



CITY OF KIRKLAND
Department of Finance & Administration
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www.kirklandwa.gov

MEMORANDUM

To: Kurt Triplett, City Manager

From: Michael Olson, Director of Finance and Administration
George Dugdale, Financial Planning Manager

Date: May 23, 2022

Subject: REVENUE SUSTAINABILITY & EQUITY STUDY AND PARKING REVENUE ASSESSMENT

RECOMMENDATION:

Council receives an update on options to increase revenue to sustain current service levels and help reduce the City's ongoing budget gap in 2023-2024 and beyond.

BACKGROUND DISCUSSION:

As part of the 2021-2022 budget process staff presented an issue paper on future revenue options available to Council to sustain current service levels and help reduce the ongoing deficit in the General Fund. Council also added funding, which was later supplemented with American Recovery Plan Act (ARPA) funding, to look at these and other revenue options with a sustainability and equity lens.

The City engaged ECONorthwest (ECONW) to help with this work, and a report of interim findings from ECONW is included here. As described in the report, ECONW used a number of quantitative and qualitative methods to assess revenue options and results are presented here with the aim of receiving Council feedback ahead of preparation of a final report in July 2022.

As part of this study ECONW assessed parking revenue based on current parking scenarios. However, the City also worked with Diamond Parking, who provided a more detailed report specific to expanded options for parking revenue. The report from Diamond expands the potential parking areas, provides details on technology and provides comparisons to other jurisdictions. Because of the enhanced scope and technical expertise brought by Diamond, the revenue number is significantly higher than that created by ECONW based on staff direction and the current parking structure. If the City were to pursue some of the expanded parking options, staff recommends identifying a phased approach that would be implemented over several budget cycles.

For both these reports, staff is seeking Council guidance on areas that should be further explored. Staff plan to return to Council with updated options and recommendations ahead of the 2023-2024 Budget Process.

DATE: May 24, 2022
TO: City of Kirkland
FROM: ECONorthwest
SUBJECT: Preliminary Findings, Revenue Options Evaluation, City of Kirkland Revenue Equity and Sustainability Study

The City of Kirkland engaged ECONorthwest to analyze the City’s current tax burden and tax incidence and to evaluate a number of revenue options for fiscal sustainability and equity. These alternatives were identified in 2020 as options to address the ongoing structural deficit that the City faces.¹

As with many local governments facing fiscal challenges, there are both long-term and short-term factors driving the City’s structural deficit. Over the long term, the cap on the growth of property taxes—one of the City’s largest general fund revenue source—has constrained the budget and led to regular use of one-time revenues, voter-approved special levies, and cost-savings to maintain services. Recently, the City had to absorb the expiration of a special Annexation Sales Tax Credit from the State of Washington in 2021.² While the City anticipated and planned for this revenue loss, it coincided with the City’s expansion of human services in response to COVID-19 and the introduction of new policies and priorities in a commendable effort to become a more equitable, safe, and resilient community.³

As part of the 2021-2022 Budget process, City staff developed an issue paper with a diverse array of revenue options to sustain services and address the general fund gap.⁴ These options included paid parking implementation downtown, parks and special events cost recovery improvements, restructured or expanded business license fees, the expansion of the School Zone Safety Camera program, development fee cost recovery improvements, increased use of real estate excise taxes (REET) for park and street maintenance, and other sources of funding for

¹ City of Kirkland. (2020). Memorandum: Potential Revenue Options for Consideration in the 2023-2024 Budget. <https://www.kirklandwa.gov/files/sharedassets/public/finance-and-administration/budget-documents/21-22-budget/21-22-issue-papers/21-22-issue-paper-revenue-options.pdf>.

² This tax credit helped the City fill the budget deficit gap associated with providing municipal services for the newly annexed area. https://www.kirklandwa.gov/files/sharedassets/public/city-council/agenda-documents/2021/february-16-2021/8h6_other-items-of-business.pdf.

³ City of Kirkland 2020 Memorandum on Potential Revenue Options for Consideration in the 2023-2024 Budget. Also, City of Kirkland informational flyer, “Community Safety Initiative Investing in a More Equitable, Safe and Resilient Kirkland.”

⁴ City of Kirkland 2020 Memorandum regarding Potential Revenue Options for Consideration in the 2023-2024 Budget. <https://www.kirklandwa.gov/files/sharedassets/public/finance-and-administration/budget-documents/21-22-budget/21-22-issue-papers/21-22-issue-paper-revenue-options.pdf>

priority projects such as a transportation benefit district. The 2021-22 Budget provided funding for the City to evaluate these options; this funding was later supplemented with federal American Rescue Plan Act (ARPA) funding for additional analysis associated with revenue sustainability and equity.

ECONorthwest evaluated revenue options for adequacy, stability, equity, administrative ease, and neutrality. The following memorandum describes our preliminary findings and will be followed by a final report to be delivered in July 2022.

Findings Regarding Kirkland's Tax Base and Tax Burden

- Though it is a wealthy community, Kirkland has pockets of deep poverty, with around 5,400 individuals or 2,800 households living at or below the poverty level.⁵
- City taxes are less burdensome in Kirkland than in neighboring jurisdictions (including the cities of Bellevue, Redmond, and Bothell), when measured as a share of aggregate household income.
- The City's tax structure is regressive. Over 2,500 households earning less than \$30,000 are three times more burdened by city taxes when compared to the wealthiest Kirkland households.
- The City's base of high-income earners counteracts some of the regressivity of City taxes. Households in the top 20 percent of income (around 7,000 households earning \$208,000 or more) pay 43 percent of City taxes. Property taxes and real estate taxes function as progressive sources of revenue – meaning they are paid primarily by upper-income households.
- The State of Washington's constitutional and statutory framework provides limited opportunities for local jurisdictions to provide tax burden relief for those most impacted (such as low-income households). Cities have more opportunities to structure fees in a way that minimizes burden for lower-income houses, or to provide relief for city-imposed fees.

Preliminary Recommendations

- The City should continue to look at ways to redistribute tax dollars for community-wide benefit, and in particular, to invest in neighborhoods and programs that support lower-income households.

⁵ Federal poverty guidelines are used by the Federal government to establish eligibility for Medicaid. The guidelines are adjusted each year for cost-of-living and are graduated based on the number of persons in a family or household. In 2019, a family of three would be in poverty if they earned less than \$21,330 per year, and in 2022, a family of three is in poverty if they earn less than \$22,000 (source: US Department of Health and Human Services). The estimated households living in poverty is based on 2015-2019 US Census ACS data.

- The City should continue to prioritize assistance and scholarship programs where it is needed and feasible to implement.
- Kirkland’s business license fee structure provides significant opportunities to produce revenue in an equitable fashion and requires further analysis of sector-specific impacts.
- Kirkland has limited options to raise revenues to address the City’s structural deficit. Few of the eight options evaluated here will raise more than \$1 million each. The City will likely need to consider a new local option levy for substantial revenue needs.

How this Memorandum is Organized

This memorandum is organized into five sections, as outlined below.

- Section 1. Community Characteristics and Current Revenue Structure. This section provides key findings of the baseline analysis of Kirkland’s community characteristics and current revenue structure.
- Section 2. Household Tax Incidence and Tax Burden. This section describes the City of Kirkland’s household tax burden analysis findings. Tax incidence and burden considerations vary greatly among governments based on policy choices, exogenous factors, statutory authority, and service-delivery responsibility.
- Section 3. Business Tax Incidence and Tax Burden. This section summarizes the baseline tax burden for businesses located in Kirkland.
- Section 4. Revenue Option Evaluation Results. This section outlines the general results of analyzing eight different revenue options. Each revenue option was evaluated for its revenue potential, stability in providing revenues over time, equity, ease of administration, and potential impacts on behavior.
- Section 5. Highlighted Revenue Option Evaluation Results. This section provides more detailed information on the evaluation results for four evaluated revenue options.

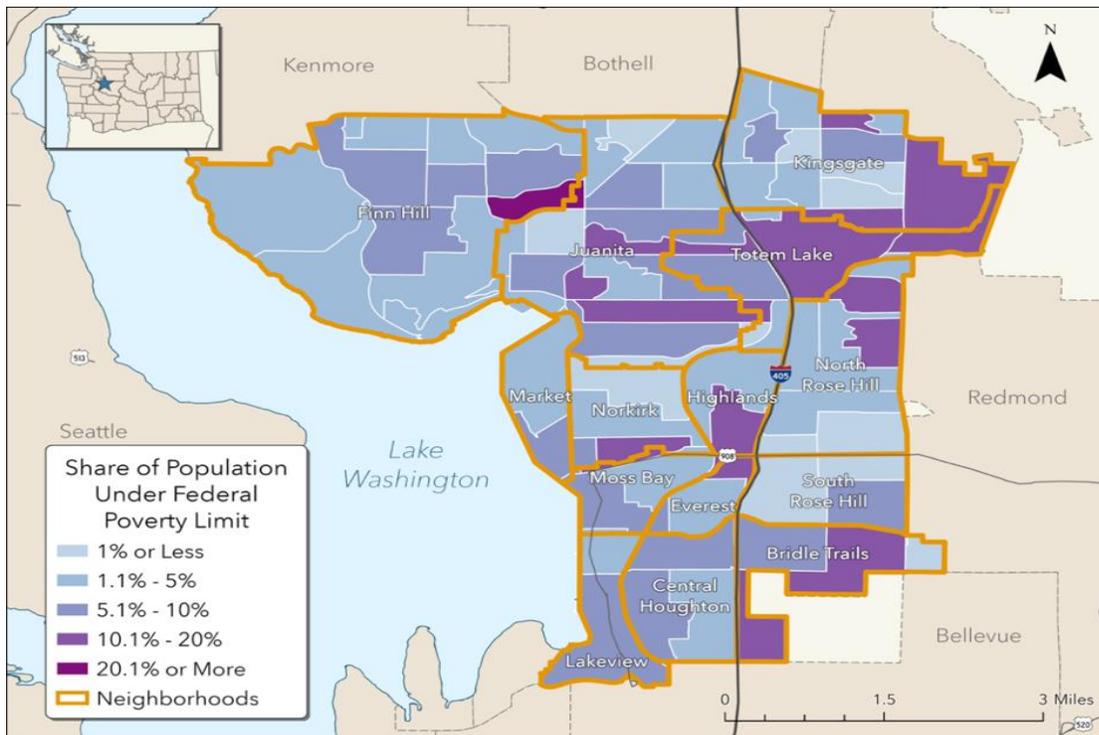
Section 1. Community Characteristics and Current Revenue Structure

ECONorthwest completed a baseline analysis of Kirkland’s community characteristics and current revenue structure, to contextualize and inform the evaluation of the revenue options. Below are our key findings related to community characteristics:

- There are **approximately 5,400 persons or 2,800 households living in poverty in Kirkland** (6 percent of the total population).⁶ Kirkland has a slightly higher share of population living in poverty compared to several neighboring cities but a lower share than the City of Bellevue, King County, and the State of Washington.
- Although Kirkland is one of the wealthiest cities in Washington, **the City has pockets of extreme poverty**, as visualized in the map below (Exhibit 1).
- **Kirkland has a larger white population than neighboring jurisdictions**, King County, and the state (see Exhibit 2 below).
- Kirkland is part of an economic subregion (east Lake Washington) with **significant racial income inequality**.⁷ White people comprise 55 percent of the population in this subregion but earn 61 percent of aggregate income (see Exhibit 3 below).⁸

Exhibit 1. Map of Share of Population Under Federal Poverty Limit, Kirkland, 2019

Source: U.S. Census Bureau, American Community Survey, 2019.



⁶ American Community Survey Data 2019.

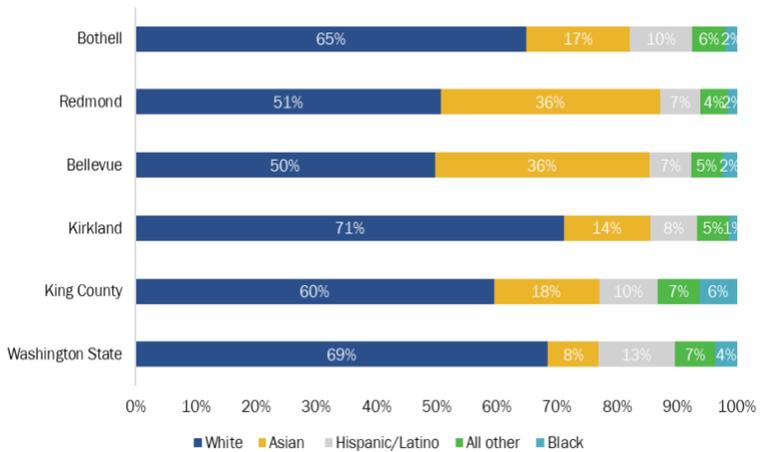
⁷ This subregion includes Kirkland, Redmond, Medina, Yarrow Point, Hunts Point, Clyde Hill, Beaux Arts Village, and most of the City of Bellevue. American Community Survey 2019 1-Year Public Use Microdata Survey (PUMS).

⁸ The racial income inequality measure was used by Aravind Boddupalli, Tracy Gordon, and Lourdes Germain in “More than Fines and Fees: Incorporating Equity into City Revenue Strategies,” Urban Institute, December 2021.

White people make up a larger share of Kirkland’s population than for neighboring jurisdictions Bothell, Redmond, and Bellevue; King County; and the state as a whole.

Exhibit 2. Race and Ethnicity, Regional Comparison, 2019

Source: U.S. Census Bureau, American Community Survey, 5-year estimates, 2019.

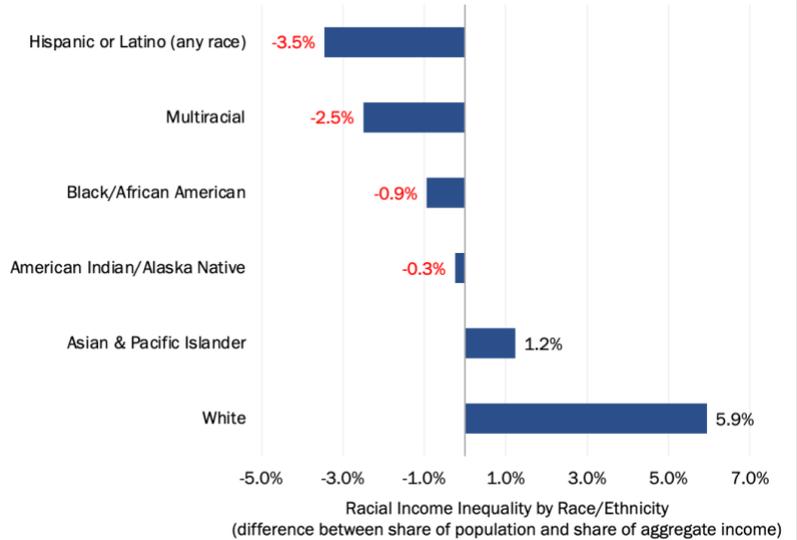


In the east Lake Washington subregion, White people make up 55 percent of the population but earn 61 percent of the income.⁹

Persons of color are 45 percent of the population but earn only 39 percent of income. Hispanic people face the greatest racial income inequality, with 7 percent of the population but only 3.6 percent of the income.

Exhibit 3. All Households: Racial Income Inequality

Source: U.S. Census Bureau, ACS 2019 1-Year PUMS data analysis.



Current Revenue Structure

The City of Kirkland is facing a budget shortfall of \$21.8 million in the 2025-26 biennium.¹⁰ Budget pressures are caused in part by expenditures outpacing growth in the City’s property taxes (the City’s largest general fund revenue source) and the FY 2021 expiration of an annexation sales tax credit. ECONorthwest evaluated the City’s current revenue structure to provide a baseline understanding for revenue alternatives.

⁹ As noted above, subregion includes the City of Kirkland, Redmond, Medina, Yarrow Point, Hunts Point, Clyde Hill, Beaux Arts Village, and most of the City of Bellevue.

¹⁰ City of Kirkland information. This is the deficit that the City would face if several current one-time full-time equivalent (FTE) positions are converted to ongoing.

Key findings from analysis of the current revenue structure:

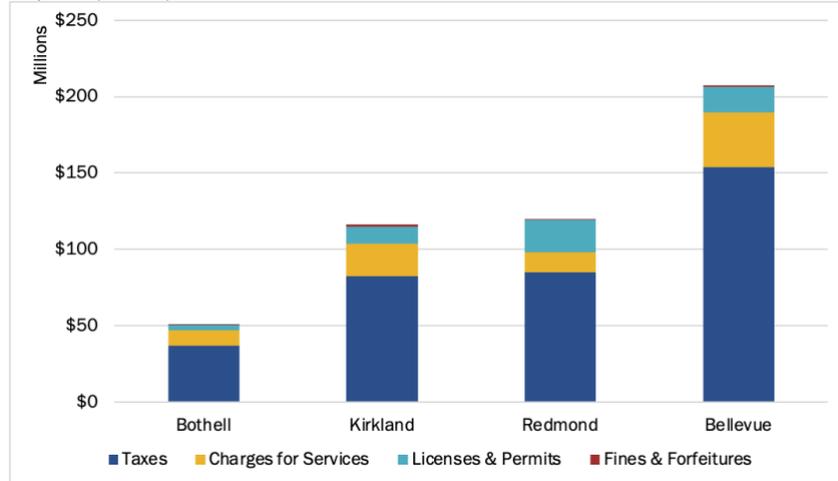
- **Taxes and fees (charges for services) make up over 80 percent of City general fund revenues.** See Exhibit 4 below for the composition of general fund revenues in the 2021-22 Budget.
- **Kirkland’s revenue composition is similar to that of neighboring jurisdictions.** (See Exhibit 5 below for a comparison of general fund revenue sources for the cities of Bothell, Bellevue, and Redmond.)
- **Kirkland’s per capita general fund revenue is lower than Bellevue and Redmond, but higher than Bothell.** (See Exhibit 6 below for a comparison of general fund revenues.) This measure is useful for a comparison of taxes by population among jurisdictions, but does not indicate anything about underlying economy, policy choices, service-delivery responsibilities, or ability to pay of the taxing jurisdictions.
- **Kirkland’s revenue alternatives are limited by state law, particularly with respect to new taxes.** The City’s property tax levy is at the highest lawful levy and the City would need to go to a vote of the people for consideration of an additional levy to fund roads, parks, or public safety. The City also charges maximum allowable rates for general city sales tax and real estate excise taxes. These constraints on tax revenues have kept general revenues from growing at the same pace as general fund expenses.

<p>In the 2021-22 Budget, taxes are the largest source of general fund revenues, followed by charges, licenses and permits, and intergovernmental revenues.</p>	Exhibit 4. Composition of General Fund, 2021–22 Budget <small>Source: City of Kirkland.</small>																									
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #f2f2f2;"> <th style="text-align: left; padding: 5px;">General Fund Revenue Source</th> <th style="text-align: right; padding: 5px;">21-22 Budget (\$ Millions)</th> <th style="text-align: right; padding: 5px;">Share of Total GF Revenue</th> </tr> </thead> <tbody> <tr> <td style="padding: 5px;">Taxes</td> <td style="text-align: right; padding: 5px;">163.8</td> <td style="text-align: right; padding: 5px;">67%</td> </tr> <tr> <td style="padding: 5px;">Charges</td> <td style="text-align: right; padding: 5px;">36.3</td> <td style="text-align: right; padding: 5px;">15%</td> </tr> <tr> <td style="padding: 5px;">Licenses & Permits</td> <td style="text-align: right; padding: 5px;">20.2</td> <td style="text-align: right; padding: 5px;">8%</td> </tr> <tr> <td style="padding: 5px;">Intergovernmental</td> <td style="text-align: right; padding: 5px;">16.2</td> <td style="text-align: right; padding: 5px;">7%</td> </tr> <tr> <td style="padding: 5px;">Miscellaneous</td> <td style="text-align: right; padding: 5px;">4.9</td> <td style="text-align: right; padding: 5px;">2%</td> </tr> <tr> <td style="padding: 5px;">Fines & Forfeits</td> <td style="text-align: right; padding: 5px;">3.0</td> <td style="text-align: right; padding: 5px;">1%</td> </tr> <tr> <td style="padding: 5px;">Total Revenue</td> <td style="text-align: right; padding: 5px; border-top: 1px solid black;">244.4</td> <td></td> </tr> </tbody> </table>	General Fund Revenue Source	21-22 Budget (\$ Millions)	Share of Total GF Revenue	Taxes	163.8	67%	Charges	36.3	15%	Licenses & Permits	20.2	8%	Intergovernmental	16.2	7%	Miscellaneous	4.9	2%	Fines & Forfeits	3.0	1%	Total Revenue	244.4		
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Kirkland’s own-source general fund revenue mix is like that of neighboring jurisdictions. Revenue volume varies by size of city (Bellevue is much larger than Kirkland, and Bothell is smaller, for example).

Exhibit 5. General Fund Revenues of Kirkland, Bothell, Redmond, and Bellevue

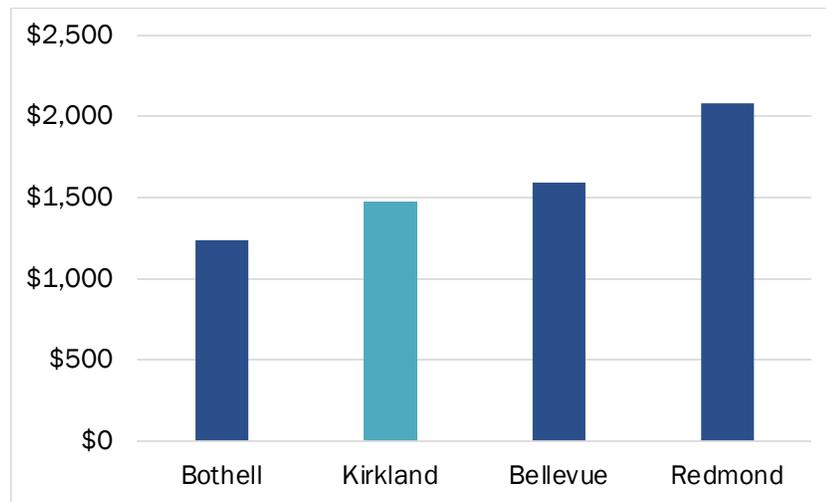
Source: Bothell, Kirkland, Redmond, and Bellevue Annual Comprehensive Financial Reports (ACFRs),¹¹



Kirkland’s per capita general fund revenues were approximately \$1,474 in fiscal year 2020, lower than Bellevue’s (\$1,591) and Redmond’s (\$2,080), but higher than Bothell’s per capita general fund revenues (\$1,240).

Exhibit 6. General Fund Revenues Per Capita for Kirkland, Bothell, Redmond, and Bellevue

Source: Bothell, Kirkland, Redmond, and Bellevue ACFRs.



¹¹ The 2020 populations for these cities are as follows: Bothell, 48,161; Kirkland, 92,175; Redmond, 73,256; and Bellevue, 151,854. Source: U.S. Census Bureau.

Section 2. Household Tax Incidence and Tax Burden

Tax incidence, or “who pays” taxes or fees, is measured in two ways: household versus business shares of incidence, and incidence by income decile. Tax burden is measured by comparing across jurisdictions and within a jurisdiction, it is measured by comparing across income distributions. Tax incidence and burden considerations vary greatly among governments based on policy choices, exogenous factors, statutory authority, and service-delivery responsibility.

There is no ideal mix and or best-practice benchmark.

ECONorthwest analyzed tax incidence and tax burden under the City’s current revenue structure to provide necessary context for evaluating future revenue options. The key findings from this analysis are presented here:

- **An estimated two-thirds of Kirkland’s tax revenue comes from household-borne taxes, and 33 percent comes from businesses.** Exhibit 7 below shows the breakdown between household and business-borne taxes by type of tax. Washington state’s tax burden is evenly split between businesses (51 percent) and households (49 percent).¹²
- **Sixty percent of city taxes are paid by 32 percent of households in Kirkland** (12,000 out of 38,000 total). These households earn more than \$146,000 per year in income, which puts them in the top 20 percent of highest-income households in the State of Washington.¹³ The City’s large number of high-income households counteracts some of the regressivity of the State of Washington’s tax structure (Exhibit 8 below).
- **Kirkland taxes are three times more burdensome for lower-income households than higher-income households.** Although high-income households pay a disproportionate share of City taxes, lower-income households are more burdened by taxes. On average, around 2,500 households earning less than \$30,000 per year pay an estimated 2.2 percent of their income in City taxes, while the highest-income households pay 0.7 percent. (See Exhibit 9.)
- **The tax burden is compounded for lower-income households when other taxes are layered in.** The combined state and city tax burden for households earning \$17,000 - \$30,000 is four times greater than that of the wealthiest families. City taxes are just one layer of the multiple state and local taxes facing households and businesses. Although

¹² ECONorthwest adjusted a state model developed by the Department of Revenue to represent Kirkland, which is more residential than the state of Washington and has a fundamentally different tax structure. ECONorthwest adjusted taxes that are levied by the State and by Kirkland to reflect assumed differences in population and tax base. Property, utility, and real estate excise taxes were adjusted from the state for the residential share of assessed value in Kirkland. Sales taxes were adjusted for the ratio of employment-to-population to reflect that Kirkland is more likely than the state to have an employed population (or daytime population) that generates retail activity. The state business and occupation tax makes up a larger share of state taxes than does Kirkland’s business license fee (shown below as the revenue generating regulatory license fee), which is a further reason for the greater household share of taxes in Kirkland.

