City of Kirkland NE 85TH SAP Supplemental Study

Fiscal Impacts and Community Benefits Analysis
Final Technical Memo

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Executive Summary

The project vision for the NE 85th Street Station Area Plan describes a thriving walkable urban center with plentiful affordable housing, jobs, sustainable development, and shops and restaurants linked by transit calls for significant population and employment growth. Additional residential and employment options are a substantial community benefit by itself, contributing to City of Kirkland goals for a more inclusive community with housing options and job creation in the Greater Downtown and near transit hubs. To be careful stewards of public resources, City Council has asked if Kirkland can afford the investments necessary to address increased demand on public services, especially schools, parks and open spaces, transportation, and utilities, and avoid a reduction in service for existing residents and businesses.

The short answer is yes, so long as the City employs a variety of strategies to balance the City's overall budget and needs generated by Station Area growth. In fact, much like the rest of Kirkland and many suburban communities, the City will face significant capital investments and demands for services if the area continues to develop under current trends. By embracing the vision of concentrated transit-growth in the Station Area, the City will be able to serve concentrated growth more efficiently and access more tools for investment in public infrastructure and City operations.

Station Area Plan Background

In 2019, the City commissioned the NE 85th Street Station Area Plan to evaluate how to leverage the regional transit investment of Washington State Department of Transportation (WSDOT) and Sound Transit in the planned Inline Bus Rapid Transit (BRT) / Interchange project. The Station Area is a unique location on the eastside and in Kirkland. The new WSDOT / Sound Transit Bus Rapid Transit station at I-405 and NE 85th will connect Kirkland regionally to light rail at Bellevue, Lynnwood, and to SeaTac with frequent bus service every 10-15 minutes. The Opportunities and Challenges Analysis found that the Station Area is significantly underutilized today – with 45% of the area used for surface parking – and has good potential for residential development and a strong location advantage for office development and new jobs.

The project Vision for the Station Area Plan is a thriving walkable urban center with plentiful affordable housing, jobs, sustainable development, and shops and restaurants linked by transit. Compact, transit-oriented growth around the new regional BRT and trail connections are a chance to grow smart, increase access to opportunity, promote the vision in the Comprehensive Plan and Sustainability Master Plan, and benefit the Station Area and Kirkland as a whole. The City's Objective is to leverage the BRT station regional transit investment and to maximize transit-oriented development and create the most:

1. Opportunity and Inclusion,
2. Value for the City,
3. Community Benefits, including affordable housing, and
4. Quality of life.

In fall and winter of 2020, three draft Alternatives were developed for the Draft Supplemental Environmental Impact Statement (DSEIS) for the project. The DSEIS Alternatives studied were based on input from the public, Planning Commission, and City Council, to guide growth around the new bus rapid transit station over the next 20+ years: Alternative 1 – No Action, Alternative 2 – Guiding Transit-

Oriented Growth, and Alternative 3 – Transit-Oriented Hub. Alternative 2, Guiding Transit-Oriented Growth, had the most favorable response and alignment with objectives. Mobility, infrastructure, and inclusion are some of the greatest opportunities and challenges of the Station Area Plan.

The City Council wanted to consider the Draft Alternatives further, and after project scope reassessment, directed a supplemental study. That supplemental study was designed to respond to community and City Council concerns and included a Fiscal Impacts and Community Benefits Study and supplemental transportation analysis items. The supplemental work began in May 2021 to understand the practical implications of options being considered. The results will help shape a preferred direction for the Station Area Plan.

Fiscal Impacts and Community Benefits Study

Today, housing in Kirkland is 50% more expensive than the average of King County and 89% of the jobs in the City are held by people living outside Kirkland. These dynamics are prevalent in the Station Area and result in long commute times and reduced quality of life. Community risk is increased by congested traffic conditions combined with lack of attainable housing that impede the ability of essential workers to get to their jobs in case of emergencies and is increased by contributing to poor air quality that can exacerbate health conditions and crises like COVID-19. If development in line with the current zoning in the Station Area Plan occurs, it will not generate enough revenue to pay for the infrastructure and City services necessary to serve the growth. Similarly, the infrastructure and service improvements in Kirkland's master plans are not fully funded.

The Fiscal Impacts analysis tested if the City could support infrastructure and service needs for future potential growth scenarios, and the Community Benefits analysis looked to maximize affordable housing and access to opportunity, as well as identify tools to help provide needed infrastructure to serve growth. The Study resulted in a recommended Infrastructure Investment Framework and a Community Benefits Policy Framework.

The Public Infrastructure and Services Investment Framework recommends how value for the City can be achieved by sustainable service provision and with fiscal responsibility; as well as how quality of life can be achieved with mobility for all ages and abilities, and access to parks. The Community Benefits Policy Framework recommends how the City can expand opportunity and inclusion with affordable housing and workforce development and by supporting schools and open space; and community benefits realized by greater sustainability, community resilience and health outcomes.

The numbered summary items below correspond to the sections of the full report which follows.

Section 2.0 Growth Analysis: June Alternatives for Study describes how the DSEIS Alternatives were narrowed for purpose of this study, including buildout estimates for next 23 years, and rebalancing the mix and level of growth to better manage transportation impacts. These two Alternatives were based on public, Planning Commission, and Council feedback, and were developed to be compared:

- **June Alternative A: Current Trends** is based on the starting point of DSEIS Alternative 1: No Action. A 'No Action' Alternative showing growth in line with Kirkland's Comprehensive Plan is a requirement of the DSEIS process. For June Alternative A: Current Trends, the growth targets were adjusted upward because growth in the past six years has outpaced the assumptions made in the 2015 Comprehensive Plan. June Alternative A: Current Trends maintains existing zoning heights throughout the district and slightly adjusts the assumed 2044 growth projections to reflect current market trends, showing more jobs, and only slightly more housing than DSEIS Alternative 1.

- **June Alternative B: Transit Connected Growth** is aligned with the overall Station Area Plan growth framework in the Initial Concepts and used DSEIS Alternative 2 as a base while incorporating select elements shown in the commercial corridors of DSEIS Alternative 3. June Alternative B only studies increased allowable heights in areas that provide clear benefits to the community and take advantage of regional transit connections. To that end, several areas where height increases had been proposed as part of DSEIS Alternative 2 and 3 were removed from consideration, including areas that are unlikely to redevelop due to market forces, are limited by development feasibility, or are constrained by other considerations. Alternative B: Transit Connected Growth results in similar household growth numbers as DSEIS Alternative 2, but lower employment numbers than DSEIS Alternative 3, showing more of a jobs-housing balance. The Southwest Quadrant of the Study Area has lower growth numbers, closer to what was proposed for DSEIS Alternative 1.

The table below summarizes the growth assumptions associated with the DSEIS and June Alternatives:

	DSEIS No Action	June Alternative A	June Alternative B	DSEIS Alternative 2	DSEIS Alternative 3
Households	2,782	**2,929**	**8,152**	8,509	10,909
Employment	10,859	**12,317**	**22,751**	28,688	34,988

- **Supplemental Transportation analysis** was completed to support the narrowing of Alternatives and better understand how the mix and level of growth could be adjusted to reduce the impacts modeled in DSEIS Alternative 2. It also included sensitivity testing of any impacts to the I-405/NE 85th interchange, and while the micromodel showed some delays on NE 85th, the increases did not significantly affect the operations of the interchange or the freeway mainline.

Section 3.0 Infrastructure Investment summarizes how planning level studies were conducted to determine a set of representative infrastructure investments needed to maintain service levels in transportation, water and sewer, and stormwater given the employment and household growth assumed for June Alternatives A and B. These studies were produced for development of conceptual cost estimates for fiscal modeling of the Station Area and are not intended to show a preferred plan or final project configurations, which will be developed in later stages of planning and are subject to City Council approval.

Key findings from each infrastructure study include:

- **The City needs to make significant transportation improvements in either Alternative.** In Alternative B, the largest City-funded representative improvements are:
  - Kirkland Way Complete Streets (an improvement which requires rebuilding of the Cross Kirkland Corridor (CKC) bridge and is also assumed under Alternative A).
  - 124th Ave NE Roadway Widening to 5 Lanes, NE 85th St. to NE 90th St. (an improvement also assumed under Alternative A).
  - 90th St Complete Streets Improvements (two projects, both projects are also assumed under Alternative A).

- NE 85th St. Shared Use Trail Improvements, 5th St. to Kirkland Way (an improvement that only takes place in Alternative B).

- Under either scenario outlined above, **additional water and sewer system improvements** will be needed to meet expected growth in the Station Area beyond implementation of the City's existing Capital Improvement Programs (CIPs) as shown in the 2015 Water System Plan (WSP) and 2018 General Sewer Plan (GSP). Additional improvements will be needed in June Alternative B, above and beyond those needed in June Alternative A, to meet projected growth given proposed zoning changes in the Station Area. Additional water and sewer system improvements are identified in these analyses as a representative list of projects that could serve the level of buildout described in June Alternative B:
  - The water system would not be able to meet the rezoned fire flow requirements without additional improvements.
  - The sewer system would not be able to meet the additional flows from the Station Area without additional improvements.
- After determining the potential flooding locations resulting from parcel improvements for basins in the northeast and southeast quadrants of the Study Area for each developed scenario, **stormwater mitigation options** were evaluated to determine their effectiveness at reducing runoff and conveyance capacity issues along the stormwater main line.
  - For either Alternative, development of these portions of the Study Area and any associated increases in impervious surface area will not have any negative downstream impacts due to existing policies and mitigation requirements.
  - Under either Alternative, the only recommended stormwater project within these portions of the Study Area consists of replacing 520 feet of pipe along 120th Ave NE with a smoother pipe material.
  - Although not directly related to the Station Area, outside of the Study Area, the analysis showed an increase in runoff from the upstream residential areas causing potential flooding, that is not exacerbated by potential allowed development represented in either June Alternative A or B.

Section 4.0 Fiscal Impacts Analysis is designed to answer a key question: *With population growth and redevelopment in the Station Area Plan, comparing June Alternatives A and B, can the City afford the investments necessary to address increased demand on public services, especially schools, parks/open spaces, transportation, and utilities, and avoid a reduction in service for existing residents and businesses?*

ECONorthwest developed a revenue model to project associated operating and capital revenues for the City, as well as revenues for key City partners. Operating and capital revenues were calculated based on the changes in the components of the City's tax base resulting from redevelopment in the Study Area. BERK led development of the cost model and calculation of net fiscal impact by comparing City revenues to expenses. Operating cost projections were developed in collaboration with City staff and are based on estimated operational impacts to each of the City's departments. Capital cost projections were

developed in collaboration with City staff as well as the consultants engaged by the City to conduct the planning level studies noted above.

Operating Net Fiscal Impact. On both an annual and cumulative basis, general operating revenues are projected to cover general operating costs under either Alternative during the study period. The table below details cumulative general operating revenues and costs through 2044 for both Alternatives.

Alternative A & B General Operating Revenues and Costs - Cumulative, YOE$

Type	Alt A	Alt B
General Operating Revenues	58.7M	$199.7M
General Operating Costs	-$31.9M	-$117.5M
Total General Operating Surplus/Deficit	**$26.8M**	**$82.2M**

Sources: FCSG, 2020; ECONorthwest, 2021; City of Kirkland, 2021; BERK, 2021.

While operating costs are significantly higher in Alternative B to serve new growth in the Station Area, revenues generated by potential future uses are also significantly higher. Under Alternative B, the City is projected to generate a general operating surplus of around $82.2 million by 2044, around $55.4 million more than the general operating surplus generated in Alternative A.

Costs stemming from functions funded by permit-related revenue sources and utility operating revenue sources are assumed to be covered by those revenue sources based on increased demand for services in the Study Area and not included in the analysis above.

Capital Net Fiscal Impact. Under either Alternative, significant capital needs are anticipated, with the City projected to see large shortfalls in covering capital needs unless other funding strategies are implemented. The table below outlines the projected cumulative surplus/deficit for capital costs and capital revenues through 2044 for both Alternatives. As a note, capital improvements needed in Alternative A are also assumed to be needed in Alternative B as those improvements will be needed to accommodate growth under either scenario.

Alternative A & B Capital Surplus/Deficit Summary – Cumulative, YOE$

Type	June Alt A	June Alt B
Dedicated Capital Revenues	$68.2M	$252.7M
Development-funded Improvements	$33.0M	$84.8M
Total Capital Improvements	-$265.2M	-$455.2M
Capital Surplus/Deficit	**-$164.0M**	**-$117.7M**

Note: Numbers may not add up due to rounding.

Sources: FCSG, 2020; City of Kirkland, 2021, Fehr & Peer's, 2021; RH2, 2021; RKI, 2021; HBB, 2021; ECONorthwest, 2021; BERK, 2021.

While Alternative B is estimated to generate more in total capital improvements than Alternative A, under Alternative B, significantly more dedicated capital revenues are also estimated to be generated, along with more improvements assumed to be funded through development. Compared with Alternative A, this results in a decrease in capital deficit of around $46.3 million (-$117.7 million in Alternative B versus -$164.0 million in Alternative A).

As shown below, in Alternative A, significant shortfalls are projected for transportation, water, sewer, and parks capital improvements. In Alternative B, significant shortfalls are projected for sewer and parks capital improvements.

Alternative A & B Capital Surplus/Deficit by Improvement Type – Cumulative, YOE$

Capital Improvement Type	June Alt A Capital Surplus/Deficit	June Alt B Capital Surplus/Deficit
Fire	$1.1M	$0.6M
Police Fleet and Municipal Facilities	-$0.4M	-$1.7M
Transportation	-$73.4M	$27.2M
Water	-$5.3M	$3.6M
Sewer	-$70.7M	-$53.5M
Stormwater	-$0.5M	-$0.3M
Parks	-$14.8M	-$93.5M
Total Capital Surplus/Deficit	**-$164.0M**	**-$117.7M**

Note: Surplus/Deficit does not include using general government operating surplus to cover gaps. Numbers may not add up due to rounding.

Sources: FCSG, 2020; City of Kirkland, 2021, Fehr & Peer's, 2021; RH2, 2021; RKI, 2021; HBB, 2021; ECONorthwest, 2021; BERK, 2021.

For each type of capital improvement, the City has available strategies that could be pursued to cover capital costs in Alternative.

Summary of Net Fiscal Impact. While it is important to note that restrictions on certain revenue sources exist and, as a result, not all revenues can be applied to certain costs, for contextual purposes, it can be helpful to understand where each Alternative ends up on a total surplus/deficit basis.

The table below details a comparison of both Alternatives on a total surplus/deficit basis. Major takeaways include:

- Under either Alternative, operating revenues are projected to cover operating needs by 2044
- Under either Alternative, significant capital needs are anticipated, with the City projected to see large shortfalls in covering capital needs unless other funding strategies are implemented
- As mentioned, while restrictions on certain revenue sources exist, on a total surplus/deficit basis, under Alternative B, the City's deficit is significantly lower than what is projected under Alternative A.

The City is projected to have a total deficit of around $35.5 million in Alternative B and a total deficit of around $137.2 million in Alternative A.

Alternative A and B Total Surplus/Deficit – Cumulative, YOE$

Surplus/Deficit	Alt A	Alt B
General Operating Surplus/Deficit	$26.8M	$82.2M
Capital Surplus/Deficit	-$164.0M	-$117.7M
Total Surplus/Deficit	**-$137.2M**	**-$35.5M**

Sources: FCSG, 2020; City of Kirkland, 2021, Fehr & Peer's, 2021; RH2, 2021; RKI, 2021; HBB, 2021; ECONorthwest, 2021; BERK, 2021.

Reasons for differences in the fiscal outlook between Alternatives include:

- Generation of a higher operating surplus in Alternative B relative to Alternative A driven by estimated increases in general operating revenues such as sales and property tax revenues
- A smaller capital shortfall in Alternative B relative to Alternative A due to estimated increases in dedicated capital revenues such as impact fees, REET, and capital facility charges as well as an increase in capital improvements funded by development.

It is important to note that the City's CIP looks at project funding for a six-year window and that future projects are shown as unfunded until they are prioritized into the CIP window. Funding strategies will be developed to address any funding gap that exists under current planning assumptions. The Station Area plan could provide additional funding and community benefit tools to help address capital needs as discussed in **Section 6.0**.

Section 5.0 Community Benefits Analysis aims to answer the following questions:

- How can the public receive benefits of growth?
- How can development increase affordable housing, open space, transit/bike/walk connections, and sustainability?

This section studies priority benefits that were chosen based on community feedback, City Council and Planning Commission direction, and initial findings from the DSEIS and 2020 Opportunities and Challenges Report. They include schools, parks and public realm, affordable housing, sustainability, and mobility.

Community Benefits Analysis: Potential Value Capture, described in Section 5.2, is based on a Residual Land Value (RLV) study of the full build-out of allowed development. It studies whether and to what degree the increased development entitlements considered in June Alternatives A and B create potential for value capture to provide additional community benefits. The RLV estimates offer a snapshot of value capture potential for the planned types of growth in the area based on typical development costs, estimated rents for new development, and approximate values of existing property.

The Residual Land Value analysis determined there is greatest potential for value capture for commercial development and increasing value potential in 10+ story development compared with 5-9 story

development. The analysis also found that mid-rise residential is not feasible everywhere in the near term, and additional affordability requirements or other value capture costs may delay development, which could result in less housing production subject to the inclusionary requirements. If the City did want to pursue increasing the existing Inclusionary Zoning requirements for affordable housing, it would be important to monitor how the policy change influences production. For both residential and non-residential development, reducing parking ratios is important for potential value capture. If ratios are not reduced, the potential for value capture is much less. This preliminary analysis shows the most value capture potential in Alternative B, with potential for tens of millions of dollars of additional value capture beyond Alternative A, primarily from non-residential development.

A range of potential Community Benefits Strategies that are relevant to the project and achieving the City's priority benefits are included in Section 5.3 and described below.

- **TIF.** Tax Increment Financing (TIF) is a common tool in other states that was recently authorized by state legislation for the first time in Washington. TIF allows a jurisdiction to capture the future value of public investments and catalyze growth, by designating a geographic area in which public investment is needed and issuing bonds against a likely increase in assessed values catalyzed by those investments. This tool is now available in Washington and is a good opportunity for the Station Area. Improvements that are the best fit for a TIF are ones that are unlikely to happen through typical CIP, critical to make desired development possible, and ideally can provide multiple benefits. This analysis has identified multi-benefit projects, parks, public realm, and mobility as the community benefits that would be the best candidates for a TIF. Based on the assumptions in this study, a preliminary estimate of potential TIF revenues under HB 1189 suggests that TIF may be able to support between $50 to $75 million (2021$ assuming 25 years of revenues discounted at 3.5%) in debt for infrastructure projects.
- **Commercial Linkage Fees.** Linkage fees "link" new development with the increased demand for affordable housing. These fees are typically charged to developers based on a per square foot fee established for specific uses like commercial or retail. Fees as set are based on a nexus study that demonstrates the rationale and relationship between the development and the fee that is charged. The RLV analysis indicates that a Commercial Linkage program for the Station Area has merit and while there are many factors that would influence revenue potential, there may be potential to generate in the range of $10-$50M should all the allowed development capacity for non-residential growth represented in June Alternative B be built within the 23-year planning horizon. The potential for value capture is highly dependent on reduced parking ratios as noted above. The City should consider a workforce development component of a potential linkage program which would allocate a portion of the fees collected toward workforce development programs to help to address the jobs/housing imbalance. More analysis through a nexus study would be required to better evaluate potential policies and establish a linkage program.
- **Density Bonus and Baseline Requirements.** Density bonus programs, also known as incentive zoning programs, allow additional development in exchange for the developer providing community benefits. Under a typical density bonus program, new zoning establishes a base development allowance in each zone. Certain zones are eligible for an additional increase in development up to a maximum development amount. In exchange for this additional development, the developer provides public benefits through fee-in-lieu or direct provision of the amenity. Based on the current

understanding of the City's priorities and objectives, a menu or points-based system is recommended for its ability to accomplish several goals through a single program and provide flexibility for developers to incent participation. Section 5.3.3 provides a potential structure of base requirements and bonus incentives for consideration. A part of this consideration should include potential modifications to existing policies as baseline standards are established.

- **Partnership opportunities** can advance priority community benefits through program alignment or potential co-benefits. Possible topics that should be explored include Shared Use of community facilities and public open space, integrated early education and childcare facilities, workforce development and green infrastructure programs, as well as sustainability, climate action, and health and well-being initiatives.

Section 6.0 Summary of Findings and Recommendations notes that the City must make significant capital investment under June Alternative A if the area develops under current trends. This Alternative does not generate much development contribution to required infrastructure. June Alternative B: Transit-Connected Growth, however, creates an opportunity for the City to efficiently serve concentrated growth and more tools to make investments in public infrastructure and City operations.

To manage Alternative B successfully, the City will have to recognize that a variety of strategies will be required to balance the City's overall budget and Station Area needs.

Based on the results of this analysis, which were all conducted based on existing City policies, the following recommendations are proposed as a framework for realizing fiscally sustainable infrastructure and services provision and the desired community benefits in the Study Area. These include a combination of existing policies and new policy changes that the City should consider as part of developing a preferred Plan Direction for the Station Area.

Potential Infrastructure-specific Financing and Community Benefit Strategies for June Alternative B.

- **Public Infrastructure and Services**
  - **Stormwater.** The City can use stormwater capital fund reserves to fill the $700,000 gap between the available stormwater facility charges and the infrastructure improvement cost in 2035.
  - **Water.** The City can issue a $10 million 20-year bond to cover the cost of the improvement and maintain an annual surplus. A bond of that amount and length is anticipated to result in annual debt payments of $685,000. Projected capital facility charge revenue and 7% of net new water utility revenue from growth in the Station Area are projected to be enough to cover the annual debt payments.
  - **Sewer.** The City can fund sewer improvements with a combination of debt issuance and rate increases. Issuing a $60 million 30-year bond in 2035, resulting in $3.1 million annual debt payments, would cover the cost of needed sewer infrastructure improvements. To make annual debt payments, a rate increase on the overall base would be required, because there is not enough sewer capital facility charges or new sewer rate revenue from the Station Area to cover the payments. Because this investment is also required in Alternative A, where there are less dedicated revenues available to offset costs resulting in a larger City deficit, Alternative A requires a larger rate increase than Alternative B.

- **Community Facilities and Benefits**
  - **Parks.** A mix of strategies will be needed to address parks capital needs, those to consider include:
    - Partially offsetting deficit with a portion of the the $80.0 million remaining in general government operating surplus. This strategy alone will not address parks capital needs.
    - Alternative non-acreage derived LOS guidelines more appropriate for urban centers, such as shifting the standards to geographic equity of park access within walking distance and inclusion of school facilities and non-City parks.
    - Leveraging public assets and partnerships.
    - Identifying Community Park options.
    - Leveraging development requirements and development bonuses which show potential to provide publicly accessible smaller scale open spaces and trail connections including in-building or rooftop urban park amenities.
  - **Affordable housing.** A commercial linkage program is the primary new strategy recommended to maximize affordable housing objectives, which would go beyond the City's existing Inclusionary Zoning requirements for residential development. The Residual Land Value analysis determined that a Commercial Linkage Program has merit, with greatest potential for value capture for commercial development, and increasing value potential in 10+ story development compared with 5-9 story development. Mid-rise residential is not feasible everywhere in the near term, and additional affordability requirements or other value capture costs may delay development, which could result in less housing production subject to the inclusionary requirements. If the City did want to pursue increasing the existing Inclusionary Zoning requirements for affordable housing, it would be important to monitor how the policy change influences production. Supporting workforce development programs may help to address the current jobs/housing imbalance within the Station Area.
  - **Mobility.** Identify and prioritize multi-benefit project opportunities and consider them as part of a TIF strategy, especially right-of-way projects where mobility and infrastructure needs overlap. The City should consider the following baseline or incentive-based changes within the Station Area as described in the Transportation Supplemental Study, Appendix 1: parking ratio reductions, unbundled and paid parking, requirements for large employers or multi-family properties to provide transit pass subsidies, managed parking strategies, Transportation Network Company (TNC) ridesharing programs, bikeshare or micro mobility programs, and shared off-street parking.
  - **Sustainability.** Baseline requirements and density bonuses are the recommended strategies to achieve sustainability features and performance within the Station Area. The City should consider how these goals would fit into a menu-approach and which levels of performance or features are desirable as baseline requirements or as density bonus incentives, and any needed policy adjustments to support this. They should also explore the potential for partnerships around sustainability, climate action, health and well-being initiatives.

