, and other opportunities to achieve community benefits from growth that may require future strategic partnerships.*

As part of the Final SEIS for the 85<sup>th</sup> Station Area Plan issued on December 31, 2021, the following School Mitigation Options were identified to address the anticipated student growth associated with the plan:

- Increase development capacity on existing school sites,
- Explore development bonus incentives for provision of school space in new development,
- Consider policy changes to define active frontages or required retail space to include educational uses,
- Promote partnerships to encourage shared facilities in the Station Area and/or optimize utilization of shared use agreements.

**School District Needs:** The FSEIS identifies that School capacity would need to increase by 936 students under the Preferred Plan Direction, by the horizon year of 2044, to accommodate all the students generated by the planned residential growth. Accommodating this growth during the 22-year plan horizon will require additional school capacity, which is increasingly challenging to develop given high land values and capital construction costs in the District. As a result, LWSD has identified the need to move beyond traditional approaches to find innovative solutions to school student capacity needs. LWSD provided the following comments to the City in their letter dated October 26, 2021:

- *Consider not just approval of height increases, but other updates to zoning code challenges faced by Lake Washington School District including: allowing decreased setbacks and increased impervious surface limits,*
- *Consider provision of future school sites as part of permitted development,*
- *Consider partnership with the district on the development of nontraditional building models to address overcapacity (e.g., a multi-grade (P-12) standalone tower concept),*
- *Consider, when planning development of parking areas, that parking areas be accessible to and utilized by school buses.*

**City of Kirkland Role:** The City of Kirkland can help address LWSD needs in three primary areas:

- Regulatory authority over development of LWSD and private property in the Station Area.
- Funding via school impact fees adopted by the City based on LWSD analysis and collected from new residential development and remitted to the District.
- Partnership in both advocacy for funding and flexibility for school funding, shared use arrangements, and in pursuing relationships of mutual benefit.

The City has developed and analyzed conceptual-level options in each of these areas and preliminary findings are summarized as follows. In addition, a major component of the Station Area Plan is the increased provision of affordable housing, which could assist LWSD in recruiting and retaining staff in a very expensive housing market. Housing affordability solutions are explored in a separate issue paper.

### **Analysis of School Mitigation Options**

As noted earlier, the FSEIS identified the following options to address the anticipated student growth associated with the increased density:

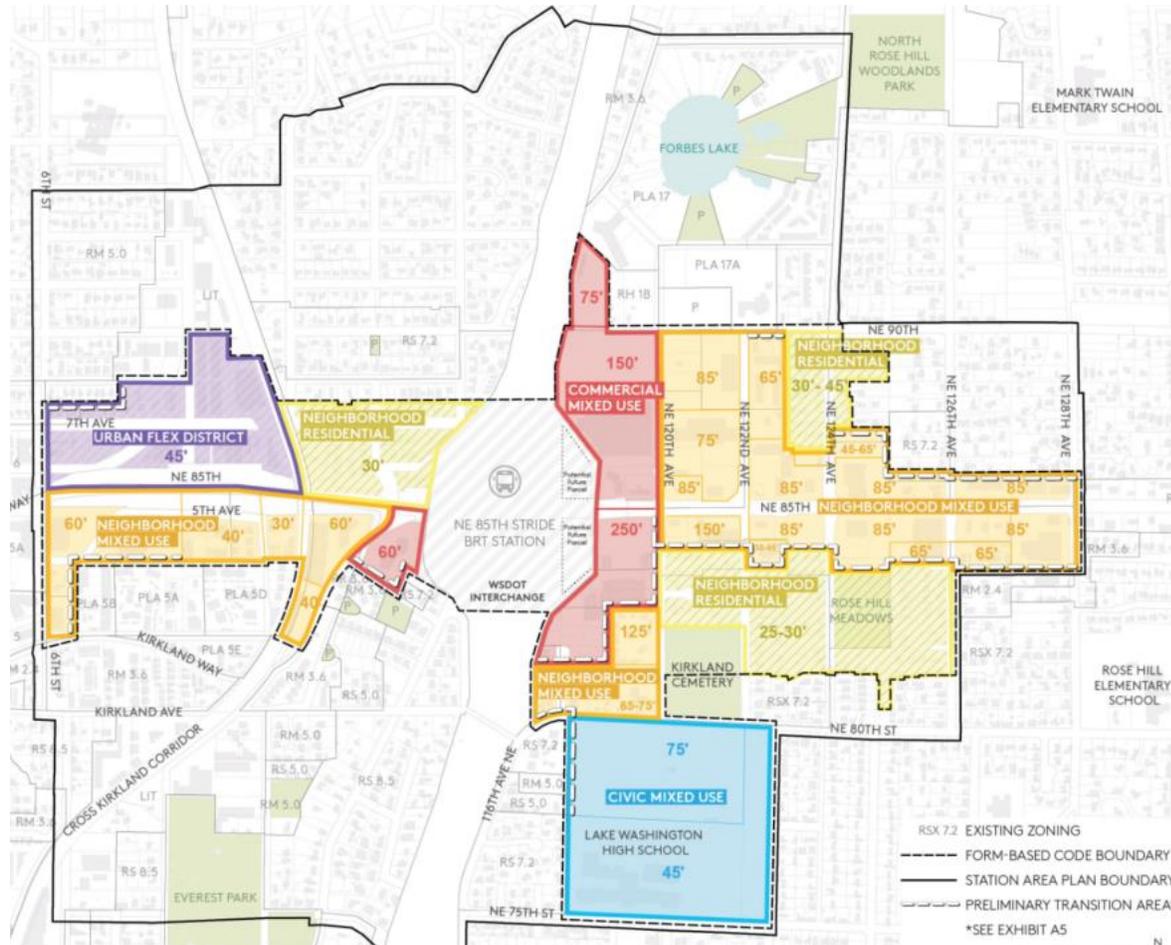
1. Increase development capacity on existing school sites,
2. Explore development bonus incentives for provision of school space in new development,
3. Consider policy changes to define active frontages or required retail space to include educational uses,
4. Promote partnerships to encourage shared facilities in the Station Area and/or optimize utilization of shared use agreements.

Each option has been analyzed as described below followed by staff recommendations that are reflected in the draft plan.

It is important to note that the Station Area Plan policies and regulations will be adopted in two phases. The first phase will be considered by Council for adoption in June 2022. This phase includes Comprehensive Goals and Policies for school facilities in the entire Station Area district, and the zoning regulations for the Commercial Mixed Use District only (this district will not allow residential uses, meaning that additional student enrollment will primarily be generated in Phase 2). The second phase of Station Area Plan adoption will include zoning regulations for the remainder of the zoning districts, all of which will allow mixed/residential uses. Phase 2 zoning also includes the Civic Mixed Use district that will apply to the Lake Washington High School property. Each option has been analyzed as described

below followed by staff recommendations, and some options will continue to be studied as draft zoning regulations for Phase 2 districts are developed.

**1. Increase development capacity on existing school sites:** The major existing school site in the Station Area is Lake Washington High School. The Preferred Plan Direction contemplates increased density on the site by incorporating it into a future Civic Mixed Use regulating district, shown (in blue) and described on the following page. The Preferred Plan Direction established an increased maximum height allowance up to 75' on portions of the site.



The Civic Mixed Use regulating district will encourage uses consistent with civic functions including education facilities, while preserving flexibility for additional uses in the future. The district will allow for educational, residential, and retail uses. Maximum heights will range from 45-75'.

Based on the density analysis the district provided as part of their October 26, 2021 correspondence, the City assumed that approximately 150,000 to 180,000 square feet (SF) of new school space is needed to accommodate 1,000 students, roughly what was projected to be student generation in the preferred alternative. The rough area of the existing northwest parking lot on the Lake Washington High School site comprises approximately 114,000 SF, and if property surrounding the parking lot is included, could be as large as 285,000 SF. Under the allowed height of 75' in the preferred alternative, up to 5 stories could be accommodated on that land area, including structured parking above, or below, ground, which

could multiply expand the allowable building square footage and generate sufficient space to accommodate long-term needs. LWSD would need to further study the concept of co-locating different grade levels on this site and issues related to parking and traffic management related to urban school concepts. LWSD will need to evaluate the trade-offs related to the higher cost of structured parking and related traffic improvements against the challenges of identifying new sites and the savings of not having to acquire property. This site may be a good candidate for a public-private partnership with a private developer, as discussed later in this document.