¹³ This analysis uses Washington Department of Revenue modeling of the distribution of the tax base for major tax categories across state income deciles and applies a King County-specific population distribution and Kirkland tax revenues to estimate the incidence of Kirkland taxes across income deciles.

other local taxing jurisdictions are not included in this analysis, the “curve” across income distributions would look very similar to Kirkland’s, with lower-income households contributing less to taxes but feeling a heavier burden than higher-income households. (See Exhibit 10 for the distribution of state tax burden.)

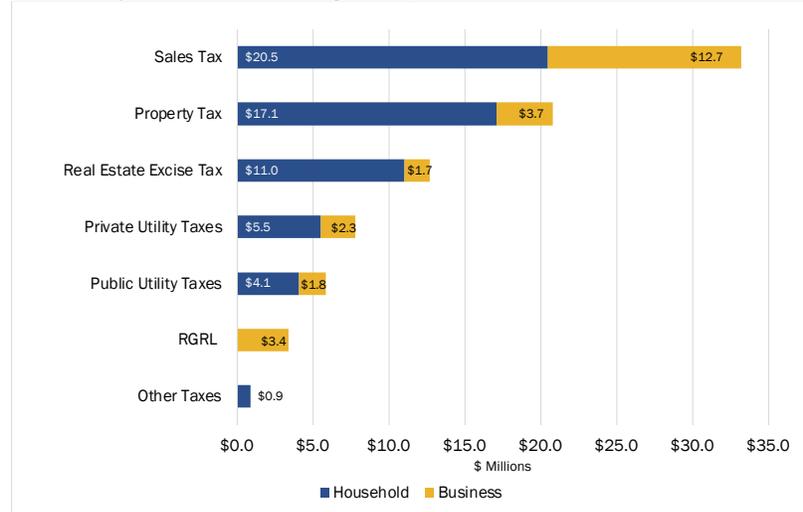
- **Because of the high property and home values in Kirkland, property taxes and REET function as more progressive revenue sources.** (See the green and dark gray bars on Exhibit 9.) In other words, these taxes are largely paid by households at upper-income levels who are more likely to be homeowners and to own higher-value homes. This is important context for evaluation of budget decisions that relate to redistribution of these revenue sources (such as maximizing REET flexibility as will be discussed in Section 5).
- **Kirkland’s general fund revenues are less burdensome as share of income than neighboring jurisdictions.**¹⁴ (See Exhibit 11). As above, this “benchmarking” reflects exogenous factors, budget idiosyncrasies, and policy choices. For example, although Bellevue has high general fund revenues on a per capita basis, the burden measure appears low here relative to Bothell and Redmond. This is because Bellevue has high aggregate income and a separate development services fund, both of which make the City’s burden measure appear lower. Bothell has lower household income relative to Kirkland, which also make its burden measure appear higher. Redmond and Kirkland collected similar amounts of taxes, but Redmond’s aggregate income is smaller, which makes its burden appear larger. This comparison is useful for comparing across jurisdictions but is imperfect because it does not account for differences in tax base – such as the fact that the commercial share of Redmond’s tax base may be larger than the City of Kirkland’s. This measure also ignores income inequality within and among jurisdictions.

¹⁴ The City of Kirkland 2021-22 Budget reports a “price of government” metric defined as tax and fee revenue as a share of aggregate income. ECONorthwest’s analysis produces a slightly lower metric – 2.1 percent compared to just over 3 percent – because the City’s metric reports total revenues, not just general fund revenues.

An estimated two-thirds of Kirkland’s tax revenue comes from household-borne taxes, and 33 percent comes from businesses. At the state level, households pay 49 percent and businesses pay an estimated 51 percent.

Exhibit 7. Household and Business Shares of Kirkland Taxes, FY 2020

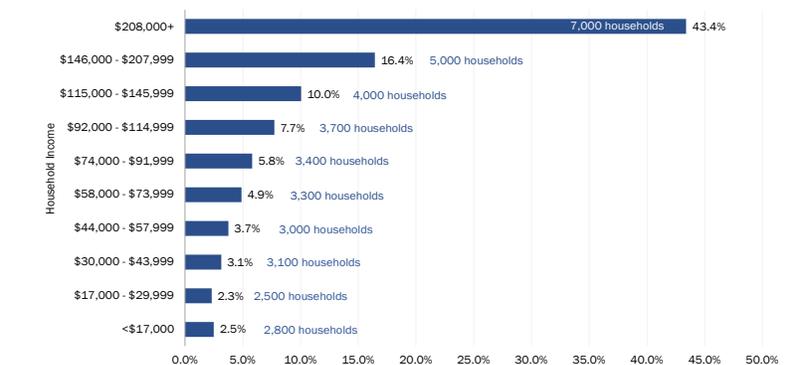
Source: City of Kirkland, Washington Department of Revenue.



Around 12,000 households in Kirkland earn over \$146,000 per year (the top two bars in the chart at right). These households pay 60 percent of the household share of City tax revenues.

Exhibit 8. Share of Kirkland Taxes Paid by State Income Decile, 2020.

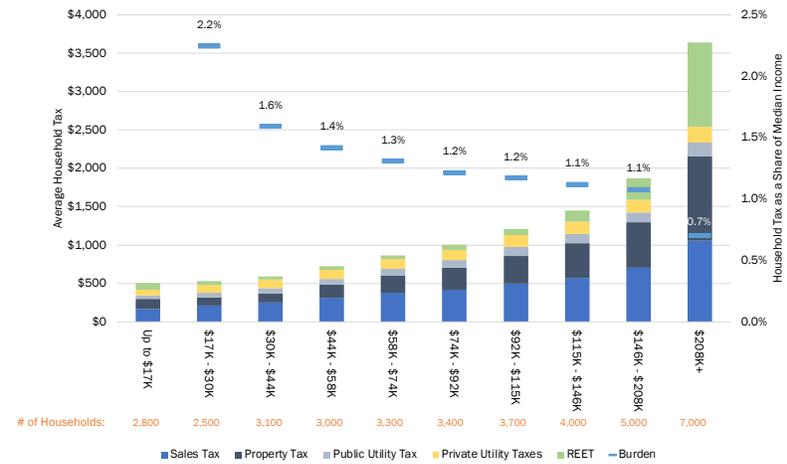
Source: City of Kirkland, Washington Department of Revenue. ECONorthwest analysis.



Lower-income households have three times the city tax burden of the wealthiest households. Around 2,500 households earning less than \$30,000 pay 2.2 percent of their income in city taxes, compared with around 7,000 households earning \$208,000 or more who pay 0.7 percent of their income in city taxes.

Exhibit 9. Kirkland Household Tax Burden, 2020.

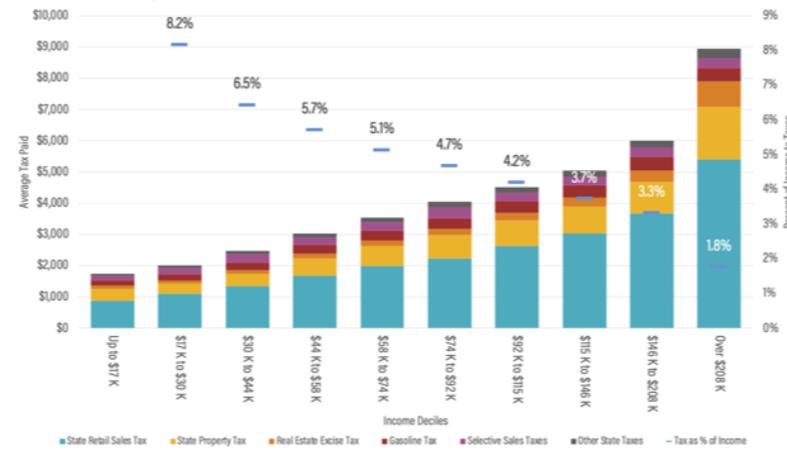
Source: City of Kirkland, Washington Department of Revenue. ECONorthwest analysis.



The combined city and state tax burden is four to five times greater for lower-income households than higher-income households. Around 2,500 households earning less than \$30,000 pay over 10 percent of their income in state and city taxes, compared to 2.5 percent of income paid by 7,000 households earning more than \$208,000.¹⁵

Exhibit 10. Washington State Household Tax Burden, 2020.

Source: Washington Department of Revenue.

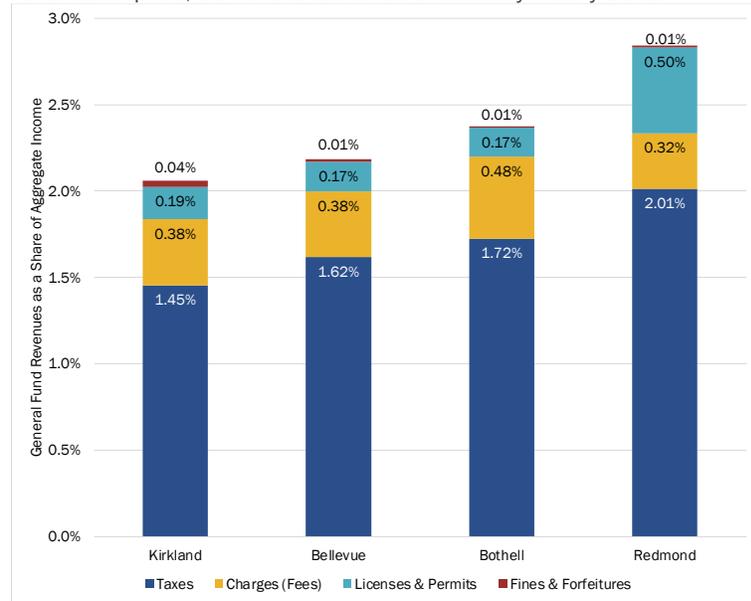


¹⁵ This analysis does not include county or other jurisdictions that levy taxes, for which the tax burden would likely curve similarly and contribute to the compounding effect on lower-income level household tax burdens.

Taking total revenues as a share of aggregate household income is a way to compare tax burden across jurisdictions. Kirkland's general fund revenues are lower as a share of income than neighboring jurisdictions, due to differences in tax base, income, and budgetary choices, among other factors.

Exhibit 11. General Fund Revenues (2020) as a Share of Aggregate Household Income (2019)

Source: Kirkland, Bellevue, Bothell, and Redmond Annual Comprehensive Financial Reports; US Census American Community Survey Data.



Section 3. Business License Fee Incidence and Burden

Kirkland businesses pay property, sales, utility, real estate excise taxes, and business license fees. This analysis focuses on business license fees as one of the areas that the City of Kirkland has some control over in terms of policy choices, as other taxes that businesses are subject to are largely authorized at the state level.

Kirkland's two-part business license fee includes a basic fee of \$100 per business plus the revenue generating regulatory license fee ("head tax") of \$105 per full-time equivalent (FTE).¹⁶ This structure contrasts with other Washington cities such as Bellevue which impose a business and occupation (B&O) tax on gross receipts. Kirkland's business fees help pay for business-related services through the City's Economic Development Program and are an increasingly important source of general fund revenue.¹⁷

ECONorthwest analyzed the business fee base for the City of Kirkland to provide a baseline for modeling hypothetical changes to the fee structure (Section 5). Key findings are as follows:

- **Roughly 11,700 entities employing over 66,000 FTEs are licensed to do business in the City of Kirkland, as of March 2022.**¹⁸ Around 4,300 (37 percent) are exempt from fees because they are non-profits or public entities, or because they earn less than \$12,000 in gross income (or total income earned, without any deductions).¹⁹ (See Exhibit 12 for characteristics of Kirkland businesses in December 2019 and March 2022.)
- **Most entities licensed to do business in Kirkland are small.** Ninety-three percent of entities have fewer than 10 FTEs, and 99 percent have fewer than 50. These entities earn together 82 percent of gross income generated in Kirkland and pay 71 percent of fees. (See Exhibit 13 for shares of businesses by FTE size, gross income, and fee revenue.) Only around 120 entities have more than 50 employees.
- **Construction, Retail Trade, and Professional, Scientific and Technical Services are the sectors with the largest number of employees in Kirkland, and also the sectors paying**

¹⁶ The business license (head tax) RGRL base fee per employee was increased from \$100 to \$105 (current fee) in 2017, with Ordinance O-4554. <https://dor.wa.gov/manage-business/city-license-endorsements/kirkland>.

¹⁷ <https://www.kirklandwa.gov/files/sharedassets/public/finance-and-administration/business-licenses/city-of-kirkland-business-license-fee.pdf>. A small portion of the RGLR is transferred into the city's Street Fund to support maintenance activities.

¹⁸ Business license data from the Washington Department of Revenue for various points in time were anonymized by City staff and shared with ECONorthwest for analysis of FTE, gross business income, concentration by sector, and fee scenario modeling.

¹⁹ Washington state's primary business tax, the business and occupation tax, is an excise tax levied on the gross receipts of a business, defined as gross proceeds of sales or gross income of the business under RCW 82.46.035. For simplicity, this analysis refers to "gross income" to mean gross proceeds of sales or gross receipts. "Reported gross annual income" is the term used by the Washington Department of Revenue in administering Kirkland's business license program. <https://dor.wa.gov/manage-business/city-license-endorsements/kirkland>. It is assumed that there are no deductions allowed, and that the only exemptions are as provided under Kirkland Municipal Code Chapter 7.02. Gross income is self-reported to the Department of Revenue for the purposes of participating in Kirkland's business license program.

the greatest share of fees. Tax incidence (measured as shares of all business fees) and shares of FTEs are closely correlated. This is due to the structure of the “head tax.”²⁰ Exhibit 14 shows tax incidence and shares of FTEs for all sectors in Kirkland.

- **Business tax incidence is less closely correlated with gross income.** The Finance and Insurance sector has the second largest share of gross income in Kirkland, but very few FTEs. (See Exhibit 15 for a comparison of shares of GBI and shares of fees, by sector.)
- **Business tax burden increases as gross income declines but increases slightly as FTE count rises.** Businesses earning between \$12,000 and \$362,000 pay very similar average fees (between \$165 and \$405) but the fees are obviously much more burdensome for entities with lower gross income. (See Exhibit 16.)
- **It is unclear if large employers have a greater ability to pay business fees than small employers.** ECONorthwest did not find a statistical relationship between FTE count and gross income, which means that it is inconclusive as to whether Kirkland’s business fee structure is progressive. The curve showing burden falling as income rises would likely be flatter under an alternate structure such as a B&O tax; however, a B&O tax does not allow for deductions (including payroll related expenses), thus low margin businesses would still be more heavily burdened than those with greater margins at any income level.

Kirkland has more licensed businesses, more FTEs, and is generating more fee revenue in March 2022 than in December 2019.

Exhibit 12. Kirkland Businesses, December 2019 and March 2022

Source: City of Kirkland, Washington Department of Revenue.

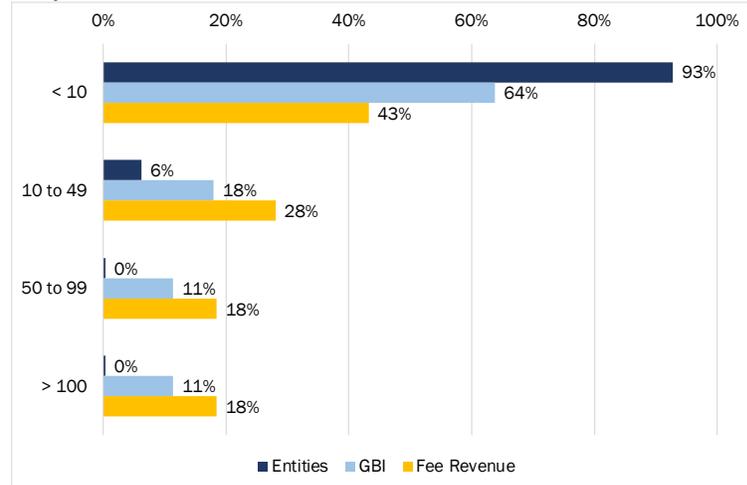
	December 2019	March 2022	Percent Change
Number of business entities	9,500	11,700	23%
Number of FTEs	38,700	47,000	21%
Total GBI	\$13.1 billion	\$16 billion	22%
Estimated fees	\$3.8 million	\$4.7 million	24%
Percent exempt from RGRL fees	36%	37%	3%
Percent home-based	30%	23%	-24%
Percent Kirkland-based	61%	57%	-7%

²⁰ Professional, Scientific, and Technical Services includes legal services; accounting, tax-keeping, bookkeeping, and payroll services; architectural, engineering, and specialized design services; computer services; consulting services; research services; advertising services; photographic services; translation and interpretation services; veterinary services; and other professional, scientific, and technical services. <https://www.bls.gov/iag/tgs/iag54.htm>

Of the estimated 11,700 licensed entities in Kirkland: 10,900 have fewer than 10 FTEs; 700 have between 10 and 49 FTEs; 80 have between 50 and 99 FTEs; and fewer than 50 have more than 100 FTEs. Businesses with fewer than 10 FTEs earn 64 percent of gross income and pay 43 percent of fees.

Exhibit 13. Shares of Entities, Gross Income, and Business License Fee Revenue by FTE Size

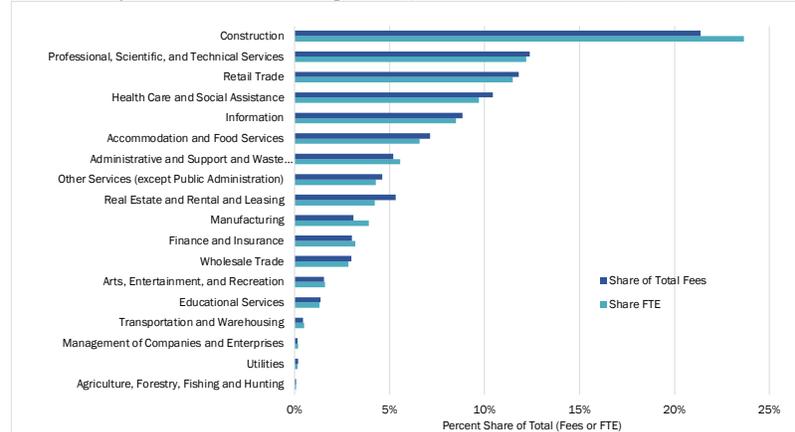
Source: City of Kirkland, Washington Department of Revenue, ECONorthwest Analysis.



Because of the structure of the head tax, the largest fee payors are the largest employing private industry sectors: Construction, Professional, Scientific, and Technical Services, and Retail Trade.

Exhibit 14. Sector Shares of Estimated Fees and FTEs, March 2022

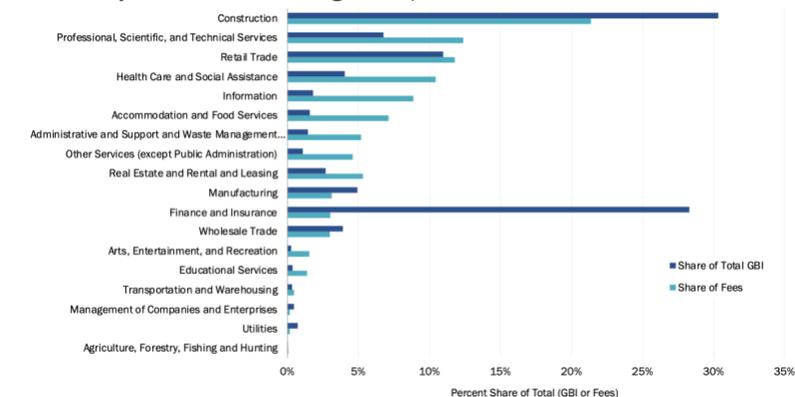
Source: City of Kirkland, Washington Department of Revenue, ECONorthwest.



Two of the top three employers also have the highest gross income (Construction and Retail Trade). Finance and Insurance has a much larger share of gross income than share of fees. This is due to the low number of FTEs in this sector.

Exhibit 15. Sector Shares of Gross Income and Fees, March 2022

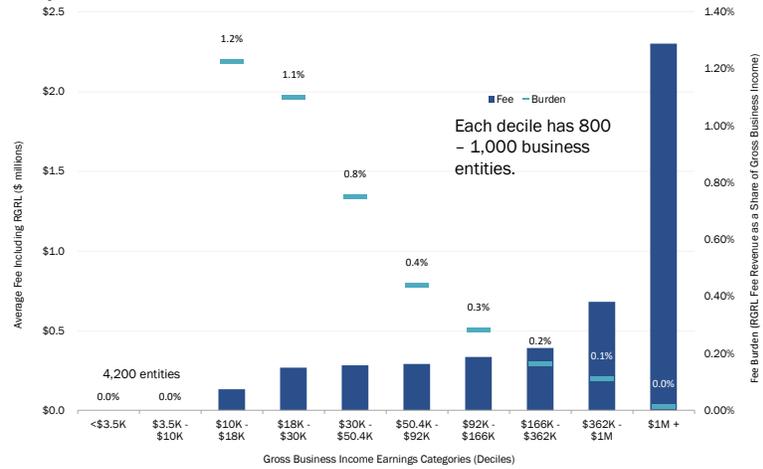
Source: City of Kirkland, Washington Department of Revenue, ECONorthwest.



Business license fee burden decreases as gross income rises. Around 4,200 entities are exempt from fees because their gross income is less than \$12,000. Around 1,800 entities earning between \$10,00 and \$30,000 pay more than 1 percent of gross income in business fees, compared to 1,000 entities earning more than \$1 million that pay 0.01 percent of income in license fees.

Exhibit 16. Kirkland City Business License Fee Burden by Gross Income Decile

Source: City of Kirkland, Washington Department of Revenue, ECONorthwest analysis.



Section 4. Revenue Option Evaluation Results

Description of Revenue Options and Method

The following revenue alternatives were included in a 2020 memo to City Council as potential options to address the City’s structural deficit.²¹ The City of Kirkland contracted ECONorthwest to evaluate these specific revenue options for fiscal sustainability and equity considerations, among other factors described below.

Exhibit 17. Revenue Options and Goals

Source: City of Kirkland.

Option	Goal
1. Increased or Staggered Revenue Generating Regulatory License (RGRL) or Business Fee	Increase revenue and make the fee more progressive.
2. Maximize REET for Street Fund²²	Address Street Fund deficit, free up general property tax revenues.
3. School Zone Safety Cameras	Expand to two additional neighborhoods to increase safety and support Safe Routes to School.
4. Implement Transportation Benefit District	Raise revenues to pay for Safe Routes to School projects and transportation master plan priority projects.
5. Implement Paid Parking Downtown	Generate revenue for Street Fund.
6. Parks Cost Recovery Improvements	Continue to improve cost recovery and implement cost recovery model.
7. Special Events Cost Recovery	Improve cost recovery and equity of special events fees and fund staff supporting special events.
8. Development Fee Cost Recovery	Increase cost recovery to free up general fund resources.

The evaluation methodology included internal interviews with various City of Kirkland staff, completed reports and relevant analysis focused on the identified revenue options, and extensive data analysis, primarily relying on current City of Kirkland data associated with each revenue option.

²¹ City of Kirkland. (2020). Memorandum: Potential Revenue Options for Consideration in the 2023-2024 Budget. <https://www.kirklandwa.gov/files/sharedassets/public/finance-and-administration/budget-documents/21-22-budget/21-22-issue-papers/21-22-issue-paper-revenue-options.pdf>

²² A REET tax is a real estate excise tax on most sales of real property.

1. More than ten interviews with City departments/staff were held to gather information and the best available data to help estimate general fund revenue potential under different scenarios.
2. City staff provided ECONorthwest with baseline revenue data, including detailed information behind the mid-biennial forecast (November 2021) and the spring 2022 update. ECONorthwest developed and refined revenue projections for each option.
3. Revenue options were evaluated for considerations related to revenue potential, stability, equity, ease of administration, and potential impacts on behavior.

As shown in Exhibit 18 (below), each revenue option was evaluated for whether the option would have a high (better), medium (mixed/neutral), or lower (worse) rating associated with a set of five parameters. The parameters evaluated were general fund revenue potential (measured annually), stability, equity, ease of administration, and potential impacts on behavior.²³

Exhibit 18. Key to Revenue Options Evaluation

Source: ECONorthwest in partnership with the City of Kirkland staff.

KEY	Annual General Fund Revenue Potential	Stability	Equity	Ease of Administration	Potential Impacts on Behavior
HIGH RATING <i>Better</i>	\$1 million + 	Stable: Year over year rate of change of <5% or projected to grow 	Likely improve equity; relatively easy to implement equitably 	Easy to implement (progress underway), resources, info, and public buy-in feasible 	Positive impacts on behavior, or neutral 
MEDIUM RATING <i>Mixed/Neutral</i>	\$500,000 – \$1 million 	Moderately unstable: Year over year rate of change of 5-10% or projected to decline 	Potential for equity concerns but City can mitigate inequitable outcome 	Requires effort to implement but City has needed info or resources 	Potential to impact behavior, but City can take steps to alleviate concerns 
LOWER RATING <i>Worse</i>	< \$500,000 	Highly unstable: Year over year rate of change of 10%+ 	Significant concerns result in less equity than baseline; concerns difficult to overcome 	Requires significant effort, analysis, or cost to implement & possibly a public campaign 	Likely to lead to unwanted behavior changes 

A full report of findings is expected to be delivered in July 2022 in time for inclusion in the 2023-2024 budget process, according to Job #41-21-FA. Below is a table with a summary of our analysis of all options (see Exhibit 19). City staff and ECONorthwest identified four options that will be discussed on May 26, 2022, at the City Council retreat.

²³ Horizontal and vertical equity are considerations traditionally used in the discussion of an “ideal” tax system. Under a horizontally equitable tax, taxpayers of similar ability to pay face similar rates. Under a vertically equitable system, a greater share of tax burden is shifted to those with a greater ability to pay.