- **Schools.** Under either Alternative, the City will need to help the Lake Washington School District solve for additional school population. Initial estimates are that school capacity will need to increase by 153 students under Alternative A and 936 students under Alternative B. In addition, the community as well as Lake Washington School District have articulated an existing and growing need for childcare and early learning and education facilities. Although the fiscal impact analysis did not estimate costs for Lake Washington School District, as they are a separate governmental entity from the City, the analysis did estimate anticipated revenues from school impact fees. It is estimated that there will be $24.6 million in school impact fee revenue available for school capital needs in Alternative B. ECONorthwest estimated that if the LWSD Capital Levy currently scheduled to expire in 2022 were to be extended throughout the life of this study period it could raise as much as $53.9 million in the Station Area. Potential community benefit strategies include:
  - In land-constrained locations like the Study Area, consider requirements or development bonuses for developments to provide space on-site. This can include educational and childcare space integrated into the development (most common for early learning, pre-K and specialized programs like STEM) or by setting aside land for future school development.
  - Consider policy changes to define active frontages or required retail space to include educational, childcare, and community-serving spaces in order to implement a Development Bonus strategy.
  - Explore partnership opportunities to align programs, such as Joint/Shared Use Agreements that broaden access to community-serving facilities.
  - Consider increasing allowed development capacity on existing underutilized public parcels to support future development of new school space.

Recommended Next Steps

- A **Public Infrastructure and Services Investment Framework** will be critical to catalyze transit-connected development and can help support coordination and implementation of various strategies.
  - Identify **baseline requirements** for project-level infrastructure and contributions to the Station Area. Potential for value capture will be related to some policy changes, including reduced parking ratios and unbundling, modifying parks LOS methodologies to move toward geographic equity and inclusion of shared use facilities. **Next step:** Coordinate a comprehensive scan of existing and potential policy changes together with a Density Bonus Program. Base development standards should be calibrated so that all development is held to an acceptable minimum standard of public benefit provision through other strategies like mandatory impact fees and design standards.
  - Use a **TIF District** to finance large, area-wide investments like streetscape improvements, major park, and potentially support additional school capacity and other infrastructure needs. **Next steps:** Conduct a TIF analysis, testing scenarios for TIF boundaries and projected revenues over time including development feasibility, identify target improvements. A Phase 1. TIF Strategy that looks at the TIF area, potential revenue, and eligible projects would cost about $20k and

take about three months. This should be paired project feasibility and conceptual study could range from $40-70k depending on the number and extent of candidate projects. A Phase 2. TIF Implementation Study would create the district itself, and cost about $40k over six to nine months. This will rely on supporting 30% design/engineering of TIF projects, and the costs and timeframe for this work is highly dependent on which projects are selected.

- A **Community Benefits Policy Framework** can then support community benefits provisions through coordination and implementation of various strategies.
  - Establish and confirm **baseline requirements** for affordable housing by maintaining existing inclusionary zoning, and consider sustainability measures, active frontages, and public realm improvements. Base development standards should be calibrated so that all development is held to an acceptable minimum standard of public benefit provision through other strategies like mandatory impact fees and design standards.
  - Identify **partnership opportunities** to advance priority community benefits through program alignment or potential co-benefits. **Next steps:** The project team could create a partnership opportunities inventory and the City could use this as a base to conduct outreach to potential stakeholders on topics including the possibilities of Shared Use of community facilities and open space, integrated early education facilities, workforce development and green infrastructure programs. This work could be documented in the Final Station Area Plan.
  - Develop a **Density Bonus Program** that can capture the value of more density for the community, particularly considering smaller publicly accessible open spaces, on-site educational and community facilities, advanced Transportation Demand Management (TDM) /Mobility measures, and additional sustainability measures. **Next steps:** Conduct a comprehensive scan of existing and potential policies together to establish base/bonus development allowances for zoning and develop a points-based system of benefits. Bonus allowances should be calibrated so they create a sufficient incentive to attract participation from developers. Coordinate with Lake Washington School District regarding a potential incentive program for development to provide integrated educational spaces within projects. Defining base and bonus entitlements could occur within the Form Based Code development during later stages of planning. Either the City or a consultant could complete supplemental work to develop the points-based system that would implement these standards. For a consultant, it may cost about $50k and could take about three months.
  - Implement a mandatory **Commercial Linkage Fee** to address affordable housing and workforce development, leaving room for the density bonus system. This should work in partnership with other affordable housing strategies like the City's existing inclusionary zoning policies and state MFTE program. **Next step:** Complete a nexus study to determine fees and consider workforce development allocation. A nexus study would cost $50-60k and would take from six to nine months, depending on how the City wants to engage with key stakeholders.

1.0 Introduction

1.1 Project Context and Focus of this Supplemental Study

The Northeast 85th St Station Area Plan (SAP) was commissioned to develop a long-term vision and plan to guide development and investment in the Study Area surrounding a future BRT Station at NE 85th St and I-405.

The City's vision for the Station Area is a thriving, new walkable urban center with plentiful affordable housing, jobs, sustainable development, and shops and restaurants linked by transit. Objectives of the 85th Station Area Plan include:

- Leverage the WSDOT/Sound Transit I-405 and NE 85th St Interchange and Inline Stride BRT station regional investment.
- Maximize transit-oriented development and create the most:
  - **Opportunity** for an inclusive, diverse, and welcoming community.
  - **Value** for the City of Kirkland.
  - **Community Benefits** including affordable housing and employment.
  - **Quality of life** for people who live, work, and visit Kirkland.

The SAP project has completed the Vision and Concepts planning phases as well as developing Alternatives up to the Draft Supplemental Environmental Impact Statement (DSEIS) stage. Prior to confirming a Preferred Direction in early 2021, the City Council and Planning Commission requested supplemental information beyond the DSEIS impact analysis to understand the potential community benefits, tradeoffs, and fiscal impacts of different Alternatives. This Supplemental Study is designed to help Council understand the practical implications of the options that are being considered – both the fiscal impacts to the City, and the likely community benefits that could result from new development over the next 23 years as a result of planning changes.

This Supplemental Study is intended to inform the Preferred Plan Direction decision that will become the basis for the Station Area plan, form-based code, and planned action ordinance. This remaining SAP scope, including the Draft and Final Plan, will resume after the Supplemental Study is complete. It is a long-range, planning level study and is not intended to plan for or represent specific, project-level configurations. As this is intended to support an area plan, differences between the assumptions of this long-range study and more near-term individual development and project decisions are expected.

1.2 Structure of this Document

This Supplemental Study is structured as described below and designed to answer the following key questions:

- **Section 2.0 Growth Analysis: June Alternatives for Study** describes the major assumptions underlying this analysis, including planning assumptions and infrastructure investment assumptions.

- *If the City were to implement its vision of the Station Area, how many jobs and housing units would be created?*

- **Section 3.0 Infrastructure Investment** answers the question:
  - *What infrastructure investments would be necessary to support this growth?*
- **Section 4.0 Fiscal Impacts Analysis** presents the projected fiscal impacts of June Alternatives A and B and addresses the impact to City finances:
  - *Can the City afford the investments necessary to address increased demand on public services, especially schools, parks/open spaces, transportation, and utilities, and avoid a reduction in service for existing community members and businesses?*
- **Section 5.0 Community Benefits Analysis** describes the potential for community benefits:
  - *How can the public receive benefits of growth?*
  - *How can development increase affordable housing, open space, transit/bike/walk connections, and sustainability?*
- **Section 6.0 Summary of Findings** and concludes this Supplemental Study by summarizing recommendations.

Note: Figures in this document are presented in year of expenditure dollars (YOE$) – meaning that revenues and costs are adjusted for inflation from present time (2021) to the expected year of collection or expenditure, respectively - unless otherwise noted.

2.0 Growth Analysis: June Alternatives for Study

As the basis of this Supplemental Study, two "June Alternatives" were established based on public comment and community feedback, as well as guidance from the City Council and Planning Commission. These June Alternatives narrow the range of Alternatives studied in the DSEIS by removing DSEIS Alternative 3 from further consideration and adjusting DSEIS Alternatives 1 and 2 for study. These adjusted Alternatives are defined as June Alternative A and June Alternative B:

- **June Alternative A: Current Trends.** June Alternative A: Current Trends (Illustrated in Exhibit 2-1) is based on the starting point of DSEIS Alternative 1: No Action. A 'No Action' Alternative showing growth in line with Kirkland's Comprehensive Plan is a requirement of the State Environmental Policy Act (SEPA) process. For June Alternative A: Current Trends, the growth targets were adjusted upward from DSEIS Alternative 1 because growth in the past six years has outpaced the assumptions in the 2015 Comprehensive Plan.

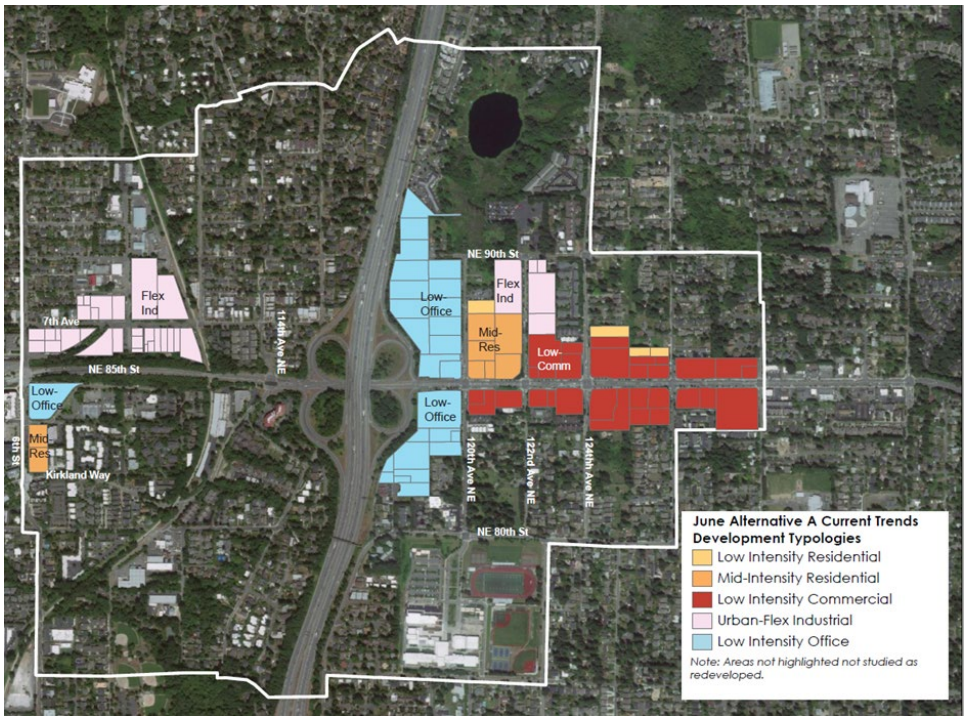
  June Alternative A: Current Trends maintains existing zoning heights throughout the district and slightly adjusts the assumed 2044 growth projections to reflect current market trends, showing more jobs, and only slightly more housing than DSEIS Alternative 1. In June Alternative A: Current Trends, these additional jobs were studied in portions of the Study Area currently zoned for development up to 67' in height in zones RH-1A, RH-2A, and RH-2B. Areas within the district currently zoned for single family or other low density residential area maintained their current zoning.
- **June Alternative B: Transit Connected Growth.** June Alternative B: Transit Connected Growth (Illustrated in Exhibit 2-2) is aligned with the overall Station Area Plan growth framework in the Station Area Initial Concepts (Exhibit 2-3) and incorporates elements shown in the commercial corridors of DSEIS Alternative 3 into the overall land use pattern established in DSEIS Alternative 2. The intent of this strategy is to:
  - Optimize for workforce and affordable housing, in particular the number of units provided through linkage fees and/or inclusionary zoning.
  - Attract new jobs to foster economic activity and meet citywide targets.
  - Balance the distribution of commercial-focused development across the Study Area.
  - Foster an environmentally sound land use pattern that helps achieve the City's sustainability goals.

  June Alternative B: Transit Connected Growth responds to the public comment heard during the DSEIS comment period and the May 26, 2021 Council Listening Session. Although a wide range of comments were shared, many participants reiterated a desire to maintain existing residential character, and concerns regarding the maximum allowable zoning heights proposed in DSEIS Alternative 3.
- June Alternative B: Transit Connected Growth only studies increased allowable heights in areas that provide clear benefits to the community and take advantage of regional transit connections. To that

end, several areas where height increases had been proposed as part of DSEIS Alternative 2 and 3 have been removed from consideration in June Alternative B: Transit Connected Growth. These include areas that are unlikely to redevelop due to market forces, are limited by development feasibility, or are constrained by other factors. June Alternative B: Transit Connected Growth results in similar household growth numbers as DSEIS Alternative 2, but lower employment numbers, showing more of a jobs-housing balance. The Southwest Quadrant of the Study Area has lower growth numbers, closer to what was proposed for DSEIS Alternative 1. Transportation analysis, presented in Section 2.2 of this report, describes analysis that was completed to support the narrowing of Alternatives and better understand how the mix and level of growth could be adjusted to reduce the impacts modeled in DSEIS Alternative 2.

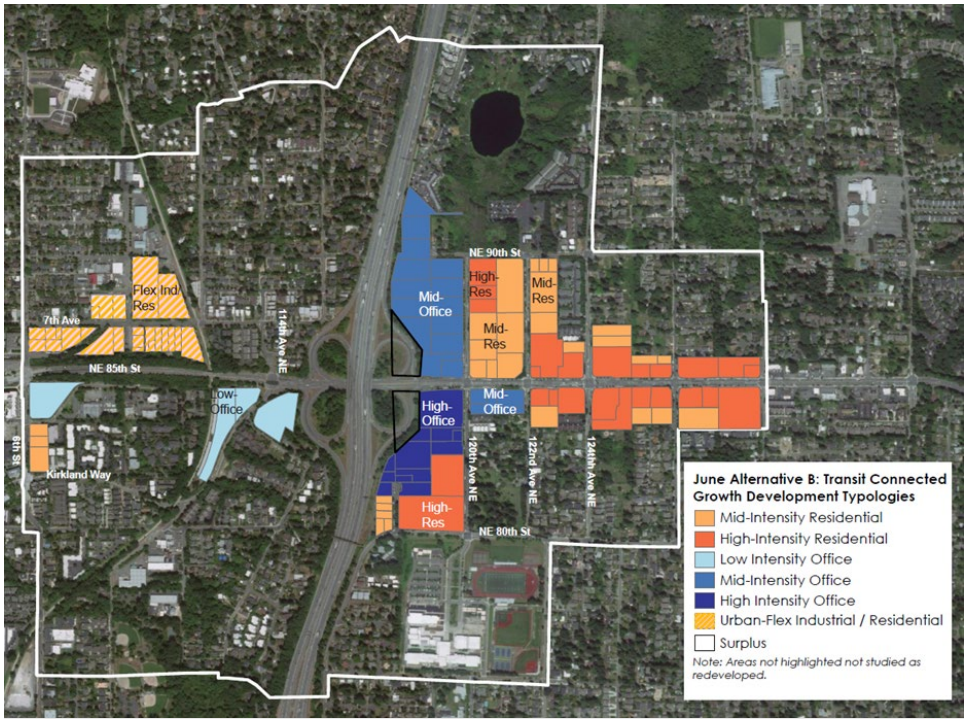
- In alignment with the Station Area Initial Concepts Growth Framework, June Alternative B includes a few areas of greater capacity for change as compared to existing conditions. These are focused around the BRT node and the Cross-Kirkland Corridor, including two areas in Rose Hill nearest to the future BRT station: the mid-rise office designation in the northeast quadrant and the high-intensity office designation in the southeast quadrant; and the flex industrial – residential capacity in the Norkirk LIT area in the northwest quadrant. Because of this greater capacity for change, these areas receive greater study in some sections of this report regarding fiscal impacts and potential for community benefits. Throughout this report, these areas will be referred to as SE Commercial Area or Lee Johnson Site, NE Commercial Area or Costco Site, and Norkirk Area, respectively. In some appendices and references where the terminology Lee Johnson Site and Costco Site may appear, it is important to note that, in all cases, the analysis reflects a hypothetical assumption of the total allowed development in the June Alternatives and is not meant to presuppose decision- making by private landowners or the actions of the market. References to the current ownership have been included to assist the reader in identifying the locations that were evaluated.

Exhibit 2-1. June Alternative A: Current Trends – Development Typologies



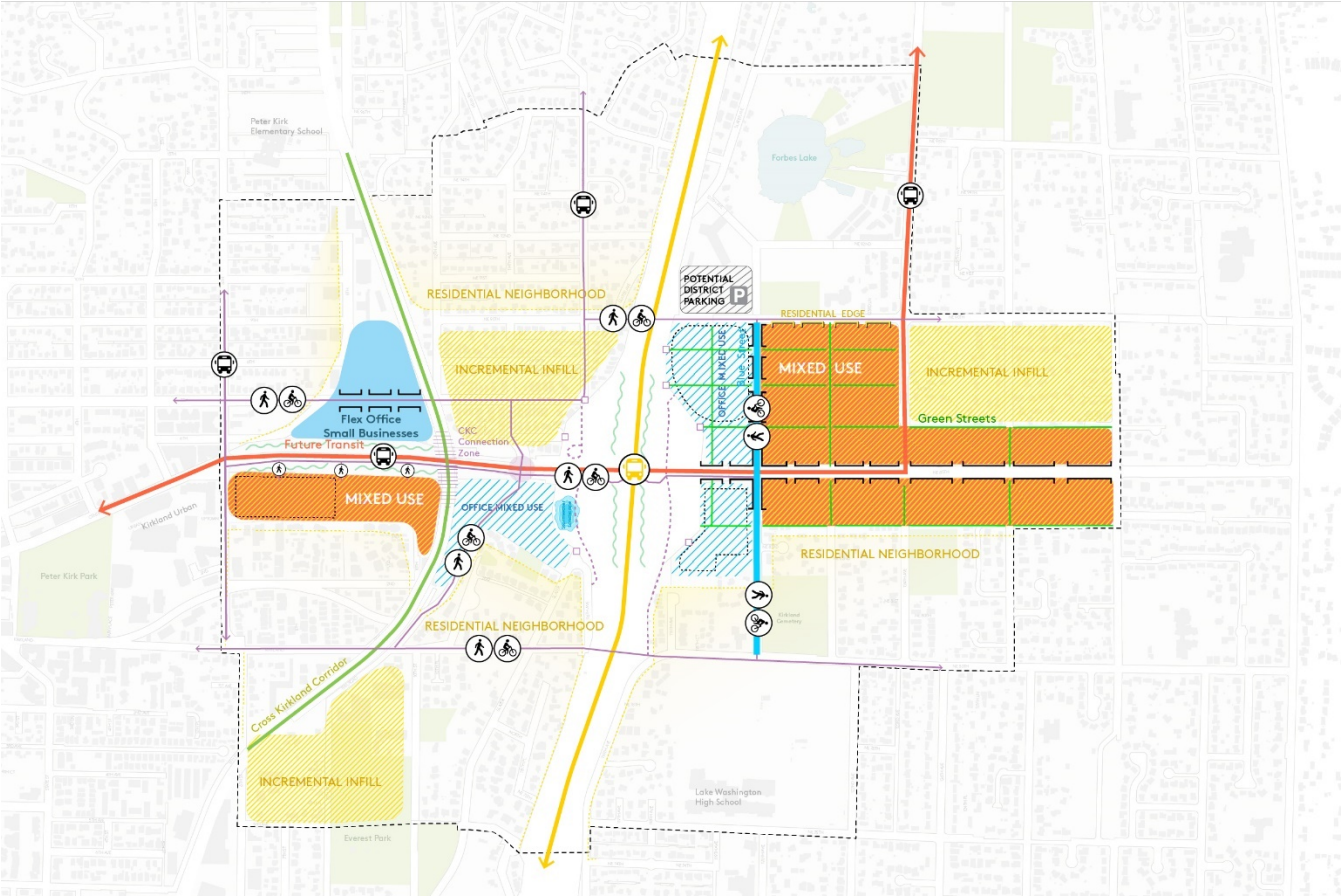
Sources: Mithun, BERK, 2021.

Exhibit 2-2. June Alternative B: Transit Connected Growth- Development Typologies



Sources: Mithun, BERK, 2021.

Exhibit 2-3. Station Area Initial Concepts



Source: Mithun, 2020.

2.1 Summary of Employment and Residential Capacity in June Alternatives

As shown in Exhibit 2-5, either June Alternatives represents significant growth of employment and population in the Station Area. This capacity for additional jobs and housing is a substantial community benefit by itself, contributing to City of Kirkland goals for job creation in the Greater Downtown and near transit hubs, and housing options.

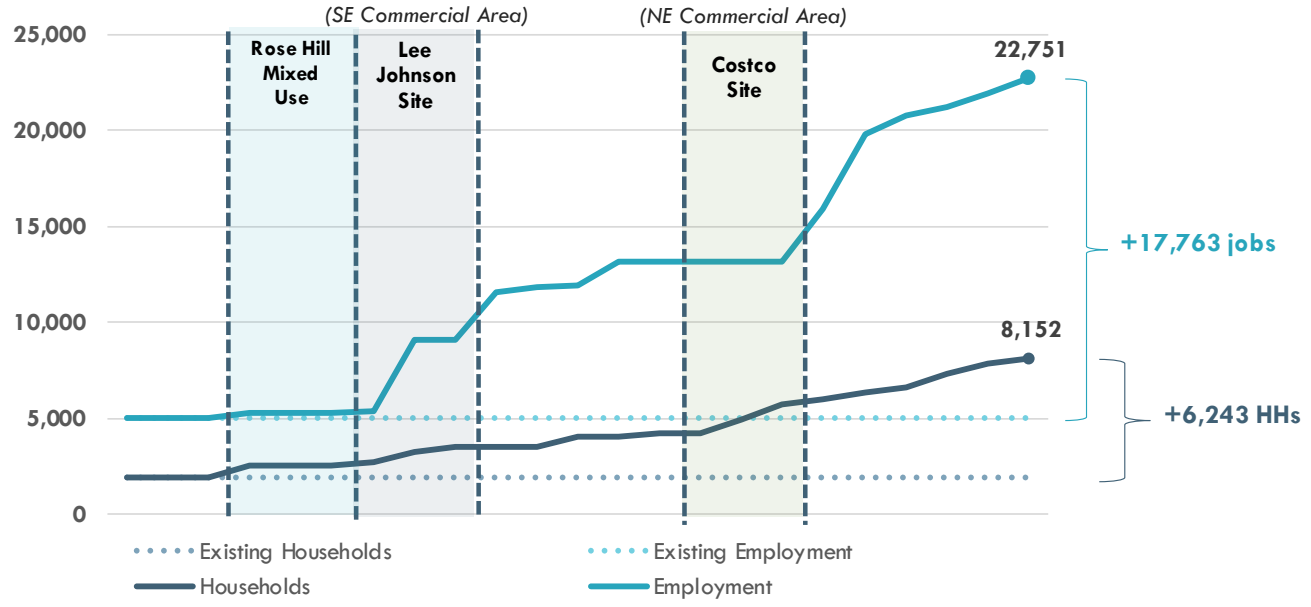
Exhibit 2-4. Employment and Household Totals Assumed in June Alternatives and DSEIS.