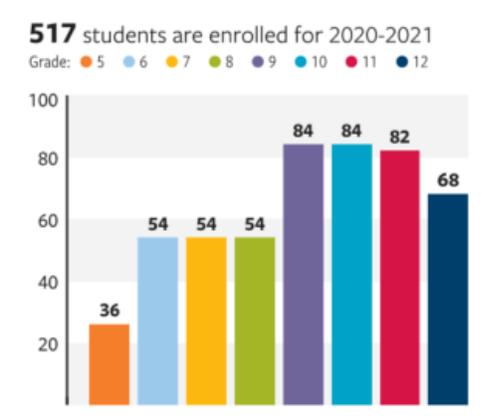
In addition, on March 1, 2022, the City Council approved the following item for the Planning Commission work program:

- Growing School Capacity: The City has consistently received feedback from the community and the Lake Washington School District (LWSD) about the capacity issues at current District facilities. This Planning Work Program project, building on a collaboration between City staff, LWSD, and University of Washington urban design students in 2018 (that addressed this issue on other sites in Kirkland), would partner with the District to explore potential development constraints on existing District-owned properties that create barriers to adding student capacity, and then undertake code amendments to reduce or eliminate these barriers. Examples might include height, setbacks, parking, and permitting processes. The Planning Commission recommended this project as a high priority, occurring early in the 3-year Planning Work Program. In addition, Commissioners suggested that the City consider how the project might align with the Parks, Recreation and Open Space (PROS) Plan in terms of collaboration on creation of indoor and outdoor recreation space.

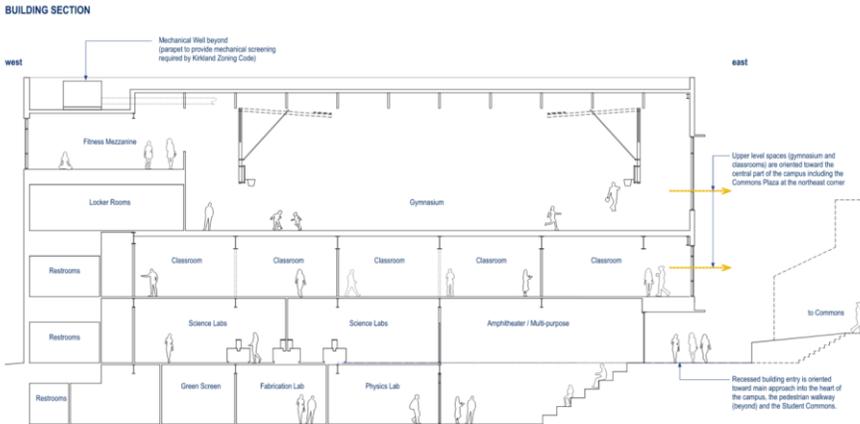
Very preliminary calculations of the potential capacity on LWSD properties in areas adjacent to the Station Area (LWHS, Rose Hill/Peter Kirk/Mark Twain Elementaries, Kirkland Middle School) estimate that several hundred thousand square feet of additional capacity could be made available for more dense, multi-story school facilities. In terms of comparable property size and allowed height for urban schools, staff looks to a Kirkland example in Eastside Preparatory School (EPS). According to King County Assessor data, EPS has 169,000 gross square feet of classrooms, office, gym, cafeteria, and theater (including 50,000 square feet for Tali Hall). The height limit in that zone is 60'. EPS purchased five one story office buildings for \$15.8 million in 2017, rebuilding and remodeling since then with projects like Tali Hall and the science/gym building. It would appear that EPS has additional capacity for growth if they choose to redevelop the two remaining low rise office buildings in the future. The EPS website indicates that they have 517 students from grades 5-12. The site has relatively little parking and relies heavily on Metro and EPS's own private bus service.