Exhibit 19. Revenue Options Evaluation Results Matrix

OPTION	ANNUAL GENERAL FUND REVENUE POTENTIAL	STABILITY	EQUITY	EASE OF ADMINISTRATION	BEHAVIOR IMPACT
<p>1. Increased or Staggered RGRL</p>	 <p>Changes could generate \$750,000 to \$1.3 million per year.</p>	 <p>RGRL historical rate of change is 7% from 2013 - 2021.</p>	 <p>Increasing the gross income exemption will help businesses with small margins but there will be winners & losers under each scenario.</p>	 <p>Councilmanic but may require comprehensive public process.</p>	 <p>May lead to behavior changes regarding operations or growth decisions.</p>
<p>2. Maximize REET for Street Fund</p>	 <p>\$205,000 (REET 1 only) - \$1.6 million (REET 1 & 2)</p>	 <p>REET maintenance use is capped at \$1M per REET stream.</p>	 <p>REET is a progressive revenue source. Maintenance flexibility competes with affordable housing use.</p>	 <p>This is a budget maneuver / decision. The public will not “feel” this.</p>	 <p>Improved condition of sidewalks and medians may encourage walking.</p>
<p>3. School Zone Safety Cameras</p>	 <p>Expansion could generate as much as \$1.5 million per year.</p>	 <p>Revenues are expected to decline as driver behavior adjusts.</p>	 <p>Fines are fees which are regressive, but the City can help mitigate this.</p>	 <p>City has successfully implemented already. Ongoing costs are minimal.</p>	 <p>Evidence program has slowed drivers in school zones. Small potential to increase traffic on streets without cameras.</p>
<p>4. Implement Transportation Benefit District</p>	 <p>\$1.3 million for 1-2 years, \$2.6 million for 3-4th year, \$3.4 million thereafter.</p>	 <p>Dedicated funding source for transportation related projects.</p>	 <p>Funding for priority transportation projects that improve safety and benefit populations that rely on walking, biking, and public transport.</p>	 <p>Priority projects and estimated costs are already identified but this requires new business function (collecting car tabs).</p>	 <p>Unlikely to impact behavior in terms of car ownership. However, safety improvements may incentivize more non-car transportation.</p>

OPTION	ANNUAL GENERAL FUND REVENUE POTENTIAL	STABILITY	EQUITY	EASE OF ADMINISTRATION	BEHAVIOR IMPACT
<p>5. Development Fee Cost Recovery</p>	<p> \$380,000 ++</p>	<p> Highly sensitive to development trends/ economic environment. Full cost recovery limiting.</p>	<p> Proposed schedule accommodates homeowner participation in development services. Fees can be passed along to households in developer-driven projects. City should prioritize improved data collection regarding “typical” fees and projects.</p>	<p> Easier to track/understand costs with separate fund. City should prioritize building an operating reserve.</p>	<p> Increased fees could reduce permit compliance but not likely given the nature of the recommended adjustments.</p>
<p>6. Implement Paid Parking Downtown</p>	<p> ~\$500,000 ++</p>	<p> Revenues sensitive to seasonality; costs might increase due to need for more enforcement.</p>	<p> Equity declines with revenue potential, as higher fees could burden or exclude persons earning lower levels of income.</p>	<p> City is already in the stages of implementing paid parking.</p>	<p> Could cause parking leakage to nearby residential areas.</p>
<p>7. Parks Cost Recovery Improvements</p>	<p> Unknown, but preliminary estimates showed wide range depending on option.</p>	<p> Revenues highly sensitive to participation (and unclear if costs are equally nimble).</p>	<p> Equity deteriorates with revenue potential. City should prioritize communication of scholarship opportunities.</p>	<p> Solid cost allocation and tracking systems. City should prioritize indirect cost allocation.</p>	<p> Likely to impact participation, which may decline with increased fees.</p>
<p>8. Special Events Cost Recovery</p>	<p> Fees do not generate substantial revenue.</p>	<p> Revenues are uncertain.</p>	<p> City should prioritize increasing fees for events that benefit individuals rather than the community.</p>	<p> Implementation would be minimal since the proposal is minor.</p>	<p> Participation by vendors may decline with increased fees.</p>

Section 5. Highlighted Revenue Option Evaluation Results

ECONorthwest and City staff identified four options that are highlighted here for Council's consideration. These options were selected for two reasons: (1) they have the potential to generate significant amounts of revenue for the general fund and (2) they require further policy discussion. The options highlighted here are changes to the business fee structure, REET maximization for street maintenance, the implementation of a Transportation Benefit District funded with car tabs, and the expansion of the School Zone Safety Camera program.

Key Findings

- **Increased or Staggered RGRL:** An increased or staggered RGRL (business fee) could raise **\$750,000 - \$1.3 million** in annual revenue. Impacts vary by sector and size of business. An increase in the exemption from \$12,000 in gross business income to \$25,000 in GBI could protect more low-margin businesses and allow the exemption structure – which has not been changed since 2008 – to catch up with inflation.
- **Maximize REET Flexibility for Maintenance Uses:** The City can increase the maximum allowed use of real estate excise taxes (REET) for maintenance of REET-eligible capital projects. Utilizing the maximum allowed use of \$1 million per REET 1 and REET 2 can potentially free **up to \$1.6 million** in general property taxes to be returned to the general fund. Maximizing REET for maintenance uses will not completely offset the roughly \$3 million annually in general property tax revenues that are transferred to the Street Fund; however, it can reduce the amount of money that is being used by the fund. REET is a progressive revenue stream for the City and using proceeds to improve road quality and safety conditions for community-wide benefit is an equitable use of funds. The fact that REET 2 flexibility can also be used for affordable housing through 2026 presents an opportunity cost and potential equity consideration related to this option. The City should evaluate priorities regarding REET 2 revenues, which can be used to fund affordable housing and homeless housing projects, operations and maintenance of capital projects, and large capital projects.
- **School Zone Safety Camera Expansion:** The proposal expands the use of the School Zone Safety Cameras from 4 cameras installed at 2 separate locations to adding an additional 4 cameras (scenario 1) or 8 cameras (scenario 2) at two new locations. This could potentially generate **\$800,000 to \$1.5 million** in additional revenues for the program and traffic safety improvements. The program appears to be successfully reducing speeding in designated school zones (its primary goal), which also means revenues will decline in future years. These revenues are primarily generated by non-residents, which is a benefit to the City.

- **Transportation Benefit District Implementation:** Implementation of a \$20 car tab could raise **\$1.3 million** annually for Kirkland’s planned transportation projects such as those identified in Kirkland’s Active Transportation Plan (ATP) and Safer Routes to School Action Plan (SRTSAP). This option **does not provide direct relief for the general fund** but does allow the City to prioritize investment in programs and projects that provide community benefit, and potentially avoids future debt service costs that would have otherwise hit the general fund.

Highlighted Option 1. Increased or Staggered Business License Fee

Background

The current business license fee structure was adopted in 2008. The fee is two-part: it includes a basic annual fee of \$100 per business for businesses exceeding \$12,000 in average annual gross receipts, plus a \$105 revenue generating regulatory license (RGRL) fee (or business license fee) for each additional full-time equivalent employee (FTE). The City allows business license fee exemptions for new Kirkland businesses with ten or fewer employees within their first year of business. City code also allows exemptions for certain circumstances including farmers and nonprofit organizations.²⁴ In 2017, the City adopted an ordinance requiring short-term rental property owners to obtain a business license and pay the applicable fees.²⁵

Overall Findings for Revenue Option 1, Business Fee

- **High Rating for General Fund Revenue Potential:** \$1 million + per year.
- **Medium Stability Rating:** Somewhat stable since the RGRL historical rate of change is 7% from 2013-2021.
- **Medium Equity Rating:** Increasing the Gross Business Income exemption will help businesses with small margins but there will be impacts under each scenario.
- **Medium Ease of Administration Rating:** Councilmanic approval possible but may require comprehensive public process.
- **Medium Behavior Impact Rating:** May lead to behavior changes with regard to operations or growth decisions but the City can take steps to alleviate concerns.

²⁴ Kirkland Municipal Code 7.02.060.

²⁵ <https://www.kirklandwa.gov/Government/Departments/Finance-and-Administration/Custom-Accounts/Apply-for-a-Business-License/Short-Term-Rentals-in-Kirkland>

The City partners with the Washington State Department of Revenue (DOR), Business License Service to administer the licensing program.²⁶

Scenarios

Five scenarios were identified through conversation with City staff. The goals of the scenarios were to raise additional revenue for the City, make the fee more progressive and/or equitable, and to work within the state DOR Licensing environment.

The scenarios considered were an across-the-board increase of \$20 to the business fee (Scenario 1), a business license fee increase of \$35 for businesses with more than 10 FTEs (Scenario 2), doubling the business fee to \$105 for businesses with more than 100 FTEs (Scenario 3), a staggered approach based on FTE size (Scenario 4), and an increase of \$40 for all businesses with an increase in the GBI-based exemption from \$12,000 to \$25,000 (Scenario 5). These options would raise an estimated **\$748,000 to \$1.3 million** based on March 2022 data, on top of an estimated \$4.7 million baseline. A table summarizing each revenue impact is below in Exhibit 20.

Exhibit 20. Business License Fee Scenarios

Source: ECONorthwest analysis

Scenario	Revenue
#1: Increase RGRL to \$125, regardless of FTE	\$748,000
#2: Increase RGRL to \$140 for 10+ FTE businesses only	\$859,000
#3: Increase RGRL to \$210 for 100+ FTE businesses only	\$861,000
#4: Staggered RGRL increase; \$150 for 50 - 99 FTEs, and \$210 for 100+ FTEs	\$861,000
#5: Raise exemption to \$25K GBI; increase RGRL to \$145 for all businesses	\$1,250,000

Findings

Each of the scenarios will have varying impacts depending on the sector and size of the entity. In general, scenarios would more heavily impact the entities with more FTEs, even under Scenarios 1 and 5 which are across-the-board and do not vary by FTE size. This is due to the nature of the head tax. Scenarios least impact sectors with large concentrations of small employers. For each scenario, the percent increase in fees is listed below by sector.

²⁶ The City provided ECONorthwest with anonymized data from the Washington Department of Revenue from March 2022. The data represent a point-in-time snapshot of business entities' gross income and number of employees; ECONorthwest modeled baseline fees and changes to fees under the scenarios included here.

Exhibit 21. Percent Increase in Fees by Sector

Source: ECONorthwest analysis

NAICS Sector Name	Baseline Fee Revenue	Scenario 1 (\$20 increase)	Scenario 2 (10+ FTE increase)	Scenario 3 (100+ FTE Increase)	Scenario 4 (Staggered)	Scenario 5 (Exemption to \$25K and \$40 increase)
Construction	\$992,000	15%	11%	3%	4%	20%
Finance and Insurance	\$140,000	16%	16%	0%	9%	25%
Retail Trade	\$547,000	17%	24%	34%	33%	33%
Professional, Scientific, and Technical Serv	\$575,000	16%	19%	19%	19%	28%
Health Care and Social Assistance	\$484,000	17%	20%	15%	17%	30%
Manufacturing	\$144,000	18%	24%	43%	37%	34%
Wholesale Trade	\$139,000	16%	18%	0%	7%	25%
Real Estate and Rental and Leasing	\$247,000	13%	9%	10%	10%	16%
Utilities	\$8,000	21%	27%	3%	34%	39%
Information	\$411,000	18%	31%	80%	64%	36%
Accommodation and Food Services	\$331,000	17%	24%	8%	9%	34%
Admin, Support, Waste Management	\$241,000	15%	15%	0%	4%	25%
Other Services (except Public Administrati	\$214,000	15%	12%	0%	5%	24%
Educational Services	\$64,000	15%	18%	19%	15%	19%
Management of Companies and Enterprises	\$8,000	15%	20%	-1%	-1%	30%
Transportation and Warehousing	\$21,000	14%	8%	0%	0%	12%
Arts, Entertainment, and Recreation	\$72,000	16%	20%	19%	20%	24%
Agriculture, Forestry, Fishing and Hunting	\$4,000	7%	2%	-7%	-7%	20%

Within sectors, the impacts vary greatly by size of FTE. Further, burden will vary based on businesses' marginal ability to pay, which is difficult to measure in Washington where there are no allowable deductions for business taxes. Restaurants, daycares, nail salons and retailers are frequently discussed as relatively low-margin businesses that are sensitive to business fees and tax changes, particularly following the impacts of social distancing measures during the pandemic.

Examples are presented on slides 24 to 28 in Attachment A to illustrate varying impacts to a small restaurant with 10 or fewer FTEs, a restaurant with more than 10 FTEs, a typical retail entity, and a retail entity with more than 10 FTEs. The "typical" small Kirkland restaurant has 3 FTEs and GBI of \$150,000, so would only be impacted under scenarios 1 and 5. The "typical" retailer has 1 FTE and GBI of \$16,500, and thus would be impacted only under Scenario 2 and 5 (under which this retailer would now be exempt from fees). Half of retailers in Kirkland with 10 or fewer FTEs are exempt from business license fees due to having GBI of less than \$12,000. There are fewer than 40 entities with over 100 FTEs who would be impacted under Scenario 4.

Restructuring and / or increasing business license fees is a policy decision that will impact some sectors and employers differently than others. All scenarios are scalable and can be combined. These scenarios are presented to provide an order-of-magnitude estimate of revenue; they can be scaled up or down and aspects of them can be combined.

Below are observations regarding the impact scenarios will have to achieve potential policy goals Council may have.

Scenario	Observations
Scenario 1 (across-the-board increase)	This option would be simple to administer and horizontally equitable in that all business taxpayers will face the same increase. It is vertically inequitable in that those with greater ability to pay or larger shares of FTEs will be impacted less than those with lower ability to pay or lower shares of FTEs.
Scenario 2 (increase head tax for businesses with 10+ FTEs)	Scenario 2 is useful if the policy goal is to increase revenues from businesses with larger headcounts based on the premise that employees either impose some sort of cost to the city or that businesses gain some competitiveness advantage from their location in the City. However, 93 percent of businesses have fewer than 10 FTEs, so this fee increase only impacts 7 percent of businesses . Further, some small businesses may have large gross income; since ECONorthwest could not identify a statistical relationship between FTE count and income, it is not known if larger businesses have a greater ability to pay.
Scenario 3 (increase head tax for businesses with 100+ FTEs)	The same considerations apply to Scenario 3 as apply to Scenario 2 above, except that this scenario will impact less than 1 percent of entities – fewer than 40 . Additionally, if the goal is to capture more revenue from economic activity occurring within the City, this Scenario falls short because the City will not be capturing additional fee revenue from 99 percent of entities making 82 percent of gross income in the City.
Scenario 4 (staggered increase based on FTE count)	This Scenario is useful if the policy goal is to make the fee structure more progressive by using FTE count as a proxy for ability to pay . This exercise is complicated by the lack of clear relationship between FTE count and gross income. This structure is slightly more complicated than the other FTE-count based options and may be more difficult to administer for the City, the Department of Revenue, and employers.
Scenario 5 (raise exemption to \$25,000 of gross income; increase fees across the board)	If the goal is to protect businesses with relatively low income and low margins, then the City may wish to consider increasing the gross income exemption from \$12,000 which was the level set in 2008. This increase in exemption could be offset by an increase to fees, as shown in Scenario 5.

Sector-based exemption	<p>With the understanding that sectors are affected differently under the scenarios listed above, the City may wish to consider exempting employers in certain sectors from a fee increase, with an exemption that is staggered based on FTE count. This scenario is not pictured above but considered in the hypothetical. Excluding restaurants from the fee increases under Scenario 5 would reduce revenues by no more than \$100,000, and substantially less under other scenarios. This hypothetical scenario raises horizontal equity considerations among businesses of similar size and income profiles.</p>
Income-based fee structure	<p>If the goal is to make the fee structure more progressive, the City may wish to increase fees based on gross income. This would likely be difficult to administer due to more complex compliance requirements (gross income is reported on an honor system) and would need to be evaluated for legal considerations related to Washington’s constitutional prohibition against income taxes. However, this hypothetical scenario would have the advantage of being vertically equitable.</p>

Highlighted Option 2. Maximize REET for Street Fund

Background

Cities have the authority to impose local real estate excise taxes (REET 1 and REET 2, each of which is a 0.25 percent taxes levied on the full selling price of a property). In general, a limited amount of these revenues can be used for the maintenance, operation, and service support of existing capital projects, and temporarily for homeless housing and affordable housing projects.²⁷

The state limits how much REET 1 and REET 2 revenues can be used to fund operations and maintenance of capital projects, subject to limitations and reporting requirements. Cities can use up to \$1 million per REET revenues per year for maintenance of capital projects.²⁸ Additionally, REET 2 can also be used for affordable housing and homeless housing projects, up to the same limit until 2026.

The City estimates that in 2021, REET 1 and REET 2 will generate approximately \$8.8 million in revenues per REET. Both REET sources have grown significantly since 2012. (See Exhibit 22).

REET revenues are used to fund several transportation capital improvement projects including operation and maintenance uses as well as for property acquisition and funding for affordable housing. As of 2021, the City of Kirkland uses \$216,000 per year of REET 1 revenues to fund maintenance. REET 1 maintenance spending on the Cross Kirkland Corridor (CKC) and park maintenance totaled \$216,400 and \$219,068 for 2019 and 2020.²⁹ The City does not use any REET 2 revenues for maintenance.

Overall Findings for Revenue Option 2, REET for Street Fund

- **High Rating for General Fund Revenue Potential:** \$1 million + per year.
- **High Stability Rating:** Year over year rate of change is less than 5%.
- **Medium Equity Rating:** REET is a progressive revenue source; however, this option could compete with affordable housing use.
- **High Ease of Administration Rating:** This is a budget maneuver/decision.
- **High Behavior Impact Rating:** Improved condition of sidewalks and medians may encourage walking.

²⁷ A REET tax is calculated based on the full selling price, including the amount of any liens, mortgages, and other debts given to secure the purchase. REET 2 can be used for affordable housing through 2026, under RCW 82.46.035. Kirkland is the only city in the State of Washington which does not face a limit of \$1 million on affordable housing use of REET 2, due to the City's investments in affordable housing and homeless housing prior to 2019, which make it eligible for the exception to the limit per RCW 82.46.035(6).

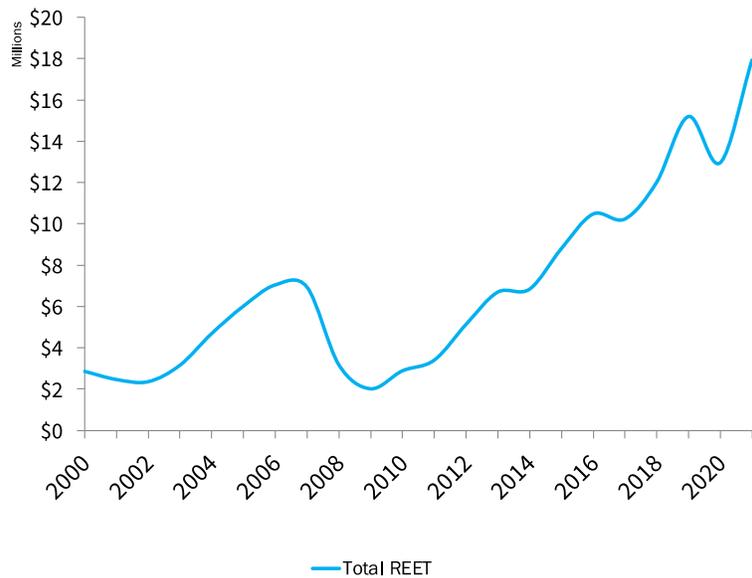
²⁸ Cities can use up to \$100,000 or 25 percent of available REET 1 and 2 revenues—whichever is greater, but to not exceed \$1 million per year for each revenue stream. RCW 82.46.015 and RCW 82.46.037 state that "maintenance" means the use of funds for labor and materials that will preserve, prevent the decline of, or extend the useful life of capital projects. REET maintenance funds cannot be used for labor or material costs of routine operations of a capital project.

²⁹ City of Kirkland data and interview.

Over a 20-year period, from 2002 to 2021, REET revenues have grown at an average of 14 percent annually. This growth masks some revenue volatility, as evidenced in the graph at right.

Exhibit 22. Combined REET Total Revenues, 2000 - 2021

Source: City of Kirkland.



Kirkland uses the Street Fund to pay for street, sidewalk, and median repair and maintenance, street sweeping, and groundskeeping.³⁰ The fund contains a variety of state and local revenue sources, including more than \$3 million in general property taxes, a revenue source that could be returned to the general fund if supplanted by additional REET revenues.

In recent years, Street Fund expenditures have exceeded revenues and the City has had to transfer additional general fund dollars to cover expenses. Street fund expenditures have exceeded revenues in 2019, 2020, and 2021 (see Exhibit 23 below). The 2019-2021 average deficit is approximately \$485,500.

Exhibit 23. Street Fund Revenues, Expenditures, and Deficit, 2019-2021

Source: City of Kirkland.

	2019	2020	2021	2019-2021 Avg.
Revenues	\$10,233,318	\$9,560,645	\$11,088,346	\$10,294,103
Expenditures	\$10,380,682	\$10,757,275	\$11,200,845	\$10,779,601
Deficit	-\$147,363	-\$1,196,629	-\$112,499	-\$485,497

The years shown above include the COVID-19 pandemic which affected three primary several sources of Street Fund revenues in FY 2020. Washington’s motor vehicle fuel tax, which provided the Street Fund with \$1.9 million in FY 2019, was reduced to \$1.6 million in FY 2020 as social distancing led to declines in gas consumption. Parking revenues in Kirkland’s paid downtown lots fell from \$400,800 in FY 2019 to \$179,000 in FY 2020. The City did not transfer in

³⁰ Interview with City staff.

business license fee revenue of \$270,000 from the general fund. These factors contribute to the size of the deficit growing from \$147,363 in 2019 to \$1.2 million in FY 2020.

Scenarios

This revenue option considers utilizing REET 1 and REET 2 revenues up to the \$1 million maximum amount allowed per REET to fund maintenance of REET eligible capital improvement projects funded through REET 1 and REET 2. Exhibit 24 below shows the three scenario alternatives evaluated.

- **Scenario 1:** Assumes that only REET 1 is maximized up to the \$1 million per year. Under this scenario the City could address the average annual deficit of \$485,497 in the Street Fund and return roughly **\$251,000** to the general fund.
- **Scenario 2:** Assumes that REET 1 and REET 2 are maximized up to the \$1 million per year per REET, using the three-year average Street Fund deficit (including FY 2020). This scenario could address the Street Fund deficit and free up **\$1.2 million** for the general fund.
- **Scenario 3:** Assumes Street Fund revenues will resemble FY 2019, a pre-COVID year. Under this scenario, with the deficit reduced to \$147,363, the City could free up approximately **\$1.6 million** for the general fund.

Exhibit 24. Maintenance Flexibility Expenditures and Balance Scenarios

Source: City of Kirkland. ECONorthwest analysis.

	Scenario 1	Scenario 2	Scenario 3
Maximum REET 1 Flexibility	\$1,000,000	\$1,000,000	\$1,000,000
Ongoing Maintenance	-\$263,500	-\$263,500	-\$263,500
Average Street Fund Deficit	-\$485,497	-\$485,497	-\$147,363
REET 1 Flexibility Balance	\$251,003	\$251,003	\$589,137
Maximum REET 2 Flexibility	\$0	\$1,000,000	\$1,000,000
Other Allowable Expenditures	-\$1,000,000	\$0	\$0
REET 2 Flexibility Balance	\$0	\$1,000,000	\$1,000,000
Combined Balance (for General Fund Supplant)	\$251,003	\$1,251,003	\$1,589,137

Findings regarding Revenue Potential and Considerations

- **Maximizing REET 1 & 2 flexibility for street maintenance funding would correct the Street Fund deficit and make a dent in the general fund deficit.** Even factoring in high inflation or other large expenditure increases, Scenarios 2 and 3 would more than correct the structural deficit that the Street Fund has experienced. This option could also free up between \$1.3 million and \$1.6 million in general property tax revenues and business license fees, which can be returned to the general fund.
- Increasing use of REET 2 for capital maintenance means there will be **less available for affordable housing and homeless housing**, which presents an opportunity cost and equity considerations. Since housing affordability is a policy priority, the City should develop a strategy for using REET 2 for affordable housing within the 2026 timeframe

under state law.³¹ Under Scenario 1, maximizing REET 1 revenues only will cover the Street Fund deficit but will not return as much funding to the general fund. REET 2 revenues are assumed to be used for other policy purposes, such as affordable housing, or other capital investments.

- REET is **one of two street maintenance funding options that the city can make policy decisions on** (unlike state-shared revenues such as motor vehicle excise taxes or gas taxes). The other is paid parking fees.
- Though REET revenues do experience some fluctuations, this option will provide a **stable source of revenues for maintenance purposes** given the relatively low threshold for flexibility (\$1 million of an \$8.8 million revenue stream). The City's conservative REET projections suggest revenues are substantial enough to support continuous funding of \$2 million for maintenance across REET 1 and REET 2. Conservative REET projections have allowed the City to build balances which have enabled opportunistic investments of City funds, such as Fire Station 27 and public improvements at Totem Lake.
- Increasing REET funding for the Street Fund will also allow the City to **convert partial FTE positions to full time FTE**, which City Public Works staff identified as a priority.

³¹ City of Kirkland: www.kirklandwa.gov/files/sharedassets/public/city-managers-office/pdfs/2021-2022_kirkland_city_council_work-plan.pdf

Highlighted Option 3. School Zone Safety Cameras

Background

The City of Kirkland began the School Safety Zone Camera Program in October 2019 with the installation of two traffic safety cameras at Rose Hill Elementary (NE 80th) and John Muir Elementary (132nd Ave NE). The program was temporarily suspended on March 12, 2020, due to the COVID-19 pandemic, and resumed on February 18, 2021.³²

Revenues associated with automatic traffic cameras must be used in accordance with RCW 46.63.170. According to state law, the dollars must be used for traffic safety improvements. State law also requires that the City conduct analyses on each potential location prior to adding new automatic traffic cameras.