	DSEIS No Action	June Alternative A	June Alternative B	DSEIS Alternative 2	DSEIS Alternative 3
Households	2,782	**2,929**	**8,152**	8,509	10,909
Employment	10,859	**12,317**	**22,751**	28,688	34,988

Sources: Mithun, ECONorthwest, BERK, 2021.

Exhibit 2-5 illustrates this growth over time for Alternative B that was utilized for the fiscal analysis. Assumptions about parcel- and quadrant-level development phasing are hypothetical and not meant to presuppose decision-making by private landowners or the actions of the market. A phased development scenario was developed by City and consultant staff as a necessary input for fiscal impact modeling and consideration of potential community benefits. The actual timing of redevelopment projects is likely to differ somewhat from what was modeled.

Exhibit 2-5. Employment and Residential Growth in June Alternative B.



Note: Assumptions about parcel- and quadrant-level development phasing are hypothetical and not meant to presuppose decision-making by private landowners or the actions of the market.

Sources: City of Kirkland, Mithun, ECONorthwest, BERK, 2021.

2.2 Summary of Transportation Analysis of June Alternatives

The City engaged Fehr & Peers to provide supplemental information to support this study, including travel demand modeling and forecasting to better understand implications of the growth in June Alternatives A and B. The **Supplemental Transportation Memo, Appendix 1**, is available for review here. The Bellevue-Kirkland-Redmond (BKR) travel demand model was used as an analytic basis. Prior to the modeling process, MXD+, a trip generation tool that accounts for the variation in land use type and density, provided estimates of new vehicle trips for future Alternatives. The results, shown in Exhibit 2-6, estimated mode share of single occupancy vehicles (SOV), carpool, and transit for each quadrant under each Alternative, which were used to calibrate the BKR model. Additional adjustments were made to the BKR model for adequate distribution of trips, especially for the high intensity commercial area in the southeast quadrant of June Alternative B.

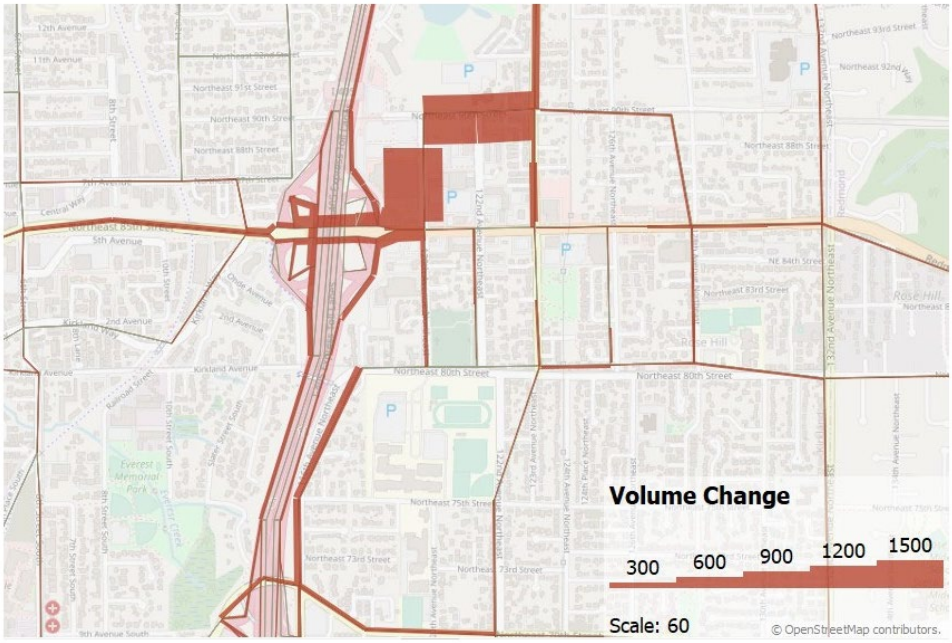
Exhibit 2-6. PM Peak Hour Vehicle Trip Generation using MXD+/BKR Model Mode Share Estimates

Quadrants	2035 DSEIS Alt. 1	2044 June Alt. A	2044 June Alt. B	2044 DSEIS Alt. 2
NW	930	930	1,280	1,000
NE	3,850	4,480	4,920	10,110
SW	1,910	1,850	2,360	2,190
SE	3,630	3,880	7,580	4,300
Total	**10,320**	**11,140**	**16,140**	**17,600**
Mode Share Estimates (SOV/Carpool/Transit)	70%/23%/7%	70%/22%/8%	71%/21%/8%	72%/21%/7%

Source: Fehr & Peers, 2021

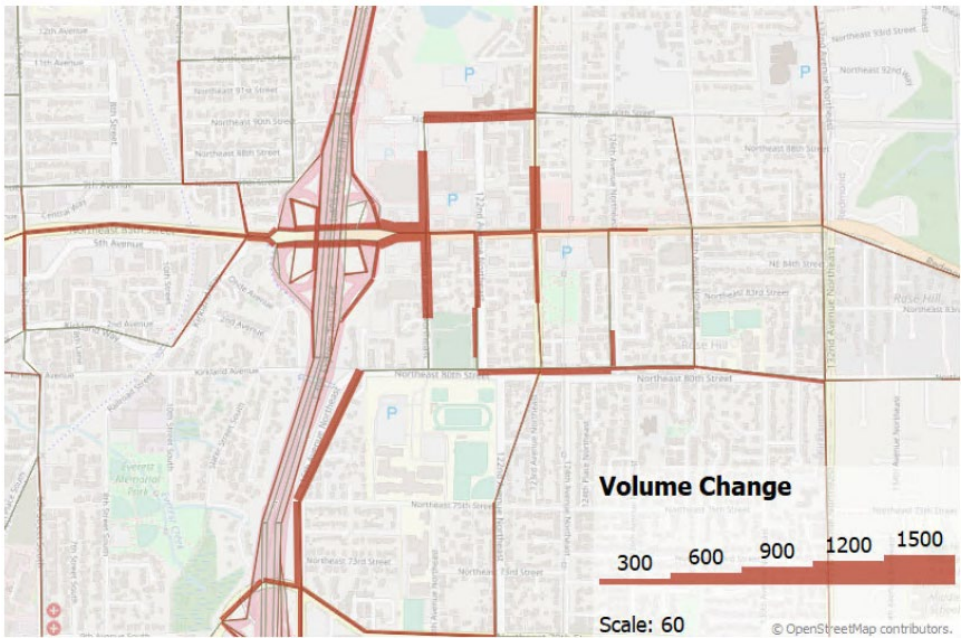
Consistent with land use trends, June Alternative A includes modest growth in vehicle trips in the NE and SE quadrants. The total vehicle trips generated by June Alternative B and DSEIS Alternative 2 are similar; however, there is a substantial shift in which quadrants are likely to receive the most potential land use growth (from NE to SE). Exhibit 2-7 and Exhibit 2-8 show the modeled increase in roadway volumes. June Alternative B features a more even distribution of trips than DSEIS Alternative 2.

Exhibit 2-7. Traffic Volume Increase (2035 No Action vs. 2044 Alternative 2)



Source: Fehr and Peers, 2021.

Exhibit 2-8. Traffic Volume Increase (2035 No Action vs. 2044 Alternative B)



Source: Fehr and Peers, 2021.

Traffic volume forecasts from the refined versions of the BKR model were then used to evaluate traffic operations at eight intersections in the Station Area. Each of the intersections were analyzed for their operational performance under existing (2019) conditions, as well as three future year (2044) Alternatives, both June Alternatives A and B, and DSEIS as well as Alternative 2 were modeled for the

year 2044. Intersection performance is described based on Level of Service (LOS) is a standard measure used to describe traffic operations from the driver's perspective. LOS is defined by intersection delay in seconds and ranges from LOS A with no congestion and little delay to LOS F with substantial congestion and delay. Traffic operations were analyzed using the Synchro 10 software package and Highway Capacity Manual (HCM) 6th Edition methodology.

Findings

The results are summarized in Exhibit 2-9, below. Key findings were used as a basis of understanding implications of the mix, type, and location of growth in June Alternatives A and B.

- All study intersections are currently operating within the City's or WSDOT's standards.
- Under June Alternative A, which represents current growth trends continuing through 2044, the following intersections would fail to meet adopted LOS standards:
  - NE 90th Street & 124th Avenue NE: this intersection would operate at LOS F due to land use growth anticipated in the NE quadrant and the lack of streets connecting north of NE 90th Street.
  - NE 85th Street & 6th Street: this intersection will operate at LOS F under all future year Alternatives due to planned modifications to better accommodate transit, walking, and biking modes.
- Alternative B considered two transportation scenarios for the southeast quadrant, with allowed development at 250 feet maximum height:
  - The first assumes only one general access driveway to the SE Commercial Area site via NE 83rd Street to a signalized intersection with 120th Avenue NE.
  - The second scenario considers the same access as above, plus an additional south access to the site along 118th Avenue NE, which would connect to 80th Street NE with a newly signalized intersection.
  - The reconfiguration of land use growth in June Alternative B would substantially improve intersection operations relative to DSEIS Alternative 2. However, the land use growth envisioned by this Alternative would increase vehicle trips on the roadway network (compared to existing conditions or Alternative A/No Action scenario) such that the following intersections would not meet adopted LOS standards under Alternative B:
    - NE 85th Street & 6th Street: this intersection will operate at LOS under all future year Alternatives due to planned modifications to better accommodate transit, walking, and biking modes. Moreover, additional growth throughout the SAP would result in higher delays than are anticipated for Alternative A.
    - NE 85th Street & 120th Avenue NE: this intersection could not meet City standards without mitigation, as this is the main access point for growth in the SE quadrant.
    - NE 90th Street & 124th Avenue NE: this intersection could not meet City standards without mitigation, as this is the main access point for growth in the NE quadrant.

    - NE 83rd Avenue & 120th Avenue NE: under the scenario in which this intersection serves as the only general access to the SE Commercial Area, it will require signalization (as assumed) as well as additional lanes.
    - NE 80th Street & 120th Avenue NE: under the scenario in which only one general access is provided to the SE Commercial Area along NE 83rd Avenue, increased traffic through this intersection would result in LOS F delays without mitigation.
    - 80th Street & 118th Avenue NE: similarly, under a single access point scenario to the SE Commercial Area, this intersection would also be impacted by additional traffic along 80th Street, although it is unclear whether a signal would be warranted to address the side street delay.
- A sensitivity test was conducted to determine whether the additional land use growth allowed under the 85th Station Area Plan would affect the operations at the redesigned interchange. The operations at the I-405/NE 85th St interchange were evaluated using the microsimulation traffic models developed by WSDOT for their interchange study. Two scenarios were tested, including 2044 June Alternative B and June Alternative B with transportation demand management (TDM) implementation, which resulted in 500 less peak hour trips in the network. As shown in Exhibit 2-10, the Station Area Plan will result in slightly higher delays and queuing along NE 85th St in the future than estimated by WSDOT in their interchange analysis. However, the increases do not significantly affect the operations of the interchange or the freeway mainline.
- Representative project investments to mitigate Level of Service impacts are identified in the next section of this report.

Exhibit 2-9. LOS Results for Evaluated Alternatives (without mitigation)

ID	Intersection	LOS Standard	Peak Hour	2019 Existing	2044 June Alt. B	2044 June Alt. B 1: 2 Driveways	2044 June Alt. B 2: 1 Driveway	2044 DSEIS Alt. 2
1	NE 90th Street & 124th Avenue NE	D	PM	C / 21	**F / 83**	**F / 158**	**F / 158**	**F / 380**
2	NE 85th Street & 6th Street	E	PM	D / 41	**F/109^**	**F / 145^**	**F / 145^**	**F / 138^**
3	NE 85th Street & 120th Avenue NE	D	AM PM	C / 22 C / 21	C / 24 D / 39	**F/ 114** **F/ 113**	**F/ 114** **F/ 113**	**F / 572** **F / 616**
4	NE 85th Street & 124th Avenue NE	D	AM PM	C / 29 D / 35	C / 33 D / 41	D / 39 D / 45	D / 39 D / 45	D / 35 **E / 59**
5	NE 83rd Street & 120th Avenue NE	D	PM	B / 11	B / 13	B / 18*	B / 20**	A / 8*
6	NE 80th Street & 118th Avenue NE	D	PM	B / 15	C / 20	A / 8**	**F / 94**	A / 6**
7	NE 80th Street & 120th Avenue NE	E	PM	B / 11	B / 14	B / 13	**F / 222**	B / 20
8	NE 70th Street & 116th Avenue NE	E	PM	C / 28	D / 35	E / 75	E / 75	E / 67

Source: Fehr & Peers.
Notes:
^ Intersection reconfiguration with transit queue jump and dedicated WBR turn pocket
* Signalized without any geometric improvements
**Signalized with EBL, SBR turn pockets

Exhibit 2-10. LOS and Average Control Delay

Intersection	Control	2045 WSDOT	2044 June Alt. B	2044 June Alt. B w/ TDM
6th St / NE 85th St	Signal	E / 68 sec	F / 128 sec	D / 52 sec
Kirkland Way / NE 85th St	Roundabout	C / 18 sec	F / 75 sec	E / 37 sec
120th Ave NE / NE 85th St	Signal	D / 39 sec	D / 54 sec	D / 52 sec
122nd Ave NE / NE 85th St	Signal	C / 28 sec	C / 33 sec	C / 27 sec
124th Ave NE / NE 85th St	Signal	F / 93 sec	F / 94 sec	E / 63 sec

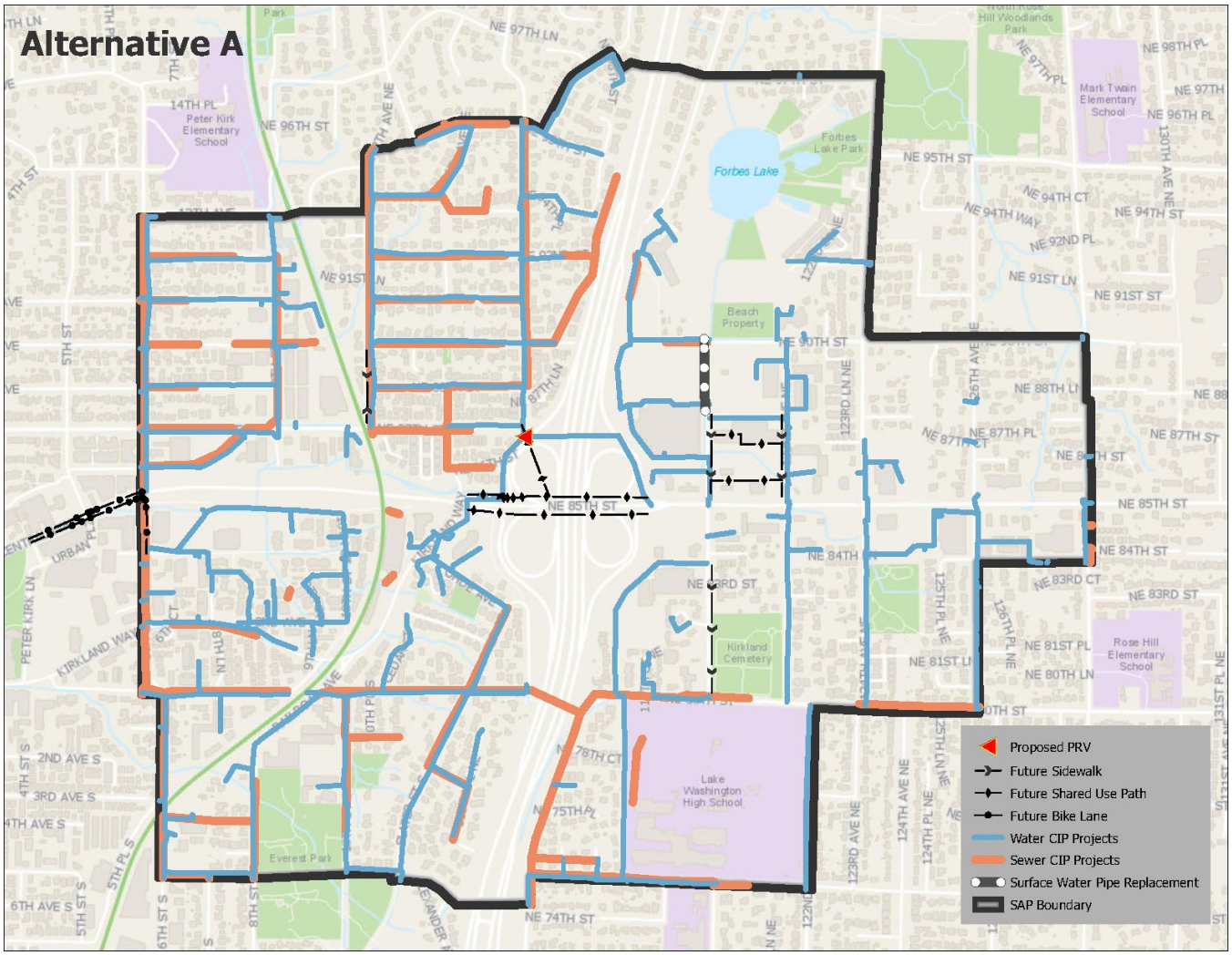
Source: Fehr and Peers, 2021.

3.0 Infrastructure Investment Methodology

Planning level studies were conducted to determine a set of representative infrastructure investments needed to maintain service levels in transportation, water and sewer, and stormwater given the employment and household growth assumed for June Alternatives A and B. These studies were produced for development of conceptual cost estimates for fiscal modeling of the Station Area and are not intended to show a preferred plan or final project configurations, which will be developed in later stages of planning and are subject to City Council approval.

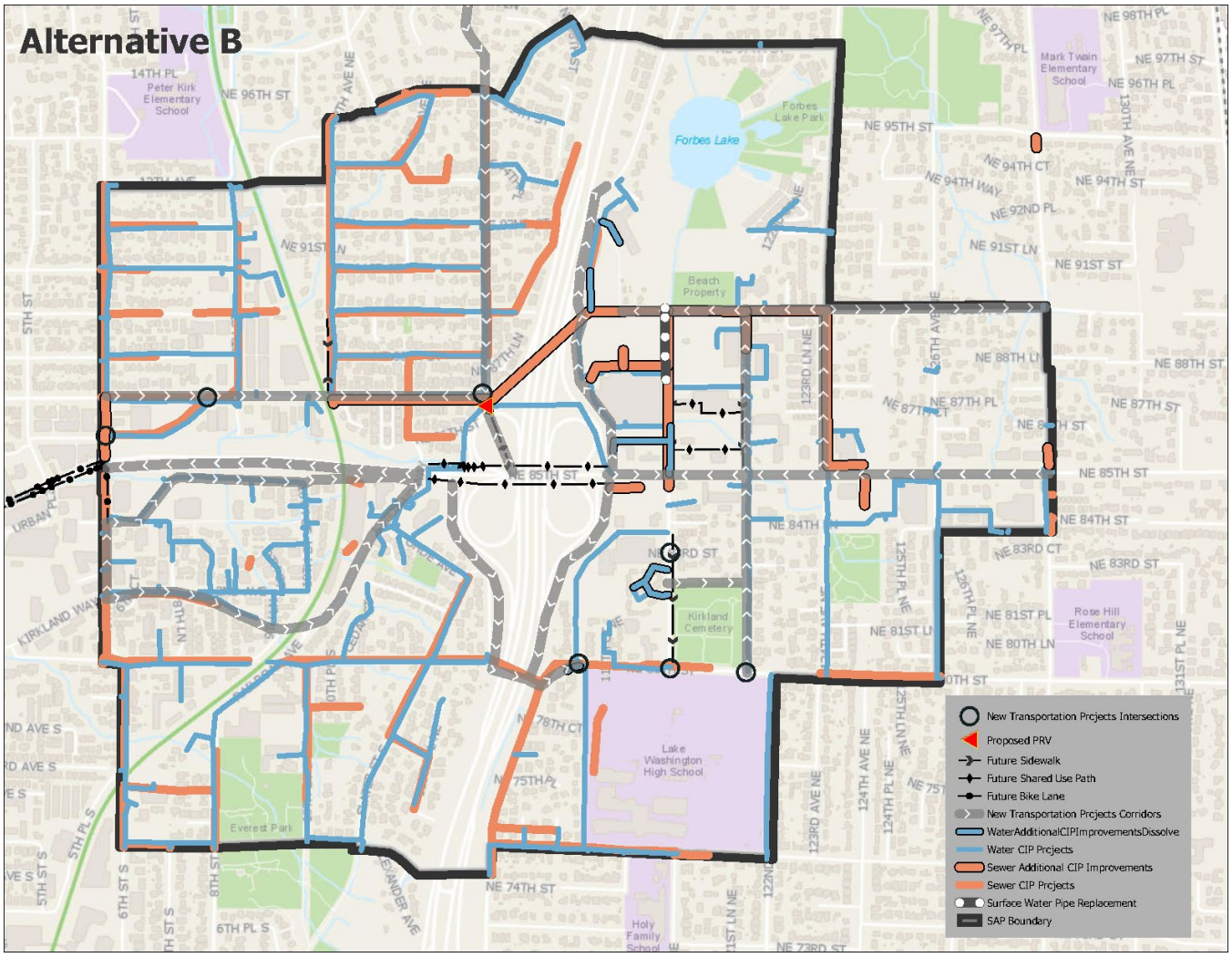
A map of representative infrastructure projects for June Alternative A is shown in Exhibit 3-1 and Exhibit 3-2 shows June Alternative B.

Exhibit 3-1. June Alternative A – Representative Infrastructure Investments



Source: City of Kirkland, 2021.

Exhibit 3-2. June Alternative B – Representative Infrastructure Investments



Source: City of Kirkland, 2021.

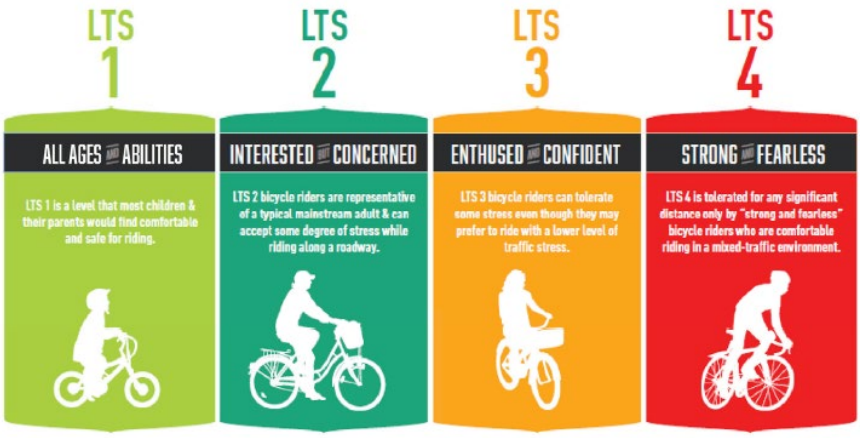
3.1 Transportation

In addition to the supplemental transportation analysis for the June Alternatives described in Section 2.2 of this report, the City engaged Fehr & Peers to identify a potential package of representative investment strategies to support full implementation of June Alternatives A and B. The **Supplemental Transportation Memo, Appendix 1,** is available for review here. This section outlines these improvements identified for the purposes of modeling the fiscal impacts associated with each June Alternative. The project team was charged with identifying necessary infrastructure and supportive policies to achieve the following transportation objectives:

- Preserve the functionality of NE 85th Street, while enhancing and expanding its role as an urban, multimodal street.
- Incorporate transportation improvements that preserve community character, including minimizing significant changes such as road widening in areas outside of those intended for proposed growth.
- Accommodate transit effectively along NE 85th Street and other streets in the Study Area.
- Establish a low-stress priority bike and pedestrian network that serves the full Study Area.