Eastside Prep Site



Eastside Prep Enrollment



Eastside Prep Science Building Cross Section

**2. Explore development bonus incentives for provision of school space in new development:** Staff evaluated the feasibility of providing bonus density incentives in two broad categories: commercial development and residential development. The incentive zoning program in the draft Form-based Code for the Commercial Mixed Use district (Phase 1 of zoning amendments) includes bonus incentives for the following amenities provided within a development:

- Early Childhood Education / Daycare Operation Space
- School Operation Space

While staff anticipates the incentive zoning program for the Phase 2 zoning districts will utilize the same school amenity incentives, the program can be customized to those districts as a result of further analysis, community input, or Council direction. There is one notable difference related to schools between Phase 1 and 2 of the anticipated zoning amendments - the Commercial Mixed Use district under consideration in Phase 1 does not allow residential uses and will not contribute directly to student generation, whereas the Phase 2 districts all allow mixed-use/residential uses and new development in these districts is expected to generate new students in the subarea.

*Commercial Dedication of School Space*

Based on recent office building sales in the Spring District and downtown Bellevue – areas with similar zoning and building quality to what is expected in the NE 85<sup>th</sup> St SAP – the value of built space that could be dedicated to school use could be between \$750-\$1,000 per SF. The table below shows the opportunity cost of developer-provided space for a range of dedicated school facility capacities.

**Value (Opportunity Cost) of Providing Space for Schools**

No. of Floors	Floor Plate	Total SF	Value per SF	
			\$750	to \$1,000
1	24,000	24,000	\$18.0m	to \$24.0m
2	24,000	48,000	\$36.0m	to \$48.0m
3	24,000	72,000	\$54.0m	to \$72.0m

The magnitude of this opportunity cost likely precludes requiring dedication of commercial space unless the District is able to pay for the space as a tenant in the form of a long-term lease or acquire a condominium interest. It is our understanding that LWSD is prohibited from using capital levies to pay for capital leases. As discussed further under partnerships below, the City would be a strong supporter of legislative action to change the statutory authority to allow school districts to enter into long-term capital leases paid by capital levies. Given the magnitude of the cost, requiring dedication of such a large space without compensation to developers could also make it unlikely that redevelopment would proceed to trigger the incentive, as projects may be economically infeasible. It also might not produce spaces of sufficient size to help the school district effectively address its capacity needs.

There is a finite amount of value created by the proposed Station Area upzones and the City Council will need to prioritize the targeted investments in community benefits. The magnitude of the opportunity cost of requiring dedicated commercial space for school uses without compensation would likely result in no residual land value capacity for the City to achieve its other community benefit goals of affordable housing, parks and open space, transportation, and sustainability.

There are partnership opportunities with private commercial developers that include shared public spaces that might be of use to both the District and the City, discussed further in the section below.

#### *Residential Dedication of School Space*

An option that staff is continuing to explore is providing for development bonus incentives for provision of school space (likely for pre-K programs) in new residential development of sufficient size to support such facilities. These facilities would likely be located within ground floor commercial spaces, which may be economically beneficial to project applicants. Depending on factors such as the location and size of these commercial units, these spaces sometimes do not provide significant rental income. Combining dedicated school spaces with the possibility of requiring less parking for a pre-K use as compared to a general retail or restaurant use, there could be a net economic benefit to the project.

**3. Consider policy changes to define active frontages or required retail space to include educational uses:** The City has drafted a form-based code to regulate future development in the Station Area. The form-based code will include a high-level list of allowed land uses, but focuses more on the form of the built environment and how private property and the public right-of-way interface. In order to allow flexibility for more types of educational space to be provided in the future, the Preferred Plan Direction included draft regulating districts that would allow educational (“civic”) uses in all zones. Additionally, the form-based code will establish allowed frontage types and land uses along each street. Where those frontage types may require an active use, the proposed code specifies that educational uses are included in any definition of an “active” use and/or frontage type.

**4. Promote partnerships to encourage shared facilities in the Station Area and/or optimize utilization of shared use agreements: The City is working to explore and promote partnerships as follows:**

#### *Private Sector*

As development interest in the Station Area arises, staff has coordinated with the private sector and the District to encourage conversations to explore opportunities and barriers to realizing community interests in the plan. These connections should help the City and the District understand the most effective partnership strategies based on shared interests. These partnerships could take the form of shared space agreements or lease/condominium arrangements, as discussed earlier. City staff will continue to connect the District with potential partners as opportunities arise.