Automatic speed cameras operate on school days for a half hour before school starts and ends. In accordance with state law, signage is present to notify drivers when the cameras are in operation. Drivers who exceed the posted 20 MPH limit in school zones by 6 MPH or above are fined automatically. The fines are graduated with those traveling 26 to 30 MPH receiving a \$136 fine and those traveling 31 MPH or above receiving a \$250 fine. Fines can be contested through the City's court system. Individuals can request that their fines be mitigated (reduced), contest the fine, or submit an online affidavit stating that they were not the driver of the car. Payment plans are also available upon request.

Revenue from the School Safety Zone Camera Program has substantially exceeded budgeted amounts for the 2019 through 2021 fiscal years. In 2021, the first full, in-person school year that the cameras were operational, the program generated \$1.6 million in fines – about twice the budgeted amount for that year. The revenues from the School Safety Zone Camera Program go toward funding the program and public safety enhancements. In 2021, because revenues exceeded budgeted expectations by such a large margin, \$335,000 (32.7 percent) of Safety Zone Camera Program dollars were allocated to Safe Routes to Schools.

Overall Findings for Revenue Option 3, School Zone Safety Cameras

- **High Rating for General Fund Revenue Potential:** \$1 million + per year.
- **Low Stability Rating:** Year over year rate of change is more than 10%.
- **Medium Equity Rating:** Fines and fees are regressive but the City can help mitigate this.
- **High Ease of Administration Rating:** City has successfully implemented already. Ongoing costs are minimal.
- **High Behavior Impact Rating:** There is evidence that the program has slowed down drivers in school zones. Small potential to increase traffic on streets without cameras.

³² City of Kirkland. "Safety Camera Program Update – Q2 2021." August 26, 2021.

ECONorthwest analyzed data on the zip code of origin for ticketed drivers (see Exhibit 25 and Exhibit 26 below). Almost three-quarters of citations in 2021, the only full year of program operations, were issued to non-residents.

2021 is the only year in which the School Safety Zone Camera Program was active for a full year. In 2021, the cameras issued 13,846 citations, 72 percent of which were issued to non-residents of Kirkland.

Exhibit 25. Number of School Safety Zone Camera Program Citations Issued by Year, 2019–2022 YTD

Source: City of Kirkland

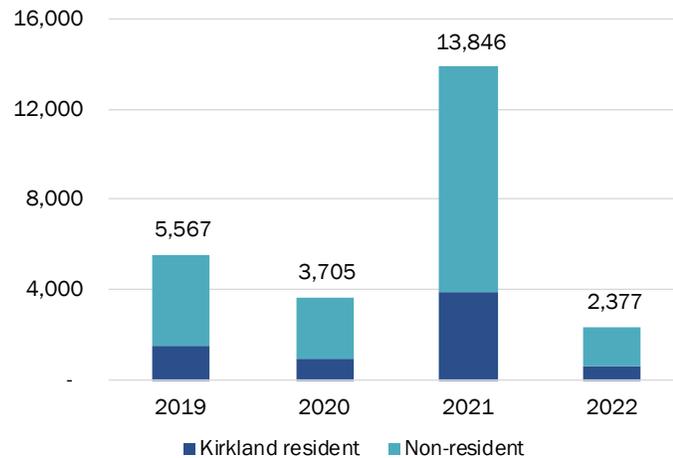
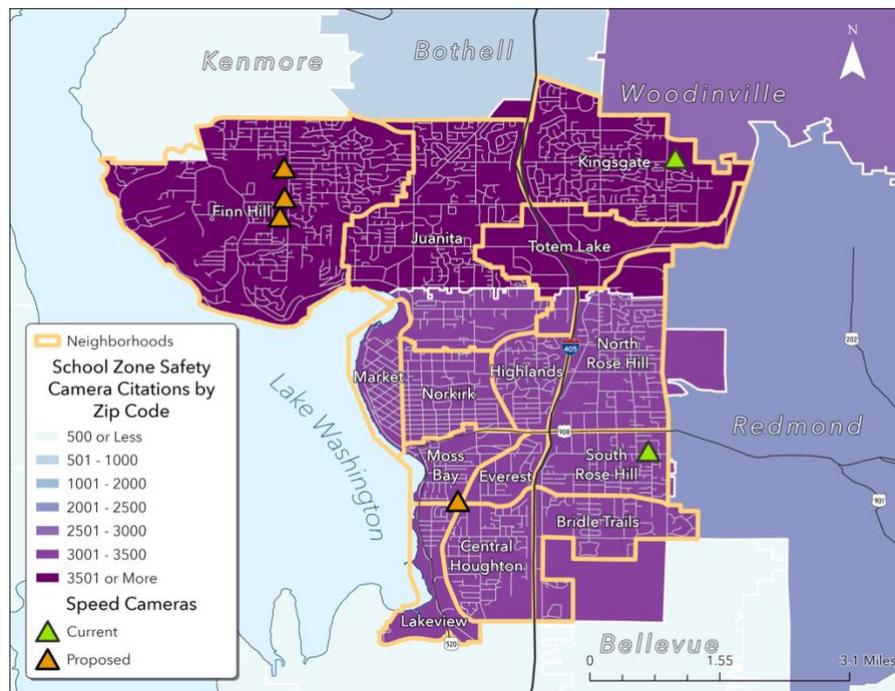


Exhibit 26. Map of School Safety Zone Camera Program Citations by Zip Code, 2019–2022 YTD

Source: City of Kirkland.

The majority of citations are issued to non-residents of Kirkland; however, north Kirkland (98034) is the zip code with the highest number of ticketed drivers, followed closely by south Kirkland (98033).

Outside of Kirkland, the largest share of ticketed drivers come from Woodinville to the northeast (98072).



Discussion on Different Scenarios Examined

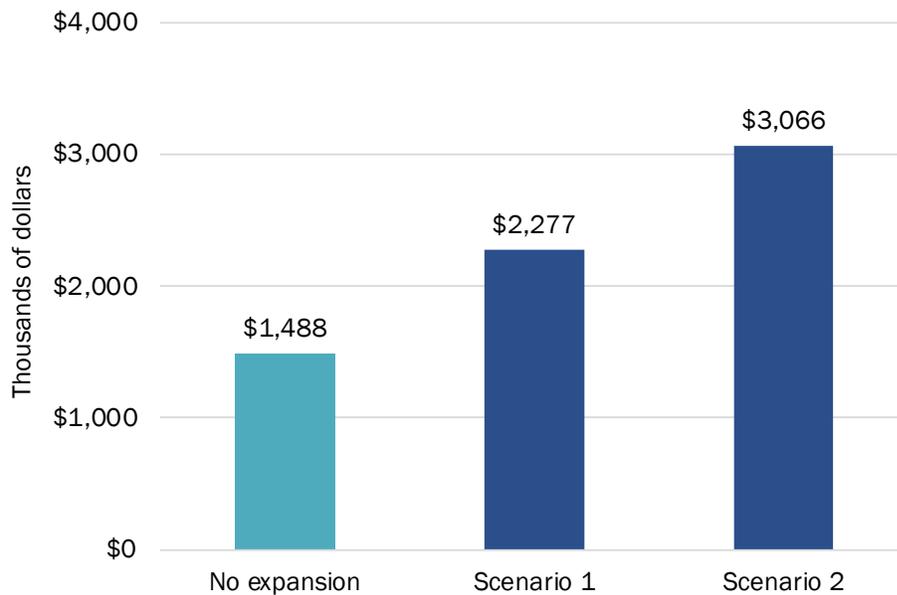
The City has received requests from additional neighborhoods to expand the School Safety Zone Camera Program. Currently, Finn Hill and Lakeview neighborhoods are under

consideration pending the completion of speed and volume studies and the approval of the City Council.³³

The City has proposed two scenarios for expansion. In Scenario 1, the City would add four new cameras (one in each direction on 84th Avenue NE; one camera on State Street and one on NE 68th Street). Scenario 2 would add eight cameras (three in each direction on 84th Avenue NE; one camera on State Street and one on NE 68th Street). Revenue projections for 2022 for the current program and Scenarios 1 and 2 are shown in Exhibit 27 below.

Exhibit 27. Projected School Safety Zone Camera Program Revenue, No Expansion and Scenarios 1 and 2, 2022

Source: City of Kirkland.



Overall Findings on Revenue Potential and Considerations

- The School Safety Zone Camera Program is localized around neighborhood school zones, and its primary goal is to improve traffic safety conditions in school zones. **Preliminary evidence has indicated that the program has been successful in reducing vehicle speeds around schools** (see Exhibit 28 below).
- Since drivers tend to adjust behaviors in response to safety cameras, revenues are likely to decline over time. (This has been the case in other jurisdictions that have had cameras, for a longer period of time than Kirkland.) Exhibit 28Exhibit 29 (below) projects School Safety Zone Camera Program revenue through 2027 and predicts that **revenues could decline by nearly 42 percent by 2027.**

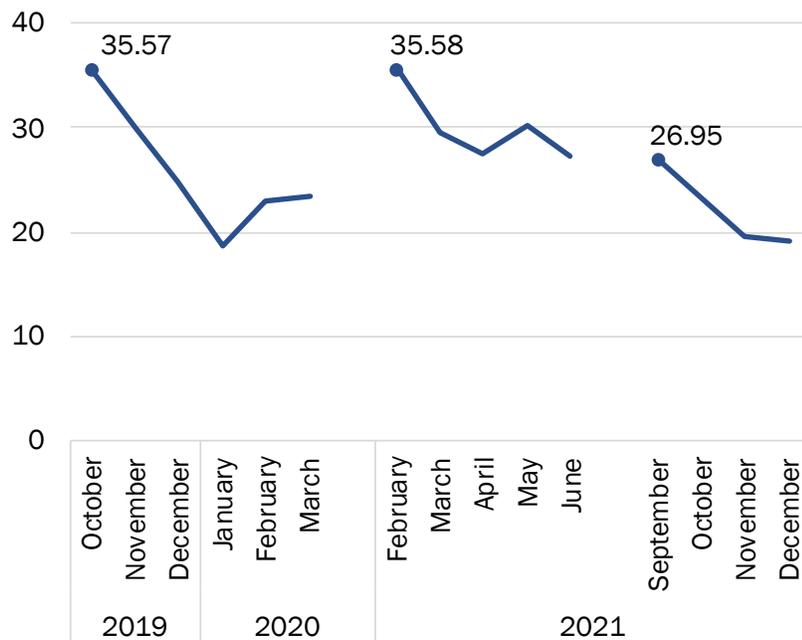
³³ City of Kirkland ECONorthwest Public Safety Interview.

- Since the revenues are expected to decline over the long-term, the city is prudent to not use the revenue to fund FTE or expand the uses of the revenue and instead look for ways to invest in **systemic improvements not requiring substantial ongoing costs**.
- **Most of the revenue comes from ticketed drivers who live outside of Kirkland** and the revenue funds the program and other traffic safety improvements, which benefit Kirkland residents in the neighborhoods in which these improvements are made.
- A potential equity consideration is that **finest and fees are regressive**. Research has shown that fees and fines are borne disproportionately by Black, Indigenous, and People of Color (BIPOC) and low-income individuals, often because the initial fine and associated fees are too high to pay or because individuals cannot get time away from work or other obligations to attend mandatory hearings. Failure to pay the initial fine and fees or to attend mandatory hearings can lead to a cycle of fines, fees, or jail time.³⁴

Revenue collection began in October 2019. Average daily citations per month fell until December when the cameras were turned off for winter break. When cameras were turned back on, there was a small spike in January 2020. In March of 2020, the program stalled due to COVID-related social distancing, and resumed in February of 2021, with average daily citations returning to October 2019 levels and falling through December 2021 despite cameras being off for the duration of summer vacation.

Exhibit 28. Average Daily Citations by Month and Year, 2019–2021

Source: City of Kirkland.

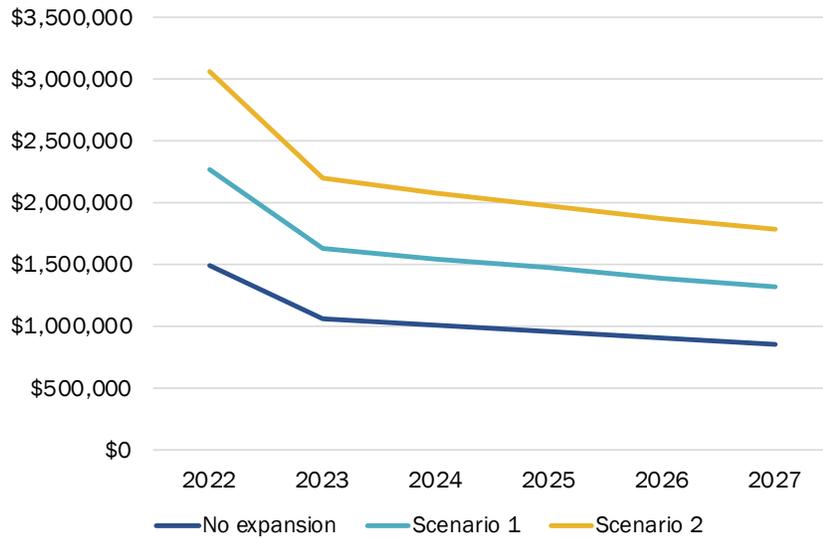


³⁴ Retrieved from https://www.americanbar.org/groups/government_public/publications/public_lawyer_articles/fees-fines/

Based on available data, ECONorthwest assumed a 3 percent decline in revenues per month between 2022 and 2023 (28 percent decline overall for 2023). After 2023, ECONorthwest projected revenue declines would stabilize at 5 percent per year.

Exhibit 29. Projected School Zone Safety Camera Program Revenue, 2022-27

Source: ECONorthwest projections using City of Kirkland data. 2022 provided by City of Kirkland.



Highlighted Option 4. Implement Transportation Benefit District

Background

A transportation benefit district (TBD) is a quasi-municipal corporation and independent taxing district created for the sole purpose of acquiring, constructing, improving, and funding transportation improvements within the district. TBDs are primarily funded through vehicle license fees and/or sales taxes.

TBD revenues can be used to fund planned transportation projects such as those identified in Kirkland's Active Transportation Plan (ATP) and Safer Routes to School Action Plan (SRTSAP).³⁵ The SRTSAP identified 137 school route improvement projects and among these, 40 top projects were selected as initial projects to begin working on based on evaluation criteria that prioritized projects that serve low-income households, students with disabilities, and students of color. The top 40 list includes projects that are estimated to cost approximately \$20 million dollars to construct including staffing costs. The city identified that in the first year it can only fund three projects with an estimated cost of \$1 million.

Kirkland's 2021-2026 Capital Improvement

Program shows dedicated funding \$499,000 in 2021 and \$550,000 each year beginning in 2022 for SRTSAP projects. At this funding level, the City estimated that it will require over 40 years to completely implement the top 37 projects. By City analysis, adopting a \$20 vehicle license fee will generate enough revenue to cover debt service payments necessary to implement the top 37 projects within a six-year period.³⁶

Overall Findings for Revenue Option 4, Transportation Benefit District

- **High Rating for General Fund Revenue Potential:** \$1 million + per year.
- **High Stability Rating:** Dedicated funding source for transportation related projects.
- **High Equity Rating:** Funding for priority transportation projects that improve safety and benefit populations that rely on walking, biking, and public transport.
- **Medium Ease of Administration Rating:** Priority projects and estimated costs identified already but this requires new business function.
- **High Behavior Impact Rating:** Unlikely to impact behavior in terms of car ownership. However, safety improvements may incentivize more non-car transportation.

³⁵ In September 2020, the Council approved Resolution R-5445 (memo) rebranding the CIP School Walk Route Enhancement Project and adopting the Safer Routes to School Action Plans (SRTSAPs). The SRTSAPs support the Council goals of community safety, vibrant neighborhoods, inclusive and equitable community, balanced transportation, and dependable infrastructure.

³⁶ Three projects in the top 40 list currently are funded by other Capital Improvement projects (November 4, 2021, Staff Memo).

Discussion on Different Scenarios Examined

City of Kirkland staff recommend pursuing the \$20 vehicle license fee scenario with the opportunity to increase the fee up to \$50 over the course of four years. There was no evaluation of alternative scenarios. A \$20 vehicle license fee was selected because it is one of the most common revenue sources for TBDs and it is a councilmanic revenue option which allows the city to implement quickly without any voter approval. Other revenue sources for TBDs require voter approval.³⁷

Overall Findings on Revenue Potential and Considerations

The City of Kirkland is considering imposing a \$20 vehicle license fee with the opportunity to increase the fee up to \$50 over four years. City staff summarized internal analysis of this option in a November 4, 2021, memorandum to the City Manager³⁸:

- For the first two years of the vehicle license fee, approximately **\$1.3 million could be generated annually in revenues** (net of a 1 percent Department of Licensing fee.)
- For the following two years fees can be increased to \$40 and generate an estimated **\$2.7 million** per year.
- Thereafter, the councilmanic fee can be increased to \$50 and generate **\$3.4 million per year**. The City is also considering using TBD revenues to issue bonds for the total cost of the Top 40 priority projects. City financial advisors estimate that annual revenues from the TBD could bond \$21 million in projects with a 20-year term, or \$26 million projects within a 30-year term.
- A vehicle license fee authorized under a TBD generally would likely be a **stable revenue source**. Revenues could decrease if car ownership decreases substantially in the city.
- This would be a **flat fee and would be regressive in nature** since the fee does not consider the ability to pay. The City could consider a financial aid program to make this program more equitable (in compliance with state law). Kirkland staff and the City's Attorney Office recognized potential risks of a vehicle license fee associated with voter-approved initiatives to limit vehicle license fees.
- Should a bond be issued for the implementation of the Preliminary STRTSAP Phasing Plan, **additional staffing would be required**. It is currently estimated that three capital project staff would be needed to meet the preliminary timeline. Capital improvement employees charge their time to projects, and the current project cost projections shown above do include funding for anticipated new staff.
- **This option does not impact the general fund and therefore does not address the structural general fund deficit.**

³⁷ Interview with City staff.

³⁸ City of Kirkland Memorandum (November 4, 2021): https://www.kirklandwa.gov/files/sharedassets/public/city-council/agenda-documents/2021/november-16-2021/3b_study-session.pdf

Next Steps

ECONorthwest will deliver a final report in July 2022. This report will summarize findings to date and will incorporate feedback from the City.

Attachments

- Attachment A. Kirkland Revenue Equity Study. Tax Burden Analysis and Revenue Evaluation Draft Findings Presentation.



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Kirkland Revenue Equity Study

Tax Burden Analysis & Revenue Evaluation



Preliminary Findings

May 26, 2022

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- Tax Incidence & Burden Measures
- Revenue Evaluation Framework
- Revenue Evaluation Findings
 - Business License Fees
 - School Zone Safety Cameras
 - Maximize REET Flexibility
 - Transportation Benefit Districts

Tax Burden & Tax Incidence Measures

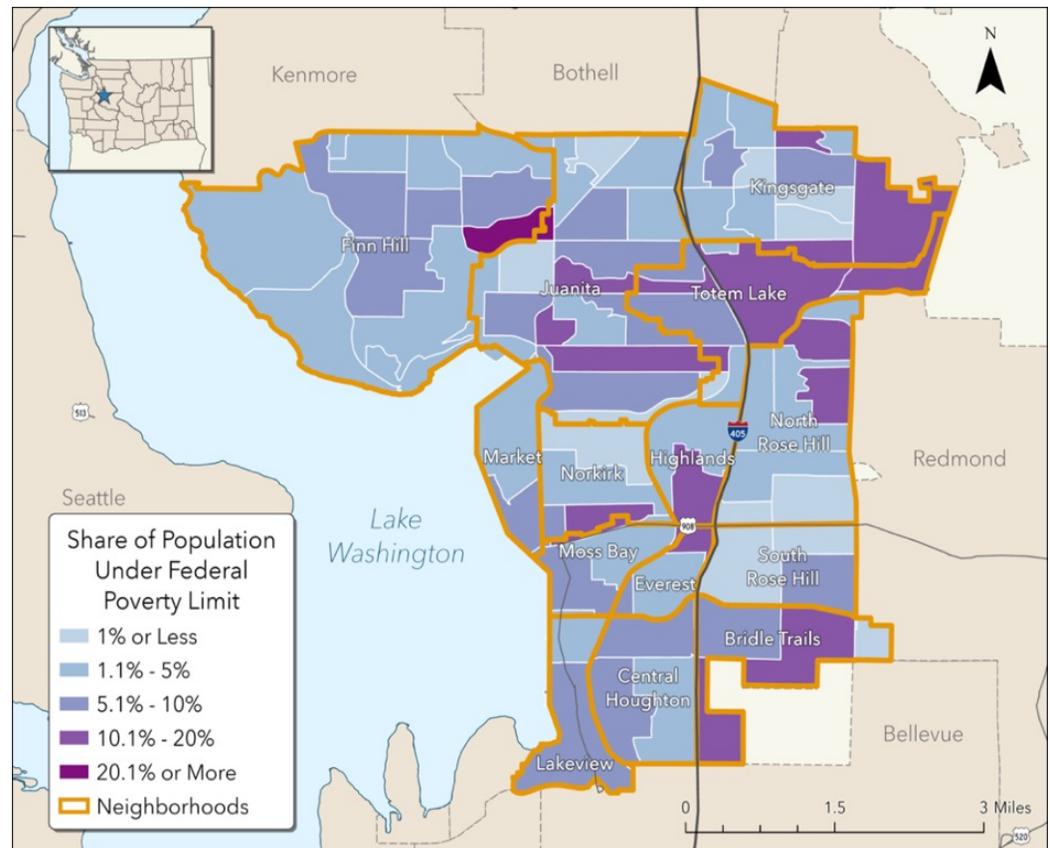
- Taxes and fees make up the bulk of the City's general fund.
 - \$118M in general fund revenues (FY 2020): \$75M in taxes (64%), and \$19M in fees (16%)
- Burden and incidence are important baseline conditions for considering revenue options.
 - **Burden** is typically measured as a share of income, which is used as a proxy for ability to pay.
 - **Incidence** (or “who pays”) can be measured by household v. business, by income, by size of business, etc.
 - There are no benchmarks or ideal metrics.
- The City has more flexibility with respect to fees than with taxes.

Wealth Distribution in Kirkland

Kirkland is one of the top five wealthiest cities in the state of Washington (\$117k median household income).

Despite this wealth, Kirkland has pockets of extreme poverty.

~5,400 persons are living in poverty (6% of total population)



Household Tax Incidence & Burden



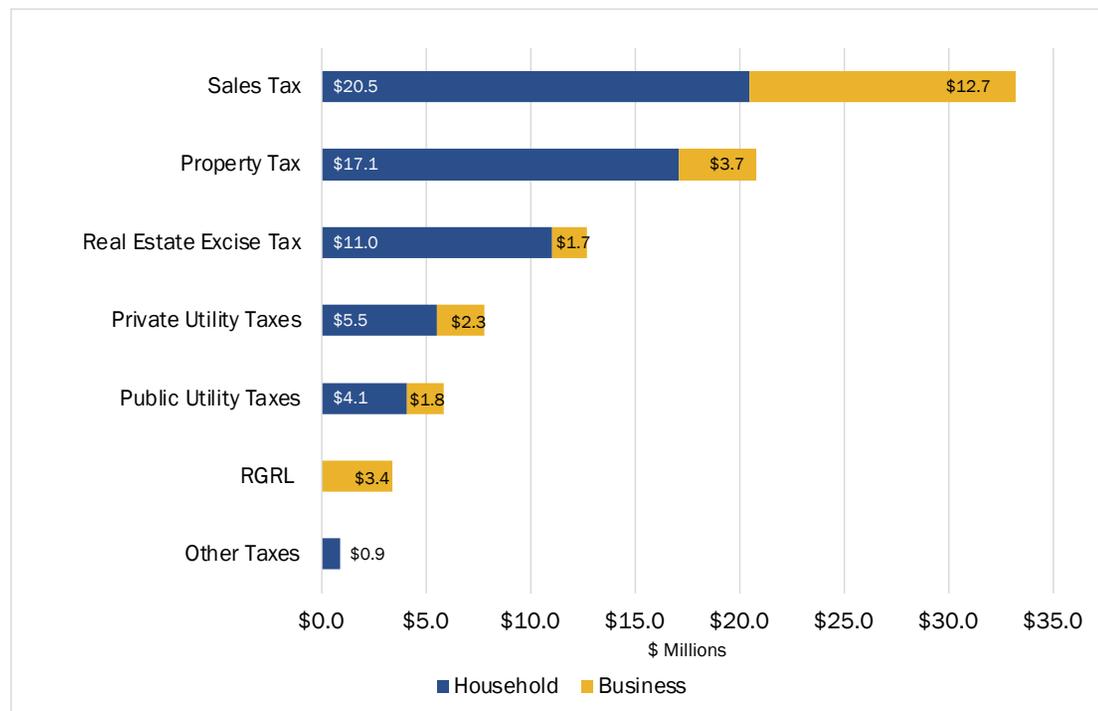
Tax Incidence: Households v. Businesses

Kirkland's tax base is more residential than the State of Washington.

An estimated 69% of Kirkland's tax revenue comes from household-borne taxes, and 31% comes from businesses.

At the state level, households pay 49% and businesses pay an estimated 51%.

Shares of Kirkland City Taxes, FY 2020



Source: City of Kirkland, Washington Department of Revenue. ECONorthwest analysis.