The comfort of facilities for people walking and biking is measured quantitatively using a metric called "level of traffic stress." This metric describes conditions on a scale of 1-4, with level 1 representing conditions that are comfortable for people of all ages and all abilities and level 4 representing conditions that are stressful for almost everyone, see Exhibit 3-3.

Exhibit 3-3. Level of Traffic Stress Concept



Under City staff direction, the Fehr & Peers team used travel modeling and traffic operations analysis, described in Section 2.2 Summary of Transportation Analysis of June Alternatives, to determine representative improvements including:

- Roadway geometric and operational changes.
- Implementation of a robust transportation demand management strategy.
- Transit access and speed and reliability considerations.
- System improvements to improve conditions for walking and biking.

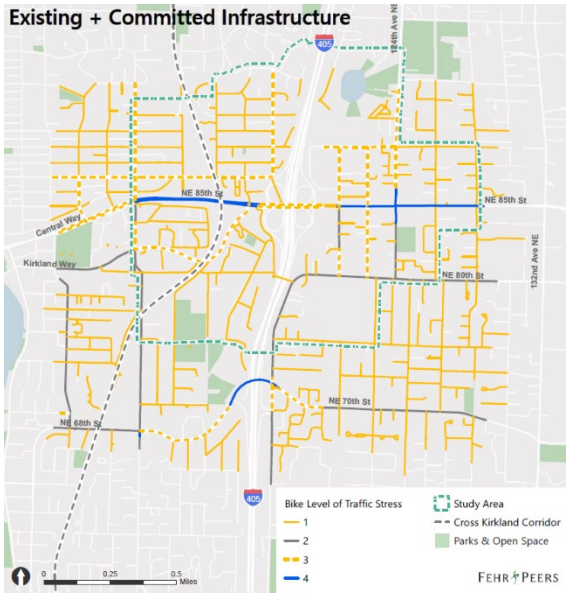
Findings

- The City needs to make significant transportation improvements in either Alternative. In Alternative B, the largest City-funded representative improvements are:
  - Kirkland Way Complete Streets (an improvement which requires rebuilding of the Cross Kirkland Corridor bridge and is also assumed under Alternative A).
  - 124th Ave NE Roadway Widening to 5 Lanes, NE 85th St. to NE 90th St. (an improvement also assumed under Alternative A).
  - 90th St Complete Streets Improvements (two projects, both projects are also assumed under Alternative A).
  - NE 85th St. Shared Use Trail Improvements, 5th St. to Kirkland Way (an improvement that only takes place in Alternative B).
- This effort identifies a suite of transportation demand management (TDM) strategies that could be implemented by the City or required of developers over time within the SAP. Implementation of these strategies would not only help reduce driving, which in turn lessens traffic congestion and greenhouse gas impacts, but fundamentally align with the City's values and vision for the Station Area. TDM strategies identified include measures related to parking management, transit subsidies, and commute trip reduction programs, like Kirkland's Green Trips. Collectively, recommended strategies are estimated to reduce driving by 9% to 38%, with 13% serving as an estimate based on typical planning applications. It is recommended that these strategies be implemented as part of **Alternative B**. Implementation of TDM strategies would require investments by the City in several forms, including:
  - City staff time to develop code revisions and manage compliance, for example requiring developers to provide a transit subsidy to tenants.
  - Creation of new staff positions to implement and operate new programs, for example on street parking policing and management and off-street parking program implementation.
  - Capital investments, for example micro mobility charging stations.

These costs, both for initial start-up and ongoing program management, should be considered within the financial evaluation of the plan.

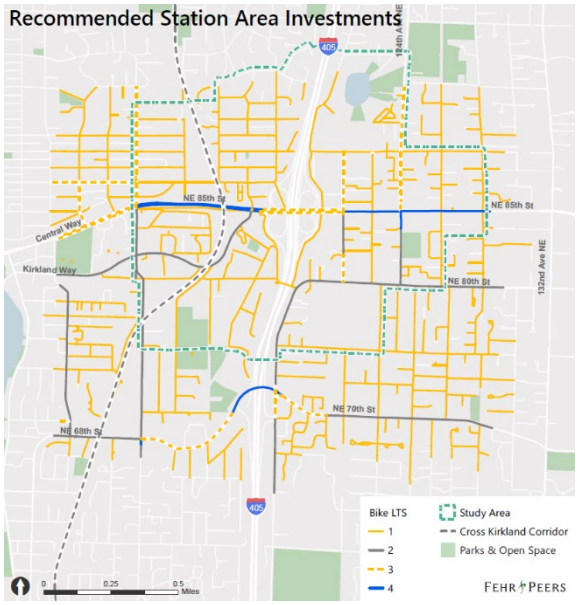
- Analysis of the comfort of facilities for people walking and biking in the Study Area with existing and committed transportation investments and how that could change with recommended investments for the SAP is illustrated below in Exhibit 3-4 and Exhibit 3-5.
- Analysis of how far people can comfortably walk or bike within 5, 10, and 15-minutes of the proposed station with existing and committed transportation investments and how that could change with recommended investments for the SAP is illustrated below in Exhibit 3-6 and Exhibit 3-7.

Exhibit 3-4. Alt A Bike Level of Stress Network



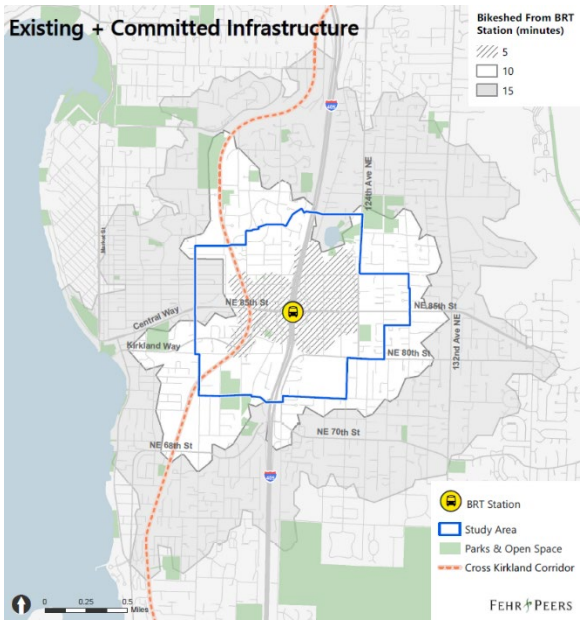
Source: Fehr and Peers, 2021.

Exhibit 3-5. Alt B Bike Level of Stress Network



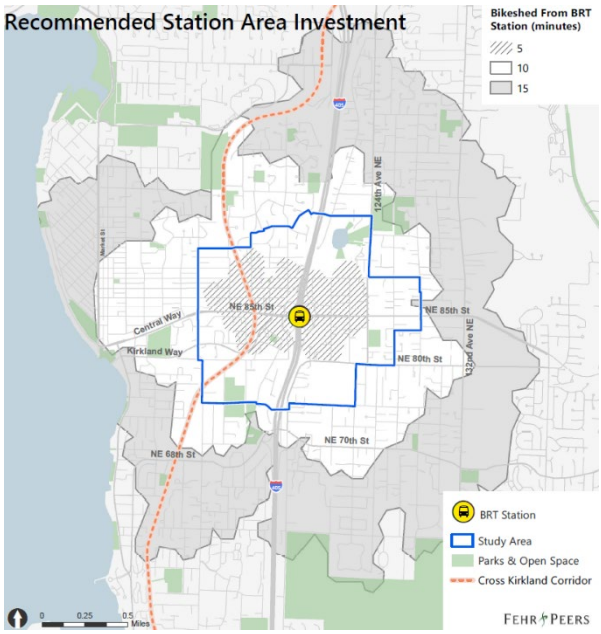
Source: Fehr and Peers, 2021.

Exhibit 3-6. Alt A Potential Bikeshed from BRT Station



Source: Fehr and Peers, 2021.

Exhibit 3-7. Alt B Potential Bikeshed from BRT Station



Source: Fehr and Peers, 2021.

Fehr and Peers considered three primary elements to understand potential change to transit conditions under the different land use alternatives: passenger loads, speed and reliability, and access-to-transit. Analysis of the future year action Alternatives, including DSEIS Alternative 2 as a point of comparison, on the transit passenger loads in the Study Area utilized the 2042 Sound Transit (ST) Model and bus crowding threshold guidance from King County (KC) Metro. A higher transit load factor indicates more crowded conditions. It should be noted that KC Metro's bus crowding thresholds do not guarantee a seat for every rider on the bus. The thresholds account for an acceptable number of both seated and standing riders. Generally, passenger load factors should not exceed 1.25 for routes that run less than every 10 minutes, and should not exceed 1.5 for routes that run every 10 minutes or better.

Exhibit 3-8 indicates that all the reviewed action Alternatives further impact the I-405 BRT due to the new PM peak hour transit trips: transit ridership growth for these Alternatives exceeds 15%. To address the projected overcrowding of buses along the impacted routes, some riders may slightly shift their commute time to avoid the peak period or access their destination via different routes. Transit agencies also regularly monitor the passenger load factor and adjust scheduling to best accommodate ridership demand. An expanded safe bicycle network to additional areas within the city and region would also help alleviate transit overcrowding by providing alternatives to riding transit. While transit lane options including recommendations in the KTIP were reviewed, they were removed for further consideration because the transit lanes would provide limited speed and reliability benefits for the substantial cost while potentially constraining pedestrian access and limiting bus station location options.

Exhibit 3-8. Impacted Transit Ridership

Action Alternative	New PM Peak Hour Transit Trips in Station Area	Routes With Passenger Load Factors Above the Threshold	New PM Peak Hour Riders per Route	Passenger Load Factor^	Transit Ridership Growth
Alternative A	372	I-405 BRT North	11	1.16	15%
Alternative B	603	I-405 BRT North	18	1.25	24%
Alternative 2	669	Route 250	38	1.06	285%
		I-405 BRT North	20	1.28	26%

Source: Fehr & Peers, 2021
Notes:
^ Passenger load factor is a ratio of anticipated ridership compared to KC Metro's crowding threshold.

Transportation costs and resources are addressed further in:

- Section 4.5.1 Capital Revenues.
- Section 4.5.2 Capital Costs.
- Section 4.5.3 Capital Net Fiscal Impact (page 4-25): A comparison of City-funded transportation infrastructure costs and revenues.

3.2 Water and Sewer

The City contracted with RH2 to determine water and sewer system improvements required above and beyond the City's existing Capital Improvement Programs (CIPs) to support the SAP development (June Alternative B). The **Supplemental Water and Sewer Memo, Appendix 2,** is available for review here.

The RH2 team worked under City staff direction to determine representative water and sewer system improvements needed to support the following scenarios for development in the Station Area.

- Growth based on 2035 Comp Plan including the Rose Hill Mixed Use sites, which City staff has indicated is comparable to June Alternative A.
- June Alternative B.

All identified improvements were classified and phased based on the following.

- Those required to be constructed in conjunction with the Bus Rapid Transit (BRT) station.
- Those required to be constructed to support each of the service areas analyzed as part of the Fiscal Impacts analysis (SE Commercial Area, NE Commercial Area, and NE, NW, SE, SW quadrants).

Findings

Under either scenario outlined above, additional water and sewer system improvements will be needed to meet expected growth in the Station Area beyond implementation of the City's existing CIPs as shown in the 2015 Water System Plan (WSP) and 2018 General Sewer Plan (GSP). This analysis was designed to update the existing CIPs in the 2015 WSP/2018 GSP based on updated expected growth projections, such as development of the Rose Hill Mixed Use sites, in the Station Area (i.e., June Alternative A). It is important to note that the City's CIP looks at project funding for a six-year window and that future projects are shown as unfunded until they are prioritized in the CIP window.

Additional improvements will be needed in June Alternative B, above and beyond those needed in June Alternative A, to meet projected growth given proposed zoning changes in the Station Area. Additional water and sewer system improvements are identified in these analyses as a representative list of projects that could serve the level of buildout described in June Alternative B:

- The water system would not be able to meet the rezoned fire flow requirements without additional improvements.
- The sewer system would not be able to meet the additional flows from the Station Area without additional improvements.

Notable water and sewer improvements needed include a water main under I-405 as required by WSDOT due to construction of the BRT station (needed in either June Alternative A or June Alternative B) as well as a sewer capacity project that crosses under I-405 to connect the King County transmission line under Cross Kirkland Corridor (needed in June Alternative B).

Water and sewer costs and resources are addressed further in:

- Section 4.5.1 Capital Revenues.
- Section 4.5.2 Capital Costs.
- Section 4.5.3 Capital Net Fiscal Impact (page 4-25 for water and page 4-27 for sewer): A comparison of City-funded water/sewer infrastructure costs and revenues.

3.3 Stormwater

The City engaged Robin Kirschbaum, Incorporated (RKI) to evaluate stormwater infrastructure needs associated with the SAP. The **Supplemental Stormwater Memo, Appendix 3,** is available for review here. A high-level analysis was performed to determine potential flooding and conveyance capacity impacts to the stormwater main line along 120th Ave NE with various redevelopment scenarios. The study was limited to potential parcel-based improvements and did not address rights-of-way. It was determined that conditions in the June Alternatives would not have substantial impacts to the conveyance systems in basins in the western quadrants and eastern edge including portions of the northeast quadrant of the Station Area. Therefore, it did not analyze these areas. The three scenarios analyzed included:

1. A baseline condition with existing land cover.
2. A full 23-year build out condition which evaluated development in line with current zoning standards. City staff has indicated this scenario is comparable to June Alternative A.
3. A full 23-year built out June Alternative B condition which evaluated development in line with the Station Area Plan vision. This standard would allow an increase in lot coverage on certain parcels, therefore increasing impervious surface.

After determining the potential flooding locations for each developed scenario, stormwater mitigation options were evaluated to determine their effectiveness at reducing runoff along the stormwater main line. Mitigation options that were applied included stormwater conveyance system improvements (larger pipe diameters, or change in pipe material), and incorporation of detention facilities (vaults). In addition, "blue/green" streets (a combination of rain gardens and vault-type structures) were modeled as an additional conveyance mitigation option for parcel-improvement conditions under June Alternative B levels of growth.

Findings

1. **For either Alternative, development of the Study Area and any associated increases in impervious surface area will not have any negative downstream impacts.** This is due to current stormwater mitigation requirements that will require these parcels to install large detention systems (such as tanks and vaults) to reduce the flow off their development and help existing flooding issues, mitigating to forested conditions.
2. **Under either Alternative, the only recommended stormwater project within the Study Area consists of replacing 520 feet of pipe along 120th Ave NE with a smoother pipe material.** This will increase capacity through the stormwater main line, helping in all scenarios.
3. **Evaluation of Green/Blue Street stormwater infrastructure modeled within the Study Area showed it was not effective as an additive mitigation strategy for the capacity of the stormwater system in either Alternative, and was not recommended as modeled in the representative stormwater investment list.** This is because much of the potential flooding within parcels is resolved with the on-site stormwater mitigation from redevelopment. These strategies were not evaluated for their potential relative to mitigating right-of-way stormwater or existing flooding conditions or for park or open space community benefit, given the high cost of construction and maintenance of the improvements as modeled. Other types of green streets or stormwater expression, that were not included in the study and may have lower maintenance costs, could continue to be considered as urban design features with water quality treatment benefits.

4. **Although not directly related to the Station Area vision, the analysis showed that outside of the Study Area, an increase in runoff from the upstream residential areas causing potential flooding.** The growth associated with June Alternatives A and B did not have any impact on or contribution to this potential upstream residential area flooding. Residential parcels are smaller in size and tend to be under the mitigation requirement and therefore are exempt from the requirement to construct large stormwater facilities. This issue will need to be addressed in context of future development outside the Station Area.
5. **Recommended next steps** include considering re-evaluation of the conveyance standards to acknowledge climate change projections that indicate an 18-22% higher storm intensity in the 2030's to provide for more resilient design and developing a groundwater management policy to preserve system capacity.

Overall, this analysis shows that development and any associated land use code changes under each Alternative within the Study Area will not negatively impact existing stormwater conveyance through the stormwater main line on 120th Ave NE between NE 85th St and NE 90th St. Redevelopment in this area should reduce stormwater runoff with the implementation of required onsite stormwater control facilities.

Stormwater infrastructure costs and resources are addressed further in:

- Section 4.5.1 Capital Revenues.
- Section 4.5.2 Capital Costs.
- Section 4.5.3 Capital Net Fiscal Impact (page 4-28): A comparison of City-funded stormwater infrastructure costs and revenues.

4.0 Fiscal Impacts Analysis

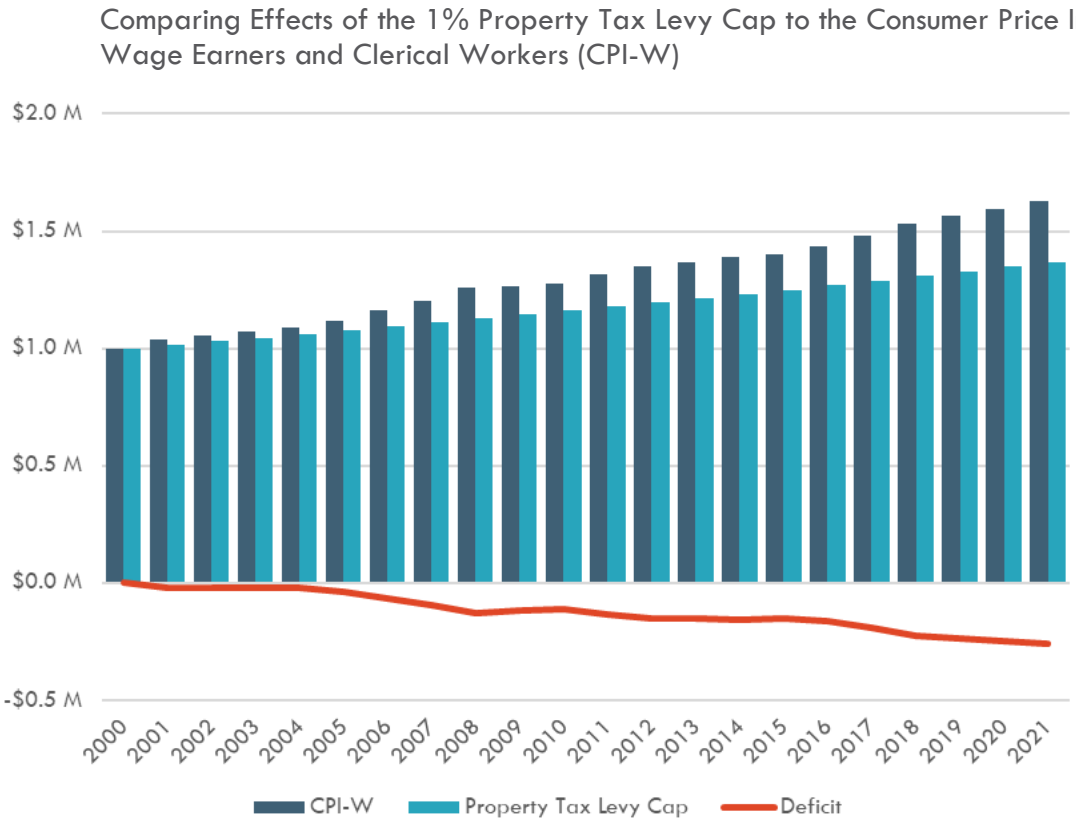
4.1 Fiscal Analysis: Purpose and Context

The fiscal analysis is designed to answer a key question: *With population growth and redevelopment in the Station Area Plan, comparing June Alternatives A and B, can the City afford the investments necessary to address increased demand on public services, especially schools, parks/open spaces, transportation, and utilities, and avoid a reduction in service for existing residents and businesses?*

Fiscal Context

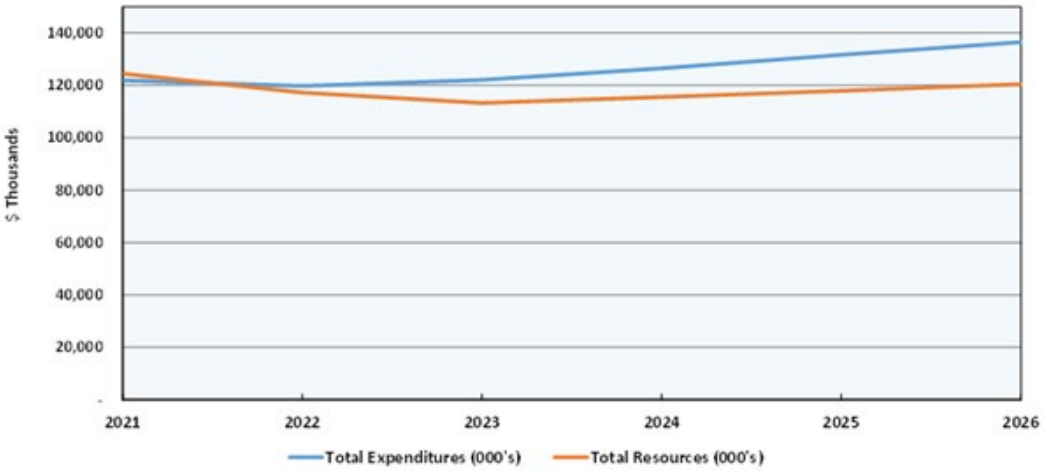
- **The Washington tax code, specifically a cap on property tax increases, creates a structural gap between operating costs and revenues in the absence of growth.** This is illustrated for a prototypical Washington city in Exhibit 4-1. This structural imbalance exists for Kirkland, as shown in Exhibit 4-2, and the Council takes specific actions each biennium to balance the budget and fund service levels. Growth-related revenues are significant, particularly for Alternative B, but, given the structural challenges noted here, it is expected that operational fiscal sustainability challenges will resurface over time as inflation outpaces capped property tax revenues.
- **The Station Area Plan is not an opportunity to catch up on existing service deficits.** Like most cities, Kirkland aspires to higher levels of service than it is often able to attain, and certain City services are currently below desired levels. Similarly, the City would like to invest in capital facilities, such as a pool or recreation center, to serve the population. As noted in the key question above, the Station Area Plan does not represent an opportunity to bridge current deficits. The focus of this fiscal analysis is on determining whether *existing* levels of service can be sustained.
- **Planning level studies were conducted to determine a set of representative infrastructure investments needed to maintain service levels in transportation, water and sewer, and stormwater with the June Alternatives A and B.** These studies were produced for development of conceptual cost estimates for fiscal modeling of the Station Area and are not intended to show a preferred plan or final project configurations, which will be developed in later stages of planning and are subject to City Council approval.

Exhibit 4-1. Fiscal Projections for a Prototypical Washington City



Source: BERK, 2021.