Another opportunity for collaboration with the private sector is to develop District properties for shared use. Public entities are increasingly using the value of their property to partner with private interests to develop these properties to further facility capacity/improvement needs or policy objectives. Examples include TOD developments such as the East Main project in Bellevue, or affordable housing developments on surplus public land. The northern portion of the Lake Washington High School site is very well situated in relation to the most significant upzone parcels in the SAP. With an assumed land value of \$100-\$200 per SF, the potential “development-site” would be valued at approximately \$20-\$55 million. In other words, the District owns a significant developable parcel in the SAP that could be a significant asset to support a public-private partnership to develop a project with structured parking, school facilities, housing for LWSD employees, and private residential or commercial development. The high school site’s proximity to the future Bus Rapid Transit station, along with the pedestrian and bike connections to the BRT station that would be developed as part of the Station Area Plan, will also

provide flexibility to LWSD and a potential future development partner to minimize the on-site parking supply, allowing limited resources to be invested in actual educational facilities.

### *City Partnerships*

There are several ways that the District and the City can partner to make progress on capacity issues:

Shared use - Cultivate and expand the existing City-School partnership for shared use of facilities for park and recreation needs. As both agencies develop plans to expand services, opportunities for additional shared uses should be actively explored. As the City completes its updates to the Parks, Recreation, and Open Space (PROS) plan and as LWSD pursues expansion opportunities, the agencies should share information early to ensure that potential joint uses are identified and incorporated into projects.

Property acquisition – The City is continuing to pursue properties in proximity to the Station Area that could be purchased to serve multiple purposes. Two active examples are the Houghton Park & Ride, which is currently being evaluated by WSDOT for surplus and expanded development of Taylor Fields in the event that the Northeast Recycling and Transfer Station is rebuilt at its current location. The first site could be developed to meet a variety of needs that may include transit, affordable housing, and/or school uses. The transfer station site could provide for expanded athletic field capacity.

Funding – The City can support legislative changes to encourage expansion of funding flexibility for schools in urban areas, such as using capital levies to fund long-term school leases, as described earlier. The need to expand urban options is likely to be a common need in the Puget Sound area and a coalition of school districts and cities would likely have a significant voice with Legislators.

In addition, the City will continue to support the district through school impact fees. A conservative estimate is that from \$16.9 million to \$24.6 million in school impact fee revenue would be available for school capital needs under the preferred plan over the next 20 years. Estimates of fees beyond a 6-year time window are speculative; however, this figure could be higher as the impact fee calculations are updated periodically to incorporate new capital programs and student generation data. In addition, the School District estimated that the new assessed valuation generated due to redevelopment in the Station Area could allow the Lake Washington School District to reauthorize additional construction levy/bond funds by an average of \$5 million per year from 2024-2044 (cumulative total \$106.5 million) while maintaining a level tax rate. This figure assumes that levies are periodically re-authorized by voters to maintain a level rate.

### **Staff Recommendations**

Staff recommends Council adopt the provisions discussed above as they are included in the draft Phase 1 Station Area amendments listed below:

- Station Area Plan document (Vision and Goals);
- Comprehensive Plan: Public Services and Public Facilities sub-section goals and policies; and
- KZC: Commercial Mixed-Use District Form-based Code and included incentive zoning program that provides incentive options for private development to provide school space.

Staff anticipates there may be additional discussion of school recommendations with Phase 2 Station Area amendments.

Further, staff recommends continued collaboration with LWSD related to public-private partnerships, Zoning Code changes, and legislative initiatives to provide more flexibility to provide school capacity in increasingly urbanized areas.

**Reference Materials**

- LWSD Letter dated October 26, 2021
- Existing SAP Background on Schools
  - Fiscal Impacts & Community Benefits Analysis
  - Community Benefits Strategy Framework (Preferred Plan Direction)
  - Final SEIS
- Existing City Policies / Plans / Regulations
  - Comprehensive Plan (Policies)
  - Zoning Code Development Regulations for Schools