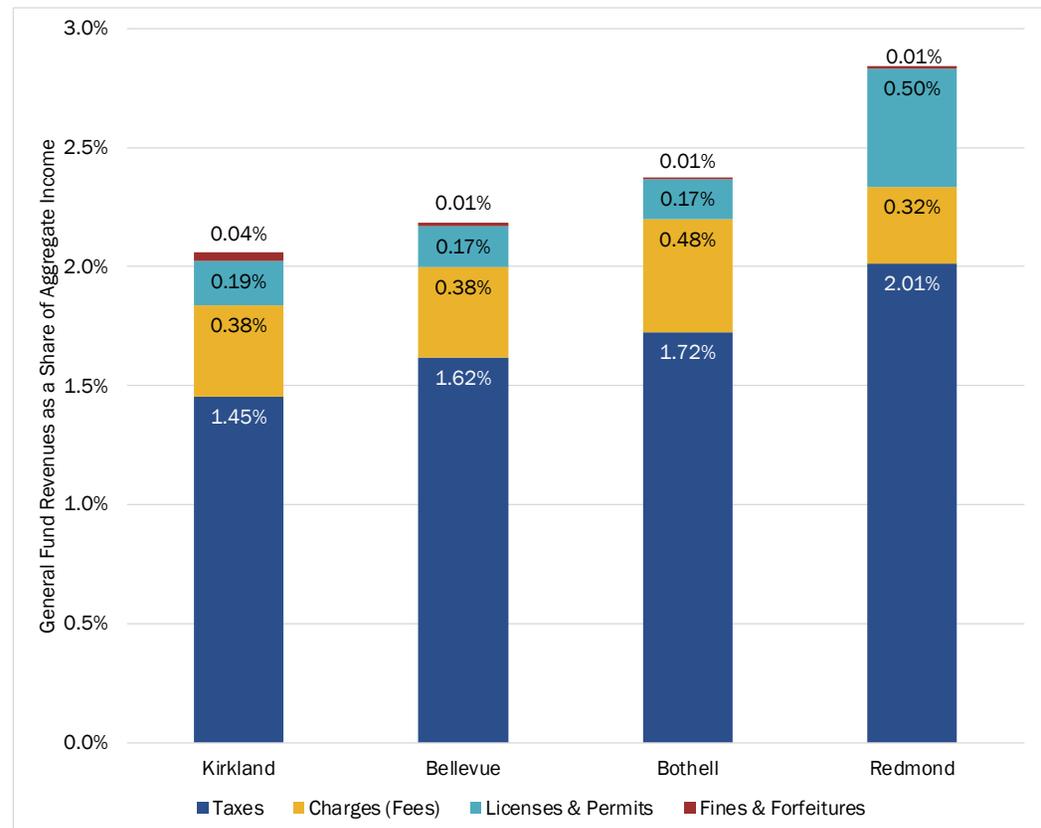
Kirkland Overall Revenue Burden

General Fund Revenues (2020) as a Share of Aggregate Household Income (2019)

Kirkland's general fund revenues are less of a share of income than neighbors.

Taking total revenues as a share of aggregate household income is a way to compare across jurisdictions.

This measure is imperfect: it excludes business income, does not account for idiosyncratic city budgets, and most importantly, it **ignores income inequality**.



Source: Kirkland, Bellevue, Bothell, Redmond ACFRs.

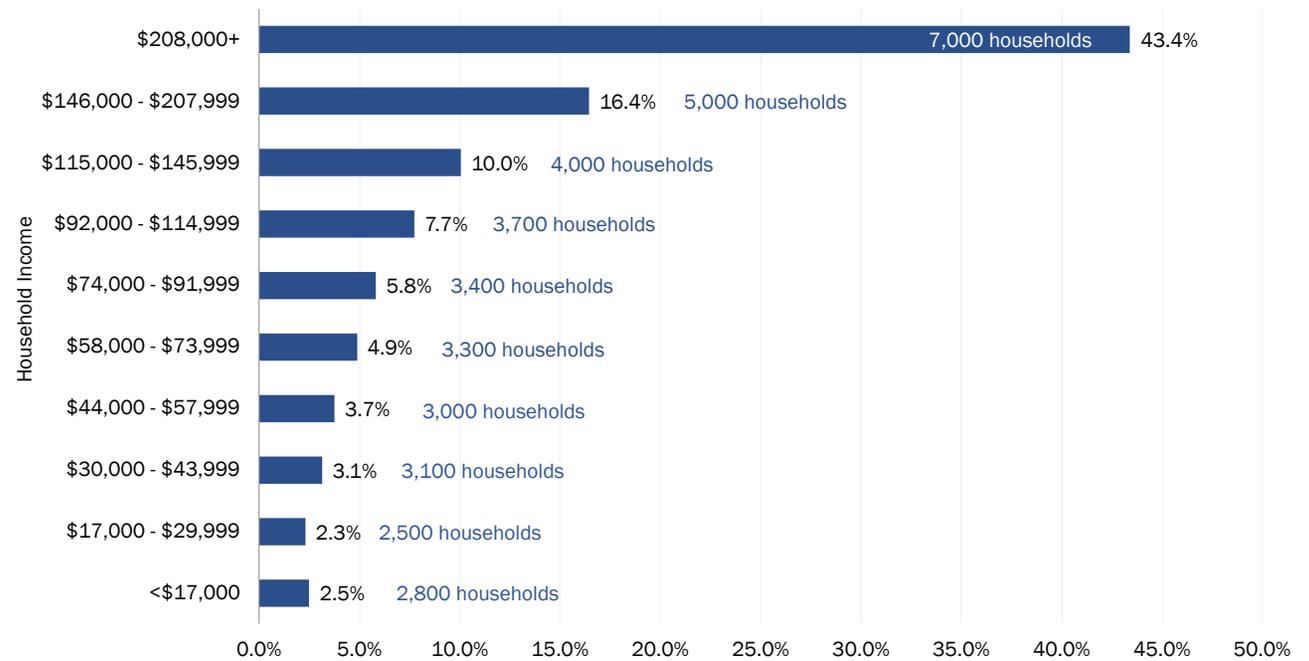
Household Tax Incidence

Kirkland's high incomes counteract some of the regressivity of taxes.

12,000 households in Kirkland earn over \$146,000 and are wealthier than the top 20 percent of households statewide.

These households pay **60 percent** of the household share of City tax revenues.

Shares of Kirkland Taxes Paid by State Income Decile, 2020



Source: City of Kirkland, Washington Department of Revenue. ECONorthwest analysis.

Household Tax Burden: City

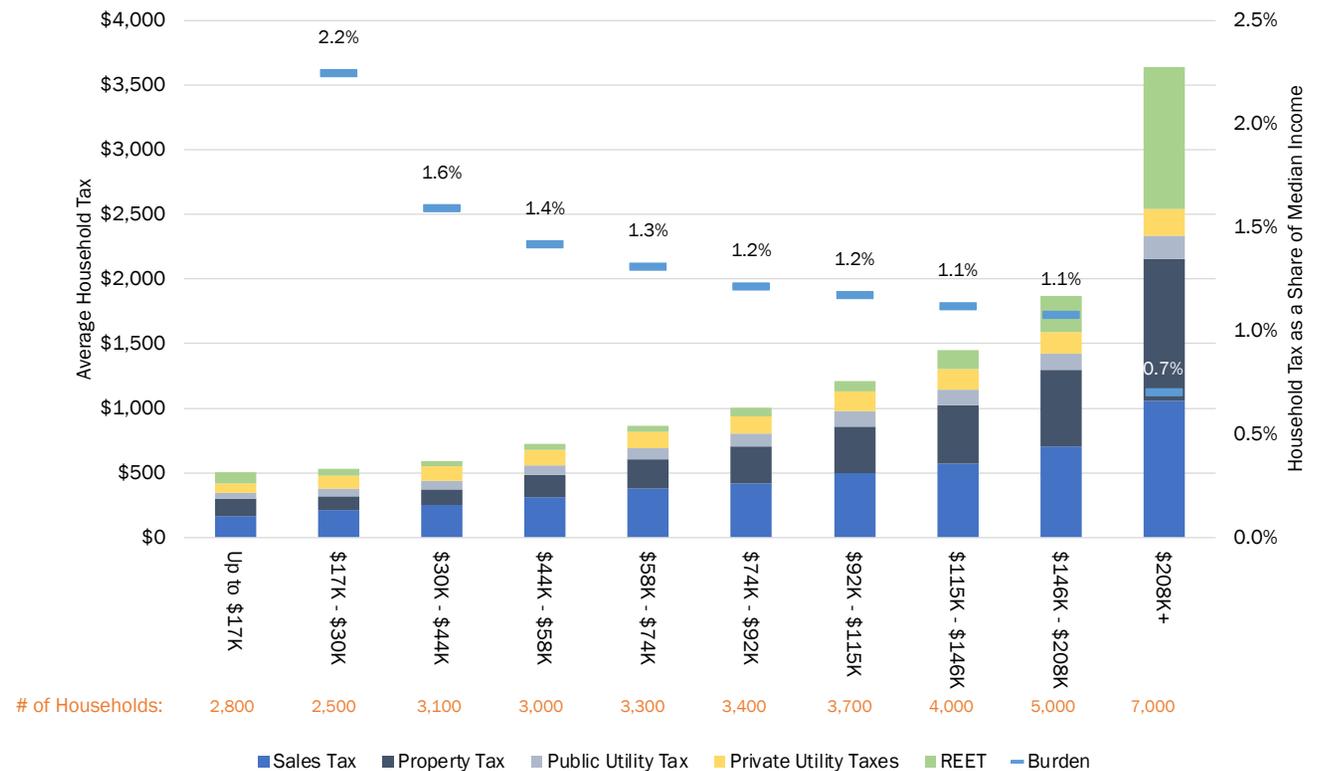
Lower-income households have **3x** the city tax burden of wealthiest households.

2,500 households earning <\$30,000 pay 2.2% of their income in city taxes.

7,000 households earning >\$208,000 pay 0.7% of their income in city taxes.

REET and property taxes are “functionally progressive” taxes in Kirkland.

Kirkland Household Tax Burden, 2020



Source: City of Kirkland, Washington Department of Revenue. ECONorthwest Analysis.

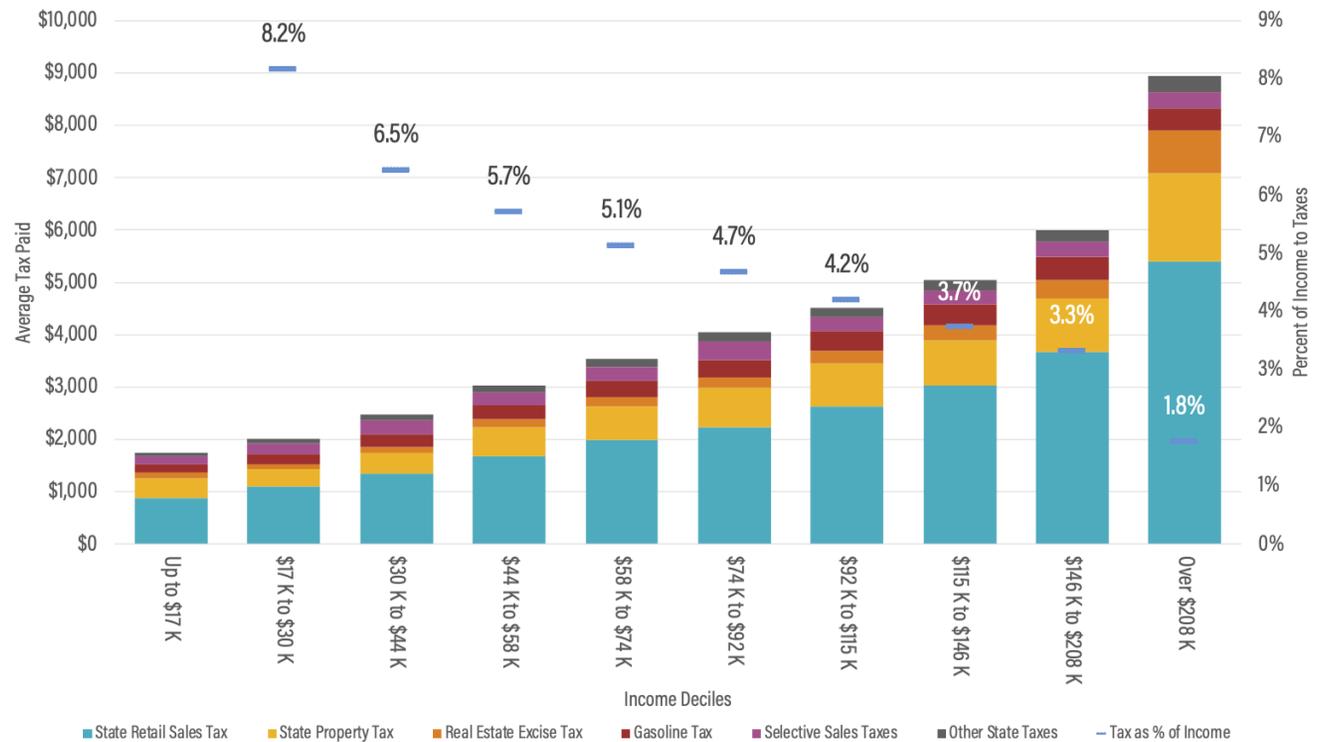
Household Tax Burden: State

Lower-income households have 4-5x the state & city tax burden of the highest income households.

2,500 households earning <\$30,000 pay over 10% of their income in state & city taxes.

7,000 households earning >\$208,000 pay only 2.5% of income in state and city taxes

Washington State Household Tax Burden, 2020



Source: Washington Department of Revenue.

Business Tax Incidence and Burden



Business License Fee Overview

Kirkland has more licensed businesses, more FTEs, and collects more fee revenue than two years ago.

Kirkland business license fee = \$100 + revenue generating regulatory licensing (RGRL fee) of \$105 per FTE. Also called a “head tax.”

Fee exemptions: nonprofits, public entities, and entities with <\$12,000 in gross income.

Kirkland Businesses, Pre- and Post-Pandemic Points in Time

	December 2019	March 2022	Percent Change
Number of business entities	9,500	11,700	23%
Number of FTEs	38,700	47,000	21%
Total Gross Income	\$13.1 billion	\$16 billion	22%
Estimated fees	\$3.8 million	\$4.7 million	24%
Percent exempt from RGRL fees	36%	37%	3%
Percent home-based	30%	23%	-24%
Percent Kirkland-based	61%	57%	-7%

Source: City of Kirkland, Washington Department of Revenue. ECONorthwest analysis.

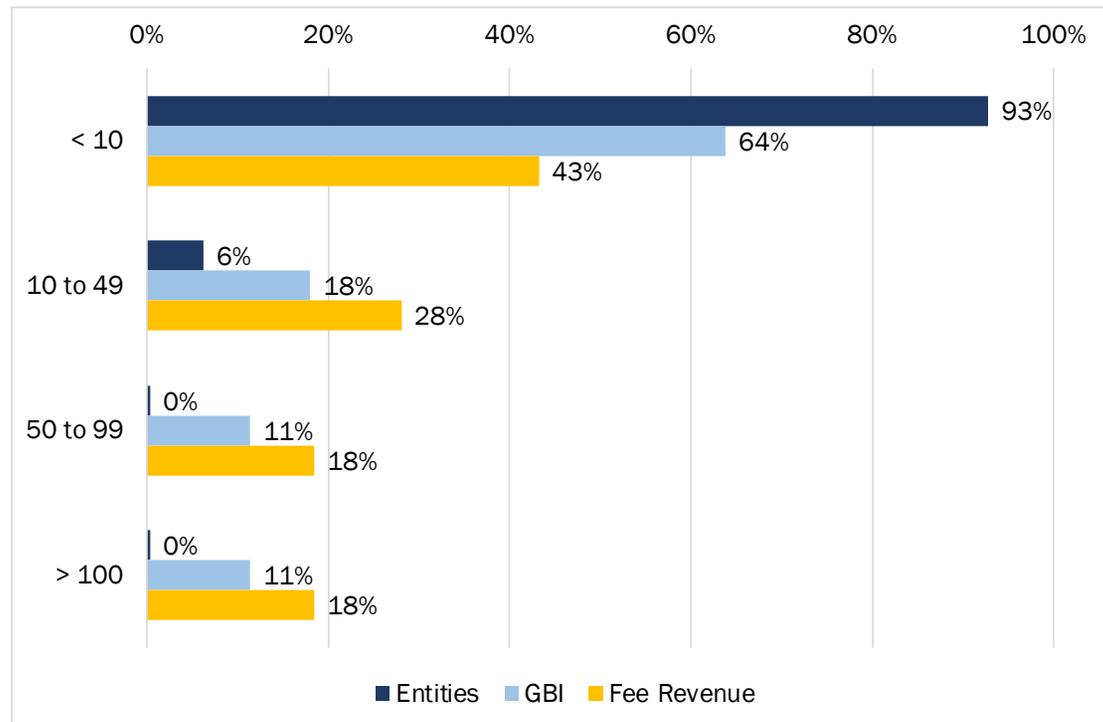
Business License Fee Incidence: By FTE Size & Income

Of ~11,700 licensed entities:

- 10,900 have <10 FTE
- 700 have 10 - 49 FTE
- 80 have 50 - 99 FTE
- < 40 have 100+ FTE

Businesses with < 10 FTE earn 64% of income and pay 43% of fees.

Shares of Entities, Gross Income, and Business Fee Revenue by Full Time Equivalent (FTE) Size



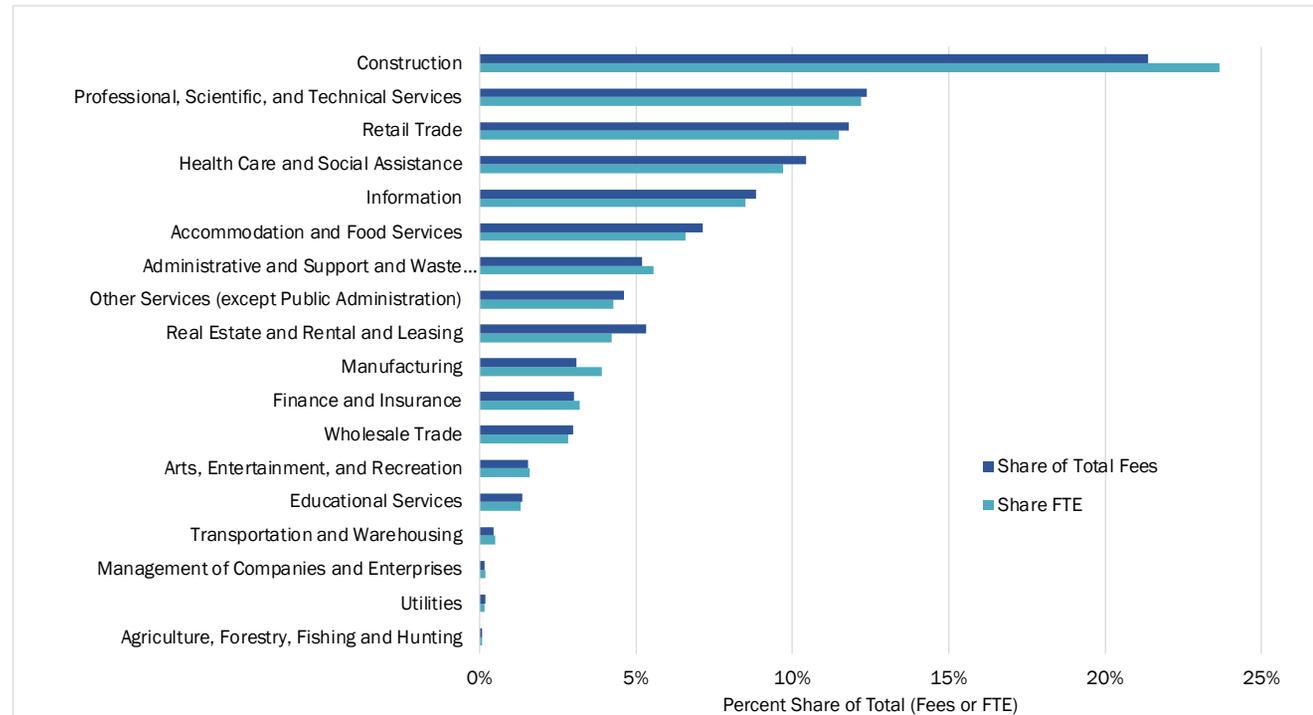
Source: City of Kirkland, Washington Department of Revenue. ECONorthwest analysis.

Business License Fee Incidence and FTEs by Sector

Sector Shares of Estimated Fees (as of March 2022) and FTEs

Because of the RGRL (“head tax”), the largest fee payors are the largest employing private industry sectors:

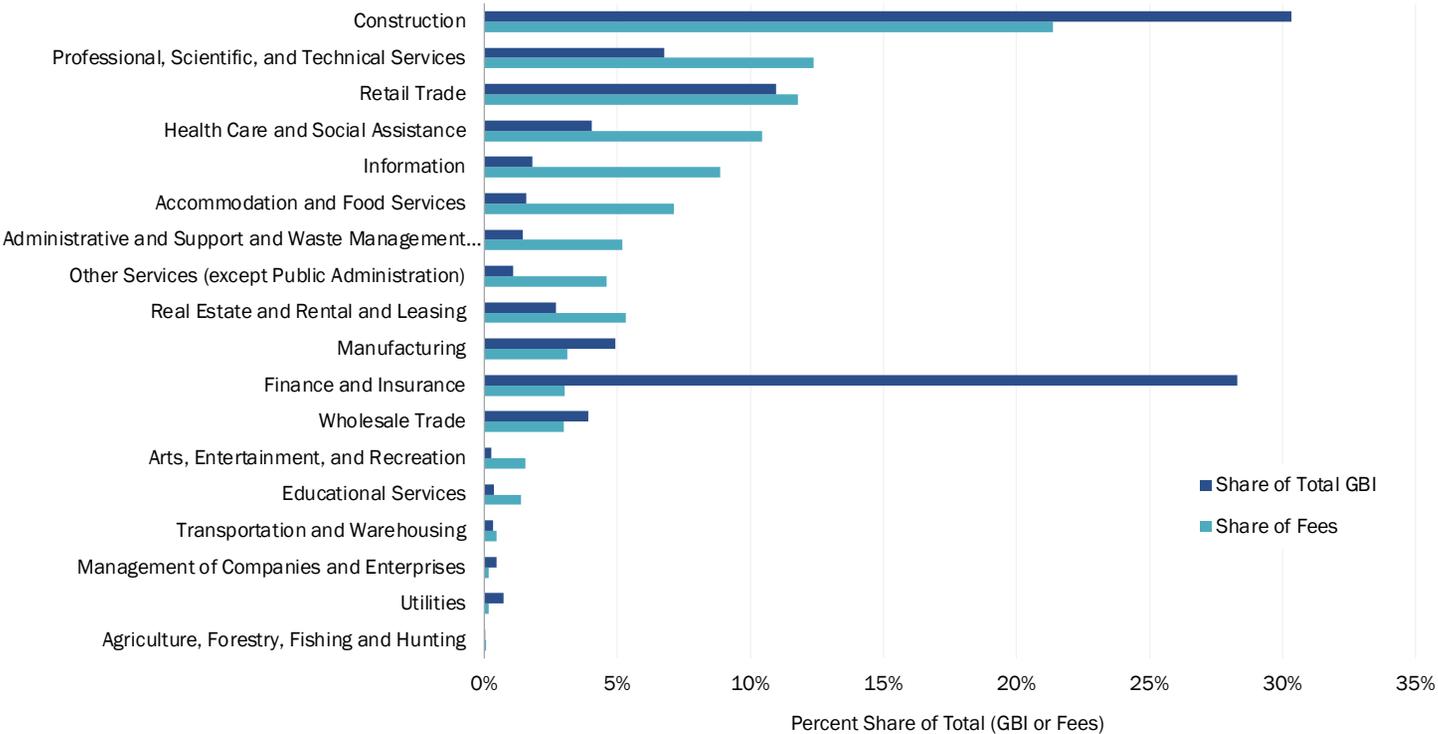
1. Construction
2. Professional, Scientific, and Technical Services
3. Retail Trade



Source: City of Kirkland, Washington Department of Revenue. ECONorthwest Analysis.

Business Tax Incidence and Gross Income by Sector

Sector Shares of Gross Income and Fees (as of March 2022)



Two of the top three employers also have the highest gross income. The Finance & Insurance sector has a much greater share of gross income than they pay in fees, due to the low number of FTEs.