Exhibit 4-2. Kirkland General Fund Forecast, 2021-2026



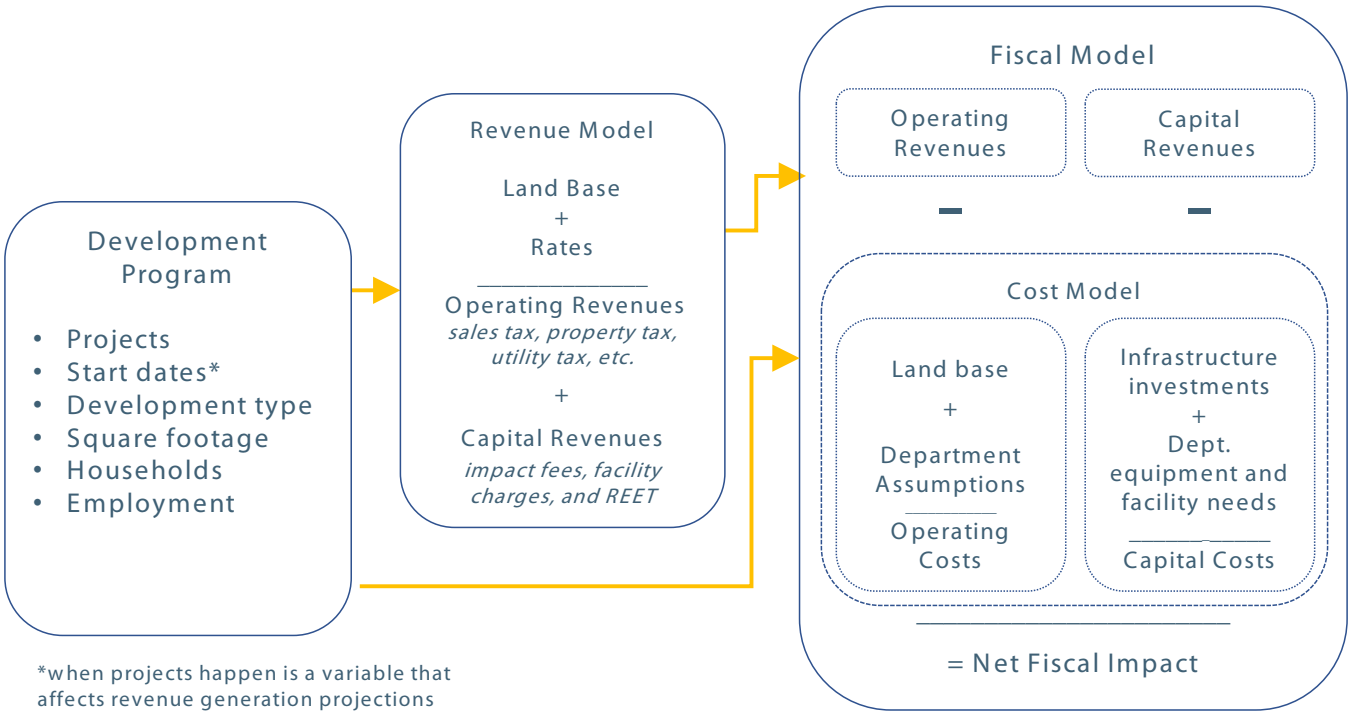
Note: Reflects 2021-2022 Revised Budget

Source: City of Kirkland, 2021.

4.1.1 Fiscal Model Structure and Use

Exhibit 4-3 illustrates the functioning of the revenue and cost models used to analyze the net fiscal impacts to the City of June Alternatives A and B. ECONorthwest developed a revenue model to project associated operating and capital revenues for the City, as well as revenues for key City partners. BERK led development of the cost model and calculation of net fiscal impact by comparing City revenues to expenses. BERK relied on the infrastructure investment analysis discussed in Section 3.0 for costs associated with transportation, water, sewer, and stormwater infrastructure.

Exhibit 4-3. Fiscal Model Structure



Source: BERK, 2021.

Development Assumptions

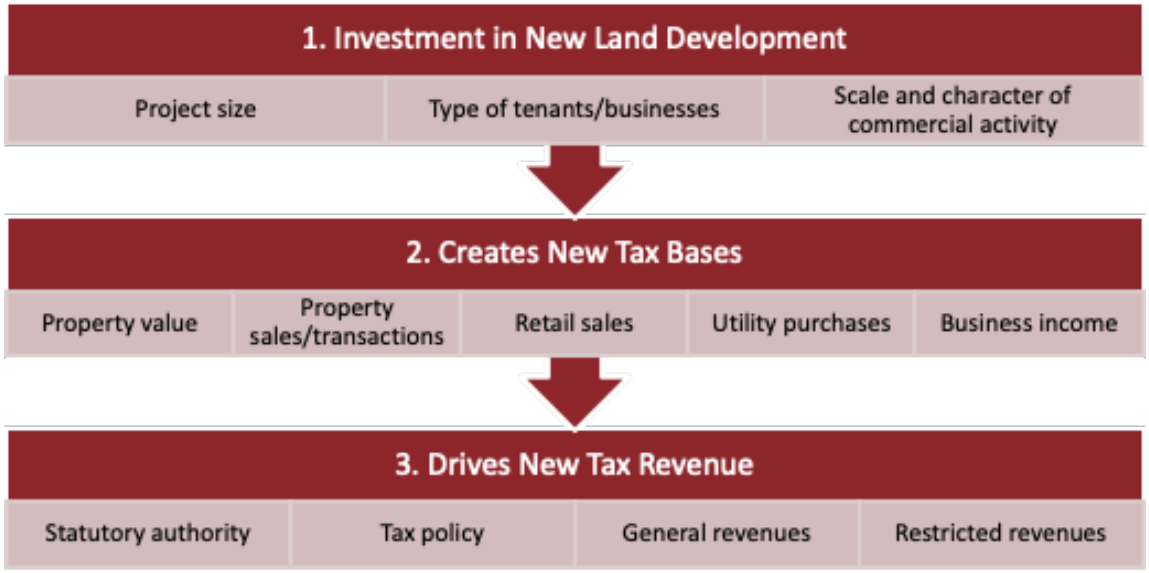
The development assumptions that drive revenue and cost projections are consistent with June Alternatives A and B established for further evaluation in June 2021. They use the same control totals and spatial allocation of growth to the Traffic Analysis Zone (TAZ) level as other analyses. From there, development was assigned to parcels using development prototypes that reflect realistic building forms and densities consistent with each Alternative's future land use assumptions. Parcel-level development assumptions were aggregated into "Projects" – clusters of adjacent parcels (all within the same TAZ and same physical block) with the same development assumptions. Development was spread through the planning period based on timing for known development projects and generalized market conditions for residential, office, and flex/industrial development.

4.2 Revenue Analysis Methodology

4.2.1 General Assumptions

Washington State tax policy has conditions that allow governments that grow their tax bases to collect additional revenues. This relationship creates a mutually reinforcing benefit of housing and commercial development with additional tax revenues. As shown in Exhibit 4-4, new land development represents a direct financial investment in land preparation and building structures. Those structures are then occupied by residential and business uses that increase the lands' productive economic capacity. That economic value generates taxable bases at the land, business operation, and transaction level, represented in land value, retail sales, business income, etc. State tax policy allows government jurisdictions to tax these bases to fund needed public services and infrastructure.

Exhibit 4-4. Land Development and Tax Revenue Generation



Source: ECONorthwest, 2021.

The application of tax policy on these tax bases determines the amount of local tax revenue generated by the land development and the businesses and residential uses that occupy the developed land.

The tax impact analyses focus on the core tax revenues that support the delivery of general City services as well as a select number of capital restricted revenues used to fund infrastructure. The analysis above assesses the tax revenue of the proposed Alternative development in Kirkland based on assumptions about the timing, scale, and quality of construction. This analysis looks at an approximate baseline for the revenue impact of redevelopment acknowledging the uncertainty inherent in the broader economy and development. The three main determinants of fiscal impact are explained below.

- **Scale and Mix of Development.** The fiscal impact is likely to change as developers contemplate differing types and amounts of land development. Effectively, changes to these assumptions impact how much economic activity will take place in the area.
- **Quality of Development.** Baseline assumptions around development quality are drawn from reliable data calibrated to the Kirkland marketplace.

- **Timing of Development.** The timing of construction, absorption, and occupancy of development can either accelerate or delay the onset of tax revenues. Delay reduces the tax revenues from construction and operations in the area by pushing out the impacts into the future, resulting in decreasing years of benefits.

Conceptually, tax revenues are differentiated into three categories:

- **One-time Revenues.** These General Fund revenues are tied to the construction of housing and commercial products. Specifically, they include the retail sales tax on construction (materials and labor). They also include the one-time nature of permit and permit review fees (these revenues are assumed to support the cost of permitting activities and are not available for other purposes).
- **Recurring Revenues.** These General Fund revenues are derived from the occupancy of residential and commercial structures by residents, businesses, and employees. Specific revenues include the property tax, retail sales tax, and utility taxes.
- **Non-General Fund Capital Restricted Revenues.** These revenues are statutorily restricted to fund capital expenses. Specific revenues include the real estate excise tax, impact fees, and capital facility charges.

Baseline Comparisons

The revenue analysis seeks to identify the incremental "new" revenue within the study area for each alternative. The analysis must then create an estimate for how much tax and fee revenue in generated within the study area today and how those revenues may grow in the future assuming no changes in land development. With this "baseline" understanding, it is possible to analyze the impact of the growth in the alternatives by doing two things as a project site is redeveloped: 1) the existing stream of tax revenues will cease to accrue to the city, and 2) a new stream of revenues will begin accruing to the city tied to the new construction and occupation of the building.

4.2.2 Operating Revenues

The following description of tax revenues is included for reference of the estimated taxes. Tax revenues are calculated based on the changes in the components of the City's tax base resulting from redevelopment in the Study Area. Elements of growth that influence revenues include the timing, scale, and quality of development understood as part of the Alternative specification.

The following operating revenues are estimated as part of the analyses:

- **Property Tax.** The property tax impact is only the degree that new construction assessed value raises the add-on value to the City levy capacity above the 1% limit. Redevelopment of the site would be taxed at the City's regular levy rate. Only the regular levy is considered in this analysis (i.e., not including the 2020 Fire & EMS Levy Lid Lift)). The 2021 expense levy is $0.9937 per $1,000 of taxable assessed value. The analysis lets the levy rate grow and recede with growth in new construction, assessed value, and levy collections. This tax is modeled by estimating the amount of new construction and assessed value is within both the study area and city in order to estimate the property tax rate in any given year. With this information it is possible to estimate how much new assessed valuation and property taxes are generated within the study area under a given alternative.

- **Sales Tax.** Of the 10.2% sales tax currently collected in the City on general retail purchases, a 1% "local" share of the tax accrues to local jurisdictions. The City receives 85% of the 1% local tax and King County gets 15%. This tax is levied on businesses in the area, and also on construction activity and some transactions related to housing and business, such as certain online purchases and the delivery of personal and commercial goods. The current rate accruing to the City is 0.85%. The sales tax relies on estimates of new construction value and consumer taxable retail sales spending.
  - The City also levies a 0.1% Public Safety sales tax. The revenue must be shared with the County for this tax (the City receives 85% of this increment as well with the County receiving 15%).
  - The City also receives a population pro rata share of 90% of the city allocation of King County's 0.1% criminal justice sales tax. Increase in the criminal justice tax is modeled on net increases in population due to development.
  - In the 2019 legislative session, the state approved a local revenue sharing program for local governments by providing a 0.0146% local sales and use tax credited against the state sales tax for housing investments. The city's rate is 0.0073% due to the county also using this tax. This tax is not estimated at this time.
- **Business License Tax.** The City collects an annual business license tax. The fee is a base rate plus a "per employee fee." Kirkland does not impose a Business and Occupation (B&O) tax on gross receipts. The license tax is calculated by estimating the amount of employment by industry sector within occupied buildings and applying the appropriate tax rate.
- **Utility Taxes.** The City imposes utility taxes on gross purchases of electricity, water, wastewater, solid waste, telephones, cable, and natural gas. Current tax rates are used for this analysis. A generalized utility expenditure productivity factor (on a per person and employee basis) was used to generate estimates of utility purchases.
  - Water: 13.38%
  - Wastewater: 10.5%
  - Electric: 6%
  - Natural Gas: 6%
  - Solid Waste: 10.5%
  - Cable/Internet: 6%
  - Telephone/Mobile: 6%
  - Stormwater: 7.5%
- **State Shared Revenues.** The City receives several State-shared revenues. The principal sources treated in the analysis are the Motor Vehicle Fuel Tax, Liquor Excise Tax, and Liquor Board Profits. These revenues are primarily disbursed on a formula weighted toward population. Increase in the criminal justice tax is modeled on net increases in population due to development.

4.2.3 Capital Revenues

The following capital revenues are estimated as part of the analyses:

- **Real Estate Excise Tax (REET).** REET revenues are placed in the capital restricted funds and are used by the City to finance capital projects. This analysis assumes that all market-rate developments would be sold upon completion with some share of structures entering the resale market in subsequent years. The rate of valuation turnover is assumed to be 9.61%, the rate or turnover ranges from about 7% in years when price growth is low and up to 11% in years when price growth is high). The City currently uses both 0.25% REET rates (REET 1 and REET 2 total to a rate of 0.5%).
- **Impact Fees.** The City levies transportation, parks, and fire impact fees calculated on units of development and square footage of development (depending on the type of impact fee). The City also collects a school impact fee on behalf of the Lake Washington School District. Impact fees are estimated by applying the appropriate rate on the type of development specified in the respective alternative. Impact Fees were assumed to grow at a rate of 2.90%, derived from a 10-year average of the Engineering News-Record's Construction Cost Index and consistent with the inflation rate used for the cost of City infrastructure projects upon which these revenues are based. The inclusion of future capital improvements to the Capital Facilities Plan could lead to additional fee increases.
- **Capital Facility Charges.** The City also collects a capital facility charge for its water utility, sewer utility, and stormwater utility. Facility charges are estimated by applying the appropriate rate on the type of development specified in the respective alternative. Like Impact Fees, Capital Facility Charges were assumed to grow at the 10-year average of the Engineering News-Record's Construction Cost Index and consistent with the inflation rate used for the cost of utility infrastructure projects upon which these revenues are based.

4.3 Cost Analysis Methodology

4.3.1 Operating Costs

Operating cost projections were developed in collaboration with City staff and are based on estimated operational impacts to each of the City's departments. City departments are bucketed into the following five departmental categories: Fire, Police, Parks and Community Services, Public Works, and Internal Services. Internal Services includes the City's Finance and Administration, Human Resources, Information Technology, City Manager's Office, City Attorney's Office, and Municipal Court departmental functions.

As a note, growth in the Study Area is also assumed to impact Planning and Building operations; however, this analysis assumes that operating activities funded by permit-related revenues (i.e., Planning and Building) as well as by utility operating revenues (i.e., certain functions of Public Works) are covered by those respective revenue sources based on increased demand for services. As such, the methodology covered below focuses on operating costs funded by general operating revenue sources (e.g., property taxes, sales taxes, utility taxes, etc.), which are defined as "general operating costs."

General operating costs for each departmental category are broken out into labor costs, such as salaries and benefits, and non-labor costs, such as supplies, IT operating charges, fleet operating charges (excepting Fire and Police whose fleet needs are projected separately), facility operating charges, etc.

Inflation assumptions are based on City staff input and consistent with the City's long-term growth assumptions for budgeting and financial forecasting where possible. Salaries are assumed to grow at 2.26% annually while benefits are assumed to grow at 6.10% annually, consistent with the City's assumptions around labor cost budgeting. Non-labor costs are assumed to grow in line with the average annual growth rate (2.14%) of the Seattle-Tacoma-Bellevue Consumer Price Index: All Urban Wage Earners and Clerical Workers.

In the following sections, general operating cost assumptions and methodology are outlined for each of the five departmental categories.

Fire

Drivers

Operating cost projections for Fire are based on the projections of additional annual fire incidents from growth in the study area. The projection methodology for new annual incidents is driven by applying estimated increases in square footage of various land uses in the study area, such as commercial, office & industrial, or estimated increases in single-family or multifamily dwelling units in the study area to incident generation rates derived from the City's 2020 Fire Impact Fee Update.[1]

Labor and Non-Labor Needs and Costs

Fire labor needs are based on assumptions developed by Fire Department staff given the projected number of annual incidents under each Alternative. Under Alternative B, Fire staff projected a need for five additional firefighters and one additional fire inspector based on the volume of annual projected incidents and annual major developments (multifamily, mixed use, or other non-residential buildings) added in the area. Fire staff estimated that firefighter staffing would need to be added to Station 26 when the volume of annual incidents in the Study Area increased above 500 per year. Additionally, it was estimated that an additional fire inspector would need to be added when 5 new major development buildings would complete construction. Labor and non-labor costs are based on 2021 budgeted firefighter and fire inspector salaries/benefits and average 2015-2021 Fire non-labor costs in 2021$ per Fire staff FTE, respectively. Additional one-time non-labor costs for training and equipment are based on estimates from City staff.

Under Alternative A, Fire staff estimated that the Department's current and projected future staffing capacity would be able to handle the additional generated annual incidents in the Study Area and no additional operational costs would be needed.

Police

Drivers

Operating cost projections for Police are driven by a variety of assumptions, primarily either in projected increases in annual calls for service or projected increases in total equivalent population. Projected

[1] https://www.kirklandwa.gov/files/sharedassets/public/city-council/agenda-documents/2021/april-6-2021/9a_business.pdf

increases in annual calls for service are based on the average ratio of annual Citywide calls per service to the City's total equivalent population from 2015 to 2019.

Labor and Non-Labor Needs and Costs

Police labor and non-labor needs and costs are projected for the following Department functions:

- *Patrol Division* – Labor and non-labor needs for the Patrol Division are based on applying the average ratio of Patrol staff to annual calls for service from 2015 to 2019 to projected increases in annual calls for service. Patrol labor and non-labor costs are based on average 2021 budgeted patrol officer salaries/benefits and average 2015-2021Police non-labor costs in 2021$ per police staff FTE, respectively.
- *Traffic Division* – Labor and non-labor needs for the Traffic Division are determined by applying the average ratio of Traffic staff to total equivalent population from 2015 to 2020 to projected increases in total equivalent population. Traffic labor and non-labor costs are based on average 2021 budgeted traffic officer salaries/benefits and average 2015-2021 Police non-labor costs in 2021$ per Police staff FTE, respectively.
- *Professional Standards Division* – Labor and non-labor needs for the Professional Standards Division are determined by applying the average ratio of Professional Standards staff to Patrol staff from 2015 to 2020 to projected increases in Patrol staff. Professional Standards labor and non-labor costs are based on average 2021 budgeted Professional Standards salaries/benefits and average 2015-2021 Police non-labor costs in 2021$ per Police staff FTE, respectively.
- *Administration Staff* – Labor and non-labor needs for Administration staff are determined by applying the average ratio of Administration staff to Patrol staff from 2015 to 2020, which was subsequently adjusted downwards by 50% based on feedback from Police staff, to projected increases in Patrol staff. Administration labor and non-labor costs are based on average 2021 budgeted Administration staff salaries/benefits and average 2015-2021 Police non-labor costs in 2021$ per Police staff FTE, respectively.

BERK also explored the need for additional Corrections staff and City staff indicated that there is enough existing capacity to meet needs under either Alternative.

Parks and Community Services

Drivers

Operating cost projections for Parks and Community Services are primarily driven by projected increases in total population in the Study Area. This approach assumes that the City will maintain existing staffing levels on a per capita basis. It should be noted that this approach does not specifically project the portion of increased Parks and Community Services staffing needed to service potential new park facilities or amenities in the Study Area. Projected Parks and Community Services staffing through this method could be deployed to both service existing Citywide park facilities or amenities that would see increased usage due to growth as well as any potential new park facilities or amenities in the Study Area.

Labor and Non-Labor Needs and Costs

Parks labor needs are determined by applying the average ratio of Parks and Community Services FTEs to Citywide population from 2015 to 2020 to projected increases in total population under either Alternative. Labor costs are based on average 2021 budgeted Parks and Community Services staff salaries/benefits.

Parks non-labor costs are determined by applying average 2015-2020 Parks non-labor spending in 2021$ per City resident towards projected increases in total population. As a note, Human Service grant amounts are increased as part of this calculation.

Public Works

Drivers

Operating cost projections for Public Works are driven by a variety of assumptions, primarily around increases in annual major development projects and specific assumptions derived from Public Works staff input.

Labor and Non-Labor Needs and Costs

Labor and non-labor costs assumptions are driven by a variety of factors depending on the type of function:

- *Fleet Management* – As a note, fleet management costs are captured for each departmental category through non-labor cost assumptions, or, in the case of Fire and Police through capital cost assumptions. For Public Works, BERK projected fleet management staffing needs to understand the City's need for additional municipal facilities. Labor needs for fleet management are determined by applying the 2021 budgeted ratio of fleet technicians to City vehicles toward the number of vehicles estimated to be added by each department.
- *Streets and Public Grounds* – BERK explored the need for additional streets and public grounds staffing; however, based on Public Works staff input, developments in the Station Area are not estimated to increase need for staffing under either Alternative.
- *Development Engineering, Permit Review, Inspection* – Labor needs for this function are determined by applying the ratio of the increase in development engineering, permit review, and inspection staffing between 2016 to 2018 to the change in new building permits issued for major developments between 2016-2018 towards expected annual growth in major development projects under either Alternative. Labor costs and non-labor costs are based on the average 2021 budgeted salaries and benefits for development engineering, permit review, and inspection staff as well as average 2015-2021 Public Works non-labor costs in 2021$ per Public Works staff FTE, respectively.
- *Water and Sewer Maintenance* – BERK explored the need for additional water and sewer maintenance staffing; however, based on Public Works staff input, developments in the Station Area are not estimated to increase need for staffing under either Alternative.
- *Stormwater Inspection and Maintenance* – Labor needs for stormwater inspection are determined by applying a Public Works staff assumption of needing 1 new Stormwater Inspector for every 200 new major developments to expected growth in major development projects under either Alternative. Labor costs and non-labor costs are based on the average 2021 budgeted salaries and benefits for

Stormwater staff as well as average 2015-2021 Public Works non-labor costs in 2021$ per Public Works staff FTE, respectively.

- *Transportation Maintenance* – Labor needs for additional transportation maintenance are assumed to primarily be driven by need for additional signal technicians. Based on Public Works staff input, the need for additional signal technicians is assumed to increase at a rate of 1 new technician for every 20 new signals under each Alternative. Additionally, under Alternative B, Public Works staff indicated the need for 0.5 FTE of signal technicians for maintaining supporting infrastructure such as rectangular rapid-flashing beacons (RRFBs) and streetlights. Labor costs and non-labor costs for additional signal technicians are based on the average 2021 budgeted salaries and benefits for an Electronics Technician III as well as average 2015-2021 Public Works non-labor costs in 2021$ per Public Works staff FTE, respectively.
- *Transportation Demand Management* – Based on Public Works staff input, labor needs for an additional Transportation Program Coordinator are assumed in Alternative B. Labor costs and non-labor costs for an additional Transportation Program Coordinator are based on the average 2021 budgeted salary and benefits for a Transportation Program Coordinator as well as average 2015-2021 Public Works non-labor costs in 2021$ per Public Works staff FTE, respectively. The Transportation Program Coordinator position is assumed to be added in Alternative B in 2029, when the first transportation projects are assumed to begin construction.

Internal Services

Drivers

Operating cost projections for Internal Services are driven by increases in staffing in other non-Internal Services City departments, namely Fire, Police, Parks, Planning and Building, and Public Works.

Labor and Non-Labor Needs and Costs

Labor and non-labor costs assumptions are driven by a variety of factors depending on the type of function:

- *Human Resources* – Labor needs for Human Resources staffing are determined by applying the 2021 ratio of Human Resources FTEs to all non-Internal Services FTEs towards the estimated number of non-Internal Services FTEs added under each Alternative. Labor costs and non-labor costs are based on the average of 2021 budgeted salaries and benefits for Human Resources staff as well as average 2015-2021 Human Resources non-labor costs in 2021$ per Human Resources staff FTE, respectively.
- *Finance and Administration* – Labor needs for Finance and Administration staffing are determined by applying the 2021 ratio of Finance FTEs to all non-Internal Services FTEs towards the estimated number of non-Internal Services FTEs added under each Alternative. Labor costs and non-labor costs are based on the average of 2021 budgeted salaries and benefits for Finance staff as well as average 2015-2021 Finance and Administration non-labor costs in 2021$ per Finance staff FTE, respectively.
- *City Manager's Office (CMO)* – Labor needs for CMO staffing are determined by applying the 2021 ratio of CMO FTEs (excluding Facilities staff) to all non-Internal Services FTEs towards the estimated number of non-Internal Services FTEs added based on redevelopment under each

Alternative. Labor costs and non-labor costs are based on the average of 2021 budgeted salaries and benefits for CMO staff as well as average 2015-2021 CMO non-labor costs in 2021$ per CMO staff FTE, respectively. As a note, the CMO calculation for non-labor costs includes a factor for increased needs for the City's community responder program.

- *City Attorney's Office (CAO)* – Labor needs for CAO staffing are determined by applying the 2021 ratio of CAO FTEs to all non-Internal Services FTEs towards the estimated number of non-Internal Services FTEs added based on redevelopment under each Alternative. Labor costs and non-labor costs are based on the average of 2021 budgeted salaries and benefits for CAO staff as well as average 2015-2021 CAO non-labor costs in 2021$ per CAO staff FTE, respectively.
- *Municipal Court* – Labor needs for Municipal Court staffing are determined by applying the 2021 ratio of Judicial Support and Probation Officer FTEs to Kirkland's total equivalent population towards the estimated increase in total equivalent population in the Study Area based on redevelopment under each Alternative. Labor costs and non-labor costs are based on the average of 2021 budgeted salaries and benefits for Judicial Support and Probation Officer FTEs as well as average 2015-2021 Municipal Court non-labor costs in 2021$ per Municipal Court staff FTE, respectively.
- *Prosecutors* – As the City contracts for prosecutors, needs for increased prosecutor services (which are assumed to be Internal Services non-labor costs from the City perspective) are determined by applying the ratio of the City's 2021 budgeted contract to the City's Municipal Court FTEs towards the additional Municipal Court FTEs to be added under each Alternative.
- *Public Defenders* – As the City also contracts for public defenders, needs for increased public defender services (which are assumed to be Internal Services non-labor costs from the City perspective) are determined by applying the ratio of the City's 2021 budgeted contract to the City's Municipal Court FTEs towards the additional Municipal Court FTEs to be added under each Alternative.
- *Information Technology* – Like fleet management costs in Public Works, IT costs are captured at the department level through non-labor cost assumptions. However, BERK projected IT staffing needs to understand the City's need for additional municipal facilities. FTE needs for IT are determined by applying the 2021 ratio of IT FTEs to all non-Internal Services FTEs towards the estimated number of non-Internal Services FTEs added under each Alternative.
- *Facilities* – Like IT costs, Facilities costs are captured at the department level through non-labor costs assumptions. However, BERK estimated Facilities staffing needs to understand the City's need for additional facilities. FTE needs for Facilities are determined by applying the 2021 ratio of Facilities FTEs to all non-Internal Services FTEs towards the estimated number of non-Internal Services FTEs added under each Alternative.

4.3.2 Capital Costs

Capital cost projections were developed in collaboration with City staff as well as Fehr and Peers for transportation improvements, RH2 for water and sewer improvements, and Robin Kirschbaum, Inc. (RKI) for stormwater improvements. For our analysis, capital costs are broken out into the following

departmental or use categories: Fire, Police, Parks and Community Services, Internal Services, Public Works – Water, Public Works – Sewer, Public Works – Stormwater, and Public Works – Transportation.

Inflation assumptions are based on City staff input and consistent with the City's growth assumptions for budgeting and financial forecasting where possible. Costs for vehicles and equipment are assumed to grow at a rate of 3% annually, consistent with the City's assumptions around fleet budgeting. Infrastructure costs (i.e., water, sewer, stormwater, and transportation improvements) along with Internal Services facility renovation costs and Parks capital costs are assumed to grow at a rate of 2.90%, derived from a 10-year average of the Engineering News-Record's Construction Cost Index.

In the following sections, capital cost assumptions and methodology are outlined for each of the eight capital cost categories.

Fire

Fire capital costs are based on estimated vehicles and equipment needed to support increased Fire operating needs in the Study Area developed by Fire staff. Fire staff indicated that current Fire facilities are sufficient to service expected growth in the Study Area under either Alternative and there was no expected need under either Alternative for new or expanded Fire facilities.

Under Alternative B, Fire staff indicated the need for an additional aid car and the need to convert an existing engine truck into a ladder truck in Station 26. The need for these vehicles was assumed to start when increased firefighter staffing would be needed in Station 26, as outlined above. Costs for the aid car are derived from the average 2021 replacement value of Fire aid cars in the City's fleet. Costs for the engine truck to ladder truck conversion are derived by taking the difference of the 2021 replacement value of engine truck F617 in the City's fleet and estimates of the acquisition cost of a new ladder truck provided by City staff.

Under Alternative A, Fire staff indicated there are no capital costs needed to service growth in the Study Area.

Police

Police capital costs are based on estimated vehicles and equipment needed to support increased Police operating needs in the Study Area. Police staff indicated that current Police facilities are sufficient to service expected growth in the Study Area under either Alternative and there was no expected need under either Alternative for new or expanded Police facilities.

Under either Alternative, vehicle and equipment needs are based on type of operating function (i.e., Patrol, Traffic, Professional Standards, etc.) and estimated by applying the average 2021 ratio of vehicles per each function's FTEs toward the projected increase in each respective function's staffing. Under Alternative B, based on Police staff input, the need for Professional Standards vehicles was manually adjusted to be 1 Professional Standards vehicle.

Equipment needs are estimated to follow the same ratio as vehicle needs. Vehicle costs are estimated by using the average 2021 replacement value of vehicles for each respective function and assumed to follow the average replacement schedule of vehicles for each function. Equipment costs for outfitting Police vehicles (radios, laptop, firearms, etc.) are based on assumptions from City staff.

Parks and Community Services

Parks capital costs are based on estimated park facilities and acreage needed to be added within the City to comply with the City's adopted Level of Service (LOS) guidelines. Since the City's LOS guidelines are for the entire City, the approach to estimating park capital costs focused on capturing the Study Area's incremental share of facilities and acres that need to be added Citywide.

Exhibit 4-5 details all facility or acreage-based City Parks LOS guidelines and the estimated unit cost for each facility or acreage type.

Exhibit 4-5. Park LOS Guideline and Estimated Facility/Acre Costs, 2021$

Facility/Acre Type	LOS Guidelines	Estimated Cost per Facility/Acre
Tennis Courts	1/3,000 pop.	$0.1 M
Baseball Fields	1/5,000 pop.	$1.9 M
Softball Fields	1/10,000 pop.	$1.4 M
Soccer/Football/Lacrosse Fields	1/7,500 pop.	$2.7 M
Skate Parks	1/40,000 pop.	$1.4 M
Indoor Pools	1/40,000 pop.	$72.0 M
Community Park Acres	2.25/1,000 pop.	$2.3 M
Neighborhood Park Acres	1.5/1,000 pop.	$2.3 M

Sources: HBB, 2021; City of Kirkland, 2021; BERK, 2021.

Unit cost estimates for Tennis Courts, Baseball Fields, Softball Fields, Soccer/Football/Lacrosse Fields, and Skate Parks are based on development prototype costs from HBB Landscape Architecture, which were developed as estimates for King County-based parks development projects and include design/engineering fees, financing costs, and contingency funds. Unit cost estimates for Indoor Pools are based on assumptions from City staff. Unit cost estimates for Community and Neighborhood Parks Acres are based on an average of 2020 assessed values per acre within the Study Area.

Internal Services

Internal Services capital costs are based on the costs of renovating City Hall to accommodate additional staff in the building. Renovation needs are based on the number of City Hall-based staff that would be added under each Alternative. Renovation costs are based on a per-employee estimate of renovation costs supplied by City staff ($18,000 per employee).

Public Works – Transportation, Water/Sewer, and Stormwater

See Section 3.0 for infrastructure costing methodology.

4.4 Operating Revenues and Costs

4.4.1 Operating Revenues

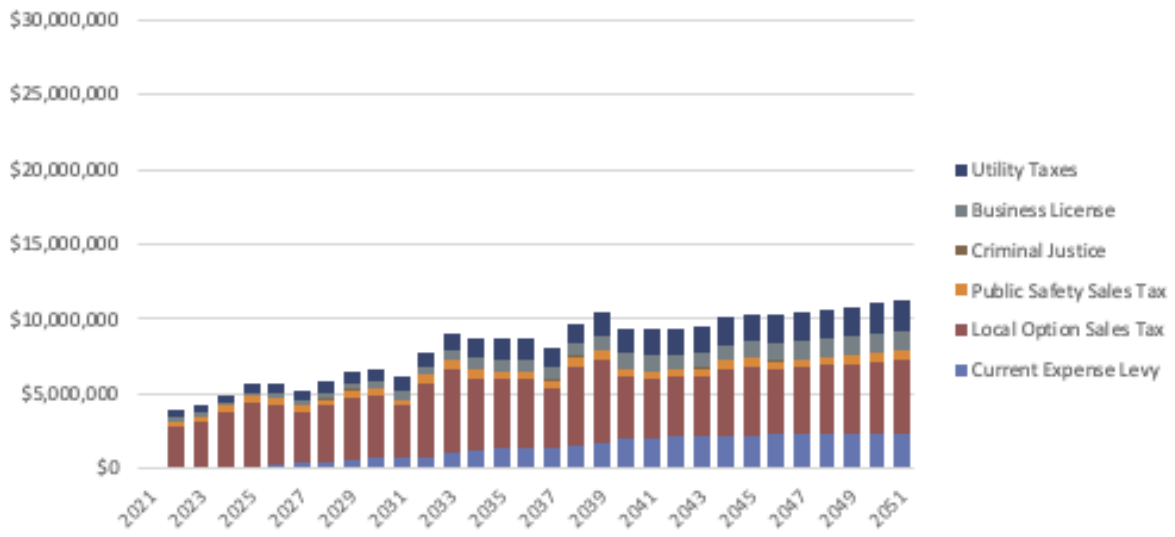
In this section, projected operating revenues from current and potential future uses are outlined for each Alternative. General operating revenues include the City's current expense levy (property tax), sales taxes, and utility taxes among other sources and are assumed to be available to fund the City's general government operating functions. General operating revenues fluctuate year-over-year depending on the amount of development happening and subsequently when buildings are occupied. Overall revenues may fall year-over-year depending on the tax contributions of the existing use relative to what use supersedes it from redevelopment.

As a note, the City also collects permit-related revenues such as plan check fees, design review fees, and building permit fees, which are dedicated to funding planning operating functions in the City's Planning and Building department. For the fiscal impacts analysis, these revenues are assumed to cover projected planning operating costs in the Study Area and are not included in the projections shown below. As growth and development occur in the Study Area, the City should monitor the associated permit-related revenues and planning costs collected and incurred, respectively, to assess whether the current fee structure needs to be addressed if revenues and costs are not aligned.

Alternative A Operating Revenues

Exhibit 4-6 summarizes the operating revenues from current and potential future uses in Alternative A. At buildout of Alternative A, operating revenues stabilize at about $10 million dollars per year.

Exhibit 4-6. Alternative A General Operating Revenues, YOE$

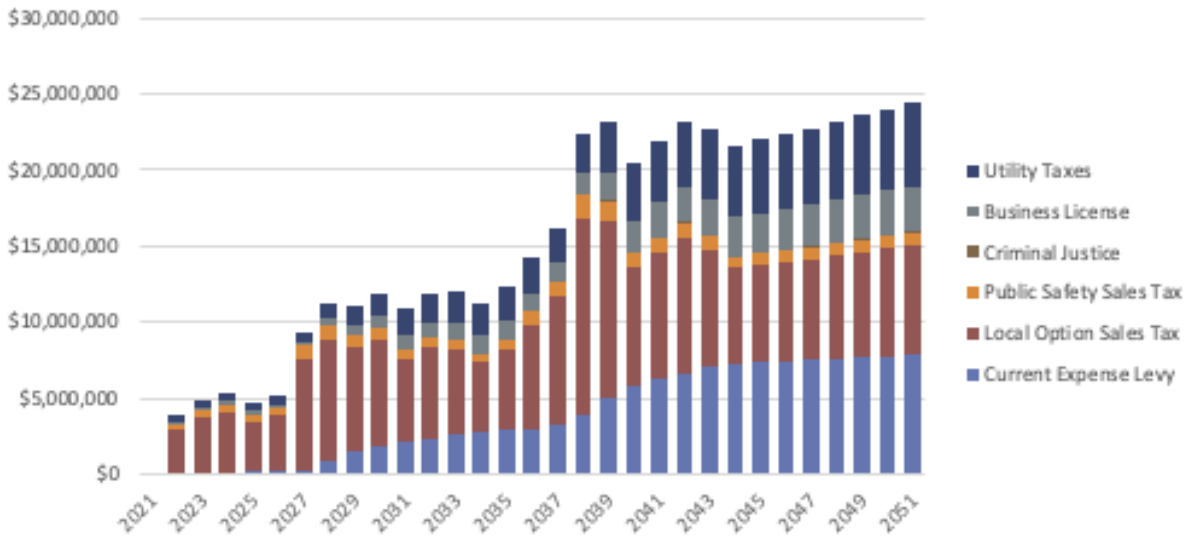


Sources: City of Kirkland, 2021; ECONorthwest, 2021.

Alternative B Operating Revenues

Exhibit 4-7 summarizes the operating revenues from current and potential future uses in Alternative B. At buildout of Alternative B, operating revenues stabilize at about $21 million dollars per year.

Exhibit 4-7. Alternative B General Operating Revenues, YOE$



Sources: City of Kirkland, 2021; ECONorthwest, 2021.

4.4.2 Operating Costs

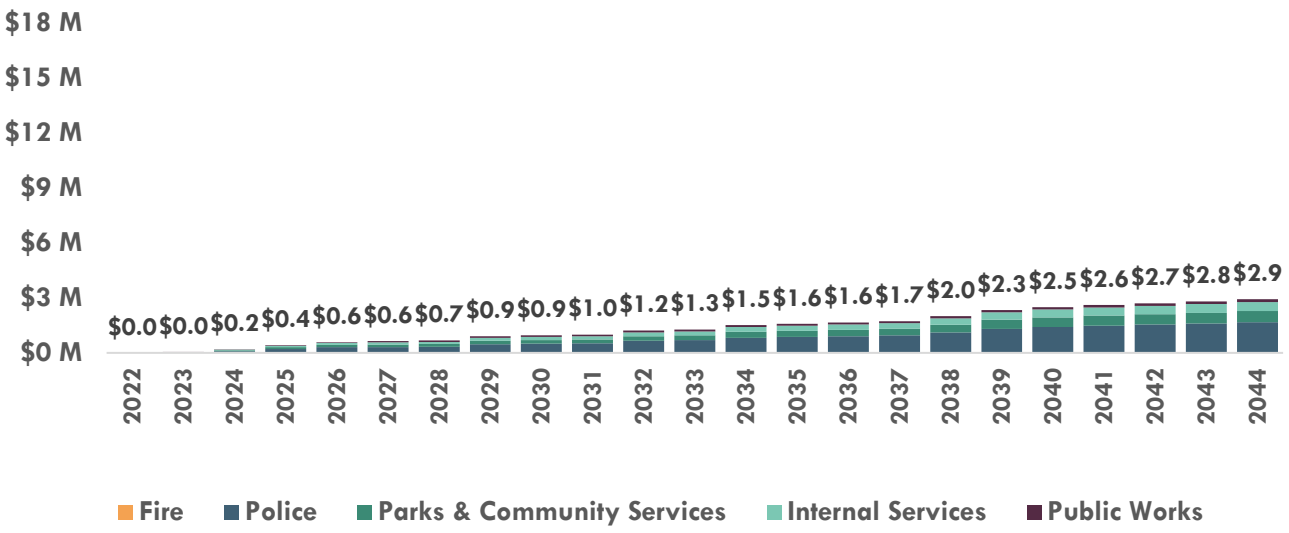
In this section, projected operating costs from growth in the Station Area are outlined for each Alternative. Operating costs are summarized by departmental category. As mentioned previously, departmental categories include Fire, Police, Parks and Community Services, Public Works, and Internal Services.

As a reminder, this analysis again assumes that operating activities funded by permit-related revenues (i.e., Planning and Building) as well as by utility operating revenues (i.e., certain functions of Public Works) are covered by those respective revenue sources based on increased demand for services in the Study Area. As such, the analysis covered below focuses on operating costs funded by general operating revenue sources (i.e., property taxes, sales taxes, utility taxes, etc.), which are defined as "general operating costs."

Alternative A Operating Costs

Exhibit 4-8 details general operating costs under Alternative A by departmental category. The largest drivers of operating costs are from Police, followed by Parks and Community Services, and Internal Services.

Exhibit 4-8. Alternative A General Operating Costs by Departmental Category, YOE$

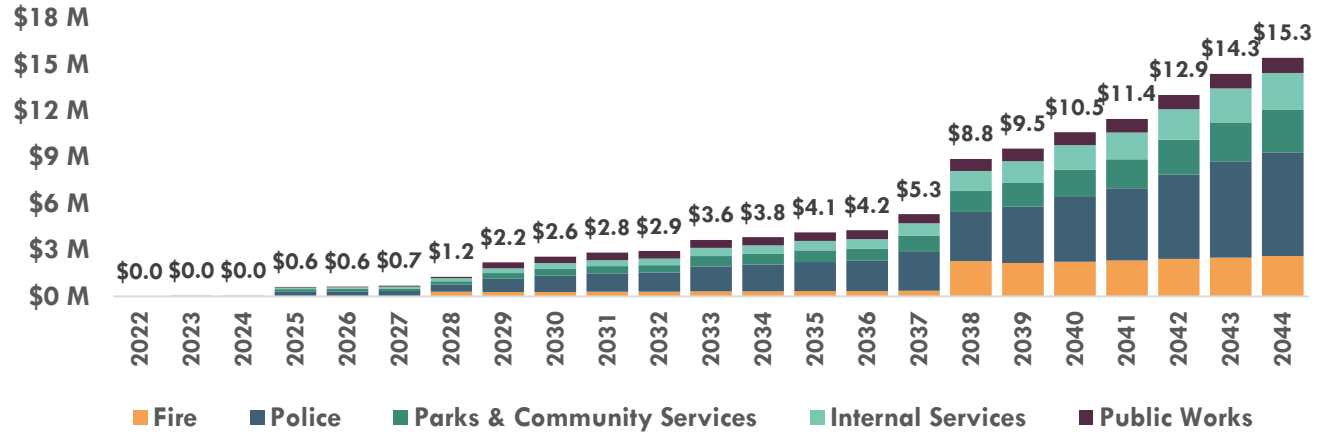


Sources: City of Kirkland, 2021; FCSG, 2020; BERK, 2021.

Alternative B Operating Costs

Exhibit 4-9 details general operating costs under Alternative B by departmental category. The largest drivers of operating costs are from Police, followed by Fire, Parks and Community Services, and Internal Services.

Exhibit 4-9. Alternative B General Operating Costs by Departmental Category, YOE$



Sources: FCSG, 2020; City of Kirkland, 2021; BERK, 2021.

4.4.3 Operating Net Fiscal Impact

On both an annual and a cumulative basis, general operating revenues are projected to cover general operating costs under either Alternative. Exhibit 4-10 details cumulative general operating revenues and costs through 2044 for both Alternatives.

Exhibit 4-10. Alternative A & B General Operating Revenues and Costs - Cumulative, YOE$

Type	Alt A	Alt B
General Operating Revenues	58.7M	$199.7M
General Operating Costs	-$31.9M	-$117.5M
Total General Operating Surplus/Deficit	**$26.8M**	**$82.2M**

Sources: FCSG, 2020; ECONorthwest, 2021; City of Kirkland, 2021; BERK, 2021.

While operating costs are significantly higher in Alternative B to serve new growth in the Station Area, revenues generated by potential future uses are also significantly higher. Under Alternative B, the City is projected to generate a general operating surplus of around $82.2 million by 2044, around $55.4 million more than the general operating surplus generated in Alternative A.

As mentioned above, costs stemming from functions funded by permit-related revenue sources and utility operating revenue sources are assumed to be covered by those revenue sources based on increased demand for services in the Study Area and are not included in the analysis above.

4.5 Capital Revenues and Costs

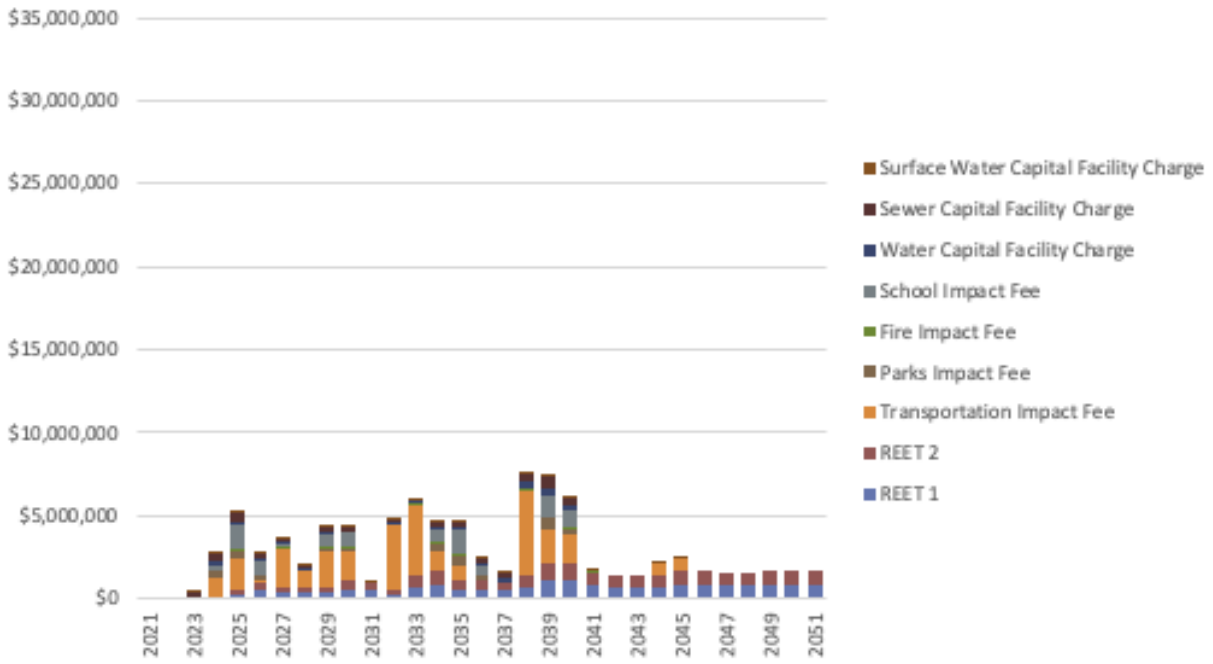
4.5.1 Capital Revenues

The following section details projected capital revenues generated from potential future uses under each Alternative. Capital revenues projected include impact fees for parks, fire, school, and transportation; capital facility charges for water, sewer, and stormwater; and Real Estate Excise Tax (REET). Impact fees and capital facility charges were assumed to grow at a rate of 2.90%, derived from a 10-year average of the Engineering News-Record's Construction Cost Index and consistent with the inflation rate used for the cost of City infrastructure projects upon which these revenues are based. The inclusion of future capital improvements to the Capital Facilities Plan could lead to additional fee increases not assumed within this analysis.

Alternative A Capital Revenues

Exhibit 4-11 summarizes the capital revenues from potential future uses in Alternative A. REET is collected every year after 2023 when redevelopment begins. Impact fees and capital facility charges are collected in years of development activity. The single largest year of fees is in 2039, at approximately $7 million. The general shape of revenues is related to development in the Station Area and roughly follows the shape of development shown in Exhibit 2-5.