Largest sectors, by gross income:

1. Construction
2. Finance & Insurance
3. Retail Trade

Business Tax Burden by Income Decile

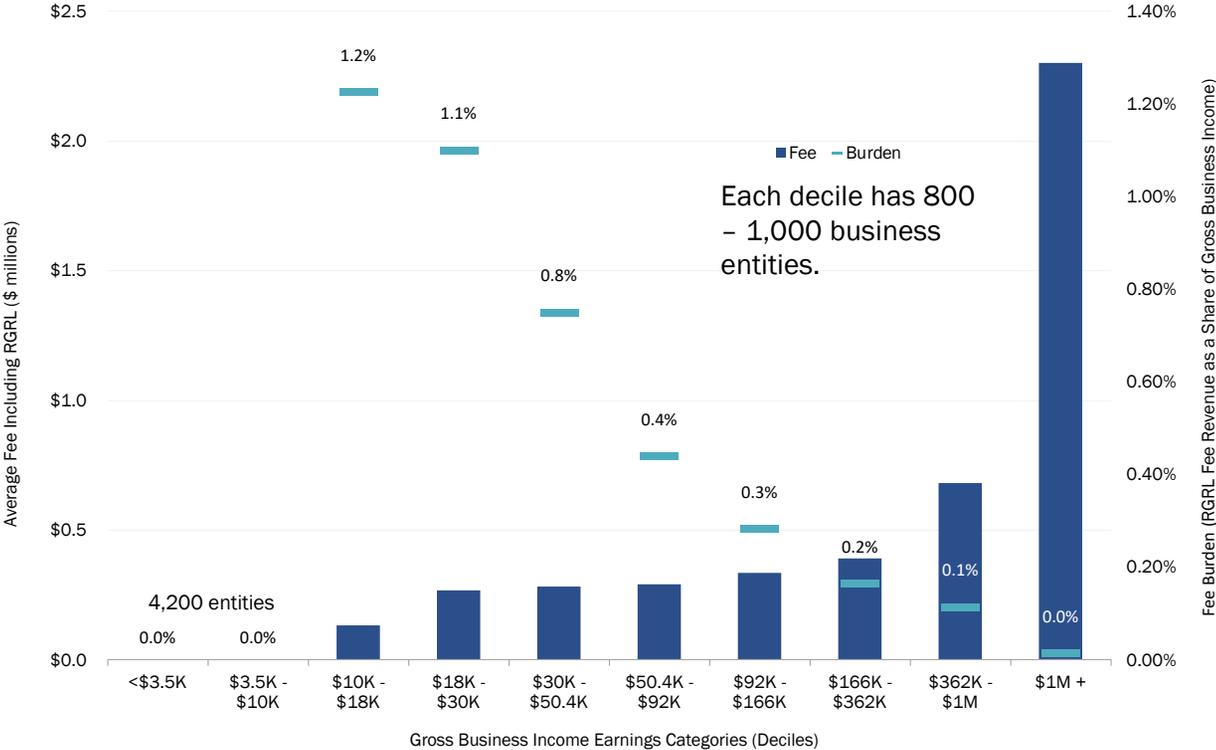
Business fee burden decreases as gross business income rises.

~4,200 entities are exempt from fees because their gross income is <\$12,000.

~1,800 entities earning between \$10,000 and \$30,000 pay 1%+ of GBI in business fees.

~1,000 entities earning \$1 million in gross business income (GBI) pay 0.01% of GBI in business fees.

Kirkland City Business License Fee Burden by Gross Income Decile





Revenue Options

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Revenue Evaluation Framework

- Options were identified in the FY 2020 memo to Council.
- Evaluation framework includes considerations related to revenue potential, stability, equity, ease of administration, and potential to impact behavior.
- Primary goal is **revenue potential**.

Revenue Options

The following revenue alternatives were included in a 2020 memo to City Council as potential options to address the City’s structural deficit. ECONorthwest evaluated these options for considerations related to adequacy, stability, equity, ease of administration, and efficiency (potential to impact behavior).

Option	Goal
1. Increased or Staggered RGRL	Raise revenue and make more progressive.
2. Maximize REET for Street Fund	Address Street Fund deficit, free up general property tax revenues.
3. Implement Paid Parking Downtown	Generate revenue for Street Fund.
4. School Zone Safety Cameras	Expand to two locations to increase safety and support Safe Routes to School.
5. Parks Cost Recovery Improvements	Continue to improve cost recovery and implement cost recovery model.
6. Special Events Cost Recovery	Improve cost recovery and equity of special events fees.
7. Development Fee Cost Recovery	Improve cost recovery of development fees.
8. Implement Transportation Benefit District	Raise revenues to pay for Safe Routes to School projects and transportation master plan priority projects.

Key to Revenue Evaluation

KEY

	Annual General Fund Revenue Potential 	Stability 	Equity 	Ease of Administration 	Potential Impacts on Behavior 
HIGH RATING <i>Better</i>	\$1 million + 	Stable: Year over year rate of change of <5% or projected to grow 	Likely improve equity; relatively easy to implement equitably 	Easy to implement (progress underway), resources, info, and public buy-in feasible 	Positive impacts on behavior, or neutral 
MEDIUM RATING <i>Mixed/ Neutral</i>	\$500,000 - \$1 million 	Moderately unstable: Year over year rate of change of 5-10% or projected to decline 	Potential for equity concerns but City can mitigate inequitable outcome 	Requires effort to implement but City has needed info or resources 	Potential to impact behavior, but City can take steps to alleviate concerns 
LOWER RATING <i>Worse</i>	< \$500,000 	Highly unstable: Year over year rate of change of 10%+ 	Significant concerns result in less equity than baseline; concerns difficult to overcome 	Requires significant effort, analysis, or cost to implement & possibly a public campaign 	Likely to lead to unwanted behavior changes 

Revenue Option 1: Business Fee (Increased/Staggered RGRL)

	Annual General Fund Revenue Potential	Stability	Equity	Ease of Administration	Potential Impacts on Behavior
HIGH RATING <i>Better</i>	\$1 million + 	Somewhat stable. RGRL historical rate of change is 7% from 2013 - 2021. 	Increasing the GBI exemption will help businesses with small margins.... 	Councilmanic but may require comprehensive public process. 	May lead to behavior changes with regard to operations or growth decisions. 
MEDIUM RATING <i>Mixed/Neutral</i>	Changes to business fees could generate \$750,000 to \$1.3 million per year. 	Moderately unstable: Year over year rate of change of 5-10% or projected to decline 	Potential for equity concerns but City can prevent inequitable outcome 	Requires effort to implement but City has needed info or resources 	Potential to impact behavior, but City can take steps to alleviate concerns 
LOWER RATING <i>Worse</i>			...but there will be winners & losers under each scenario.		

Scenario Summary

Baseline fee: \$100 base fee plus RGRL of \$105 per FTE (full-time equivalent employee)
Baseline exemption: entities earning < \$12,000 in GBI

Scenario 1 is an across-the-board increase to \$125, no change to exemption.

Scenarios 2 – 4 are staggered based on FTE size, no change to exemption.

Scenario 5 increases the GBI exemption to \$25,000 and increases RGRL to \$145.

Scenario	Revenue
#1: Increase RGRL to \$125, regardless of FTE	\$748,000
#2: Increase RGRL to \$140 for 10+ FTE businesses only	\$859,000
#3: Increase RGRL to \$210 for 100+ FTE businesses only	\$861,000
#4: Staggered RGRL increase; \$150 for 50 - 99 FTEs, and \$210 for 100+ FTEs	\$861,000
#5: Raise exemption to \$25K GBI; increase RGRL to \$145 for all businesses	\$1,250,000

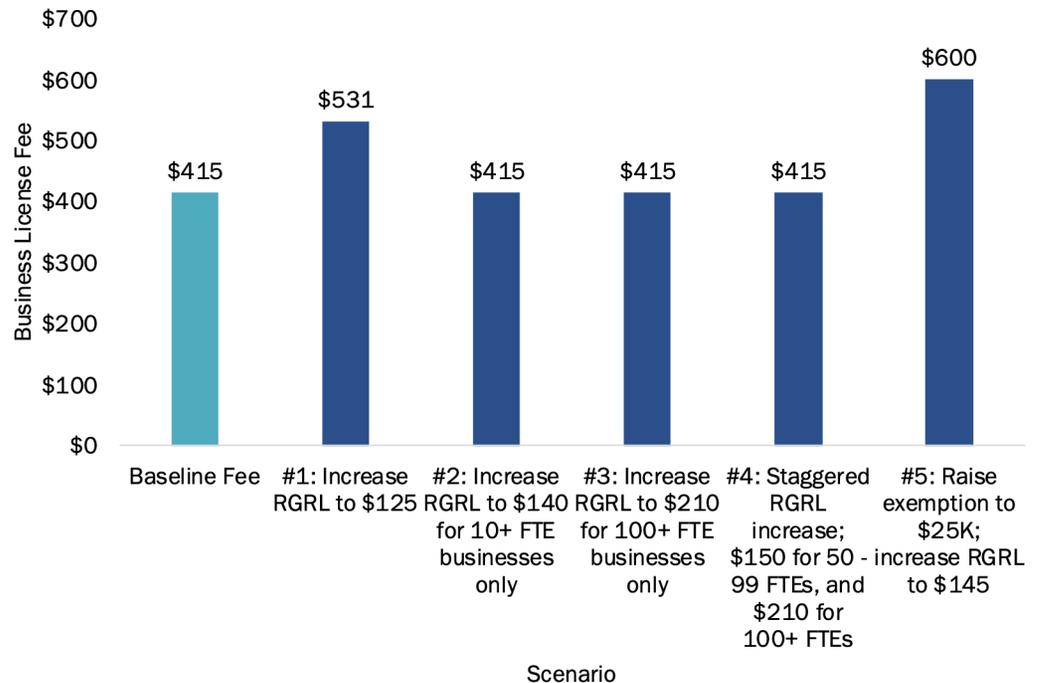
Impacts to Small Restaurants

Scenarios 1 and 5 would impact a restaurant with 10 or fewer FTE.

“Typical” restaurant with 10 or fewer FTE:

- 3 FTEs
- GBI of \$150,000
- Fee of \$415

Estimated Fees for Kirkland Restaurants with 10 or Fewer FTE



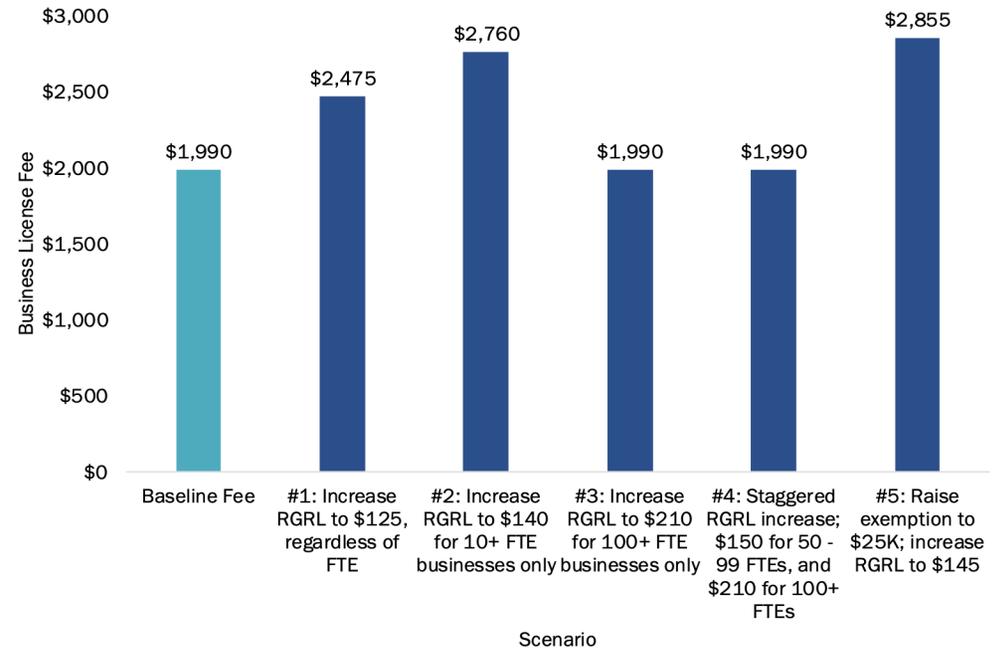
Impacts to Larger Restaurants

Scenarios 1, 2, and 5 would impact a restaurant with more than 10 FTE.

“Typical” restaurant with >10 FTE:

- 19 FTEs
- GBI of \$1.4 million
- Fee of \$1,990

Estimated Fees for Kirkland Restaurant with >10 FTE



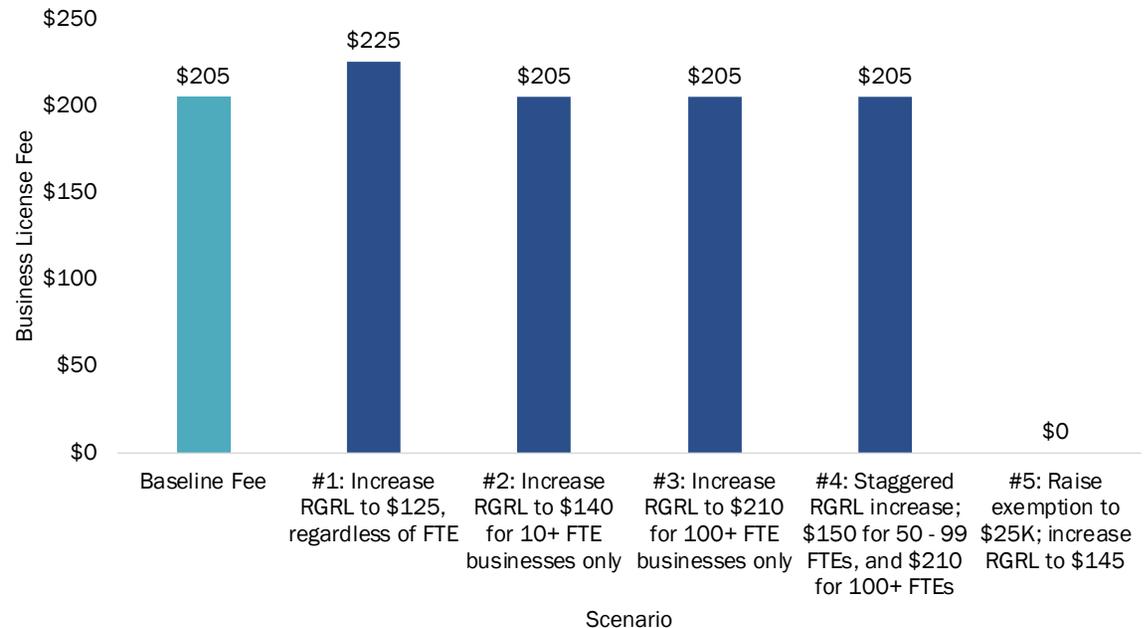
Impacts to “Typical” Retailer

Scenario 1, an across-the-board increase, is the only one that would impact the typical Kirkland retail entity. This retailer would be exempt under Scenario 5.

“Typical” retailer:

- 1 FTEs
- GBI of \$16,500
- Fee of \$205

Estimated Fees for “Typical” Kirkland Retailers



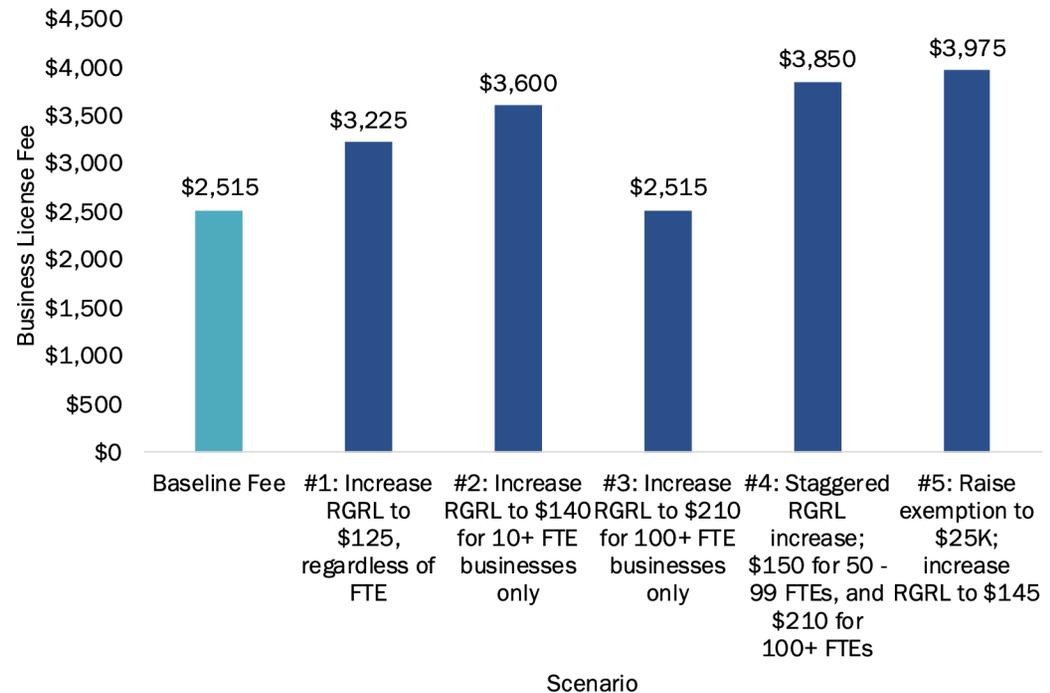
Impacts to “Typical” Larger Retailer

Scenarios 1, 2, 4 and 5 would impact a retailer with more than 10 FTE.

“Typical” retailer with >10 FTE:

- 25 FTEs
- GBI of \$5.8M
- Fee of \$2,515

Estimated Fees for “Typical” Retailer with >10 FTE



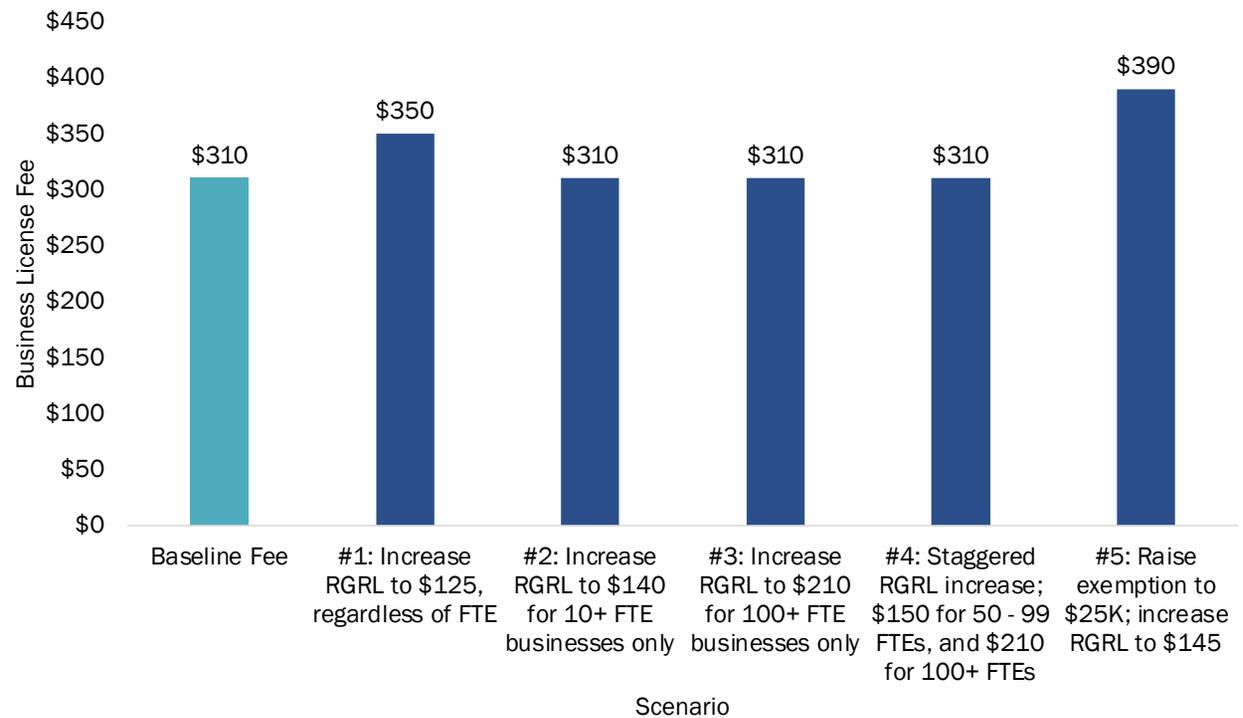
Impacts to “Typical” Daycare

Scenarios 1 and 5 would increase fees for businesses regardless of FTE count. The “typical” Kirkland daycare has 2 FTEs.

“Typical” daycare:

- 2 FTEs
- GBI of \$98,000
- Fee of \$310

Estimated Fees for “Typical” Kirkland Daycares



Revenue Option 2: Maximize REET for Street Fund

	Annual General Fund Revenue Potential	Stability	Equity	Ease of Administration	Potential Impacts on Behavior
HIGH RATING <i>Better</i>	 \$1 million +   	 Stable: Year over year rate of change of <5% or projected to grow   	 REET is a progressive revenue source.	 Easy to implement (progress underway), resources, info, and public buy-in feasible   	 Positive impacts on behavior, or neutral   
MEDIUM RATING <i>Mixed/ Neutral</i>	\$205,000 (REET 1 only) - \$1.2 million (REET 1 & 2)	REET use is capped at \$1M per REET stream.	Potential for equity concerns but City can prevent inequitable outcome  	This is a budget maneuver / decision. The public will not "feel" this.	Improved condition of sidewalks and medians may encourage walking.
LOWER RATING <i>Worse</i>			Maintenance flexibility competes with affordable housing use.		

Revenue Option 2: Maximize REET for Street Fund

Maximizing REET 1 only for street maintenance funding could free up \$251,000 for the general fund.

Maximizing both REET 1 and REET 2 could free up \$1.2 - \$1.6 million for the general fund (depending on Street Fund deficit calculation).

The City may wish to consider reserving part of REET 2 flexibility for other uses such as affordable housing.

Maintenance Flexibility Expenditures and Balance, Scenarios

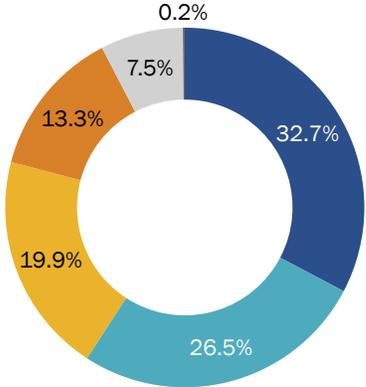
	Scenario 1	Scenario 2	Scenario 3
Maximum REET 1 Flexibility	\$1,000,000	\$1,000,000	\$1,000,000
Ongoing Maintenance	-\$263,500	-\$263,500	-\$263,500
Average Street Fund Deficit	-\$485,497	-\$485,497	-\$147,363
REET 1 Flexibility Balance	\$251,003	\$251,003	\$589,137
Maximum REET 2 Flexibility	\$0	\$1,000,000	\$1,000,000
Other Allowable Expenditures	-\$1,000,000	\$0	\$0
REET 2 Flexibility Balance	\$0	\$1,000,000	\$1,000,000
Combined Balance (for General Fund Supplant)	\$251,003	\$1,251,003	\$1,589,137

Revenue Option 3: School Zone Safety Cameras

	Annual General Fund Revenue Potential 	Stability 	Equity 	Ease of Administration 	Potential Impacts on Behavior 
HIGH RATING <i>Better</i>	\$1 million + 	...But revenues are expected to decline as driver behavior adjusts.	Fines are fees & are regressive.	Easy to implement (progress underway), resources, info, and public buy-in feasible 	Positive impacts on behavior, or neutral 
MEDIUM RATING <i>Mixed/ Neutral</i>	Expansion could generate as much as \$1.5 million per year.	Highly unstable: Year over year rate of change of 10%+ 	Potential for equity concerns but City can prevent inequitable outcome 	City has successfully implemented already. Ongoing costs are minimal.	Evidence program has slowed drivers in school zones. Small potential to increase traffic on streets without cameras.
LOWER RATING <i>Worse</i>			...But the City can help mitigate this.		

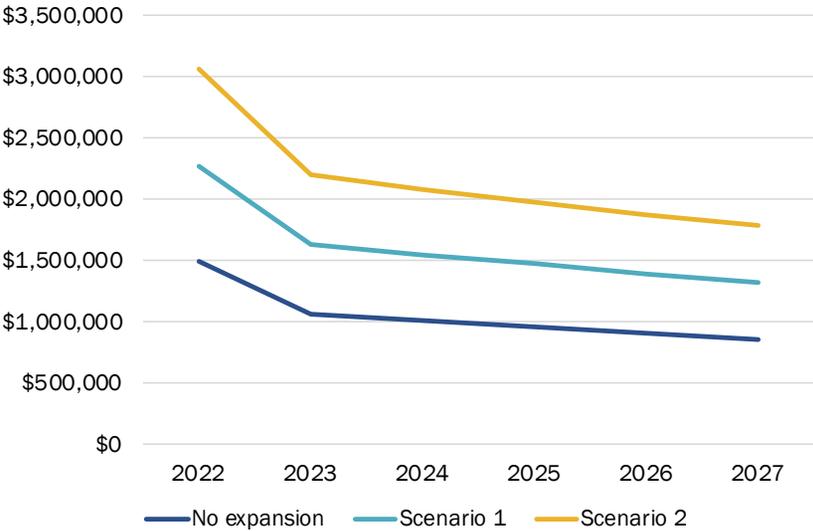
Revenue Option 3: School Zone Safety Cameras

School Zone Safety Camera Program Expenditures, 2021



■ Safe Routes to Schools
 ■ Net YTD Balance
 ■ Vendor Contract
■ Officer
 ■ Court
 ■ General

Projected School Safety Zone Camera Program Revenue, 2022-2027



Source: City of Kirkland. ECONorthwest analysis.