Exhibit 4-11. Capital Revenues from Alternative A, YOE$



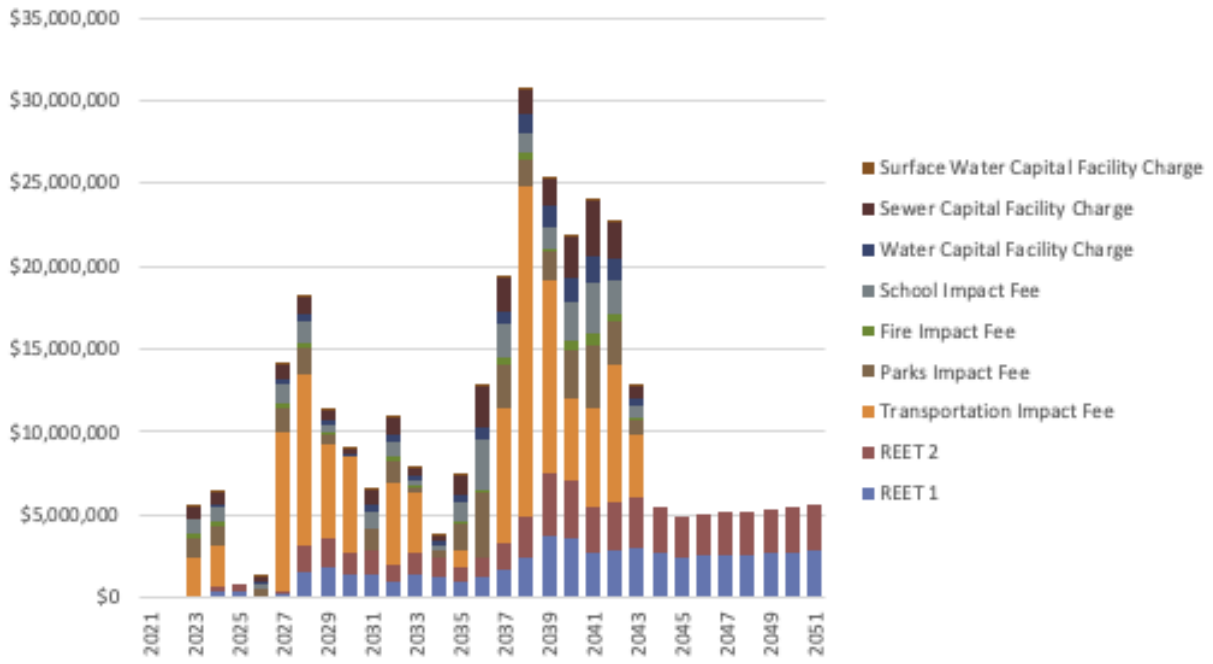
Sources: City of Kirkland, 2021; ECONorthwest, 2021.

Alternative B Capital Revenues

Exhibit 4-12 summarizes the capital restricted revenues from potential future uses in Alternative B.

As with Alternative A, REET is collected every year after 2023 when redevelopment begins, while impact fees and capital facility charges are collected in years of development activity. The single largest year of fees is in 2039, at approximately $25 million, largely driven by anticipated developments at the Costco site and in eastern quadrants of the study area.

Exhibit 4-12. Capital Revenues from Alternative B, YOE$



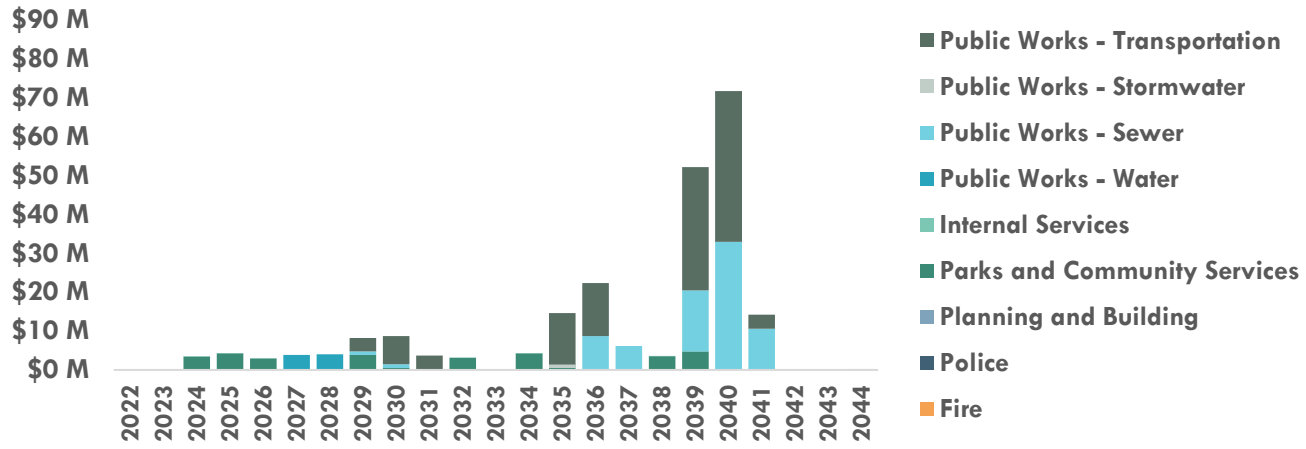
Sources: City of Kirkland, 2021; ECONorthwest, 2021.

4.5.2 Capital Costs

Alternative A Capital Costs

Cumulatively, under Alternative A, the City is projected to need a total of nearly $265 million in capital funds in order to meet the demands of growth in the Study Area, of which nearly $34 million is assumed to be funded by development. The largest drivers of capital costs are sewer improvements, transportation improvements, and parks capital needs.

Exhibit 4-13. Alternative A Capital Costs by Department, YOE$



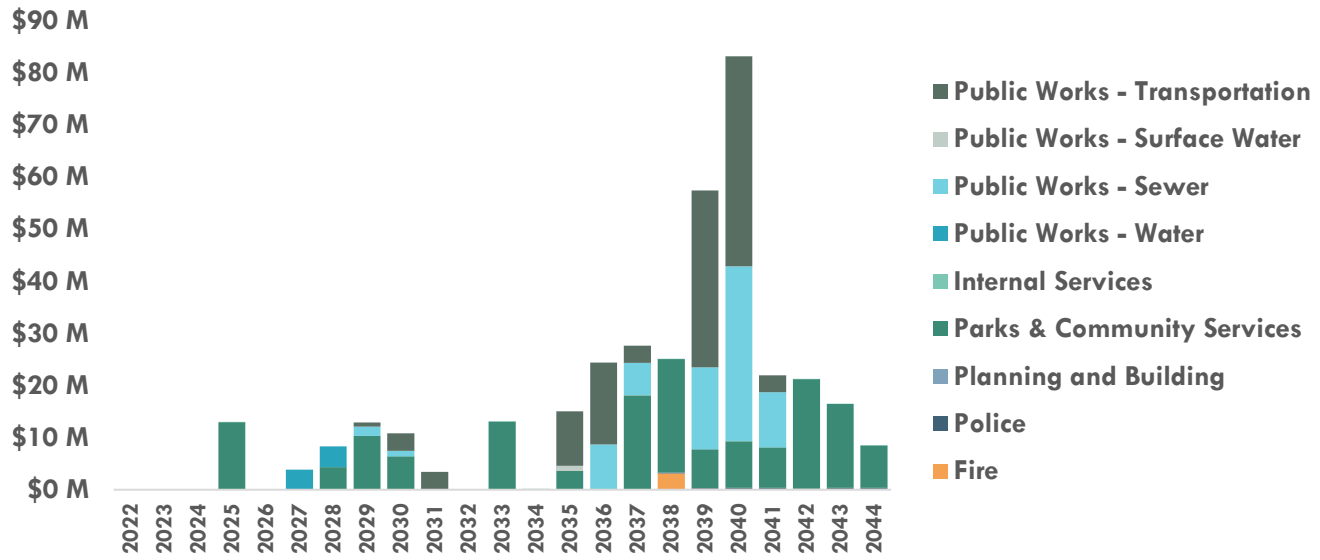
Sources: FCSG, 2020; City of Kirkland, 2021, Fehr & Peers, 2021; RH2, 2021; RKI, 2021; HBB, 2021; BERK, 2021.

Much of the costs from sewer and transportation improvements are projected to occur in 2039 and 2040.

Alternative B Capital Costs

Cumulatively, under Alternative B, the City is projected to need a total of nearly $456 million in capital funds in order to meet the demands of growth in the Study Area, of which around $85 million is assumed to be funded by development. The largest drivers of capital costs are sewer improvements, transportation improvements, and parks capital needs.

Exhibit 4-14. Alternative B Capital Costs by Department, YOE$



Sources: FCSG, 2020; City of Kirkland, 2021, Fehr & Peers, 2021; RH2, 2021; RKI, 2021; HBB, 2021; BERK, 2021.

The largest capital costs are projected to occur in 2039 and 2040 and consist of transportation and sewer improvements. Transportation in particular has a few large projects during this timeframe which include:

- Kirkland Way Complete Streets ($34.8 million, 2039-2040) a primarily non-motorized project that includes replacing the Cross Kirkland Corridor (CKC) bridge.
- 124th Ave NE Roadway Widening to 5 Lanes, NE 85th St. to NE 90th St. ($20.3 million, 2039-2040).
- NE 85th St. Shared Use Trail Improvements, 5th St. to Kirkland Way ($9.8 million, 2039-2040).

Meanwhile, sewer is projected to need 43 different projects in this timeframe which total around $50 million in costs.

4.5.3 Capital Net Fiscal Impact

Summary of Capital Net Fiscal Impact

Under either Alternative, significant capital needs are anticipated, with the City is projected to see large shortfalls in covering capital needs unless other funding strategies are implemented. Exhibit 4-15 outlines the projected cumulative surplus/deficit for capital costs and capital revenues through 2044 for both Alternatives. As a note, capital improvements needed in Alternative A are also assumed to be needed in Alternative B as those improvements will be needed to accommodate growth under both scenarios.

Exhibit 4-15. Alternative A & B Capital Surplus/Deficit Summary – Cumulative, YOE$

Type	June Alt A	June Alt B
Dedicated Capital Revenues	$68.2M	$252.7M
Development Funded Improvements	$33.0M	$84.8M
Total Capital Improvements	-$265.2M	-$455.2M
Capital Surplus/Deficit	**-$164.0M**	**-$117.7M**

Note: Numbers may not add up due to rounding.

Sources: FCSG, 2020; City of Kirkland, 2021, Fehr & Peer's, 2021; RH2, 2021; RKI, 2021; HBB, 2021; ECONorthwest, 2021; BERK, 2021.

While Alternative B is estimated to generate more in total capital improvements than Alternative A, under Alternative B, significantly more dedicated capital revenues are also estimated to be generated along with more improvements assumed to be funded by development. Compared with Alternative A, this results in a decrease in capital deficit of around $46.3 million (-$117.7 million in Alternative B versus -$164.0 million in Alternative A).

As shown in Exhibit 4-16, in Alternative A, significant shortfalls are projected for transportation, water, sewer, and parks capital improvements. In Alternative B, significant shortfalls are projected for sewer and parks capital improvements.

Exhibit 4-16. Alternative A & B Capital Surplus/Deficit by Improvement Type – Cumulative, YOE$

Capital Improvement Type	June Alt A Capital Surplus/Deficit	June Alt B Capital Surplus/Deficit
Fire	$1.1M	$0.6M
Police Fleet and Municipal Facilities	-$0.4M	-$1.7M
Transportation	-$73.4M	$27.2M
Water	-$5.3M	$3.6M
Sewer	-$70.7M	-$53.5M
Stormwater	-$0.5M	-$0.3M
Parks	-$14.8M	-$93.5M
Total Capital Surplus/Deficit	**-$164.0M**	**-$117.7M**

Note: Surplus/Deficit does not include using general government operating surplus to cover gaps. Numbers may not add up due to rounding.

Sources: FCSG, 2020; City of Kirkland, 2021, Fehr & Peers, 2021; RH2, 2021; RKI, 2021; HBB, 2021; ECONorthwest, 2021; BERK, 2021.

For each type of capital improvement, the City has available strategies that could be pursued in order to cover capital costs in either Alternative.

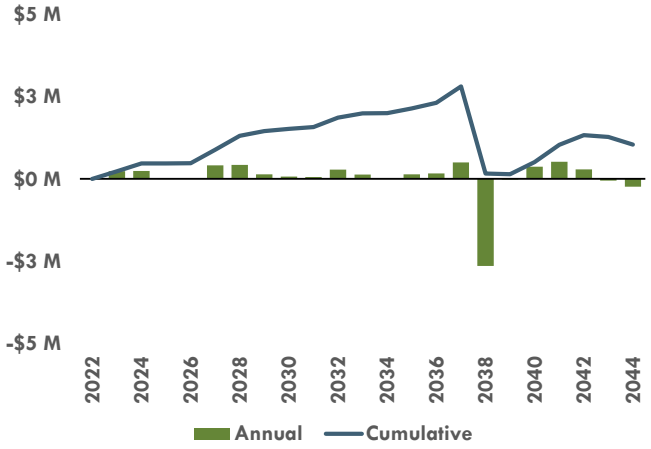
In the following section details the capital surplus or deficit of each type of capital improvement in Alternative B. In cases where there is a deficit, potential funding strategies available to the City to cover costs are included. Additional community benefit strategies may also be relevant and are presented in Section 6.0 .

By Capital Improvement Type (Alternative B)

Fire

There are no anticipated capital costs in Alternative A. In Alternative B, the Fire Department is projected to have $4.5 million in capital costs over the study period, consisting of $3.2 million for an additional ladder truck and aid car in 2038 plus annual replacement costs. Fire capital costs are projected to be covered both by Fire impact fees generated in the Station Area on new development and by using 0.5% of the general government operating surplus ($400,000) to cover annual deficits in 2038 when the new equipment is needed. Exhibit 4-17 shows both an annual and cumulative summary of Fire capital surplus and deficits over the study period and Exhibit 4-18 summarizes the cumulative surplus and deficit for each Alternative.

Exhibit 4-17. Alternative B Fire Fleet Capital Surplus/Deficit – City Portion, YOE$



Note: Annual and Cumulative Surplus/Deficit includes a portion of general government operating surplus to cover gaps.

Sources: City of Kirkland, 2021; ECONorthwest, 2021; BERK 2021.

Exhibit 4-18. Alternative A & B Fire Fleet Cumulative Capital Surplus/Deficit, YOE$

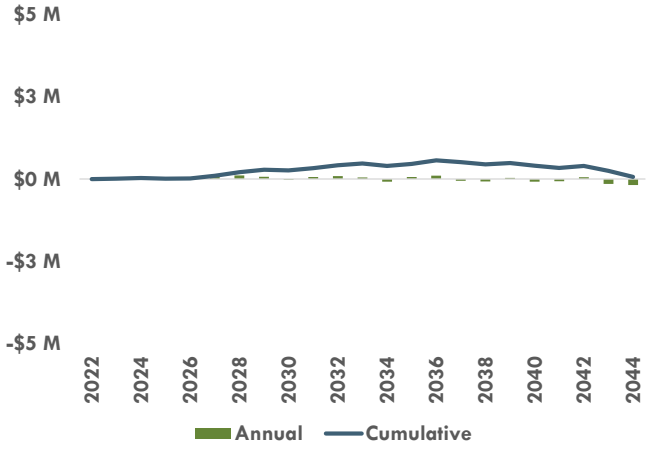
Type	Alt A	Alt B
Fire Impact Fees	$1.1M	$5.1M
0.5% of Operating Surplus	N/A	$0.4M
Total Capital Improvements	N/A	-$4.5M
Surplus/Deficit	**$1.1M**	**$1.0M**

Sources: City of Kirkland, 2021; ECONorthwest, 2021; BERK 2021.

Police Fleet and Municipal Facilities

In Alternative B, there is a cumulative capital need of $1.7 million for Police fleet and municipal facility renovations. The Police Department projects a capital need of $1.3 million to expand their fleet by six vehicles over the study period. While the City overall will need to accommodate an additional 15 FTEs in City Hall at a cost of $400,000, using a renovation cost of $18,000 per FTE. There are no dedicated revenues generated by new development for Police or general City operations, but there is enough general operating surplus available to cover these costs. Exhibit 4-9 shows both the annual and cumulative summary of Police fleet and City facilities capital surplus and deficits over the study period when allocating 2.2% of the general operating surplus ($1.8 million). Exhibit 4-20 summarizes the cumulative surplus and deficit for each Alternative.

Exhibit 4-19. Alternative B Police and Municipal Capital Surplus/Deficit – City Portion, YOE$



Note: Annual and Cumulative Surplus/Deficit includes a portion of general government operating surplus to cover gaps.

Sources: City of Kirkland, 2021; ECONorthwest, 2021; BERK 2021.

Exhibit 4-20. Alternative A & B Police and Municipal Cumulative Capital Surplus/Deficit, YOE$

Type	Alt A	Alt B
2.2% of Operating Surplus	$0.6M	$1.8M
Police Fleet Capital Needs	-$0.3M	-$1.3M
Municipal Facilities Capital Needs	-$0.1M	-$0.4M
Surplus/Deficit	**$0.2M**	**$0.1M**

Sources: City of Kirkland, 2021; ECONorthwest, 2021; BERK 2021.

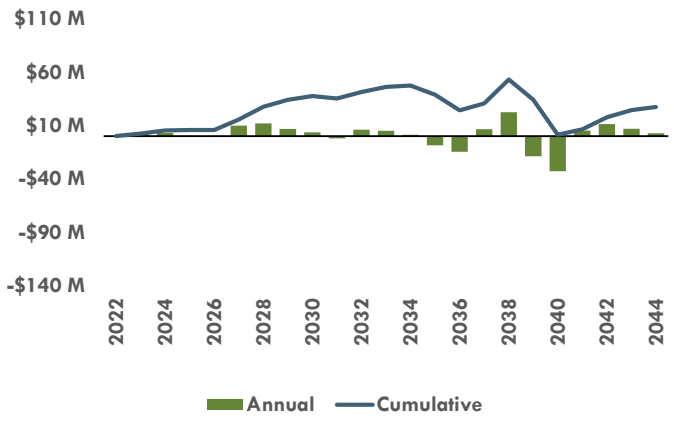
Transportation

The City needs to make significant transportation improvements in either Alternative. In Alternative B, there is an estimated total of $153.4 million in transportation infrastructure improvements needed. Of those, $36.3 million are assumed to be development funded improvements, leaving $117.1 million in city costs. The largest City-funded improvements in Alternative B are:

- Kirkland Way Complete Streets ($34.8 million, 2039-2040, an improvement which requires rebuilding of the CKC bridge and is also assumed under Alternative A).
- 124th Ave NE Roadway Widening to 5 Lanes, NE 85th St. to NE 90th St. ($20.3 million, 2039-2040, an improvement also assumed under Alternative A).
- 90th St Complete Streets Improvements ($19.8 million for two projects, 2035-2036, both projects are also assumed under Alternative A).
- NE 85th St. Shared Use Trail Improvements, 5th St. to Kirkland Way ($9.8 million, 2039-2040, an improvement that only takes place in Alternative B).

The City's capital costs can be covered using the transportation impact fees ($108.8 million) and all the REET 2 ($35.4 million) generated on new development in the Station Area. Exhibit 4-21 shows both an annual and cumulative summary of transportation capital surplus and deficits over the study period and Exhibit 4-22 summarizes the cumulative surplus and deficit for each Alternative.

Exhibit 4-21. Alternative B Transportation Capital Surplus/Deficit – City Portion, YOE$



Sources: City of Kirkland, 2021; ECONorthwest, 2021; BERK 2021.

Exhibit 4-22. Alternative A & B Transportation Cumulative Capital Surplus/Deficit, YOE$

Type	Alt A	Alt B
Transportation Impact Fees	$30.2M	$108.8M
100% of REET 2	$11.9M	$35.4M
Development-funded Improvements	$0.0M	$36.3M
Total Capital Improvements	-$115.4M	-$153.4M
Surplus/Deficit	**-$73.4M**	**$27.2M**

Sources: City of Kirkland, 2021; Fehr & Peers 2021; ECONorthwest, 2021; BERK 2021.

Water

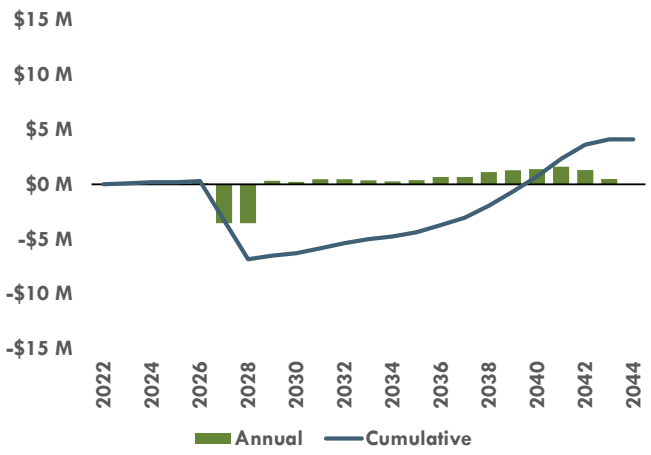
The City needs to relocate the water main under I-405, at a cost of $7.8 million, per WSDOT requirements due to the construction of the BRT in each Alternative.

In Alternative B, the City has a total of $42.1 million identified water improvements, of which $33.7 million are developer-constructed, leaving one City-constructed improvement. By the end of the study period, there will be $11.9 million in water capital facility charges generated, but there will not be enough dedicated revenue available in the early years to cover the construction costs in 2027-2028, as shown in Exhibit 4-23. Exhibit 4-24 summarizes the cumulative surplus and deficit for each Alternative.

Potential financing strategy. The City can issue a $10 million 20-year bond to cover the cost of the improvement and maintain an annual surplus. A bond of that amount and length is anticipated to result in annual debt payments of $685,000. Projected capital facility charge revenue and 7% of net new water utility revenue from growth in the Station Area are projected to be enough to cover the annual debt payments.

In addition, community benefit strategies may also be relevant. Please refer to Section 6.2.1 .

Exhibit 4-23. Alternative B Water Capital Surplus/Deficit – City Portion, YOE$



Sources: City of Kirkland, 2021; RH2, 2021; ECONorthwest, 2021; BERK 2021.

Exhibit 4-24. Alternative A & B Water Cumulative Capital Surplus/Deficit, YOE$

Type	Alt A	Alt B
Stormwater Capital Facility Charges	$3.0M	$11.9M
Development-funded Improvements	$33.0M	$33.7M
Total Capital Improvements	-$41.3M	-$42.1M
Surplus/Deficit	**-$5.3M**	**$3.6M**

Sources: City of Kirkland, 2021; RH2, 2021; ECONorthwest, 2021; BERK 2021.

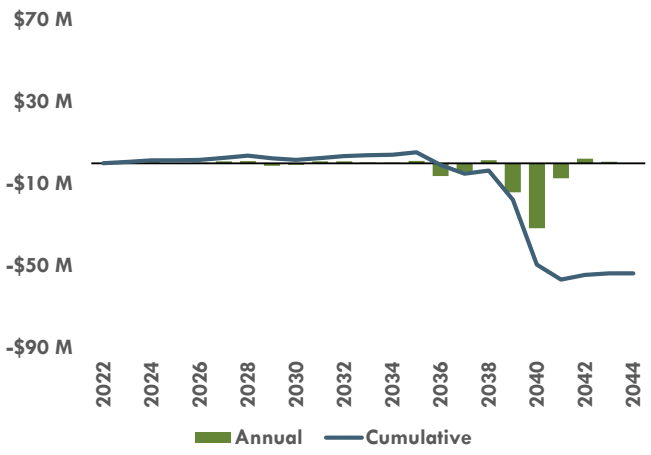
Sewer

The City needs to make significant sewer improvements in either Alternative. In Alternative B, the city has a total of $92.6 million in total identified sewer improvements, of which $14.8 million are anticipated to be funded by development, leaving a total of $77.9 million in City-funded costs. A cumulative total of $24.4 million in sewer capital facility charges are projected to be generated by new development in the Station Area over the study period, but the revenue will not be enough to cover sewer capital costs as shown in Exhibit 4-25. Exhibit 4-26 summarizes the cumulative surplus and deficit for each Alternative.

Potential financing strategy. The City can fund sewer improvements with a combination of debt issuance and rate increases. For example, if development followed the modeled growth, issuing a $60 million 30-year bond in 2035, resulting in $3.1 million annual debt payments, would cover the cost of needed sewer infrastructure improvements. A rate increase on the overall base would be required to make annual debt payments, because there is not enough sewer capital facility charges or new sewer rate revenue from the Station Area to cover the payments. Because this investment is also required in Alternative A, where there are less dedicated revenues available to offset costs resulting in a larger City deficit, Alternative A requires a larger rate increase than Alternative B.