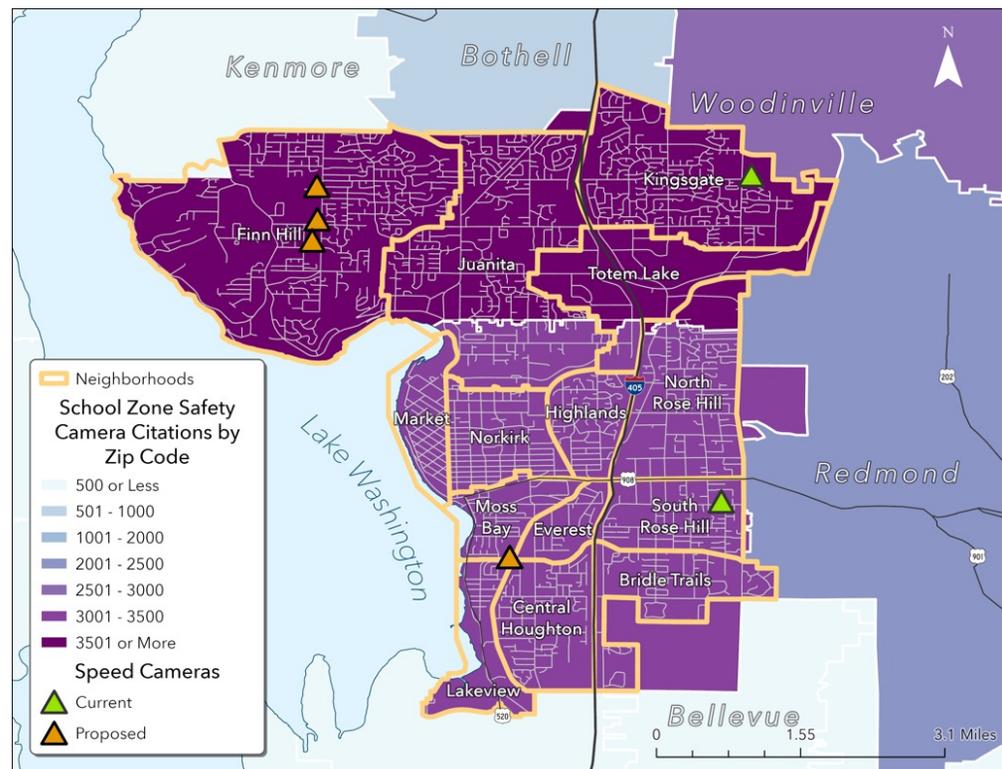
Revenue Option 3: School Zone Safety Cameras

Map of School Safety Zone Camera program
Citations by Zip Code, 2019-2022 YTD

The majority of citations are issued to non-residents.

North Kirkland (98034) has the largest number of citations.

Largest share of ticketed drives come from Woodinville to the northeast (98072).



Source: City of Kirkland. ECONorthwest analysis.

Revenue Option 4: Transportation Benefit District (TBD)

	Annual General Fund Revenue Potential	Stability	Equity	Ease of Administration	Potential Impacts on Behavior
HIGH RATING <i>Better</i>	\$1 million + 	Stable: Year over year rate of change of <5% or projected to grow 	Likely improve equity; relatively easy to implement equitably 	Priority projects and estimated costs are already identified.	Positive impacts on behavior, or neutral 
MEDIUM RATING <i>Mixed/Neutral</i>	The TBD could generate \$1.3 million for 1-2 years, increasing thereafter, for transportation projects and maintenance (not the general fund).	Dedicated funding source for transportation related projects.	Funding for priority transportation projects that improve safety and benefit populations that rely on walking, biking, and public transport.	Requires effort to implement but City has needed info or resources 	Unlikely to impact behavior in terms of car ownership. However, safety improvements may incentivize more non-car transportation.
LOWER RATING <i>Worse</i>				But this requires new business function (collecting car tabs).	

Questions? Comments?
Thank you!

ECONorthwest
ECONOMICS • FINANCE • PLANNING



Los Angeles



Portland



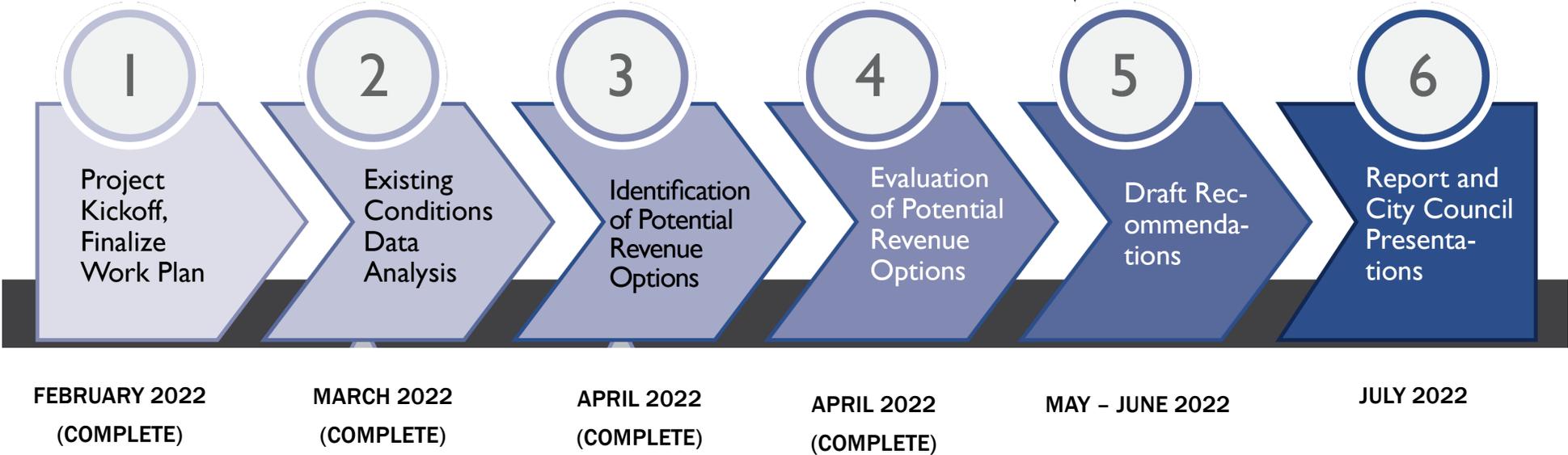
Seattle



Boise

Revenue Study Project Schedule

We are here in the schedule



Appendix: Business Tax Burden by FTE Size

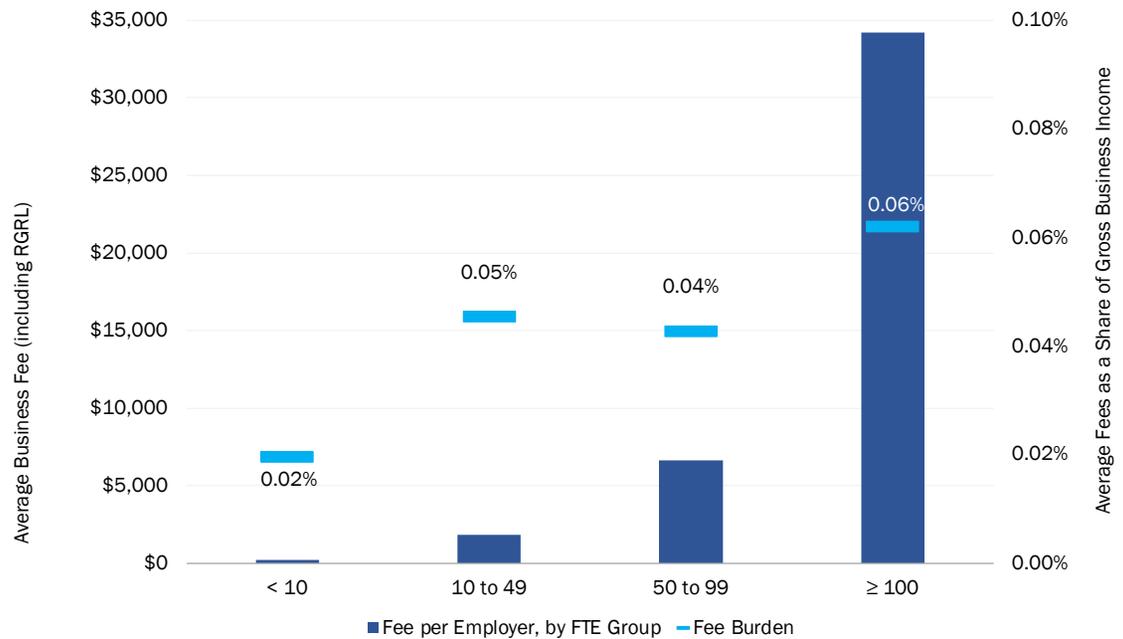
Business fee burden (kind of) increases as FTE count rises.

Fees are lower & less burdensome to 10,900 entities with <10 FTEs.

Burdens slightly higher for the 700 entities with 10-49 FTEs than for the 80 entities with 50-99 FTEs.

Burden is highest for the <50 entities with 100+ FTEs.

Kirkland City Business Fee & Revenue Generating Regulatory License (RGRL) Burden by Number of FTEs



Source: City of Kirkland, Washington Department of Revenue. ECONorthwest Analysis.

MUNICIPAL PARKING MANAGEMENT SOLUTIONS FINDINGS REPORT | May 2022

Diamond Parking Services for Kirkland, WA



"Family Owned & Operated"

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EXECUTIVE SUMMARY

On March, 23rd, 2022 the City of Kirkland provided a Scope of Work (SOW) to Consultant for completion and delivery in mid May 2022 (SOW included in this report). After receipt of SOW the Consultant proceeded to review the previous report delivered by Consultant to the City of Kirkland in September 2020 for the purpose of evaluating the solutions, technology, parking programs and pricing previously proposed. The SOW provided to the Consultant also requested study regarding the implementation of a potential parking program including the requisite technological needs, suitable equipment for operation, any refinements and/or marketing efforts needed to support the potential roll-out of the proposed parking program, and the resulting financial results potentially derived from the implementation of said program.

In the ensuing report, Consultant provides a review of the initial report from September 2020 with any needed adjustments to those recommendations. Consultant then separates the applicable parking programs identified within the SOW into individual segments of the overall proposed parking program and addresses the questions regarding equipment/technology, refinement/marketing and financial results for each segment. At all times Consultant conducts the analysis of these segments with the Guiding Principles of the City of Kirkland, as outlined in the Department of Public Works Pre-Approved Plans Policy (09/2017), in mind. While these principles do not specifically delineate certain segments contained within this report, these principles were assumed to apply to all segments analyzed.

The only adjustments to the original report delivered in September 2020 deemed to be applicable were the alteration of the monthly fee (increased to \$75 from the original \$50 rate) for a permit within the Downtown Employee Parking Program (DEPP) and the recommendation to include some paid parking within the Wester lot based upon downtown parking volume as well as to support the overall strategy of the aggregated parking program as proposed. The remaining recommendations within the report were deemed to still be applicable to the Guiding Principles referenced above as well as to the current parking environment observed in the City of Kirkland in 2022. The technology solutions proposed to accomplish the recommendations cited within the original report have been augmented so as to meet the expanded SOW provided in March 2022 upon which this report is based.

Consultant has recommended a blending of technologies to accomplish the vision and goals contained within both the Guiding Principles of the City of Kirkland as well as the directives contained within the current SOW. In order to accomplish these directives Consultant recommends only utilizing technology that supports an open API architecture, possesses the necessary security protocols to meet all PCI-DSS security standards, allows for clear communication for all stakeholders, aggregates the data gathered in useful and easily managed program while providing a seamless user experience to the community. The utilization of technology from Flash Parking, Spot Parking, Frog Parking, MacKay Meters, PayByPhone and ParkMobile (or like technology meeting criteria listed) would be suitable to execute on this program as described. All estimated revenue projections for each segment of the parking program are listed below and if all segments of the program are instituted as recommended by the Consultant with no deviations, it is estimated that implementation would result in the generation of approximately \$6,400,000 annually for the City of Kirkland. This estimate does NOT include any revenue generated for the issuance of parking citations. The initial capital cost for implementation of the parking program as proposed would be \$1,193,000.

SCOPE OF WORK

Provided by City of Kirkland



SCOPE OF WORK (SOW) Provided by City of Kirkland

Scope of Parking Program Potential Revisions

Presently, the City does not charge for parking at its municipal garage, and charges only a modest amount at certain City-owned surface parking lots downtown. At those surface lots, the City uses six pay stations by Cale and a mobile-based app by PayByPhone as methods for payment. All six Cale pay stations accept credit cards and two of the six accept coins and bills.

While the City is discussing parking at City-owned facilities broadly, data and analyses should be organized in discrete elements. For policy or other reasons, the City initially may choose to implement only one or two elements. Logically, were the City to begin, say, to charge for on-street parking but keep the garage free, that could raise some issues at the garage. However, the data and analyses should be organized into the following major elements:

- The municipal garage
- City-owned surface lots in the downtown area
- On-street parking in the downtown area
- The downtown employees parking program
- Parking lots in waterfront parks (downtown parks and Juanita Beach Park)

For each major element, the City is seeking recommendations on: 1) rates, 2) program refinements, 3) technology, and 4) marketing. These recommendations should document how they are consistent with the Guiding and Operating Principles described in Kirkland Public Works General Policy G-11, "Parking Guidelines for Downtown Kirkland." The City also is open to discussing how the Guiding and Operating Principles G-11 may need to be updated to implement the recommendations.

Parking Rates

Diamond Parking Services conducted a parking rate analysis for the City in 2020. We ask that Diamond review that analysis and identify any revisions/updates it recommends, if any.

That previous study did not analyze and recommend parking rates for waterfront parks because that was not part of the scope of work at that time, though we will need recommended rates for them for May 26. The Guiding and Operating Principles in G-11 are directed to downtown Kirkland and do not apply directly to the waterfront parks, but similar issues should be addressed as part of the recommendations.

The City continues to be interested in correlating rates to the City's downtown parking zones, and to seasonality and demand management.

SCOPE OF WORK (SOW) Provided by City of Kirkland (cont.)

Program Refinements

Were the City to begin charging for parking at the municipal garage, there may be recommendations about how to better manage general parking and the employee downtown parking program. There also may be recommendations about regular maintenance enhancements that can or should be made, either by the City or another entity.

The City is seeking recommendations about modernizing the downtown employees parking program. The City wants to maintain the program in concept, but it may be past time to charge something—but not too much—for this program. The City currently is upgrading the permit management software for the downtown employees parking program. The existing software was developed by the City and is no longer supported, so the City is looking to procure a new system that will allow us to manage—and potentially charge—as part of the program. The City also would like this software to be able to handle other parking management needs, such as existing and future residential parking zones and other parking permit applications.

There also is the possibility, but not yet the decision, that the existing community center complex east of the municipal garage may be redeveloped, perhaps with the site development expectation that the garage may be used for some of the parking needs for the redeveloped complex.

Enforcement

The City anticipates that if it moves to more paid parking then enforcement needs will increase. The City would welcome any observations or experienced-based recommendations about this issue.

Technology

The City's aim is to have reasonable but not state-of-the-art technology for its program. While the City is aware of certain smart phone technologies or ceiling lights indicating garage space availability, the cost of the technology itself, maintenance, not to mention certain retrofit costs does not seem prudent at this time.

An equity issue that merits further discussion with Diamond is how to address the needs of those customers who do not have or cannot obtain credit cards.

Marketing

The City would like to explore opportunities for developing marketing concepts for increasing patron convenience and City lot usage. This could be with nearby private businesses and attractions and City venues, such as the Kirkland Performance Center. The City also would like to promote the use of online payment-based systems because this simplify maintenance and payment administration.



REVIEW OF INITIAL FINDINGS

From Report Delivered Sept 2020



REVIEW OF INITIAL FINDINGS | From report delivered by Consultant, Sept 2020

The following is a summation of the findings from the report delivered by Consultant in September 2020. While reviewing these findings and correlating to current market metrics we determined that all market rate recommendations contained herein, with the exception of, the rate charged for the DEPP program, were still accurate. In addition, the implementation of the rates per Zone, as delineated, still reflect the views of Consultant regarding the potential implementation of a paid parking program that would be in-line with the Guiding Principles of the City of Kirkland as outlined in the Department of Public Works Pre-Approved Plans Policy (09/2017). Based upon market analysis we feel that the DEPP program should institute a price point of \$75 per permit per month. Consultant revisited all technology proposed in Consultant's 2020 report and evaluated the efficacy of the technology proposed regarding the current Scope of Work (SOW) provided. As a result, Consultant has determined that there is a more suitable suite of technological solutions available at this time which will more closely encompass all the delineated needs of the SOW as written. Those recommendations will be included in the applicable sections of this report.

Analysis of Zones

In conjunction with the designation of the affiliated Parking Zones, as defined by the Department of Public Works Pre-Approved Plans Policy (09/2017) and its affiliated Guiding Principles, we believe that instituting a tiered parking system encompassing both paid and timed enforced parking within applicable Zones will lead to a more efficient parking management plan that is in-line with the Guiding Principles in the aforementioned policy. The integration of the suggested on-street pricing tiers in Zones A, B, C, D and E along with the suggested structure of (and price point for) the Employee Parking Permits in Zones B and F will allow for the ability to handle the current parking needs for the businesses, allow for readily available parking for community uses and provide designated parking for employees of the downtown core business.

By implementing a tiered pricing system (pricing based upon seasonality and/or event basis) within Zone A, the city can further accomplish its goal of utilizing its parking to supplement the economic growth of businesses located therein, while providing ample access to parking for customers, visitors and constituents of the community. Implementing a higher initial hourly price point in Zone A than in Zones C, D and E will help to drive those who need to park for longer durations outside of the immediate core business area. This frees up Zone A parking for the goals listed. Further, by creating a "seasonal" tier to the on-street pricing you not only help to drive the longer-term parkers to Zones more suitable to their intended uses, but you also help to maintain the 85% guideline referenced in the City of Kirkland's parking plan by reacting to the "supply and demand" mandate.

Zone B is limited in its on-street parking supply and since it directly abuts Zone A (and has many of the same business/tenant attributes) it should be managed in the same manner as Zone A. The bottom levels of the Municipal Garage and any excess City Hall parking availability should be allocated to the Downtown Employee Parking Program (DEPP). Consultant recommends that any Wester lot parking not allocated for DEPP use should be priced as On-Street parking correlated to nearby Zone A pricing. We also recommend that the DEPP program be offered for \$75 per month and solely to employees of businesses located within the applicable Zones that have less than 100 total full-time employees (FTEs). This ensures that the parking is made available for those who most need it, creates a resource for the businesses in these Zones and promotes a vibrant business community. Charging a monthly fee for these permits encourages those utilizing this service (the employees and businesses in these Zones) to respect the parameters of the program. It also represents an active step to ensuring that only those who should be using the employee parking areas are using those areas. Finally, this system helps to place parkers in spots that are more suitable for their intended uses i.e. long-term parking in the DEPP spaces or garages rather than on-street spaces. The funds generated would help to offset the costs of management and should result in a revenue neutral program.



REVIEW OF INITIAL FINDINGS | From report delivered by Consultant, Sept 2020 (cont)

Zone C is a transitioning Zone with a mixture of different business uses as well as a community park and amenities that are utilized by constituents on a highly seasonal basis. The availability of on-street spaces is rather limited and its location in relation to Zones A/B is such that we recommend charging per hour for the on-street portion albeit at a lower rate than in Zones A/B. This process aligns with the stated goals and guidelines of the original parking plan by allowing for the transition to shorter term parking (to support high turnover for retail uses) while retaining the ability to have longer term parking as necessary. The presence of off-street parking within this Zone further allows for ample constituent parking. We do not recommend that any portion of this Zone be utilized for the DEPP program at present, however, it may be a consideration in the future.

Since the latest revision to the Department of Public Works Pre-Approved Plans Policy (09/2017) Zone D has undergone significant change and is still in the process of development. Previously this Zone was designated as an accessory parking Zone where parking was intended to serve the needs generated from a specific site. Given the development within this Zone and the high likelihood that tenant parking within these developments will be overparked, it is likely that parking demand will overflow onto the city streets. The additional retail demand created within this Zone (restaurants, high volume grocery stores and entertainment concepts) will put further pressure on the available parking supply. As such, we recommend instituting an hourly paid program on the northern end of Zone D (north of 85th St) while enforcing a 4-hour time restriction on the southern end of Zone D (south of 85th St). This will encourage employees and tenants of surrounding businesses to park within their affiliated parking structures whenever possible, while also providing some flexibility for the enterprise level business tenants for occasional overflow event or meeting parking. We do not recommend allowing any DEPP parking in this Zone at this time.

Zone E is also a transitional parking Zone that has seen increased density in recent years. While it does not have the density of Zone A, the makeup of its current business mix, along with its proximity to Zones A/B and the high volume of Marina parking, dictates a need to encourage short term parking for business viability. In addition, by enacting a minimum hourly rate for the on-street parking in this Zone you will create continuity of program thus making policy communication to stakeholders easier (and enforcement by current personnel more efficient). We do not recommend allowing any DEPP parking in this Zone at this time.

Zone F is primarily designated as having residential and DEPP program parking. Even still, we see increased usage in this Zone based upon further development in the surrounding Zones and on seasonal traffic. The utilization of residential permits, DEPP program permits and 4-hour time enforced parking regulations should be sufficient to regulate Zone F at this time. This Zone should be monitored and evaluated for additional use in the future.

It is possible that with the implementation of an enhanced paid parking program within the Zones delineated, there may be some residual movement of parkers into the adjacent residential areas. However, based upon the geographical layout of the business district, the Zone parking system, the peak usage timeframes and the psychology of parkers in relation to the acceptance of walking longer distances to destinations, we believe that this effect will be minimal. Even still, it should be considered when implementing a system of this nature. It is advisable that a residential permit program is implemented for any residential areas within 1 block of the neighboring Zones. This will help ensure that residents have ample parking for their vehicles and alleviate concerns of increasing density within the area.

Transitioning to a paid on-street parking program will help to drive economic activity within the city. It will ensure that there is always available parking for all stakeholders and can result in increased retail revenue for effected businesses. It also places end users in the proper spaces/Zones relative to their needs. This will allow for more efficacious enforcement by existing enforcement staff.

REVIEW OF INITIAL FINDINGS | From report delivered by Consultant, Sept 2020 (cont)

Market Rate Implementation

We have provided a market rate recommendation for each Zone/type of parking (listed above) however, we are aware that the City of Kirkland may decide to implement the program at a rate that is below market. As an alternative to an initial market rate implementation the city may choose to discount the parking in each zone by \$1 per hour from the recommended pricing or create a flat rate of \$1 per hour throughout the city to provide a consistent price that is easily communicated to all involved. In addition, the city may make the decision to allow for an initial “free parking” period for each vehicle (1 hour per vehicle per day monitored by license plate) or allow specific businesses to provide a validation for a free period of parking (for a specified period of time) for each of their customers. Any of these options can be implemented and accommodated with the equipment/technology proposed herein. Having said that, it is our recommendation that this program be implemented at market rate (as proposed by Consultant’s 2020 report) with the knowledge that the market rate is an ever-increasing data point so the best policy is to implement “as is” and then make future determinations on pricing based upon the data gathered during the first year of operation.

Final Summation of Initial Findings from September 2020 report

Consultant finds that all recommendations contained in the September 2020 Consultant’s report regarding parking program set-up, communication, roll-out/implementation and pricing structure (with the requisite change to the DEPP pricing referenced herein and the additional Wester lot paid spaces in Zone B) is still relevant to current market conditions. Specific recommendations regarding technology, program marketing and the necessary operational refinements for each individual segment of the parking program have been refined per the listed SOW. These recommendations and the associated financial results for each individual parking program will be described in the following sections.

PETER KIRK MUNICIPAL GARAGE

Assessment



PETER KIRK MUNICIPAL GARAGE | Assessment

The Municipal Garage is located in an area that straddles two distinct parking management areas (Zones A and C). It functions to provide access to visitors of the downtown and employee parking program. The nature of demand around the garage varies widely by time of day, day of week and season.

Operating Principles (Zone B)

Parking in Zone B is intended to serve a balance of long-term and short-term parking needs. It is the City's goal to actively manage Zone B to meet a fluid user demand that changes by time of day and day of week. Over time, Zone B may serve as transitional facilities for increased employee parking as new supply is added to Zone A to accommodate growing and concentrated visitor demand.

- The upper level of the garage is intended to serve customer demand for stays of less than four hours.
- The lower level of the garage is intended to serve employee parking during the main workday (i.e., 5:00am - 5:00pm).
- As Zone B develops, the parking mix can be manipulated to best serve overall demand requirements of Zones A and C.

Pricing Recommendation

- Employee Permit Parking \$75/permit (limited to non-corporate employees of all zones)
- \$3 per hour/ 3-hour maximum stay On-Street Parking
- \$2.50 per hour/ 4-hour maximum stay Municipal Garage (09/1 – 05/1)
- \$3.00 per hour/ 4-hour maximum stay Municipal Garage (05/1 – 09/1)

Parking Zone B serves a balance of long-term and short-term parking needs. As Kirkland continues to develop, Parking Zone B needs to be adjusted to best serve the overall demand requirements of Zones A and C as they continue to mature. As such, we recommend charging \$2.50 per hour with a four-hour maximum stay. Like Parking Zone A, Parking Zone B is a busy area and warrants the same criteria for parking and the same rate structure as Zone A. This will encourage turnover and promote availability of parking spaces to supplement any additional demand coming from parking Zone's A or C. Zone B can also support seasonal pricing. Charging a seasonal rate will generate additional revenue and ensure that the adequate amount of available spaces remain open throughout the year.

Further, we recommend designating a portion of the lower level of the Municipal Garage for employee permit parking. Permits will allow downtown employees to park during the main workday, while freeing up the garage for customer demand on evenings and weekends. This provides an alternative for employees who are accustomed to parking in the surrounding zones during the workday. We recommend that permits be issued with a \$75 monthly fee per permit. Charging for permits not only generates revenue that covers related costs, but it also encourages parkers to respect the rules set out regarding space and time restrictions associated with the permits.

The utilization of a Seasonal Pricing Structure (increase hourly rate to \$3 per hour/ 4-hour maximum) can help to manage the higher traffic during the times of year that the downtown core is being over utilized. This will help create the necessary throughput for the downtown businesses and result in increased retail receipts, proper utilization of public parking and create a symbiotic relationship with private and off-street parking facilities by placing parkers in the proper parking areas for their intended uses.

PETER KIRK MUNICIPAL GARAGE | Assessment (cont.)

Technology Recommendations

After review of the needs described in the SOW for the Municipal Garage, Consultant recommends the use of an automated PARC's system (Parking Access and Revenue Control System) for this facility. The utilization of an automated PARC's program allows for the reduction of human asset labor allocation costs, minimizes on-going maintenance fees associated with manual equipment, provides for an easy-to-use payment/access system for all constituents and allows for the use of validation controls (if needed) for King County Library System. Consultant recommends the use of a PARC's program manufactured by FLASH Parking which is optimized for native, cloud-based payment processing allowing for complete compliance with all PCI-DSS industry standards thus reducing the risk associated with payment processing. This system would work in conjunction, via an open API architecture, with the technology proposed for the subsequent parking Zones/segments/programs delineated in the SOW. This will allow for full integration with the Spot Technology program as well as the Frog Parking digital signage programs recommended for this garage. Frog Parking would work in conjunction with the Flash system to track all vehicle volumes and relay to a digital reader board illustrating real-time parking availability within the parking structure. This information will also feed into the Spot Technology program to provide for consumer visibility of real-time parking availability via an app-based program. The Spot Technology program will also aggregate all data generated by each of the technologies proposed within this report to allow for instant visibility by administrative staff to all segments of the associated parking programs.

Refinement Recommendations

The parking facility will need structural improvements and the Consultant did not assess the nature and extent of the structural improvements required. Regarding the parking assessment and recommended parking technologies described above, the Consultant recommends providing an improved signage/wayfinding system to better direct the prospective parkers to the appropriate parking level/space. The implementation of the Flash, Frog and Spot systems will aid in creating an improved parking experience for the constituents however, there is also a need for better visibility and more clear signage within the facility. Finally, the digital signage/reader board and associated parking/transportation app will be a significant enhancement not only to the parking facility itself but will help to reduce congestion and last mile parking issues resulting from the search for available parking by the consumer.

Marketing Improvements

The appearance, feel and usability of the Municipal Garage will be greatly enhanced by the improvements provided in the above recommendations. These improvements will assist in marketing the garage to the community and the parking technology recommended will allow for integration into expanded marketing efforts across City of Kirkland websites and social media. In addition, the associated technology can integrate with other entities (like the Performing Arts Center, Community Event websites etc) to offer parking at time of ticket purchase or provide for potential discounting of parking to encourage community engagement. There are further marketing benefits and potential that have not been fully investigated by Consultant and Consultant would recommend a follow-up engagement to help establish a comprehensive marketing program to the community and all constituents.

PETER KIRK MUNICIPAL GARAGE | Assessment (cont.)

Finances and Potential Revenue Generated

Consultant evaluated the parking flow of the Peter Kirk Municipal Garage including the utilization of existing car counts within the facility and correlated that data with any/all data provided by the City of Kirkland as well as vehicle volume data from “like” facilities both within Consultant’s existing portfolio, facilities within other neighboring cities and industry standards to derive a projected utilization rate of the facility. Consultant then used the expected utilization rate in conjunction with the proposed market pricing to derive a projected monthly/annual revenue figure for budgeting use. Consultant projects that if all recommendations proposed are enacted, the Peter Kirk Municipal Garage will generate approximately \$1,058,400 in Gross Revenue in its first full year of operation. A 10-12% degree of deviation is possible given the limited amount of data gathered during the abbreviated timeframe of this study.

Revenue projections are included as an appendix to the main body of this report. It is important to note that all revenue projections are based upon factors as they currently exist and with the assumption that all recommendations proposed are enacted. Any deviations to these assumptions may result in a variance to the projections provided.

SURFACE LOT

Assessment



SURFACE LOT | Assessment

Zone A contains the majority of the city operated surface lots for this assessment except for the Wester lot which resides in Zone B. The surface lot assessment encompasses the Wester lot, the Lakeshore Plaza lot, the Lakeshore Plaza lot and the Lakeshore Plaza Auxiliary lot. The core zone of downtown includes the highest density of development and has a high concentration of retail, restaurant and entertainment opportunities.

Operating Principles (Zone A)

The primary purpose of parking in Zone A is to serve customer and other short-term visitor needs and support desired economic uses in the zone.

- The purpose of, and priority for, public parking in Zone A is to support and enhance the vitality of the retail core.
- Parking for short-term users is the priority for on-street and off-street spaces in Zone A.
- Employees should be discouraged from parking in Zone A.
- Parking will be provided to ensure convenient, economical and user-friendly access for customers, clients and visitors to downtown at all hours of the operating day (i.e., weekdays, evenings and weekends).
- All on-street parking in Zone A will be regulated.

Pricing Recommendation

- \$3 per hour/ 3-hour maximum stay On-Street Parking
- 15-30 Minute “Delivery Zones”
- \$2.50 per hour / 4-hour maximum stay City Owned Parking Lots (09/1 – 05/1)
- \$3.00 per hour/ 4-hour maximum stay City Owned Parking Lots (05/1 – 09/1)
- Strong consideration for an event-based pricing structure TBD

Zone A is the core zone of Kirkland’s downtown. In addition to having the highest density of development and the highest concentration of retail, restaurant and entertainment opportunities, it is also Kirkland’s busiest zone and has the highest need for transient turnover. On-street parking rates of \$3 per hour with a three-hour maximum stay are designed to encourage short-term parking with high turnover. This will support and enhance the vitality of the retail core by creating readily available parking for customers of businesses. It will also encourage employees to seek out parking in the designated areas of neighboring Zone B. Further, we propose introducing short-term “delivery zones” or 15-30 minute zones that are for business delivery only. This will allow businesses to continue to have necessary access to their space for supplies/deliveries without having to worry about payment or having delivery vehicles parked in spaces intended for commuter vehicle use.

Kirkland typically sees an increase in activity during the summer months. A common practice in private lots as well as in comparable municipalities involves charging higher rates in popular lots during busy seasons. This is especially true for parking lots near bodies of water. Introducing a seasonal rate of \$3.00 per hour in the Kirkland owned lots presents an opportunity for the city to achieve its goal of supporting and enhancing the vitality of the retail core during the summer months by keeping parking open for visitors who are likely to engage with retailers, restaurants and other businesses. It also presents Kirkland with the opportunity to benefit economically from seasonal tourism.

SURFACE LOT | Assessment (cont)

Technology Recommendations

Consultant reviewed the parameters of the SOW provided by the City and evaluated this segment of the parking program within the overall context of the other segments of the SOW to determine the best path forward to achieve efficacy not only for the lots delineated herein but that would also allow for system integration with the associated parking segments in the SOW to provide as seamless of a parking experience as possible for the public. Given the physical parameters of the surface lots as well as geographic locations it was determined that a PARC's system would not be appropriate for these locations. Consultant recommends the use of the Frog Parking system in these locations to allow for real-time parking volume monitoring and communication to the public regarding open parking stalls via an app-based system.

Where applicable the use of "pay meter technology" is appropriate given the volume of the potential volume of the locations as well as the consideration of equity issues for the public. The pay stations would allow for walk-up payment by the public and would feed this information into the Frog Parking system as well as the enforcement software to allow for seamless execution of enforcement. Consultant recommends replacing the current pay meters with updated MacKay Meters Inc systems which allow for this integration. The City of Kirkland already utilizes mobile payment options via the PayByPhone app and Consultant would recommend utilization of a secondary vendor to provide greater options for the consumer as well as the use of a Scan-to-Pay technology (QR Code payment) via ParkMobile who is an established mobile payment system and municipal service partner. All of these technologies will directly integrate into the overall Spot Parking dashboard technology and the Frog Parking consumer app to allow for real-time knowledge of available parking, volume of traffic/parking in respective Zones/lots and the respective transaction rates. Finally, the Frog Parking, ParkMobile and PayByPhone technologies are cloud native and thus are the most secure systems on the market which meet or exceed all PCI-DSS standards. The MacKay Meters Inc systems also provide the highest level of payment security currently offered for the pay meter market thus lowering the overall risk ratio for the City of Kirkland.

Refinement Recommendations

The addition of the technologies listed above will enhance the overall parking experience of the consumer and will allow for ease of use for payment of parking. The QR code system provided by ParkMobile in particular, has shown to increase the adoption rate of mobile payments by consumers due to the ease of its use. It also has the benefit of being a touchless system limiting COVID concerns by consumers. The Frog Parking and Spot Parking technologies will also dramatically increase the ability of a consumer to search for, find and park in an available space. This helps to limit vehicle congestion on the streets, reduces the effect of GHG emissions (Greenhouse Gas) resulting from last mile parking issues, increases safety for pedestrians/bike riders and makes the most efficient use of parking space possible thus benefiting the retailers in the downtown zones.

An improved program of signage would be recommended to help direct and instruct potential parkers to better utilize these facilities. It is Consultant's expectation that most, if not all, of this signage could be produced by the City of Kirkland itself with proper guidance.

SURFACE LOT | Assessment (cont)

Marketing Improvements

These improvements will assist in marketing the surface lots to the community and the parking technology recommended will allow for integration into expanded marketing efforts across City of Kirkland websites and social media. In addition, the associated technology can integrate with other entities (like the Chamber of Commerce, Kirkland Marina and Community Event websites etc) to offer parking at time of ticket purchase or provide for potential discounting of parking to encourage community engagement. There are further marketing benefits and potential that have not been fully investigated by Consultant and Consultant would recommend a follow-up engagement to help establish a comprehensive marketing program to the community and all constituents.

Finances and Potential Revenue Generated

Consultant evaluated the parking flow of the respective surface lots including the utilization of existing data provided by the City of Kirkland as well as vehicle volume data from “like” lots both within Consultant’s existing portfolio, surface lots within other neighboring cities and industry standards to derive a projected utilization rate of the facility. Consultant then used the expected utilization rate in conjunction with the proposed market pricing to derive a projected monthly/annual revenue figure for budgeting use. Consultant projects that if all recommendations proposed are enacted, the respective surface lots assessed (the Lake and Central lot, the Lakeshore Plaza lot, the Lakeshore Plaza Auxiliary lot and the proposed spaces in the Wester lot) will generate approximately \$1,264,000 in Gross Revenue in their first full year of operation. A 10-12% degree of deviation is possible given the limited amount of data gathered during the abbreviated timeframe of this study.

Revenue projections are included as an appendix to the main body of this report. It is important to note that all revenue projections are based upon factors as they currently exist and with the assumption that all recommendations proposed are enacted. Any deviations to these assumptions may result in a variance to the projections provided.

ON-STREET PARKING

Assessment



ON-STREET PARKING | Assessment

The current on-street parking program crossed all Zones of the City of Kirkland in regards to its current system of enforcement. For the purposes of this SOW the Consultant shall define the paid on-street parking program to be the on-street parking spaces contained within the respective Zones A, B, C, D and E with the proposed pricing recommendations tailored to fit the respective operating principles of those Zones as identified in the Guiding Principles of the City of Kirkland as outlined in the Department of Public Works Pre-Approved Plans Policy (09/2017) and the previous report delivered by Consultant in September 2020. Those pricing recommendations are as follows:

Zone A

Pricing Recommendation:

- \$3 per hour/ 3-hour maximum stay On-Street Parking
- 15-30 Minute “Delivery Zones”
- \$2.50 per hour / 4-hour maximum stay City Owned Parking Lots (09/1 – 05/1)
- \$3.00 per hour/ 4-hour maximum stay City Owned Parking Lots (05/1 – 09/1)
- Strong consideration for an event-based pricing structure TBD

Zone B

Pricing Recommendation:

- \$3 per hour/ 3-hour maximum stay On-Street Parking
- \$2.50 per hour/ 4-hour maximum stay Municipal Garage (09/1 – 05/1)
- \$3.00 per hour/ 4-hour maximum stay Municipal Garage (05/1 – 09/1)

Zone C

Pricing Recommendation:

- \$1.50 per hour/ 4-hour max On Street Rate
- No employee permit parking allowed
- 15 – 30 minute “Delivery Zones”

Zone D

Pricing Recommendation:

- \$1.50 per hour/4-hour max (North of 85th St.)
- 4-hour maximum parking (South of 85th St.)
- 15-30 min “Delivery Zones”

Zone E

Pricing Recommendation:

- \$1.50 per hour/ 4-hour max On Street Rate
- No employee permit parking allowed
- 15 – 30 minute “Delivery Zones”

ON-STREET PARKING | Assessment (cont.)

Zone A is the core zone of Kirkland’s downtown. In addition to having the highest density of development and the highest concentration of retail, restaurant and entertainment opportunities, it is also Kirkland’s busiest and has the highest need for transient turnover. On-street parking rates of \$3 per hour with a three-hour maximum stay are designed to encourage short-term parking with high turnover. This will support and enhance the vitality of the retail core by creating readily available parking for customers of businesses. It will also encourage employees to seek out parking in the designated areas of neighboring Zones B and C. Further, we propose introducing short-term “delivery zones” or 15-30 minute zones that are for business delivery only. This will allow businesses to continue to have necessary access to their space for supplies/deliveries without having to worry about payment or having delivery vehicles parked in spaces intended for commuter vehicle use.

Kirkland typically sees an increase in activity during the summer months. A common practice in private lots as well as in comparable municipalities involves charging higher rates in popular lots during busy seasons. This is especially true for parking lots near bodies of water. Introducing a seasonal rate of \$3.00 per hour in the Kirkland owned lots presents an opportunity for the city to achieve its goal of supporting and enhancing the vitality of the retail core during the summer months by keeping parking open for visitors who are likely to engage with retailers, restaurants and other businesses. It also presents Kirkland with the opportunity to benefit economically from seasonal tourism.

Technology Recommendations

To implement a cohesive and easily navigable parking system within all facets and Zones of the City of Kirkland as well as to provide the flexibility to add additional services, gather relevant data for other potential uses and “future proof” the program (in the near term) to accommodate for additional community needs (potential curbside management and EV needs) the Consultant recommends the utilization of a sensor-based parking monitoring system. Frog Parking solutions provides a sensor-based solution that has been implemented in numerous other municipalities and large-scale developments and allows for the needed integration with the other technology programs required for the overall implementation of the proposed program. This system would allow for real-time monitoring of every space within the program as well to gather data for future policy implementation. In addition, the sensor-based system allows for commuters to see available parking spaces prior to traveling to Kirkland, or while enroute, allowing them to easily navigate to open parking and reducing congestion and GHG emissions. The Frog Parking system integrates with the proposed enforcement system and the Spot Parking dashboard program. Overall, this system would allow for greater flexibility by City staff to alter policies, pricing, and enforcement times, as necessary.

Consultant also recommends the limited use of MacKay Meter Systems to allow for pay on foot options for parkers that feel more comfortable doing so or to whom equity considerations may be an issue. MacKay parking meters allow for a secure and easy to use solution that integrates with all the other technology solutions proposed to allow for a seamless parking experience for the consumers as well as a cohesive, easy to manage enforcement process for the City of Kirkland enforcement personnel. In addition, consumers should have the option of utilizing the same mobile based payment solutions as those offered in the surface lots. This would help to create continuity amongst parking Zones, limit the need to search for a parking meter and limit the need for expanded parking meter placement. This significantly limits the initial capital expense of the parking program as well as the on-going maintenance costs associated with these programs. To that end, Consultant recommends the implementation of the ParkMobile and PayByPhone technologies for on-street parking payment.

ON-STREET PARKING | Assessment (cont.)

Refinement Recommendations

Currently there is no paid on-street parking system in place in the City of Kirkland. The implementation of a paid on-street system is likely to result in reduced traffic congestion, safer use of streets/sidewalks by pedestrians and bikers, reduced GHG emissions, better placement of consumers near their chosen destination and increased retail receipts by downtown businesses. In addition, the revenue generated from a program of this nature is likely to result in increased budgets for City services and contribute to the overall marketability of the City of Kirkland.

Once a program of this nature has been implemented it is imperative that it is monitored for needed performance to expectation, evaluated for needed adjustments and used to help formulate future policy decisions. There may be future refinement recommendations resulting from the monitoring of this program post implementation.

Marketing Improvements

As previously mentioned, there is no paid on-street parking program currently in place in the City of Kirkland. Having said that, if implemented as recommended, the technology used will allow for additional outreach to the community and stakeholders. This presents an opportunity to expand upon the marketing of the City to the community for future events, meetings, announcements, partnerships with community Performing Arts programs, marketing tie-ins with local businesses etc. In addition, the data gathered from these systems can better enable the City administration to tailor its services to exceed stakeholder expectations. There are further marketing benefits and potential that have not been fully investigated by Consultant and Consultant would recommend a follow-up engagement to help establish a comprehensive marketing program to the community and all constituents.

Finances and Potential Revenue Generated

Consultant conducted a vigorous system of car counts in the downtown core, evaluated the parking flow in all parking Zones and correlated that data with any/all data provided by the City of Kirkland as well as vehicle volume data from “like” municipalities both within Consultant’s existing portfolio, parking flows within neighboring cities, vendor specific data from existing municipal operations and established industry standards to derive a projected utilization rate of the paid on-street parking program.

Consultant correlated this data with expected seasonal volume flows and used the expected utilization rate in conjunction with the proposed market pricing to derive a projected monthly/annual revenue figure for budgeting use. Consultant projects that if all recommendations proposed are enacted, the paid on-street parking program will generate approximately \$2,365,600 in Gross Revenue in its first full year of operation. A 10-12% degree of deviation is possible given the limited amount of data gathered during the abbreviated timeframe of this study.

Revenue projections are included as an appendix to the main body of this report. It is important to note that all revenue projections are based upon factors as they currently exist and with the assumption that all recommendations proposed are enacted. Any deviations to these assumptions may result in a variance to the projections provided.

WATERFRONT PARKS PARKING

Assessment



WATERFRONT PARKS PARKING | Assessment

The original report prepared by Consultant in September 2020 did not address the Waterfront Parks program as part of its scope. Per the most recent SOW provided, Consultant assessed the current state of parking at the listed locations with the Guiding Principles of the City of Kirkland as outlined in the Department of Public Works Pre-Approved Plans Policy (09/2017) in mind. Further, Consultant assessed these locations knowing that a common concern of other municipalities is the effective utilization of these community assets by all stakeholders and with an understanding of potential equity concerns from members of the community. Consultant witnessed numerous parking concerns in these locations including the use of the parking resources by parkers who immediately left the location without utilizing the Parks services as intended. In effect, utilizing some these facilities as defacto “park and rides” for commuting to work etc. While this practice helps to reduce congestion and traffic on the roads, it is not the highest and best use of these facilities nor is it the intended use for these locations.

To maintain a cohesive parking program that both fits the strategy delineated by City leadership in its Guiding Principles as well as integrates with the solutions proposed in the other parking segments previously addressed in this report, Consultant recommends implementing a paid system of parking in the locations evaluated as outlined by the City.

Pricing Recommendation

- \$2.00 per hour/ 4-hour max Waterfront Parking Rate
- No employee permit parking allowed

Technology Recommendations

To maintain the strategy and efficacy of the overall parking strategy as proposed in the other parking segments within the City of Kirkland, Consultant would recommend the utilization of a blend of the Frog Parking systems “car counting” technology as well their sensor-based technology where applicable. Some of the Waterfront Parks lots are suitable for sensor-based technology while others would be better served by utilizing a pole/camera based car counting technology to track vehicle traffic, parking volume and specific space usage so as to communicate with the affiliated technology and app based reporting described in the previous sections. Further, Consultant would recommend the use of the mobile payment technology provided by ParkMobile and PayByPhone to allow for the safe, convenient utilization by the consumer. In a few of the larger locations, such as Juanita Beach Park, the deployment of a Mackay Meter systems “pay on foot” kiosk, in addition to the mobile payment options, would be advisable.

Refinement Recommendations

Similar to the on-street parking program there currently is no paid Waterfront Parks parking program in place in the City of Kirkland. The implementation of a paid Waterfront Parks program is likely to result in reduced traffic congestion, safer use of streets/sidewalks by pedestrians and bikers, reduced GHG emissions, easier use by the community to help parkers find space nearest their chosen destination as well as increased retail receipts by businesses located near these parking lots. The implementation of a program like this would also increase the “turnover” of parking spaces within these lots thus allowing a greater segment of the population to enjoy the services provided by the Kirkland Park system. In addition, the revenue generated from a program of this nature is likely to result in increased budgets for City services and contribute to the overall marketability of the City of Kirkland.

Once a program of this nature has been implemented it is imperative that it is monitored for needed for performance to expectation, evaluated for needed adjustments and used to help formulate future policy decisions. There may be future refinement recommendations resulting from the monitoring of this program post implementation.



WATERFRONT PARKS PARKING | Assessment (cont.)

Marketing Improvements

As previously mentioned, there is no paid Waterfront Parks parking program currently in place in the City of Kirkland. If such a program is implemented as recommended, the technology used will allow for additional outreach to the community and stakeholders. This presents an opportunity to expand upon the marketing of the City to the community for future events, meetings, announcements, partnerships with community organizations, marketing tie-ins with local businesses etc. In addition, the data gathered from these systems can better enable the City administration and the Kirkland Parks department to tailor its services to exceed stakeholder expectations. The potential marketing benefits of a more efficiently run Waterfront Parks program are innumerable.

There are further marketing benefits and potential that have not been fully investigated by Consultant and Consultant would recommend a follow-up engagement to help establish a comprehensive marketing program to the community and all constituents.

Finances and Potential Revenue Generated

The financial projections of the potential implementation of a paid parking program for the Waterfront Parks was the most challenging aspect of this report. Consultant evaluated the parking flow of the respective surface lots including the utilization of existing data provided by the City of Kirkland as well as vehicle volume data from “like” lots both within Consultant’s existing portfolio and within other neighboring cities and correlated with industry standards to derive a projected utilization rate of the lots. Consultant then used the expected utilization rate in conjunction with the proposed market pricing to derive a projected monthly/annual revenue figure for budgeting use. Consultant projects that if all recommendations proposed are enacted, the respective Waterfront Parks parking lots assessed will generate approximately \$1,740,000 in Gross Revenue in their first full year of operation. Given the limited amount of data gathered during the abbreviated timeframe of this study a potential deviation rate of up to 25% is possible.

Revenue projections are included as an appendix to the main body of this report. It is important to note that all revenue projections are based upon factors as they currently exist and with the assumption that all recommendations proposed are enacted. Any deviations to these assumptions may result in a variance to the projections provided.

DOWNTOWN EMPLOYEE PARKING PROGRAM

Assessment



DOWNTOWN EMPLOYEE PARKING PROGRAM (DEPP) | Assessment

Consultant assessed the City of Kirkland Downtown Employee Parking Plan (DEPP) regarding the current set-up and financial structure. Based on the research conducted within both the commercial parking segments as well as in correlation to data gathered from similar municipalities Consultant recommends increasing the monthly permit price of this program from \$50 to \$75. This increase is warranted both by the market conditions themselves as well as by the strategy employed within the overall paid parking plan. The goal is to allow employees who may require a more affordable approach to parking to have allocated spaces available so as to allow them to work for the small businesses located within the downtown core. If the rate is too low, it will promote the use by individuals who are simply trying to avoid paying for parking (at a higher rate) within their own residential communities or others who could otherwise afford to park elsewhere within the City of Kirkland but are choosing to take advantage of this program. In addition, the program should be engineered to financially fund its own operation. Consultant fees that a \$75 rate would be applicable and allow the DEPP program to operate as intended.

Future expansion of this program to include the possible inclusion of a residential parking permit for parking in areas abutting the current delineated parking Zones is advised. There are multiple technologies proposed thus far in this report including the Frog Parking system and the Spot Parking system that can handle the permit management needs of both the DEPP and the potential residential parking permit program that may be needed in the near future. This program is a fantastic marketing piece for the City of Kirkland allowing for the retention of small businesses and the recruitment of future business into the core by making the downtown a vibrant and affordable environment for employees of all economic status. The implementation of either of the technologies referenced would create a significant refinement in the current DEPP program. The financial results of this program have been included in the respective parking Zones/programs in this report (i.e. the Peter Kirk Municipal Garage and respective on-street Zone).

TECHNOLOGY PROGRAM CAPITAL COSTS



TECHNOLOGY PROGRAM CAPITAL COSTS

In most circumstances the technology solutions recommended would service multiple segments of the proposed parking program thus breaking out the cost by individual parking segment is difficult to do at this time. If the City of Kirkland decides to progress with the Consultants recommended options and wishes to implement specific segments of the proposed parking program but not the full parking program, then the Consultant can work with the City staff to identify the specific needs of the segment to be implemented independent of the rest of the program. In order to provide context to the overall projected cost of implementation for the complete suite of technology solutions identified in this report Consultant has acquired initial quote from the following vendors:

Frog Parking	\$643,500
MacKay Meters Inc	\$339,500
Flash Parking	\$135,000
Spot Parking	\$75,000
ParkMobile/PayByPhone	No Capital Cost
Total Initial Implementation Cost	\$1,193,000

It is advised that implementation of this plan coincide with increased enforcement of the identified parking spaces via the existing City of Kirkland enforcement personnel, a suitable third-party enforcement company or a combination thereof. In either case there will be an increased cost to the program to encompass enforcement personnel, enforcement vehicles/equipment and enforcement software programs/upgrades. If further analysis of that portion of the program is required, the Consultant recommends a follow-up engagement to identify potential solutions.

REPORT ISSUANCE

REPORT SUBMITTED BY

Patrick Seward

Print Name



Signature

Consultant and Regional Manager, Diamond Parking Services

Title, Office/Division/Entity

05/17/2022

Date

REPORT RECEIVED BY

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WITH THANKS

From Diamond Parking Services

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