In addition, community benefit strategies may also be relevant. Please refer to Section 6.2.1 .

Exhibit 4-25. Alternative B Sewer Capital Surplus/Deficit – City Portion, YOE$



Sources: City of Kirkland, 2021; RH2, 2021; ECONorthwest, 2021; BERK 2021.

Exhibit 4-26. Alternative A & B Sewer Cumulative Capital Surplus/Deficit, YOE$

Type	Alt A	Alt B
Sewer Capital Facility Charges	$5.5M	$24.4M
Development-funded Improvements	$0.0M	$14.8M
Total Capital Improvements	-$76.3M	-$92.6M
Surplus/Deficit	**-$70.7M**	**-$53.5M**

Sources: City of Kirkland, 2021; RH2, 2021; ECONorthwest, 2021; BERK 2021.

In addition to the identified deficit in Alternative B, there is a large capacity project ($6.9 million) that crosses under I-405 to connect the King County transmission line under the CKC. Based on the input of subject matter experts, this analysis assumes the project will occur early in the study period, since it is needed to serve the higher density in the Station Area and will be completely funded by development. The City will need to closely coordinate this project with the BRT construction, since the project will likely need to be completed at the same time as or before the station. If major redevelopment in the Station Area does not occur before construction of the BRT station, the City may need to construct the sewer capacity project and recover costs through increased connection charges and/or rates. City staff have recommended proceeding with a feasibility study for the project at a cost of $30,000-$35,000.

Stormwater

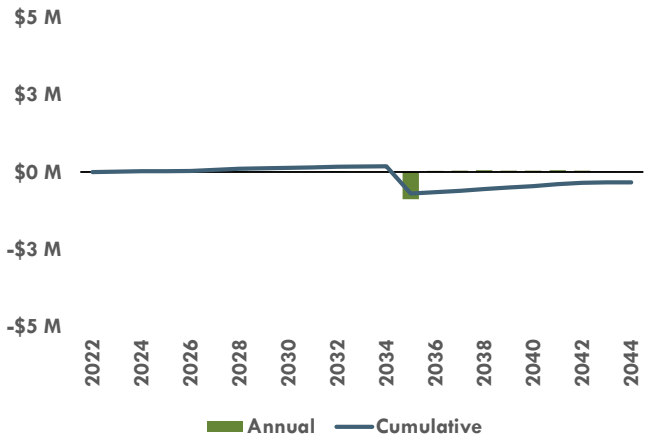
Development of the Study Area under Alternative B will not produce negative stormwater impacts due to current mitigation requirements that will require developed parcels to install large detention systems to reduce the flow off their development and help existing flooding issues. The only proposed stormwater project within the Study Area consists of replacing 520 feet of pipe along 120th Ave NE with a smoother pipe material. This will increase capacity through the stormwater main line, helping in all scenarios.

The estimated cost of the pipe replacement is $0.9 million in the year of construction. Over the study period, stormwater capital facility charges will total $0.6 million, but in the year that the stormwater pipe

replacement is anticipated there will be a gap of $0.7 million that will need to be filled. Exhibit 4-27 shows both the annual and cumulative stormwater capital surplus and deficit over the study period and Exhibit 4-28 summarizes the cumulative surplus and deficit for each Alternative.

Potential funding strategy. The City can use stormwater capital fund reserves to fill the $0.7 million gap between the available stormwater facility charges and the infrastructure improvement cost in 2035.

Exhibit 4-27. Stormwater Capital Surplus/Deficit – City Portion, YOE$



Sources: City of Kirkland, 2021; RKI 2021; ECONorthwest, 2021; BERK 2021.

Exhibit 4-28. Alternative A & B Stormwater Cumulative Capital Surplus/Deficit, YOE$

Type	Alt A	Alt B
Stormwater Capital Facility Charges	$0.4M	$0.6M
Development-funded Improvements	$0.0M	$0.0M
Total Capital Improvements	-$0.9M	-$0.9M
Surplus/Deficit	**-$0.5M**	**-$0.3M**

Note: The annual deficit in 2035 is larger than the cumulative deficit at the end of the study period that is shown in this table. This smaller cumulative deficit is due to additional stormwater capital facility charges collected on development after 2035.

Sources: City of Kirkland, 2021; RKI 2021; ECONorthwest, 2021; BERK 2021.

Parks

In Alternative B, there is a cumulative capital need of $160.0 million for Parks and Community Services. This estimate is based on the City's current target levels of service, some of which are acreage derived. Seventy-six percent of the cumulative park capital needs are comprised of acquisition and development of 15 new acres of neighborhood parks and 22 new acres of community parks, which are likely infeasible in the Station Area.

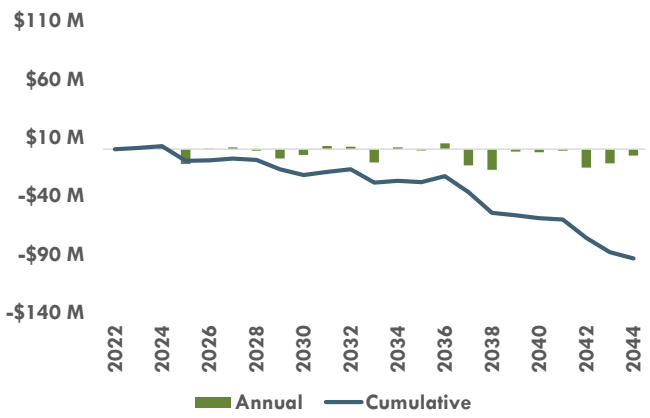
In Alternative B, new development is anticipated to generate $31.0 million in park impact fees over the study period and an additional $35.4 million of REET 1 is available to offset costs. Using these available

funds would leave a cumulative gap of $93.5 million, as shown in Exhibit 4-29. Exhibit 4-30 summarizes the cumulative surplus and deficit for each Alternative.

Potential funding strategy. Consider partially offsetting costs using the $80.0 million remaining in general government operating surplus. This strategy alone will not address parks capital needs.

A policy change to how park Level of Service is defined that moves toward equitable park access within walking distance and away from a per-acre approach would also be well suited for the Station Area and could change the amount of park land needed. In addition, community benefit strategies or multi-benefit infrastructure projects that include open space or trails may also be relevant. Please refer to Section 6.2.1 .

Exhibit 4-29. Alternative B Parks Capital Surplus/Deficit – City Portion, YOE$



Sources: City of Kirkland, 2021; ECONorthwest, 2021; BERK 2021.

Exhibit 4-30. Alternative A & B Parks Cumulative Capital Surplus/Deficit, YOE$

Type	Alt A	Alt B
Parks Impact Fees	$4.1M	$31.0M
100% of REET 1	$11.9M	$35.4M
Total Capital Improvements	-$30.8M	-$160.0M
Surplus/Deficit	**-$14.8M**	**-$93.5M**

Sources: City of Kirkland, 2021; ECONorthwest, 2021; BERK 2021.

4.6 Summary of Net Fiscal Impact

While it is important to note that restrictions on certain revenue sources exist and, as a result, not all revenues can be applied to certain costs, for contextual purposes, it can be helpful to understand where each Alternative ends up on a total surplus/deficit basis.

Exhibit 4-31 details a comparison of both Alternatives on a total surplus/deficit basis. Major takeaways include:

- Under either Alternative, operating revenues are projected to cover operating needs by 2044.
- Under either Alternative, significant capital needs are anticipated, with the City projected to see large shortfalls in covering capital needs unless other funding strategies are implemented.
- As mentioned, while restrictions on certain revenue sources exist, on a total surplus/deficit basis, under Alternative B, the City's deficit is significantly lower than what is projected under Alternative A. The City is projected to have a total deficit of around $35.5 million in Alternative B and a total deficit of around $137.2 million in Alternative A.

Exhibit 4-31. Alternative A and B Total Surplus/Deficit – Cumulative, YOE$

Surplus/Deficit	Alt A	Alt B
General Operating Surplus/Deficit	$26.8M	$82.2M
Capital Surplus/Deficit	-$164.0M	-$117.7M
Total Surplus/Deficit	**-$137.2M**	**-$35.5M**

Sources: FCSG, 2020; City of Kirkland, 2021, Fehr & Peers, 2021; RH2, 2021; RKI, 2021; HBB, 2021; ECONorthwest, 2021; BERK, 2021.

Reasons for differences in the fiscal outlook between Alternatives include:

- Generation of a higher operating surplus in Alternative B relative to Alternative A driven by estimated increases in general operating revenues such as sales and property tax revenues.
- A smaller capital shortfall in Alternative B relative to Alternative A due to estimated increases in dedicated capital revenues such as impact fees, REET, and capital facility charges as well as an increase in capital improvements funded by development.

It is important to note that the City's CIP looks at project funding for a 6-year window and that future projects are shown as unfunded until they are prioritized into the CIP window. Funding strategies will be developed to address any funding gap that exists under current planning assumptions. The Station Area plan could provide additional funding and community benefit tools to help address capital needs as discussed in Section 6.0 .

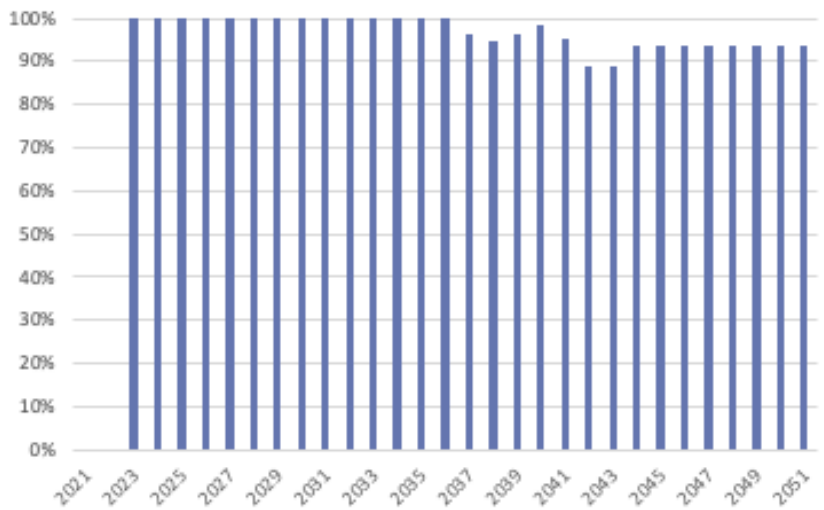
4.7 Sensitivity Analyses

By Geography, Western Quadrants versus East Quadrants

City staff have posed a range of sensitivity analyses. In terms of geographic accounting of the revenues, the following question has been posed: How much do the western quadrants contribute to the revenues or are they mostly generated east of I-405?

To address this, the general fund operating revenues for the SE and NE Quadrants for Alternative B are estimated as a proportion of total revenues for Alternative B.

Exhibit 4-32. East Quadrants Share of Operating Revenues for Alternative B



Sources: City of Kirkland, 2021; ECONorthwest, 2021.

Exhibit 4-32 demonstrates that the majority of the incremental revenues are generated in the east quadrants. This reflects both the timing (no development in the SW quadrants begin before 2037) and the scale of the development that occurs on the east quadrants.

Infrastructure Costs

Based on geography, anticipated infrastructure costs driven by development in western or eastern quadrants in the study area under Alternative B are outlined in Exhibit 4-33 and described below as follows:

- For water capital improvements, City-funded improvements are largely driven by developments in the eastern quadrants of the study area at around $8.2 million, which represents around 96% of total City-funded water capital improvement costs. This is primarily due to the previously mentioned need for relocating a water main under I-405 per WSDOT requirements ($7.8 million). City-funded water capital improvements in the western quadrants of the study are projected to be around $0.2 million.
- For sewer capital improvements, the majority of City-funded improvements are driven by developments in the western quadrants of the study area at around $60.3 million, which represents around 77% of total City-funded sewer capital improvement costs. The need for total sewer capital

improvements is both larger in western quadrants versus eastern quadrants (at a ratio of around 2:1, respectively) while nearly all development-funded sewer improvements in study area are driven by development in the eastern quadrants.

- For stormwater capital improvements, the only stormwater capital improvement projected to be needed is driven by developments in the eastern quadrants of the study area at $0.9 million. No stormwater capital improvements are driven by developments in the western quadrants of the study area.
- For transportation capital improvements, City-funded improvements are more evenly split between being driven by developments in western versus eastern quadrants of the study area (57% versus 43%, respectively). All development-funded improvements are projected to occur based on developments in eastern quadrants of the study area.

Exhibit 4-33. Alternative B Infrastructure Costs, West vs. East Quadrants of Study Area, YOE$

Capital Improvement Type	West	East
Water		
Development-funded Improvements	$17.3 M	$16.5 M
City-Funded Improvements	**$0.2 M**	**$8.2 M**
Total Capital Improvements	$17.4 M	$24.7 M
Sewer		
Development-funded Improvements	$0.1 M	$14.7 M
City-Funded Improvements	**$60.3 M**	**$17.6 M**
Total Capital Improvements	$60.3 M	$32.3 M
Stormwater		
Development-funded Improvements	$0.0 M	$0.0 M
City-Funded Improvements	**$0.0 M**	**$0.9 M**
Total Capital Improvements	$0.0 M	$0.9 M
Transportation		
Development-funded Improvements	$0.0 M	$36.3 M
City-Funded Improvements	**$66.2 M**	**$50.8 M**
Total Capital Improvements	$66.2 M	$87.2 M

Note: Numbers may not add up due to rounding.

Sources: FCSG, 2020; City of Kirkland, 2021, Fehr & Peers, 2021; RH2, 2021; RKI, 2021; HBB, 2021; ECONorthwest, 2021; BERK, 2021.

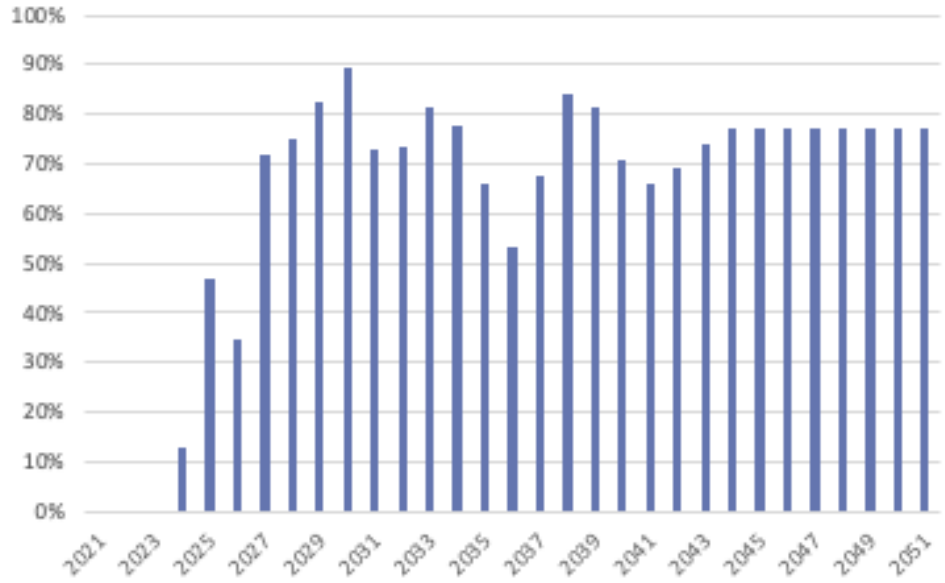
In terms of overall capital costs, it is challenging to do a detailed evaluation of capital needs and resources generated in different areas of the Study Area as many of the projects serve the full area

overall. In general terms, development-funded capital projects and capital-related revenues generated in the eastern quadrants are important to funding improvements in the western quadrants, particularly the multimodal improvements west of the BRT station.

By Commercial versus Residential Development, Eastern Quadrants

A related question to the development occurring on the eastern quadrants is how much does the commercial component account for the total amount of revenue in these quadrants. To address this, the commercial components of the general fund operating revenues for the SE and NE Quadrants for Alternative B are estimated as a proportion of their total revenues.

Exhibit 4-34. Commercial Portion of East Quadrants Share of Operating Revenues



Sources: City of Kirkland, 2021; ECONorthwest, 2021.

Exhibit 4-34 demonstrates that the majority of the incremental revenues are generated by the commercial components of the east quadrants.

Operating Costs

In the eastern quadrants, anticipated impacts to operating costs projections based on if currently projected commercial development in eastern quadrants of the study area were to instead develop as a residential development are outlined in Exhibit 4-35 and described below is as follows:

- Drivers for Police and Parks and Community Services are more strongly tied to residential development than other departmental functions. If commercial properties redevelop as residential, these costs would be expected to increase.
- Internal Services costs are a function of non-Internal Services operating costs and are expected to increase if commercial properties redevelop as residential, but to a lesser degree than Police and Parks and Community Services.
- Drivers for Fire, Planning and Building, and Public Works are less dependent on the distinction between commercial and residential properties and are not anticipated to be significantly impacted

if commercial properties redeveloped as residential. Operating costs are anticipated to be similar for both residential and commercial properties for Fire, Planning and Building, and Public Works costs.

Exhibit 4-35. Operating Cost Comparison, Commercial vs. Residential

Operating Cost Category	If Commercial is developed as Residential, costs would:
Fire	▬
Police	▲ ($$)
Planning and Building	▬
Parks and Community Services	▲ ($$)
Public Works	▬
Internal Services	▲ ($)

Legend

▬ Stay relatively similar

▲ ($) Go up a small amount

▲ ($$) Go up

5.0 Community Benefits Analysis

5.1 Community Benefits Framework

5.1.1 Study Goals and Purpose

Based on the findings of the DSEIS, the Kirkland City Council requested additional information to understand the costs and benefits associated with growth Alternatives for the Study Area. This section focuses on community benefits. In particular, it aims to answer the following questions:

- How can the public receive benefits of growth?
- How can development increase schools, affordable housing, open space, transit/bike/walk connections, and sustainability?

This section is broken into two parts. Section 5.2 reviews how the concept of residual land value analysis was used to study the potential for value capture associated with different scales and types of development in each Alternative. Section 5.3 identifies a series of policy options for capturing the value of development and providing community benefits as defined below.

5.1.2 Analysis Approach and Priority Benefits Studied

The analysis focused on five areas of community benefits to study. These were chosen based on community feedback, City Council and Planning Commission direction, and initial findings from the DSEIS and 2020 Opportunities and Challenges report.

Schools

As identified in the DSEIS, the levels of growth in each Alternative would require additional school capacity. Although school facilities are the responsibility of the Lake Washington School District, this analysis looked at opportunities for the City to help encourage innovative partnerships or other strategies for supporting the need for additional school capacity within the Study Area.

Parks & Public Realm

The City has identified the need for additional parks, open space, and public realm improvements to serve the additional housing and jobs assumed in each growth Alternative. This analysis focuses on strategies for providing new parks through both on-site facilities as part of development and standalone parks and other recreation opportunities.

Affordable Housing

Providing housing choices across a range of housing types, incomes, and needs has been identified as a priority throughout the Station Area planning process. This analysis looked at opportunities to generate funds to support affordable housing beyond the City's existing affordable housing regulations (such as

inclusionary zoning) as well as market-rate housing production, and other ways to address the current jobs/housing imbalance in the Station Area.

Sustainability

This analysis focused on how development can support a range of sustainability objectives, including carbon reduction, increased green infrastructure, and green building. This analysis focused on how development can support a range of sustainability strategies and objectives, including reduction of carbon emissions, increased green infrastructure, and green building.

Mobility

As part of an initial step in this supplemental study, additional transportation modeling was done to better understand the vehicular infrastructure needs for each growth Alternative. This portion of the analysis focused on additional mobility options, including cycling, walking, and transit use. As part of this work, a representative transportation improvements project list was developed to understand fiscal impacts of these improvements. This project list and associated costs and tradeoffs are covered in the Fiscal Impacts Study portion of this memo.

5.2 Understanding Potential for Value Capture to Deliver Community Benefits

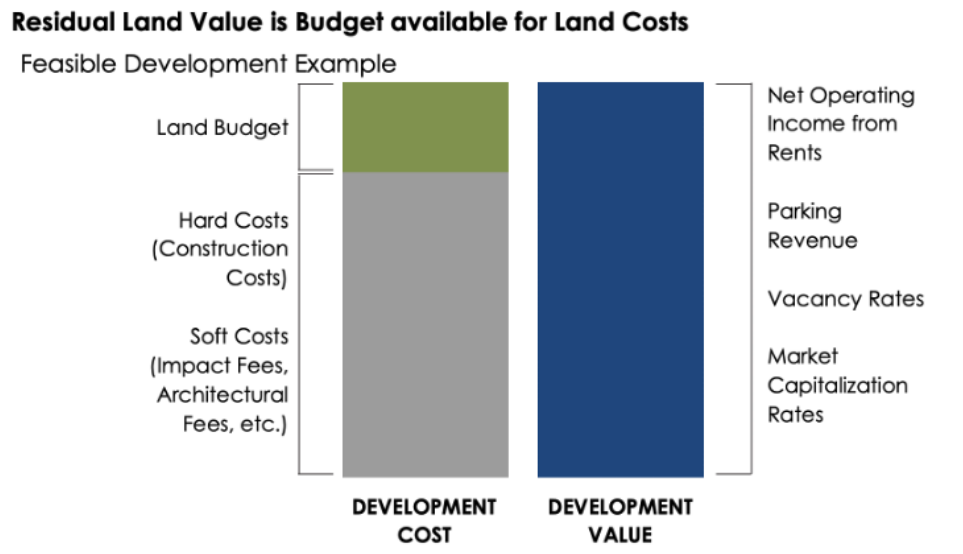
5.2.1 Approach

Certain public investments and regulatory changes can increase development potential and/or the value of existing development in the affected area. State and local governments have a number of mechanisms to "capture" the incremental real estate value created by public investments or regulatory changes to provide community benefits. These mechanisms are often modifications or extensions of existing public funding sources and requirements. They generally either impose fees or requirements to provide public benefits on new development (e.g., impact fees, affordability requirements) or derive revenue from occupancy and use of the completed development (e.g., property taxes, user fees).

Estimating Financial Feasibility of New Development Using Residual Land Value

To understand whether and to what degree the increased development entitlements considered in June Alternatives A and B create potential for value capture to provide additional community benefits, ECONorthwest used pro forma financial analysis to estimate the feasibility of the total allowed new development assumed in each Alternative. The analysis used the same development prototypes (realistic building forms and densities consistent with each Alternative's future land use assumptions) as the fiscal impacts analysis and the level of growth as established in the June Alternatives A and B as described above. The pro forma model estimates residual land value (RLV)—a developer's land budget—as an indicator of development feasibility. RLV reflects how much a developer would be willing to pay for land or a property intended for (re)development after considering the estimated value of the completed new development; typical development costs including demolition, design, construction, and local fees; and the typical investment returns needed to secure financing. This analysis did not include any proposed policy changes and assumed existing city impact fees and policies. This is illustrated in Exhibit 5-1.

Exhibit 5-1. Residual Land Value



Sources: ECONorthwest, 2021.

The RLV estimates offer a snapshot of what development feasibility looks like for the planned types of growth in the area based on typical development costs, estimated rents for new development, and approximate values of existing property. They are not intended to predict outcomes at a site level, for several reasons:

- Although site- and project-specific conditions can influence costs and return expectations, the pro forma model and RLV estimates are intended to reflect typical development conditions, rather than the specific conditions of individual developments. For example, development built for a single specific end-user often has different development feasibility criteria than development built to meet broader market demand for a certain type of space.
- The value of existing property is estimated based on the assessor's tax rolls—a readily available but imperfect predictor of market value.
- The development assumptions also can (and will) change over the planning period, but this analysis offers a point-in-time evaluation of what is financially feasible. In this case, residential and office rents were assumed to increase in the Study Area with the arrival of BRT and other public investments in the area and the increase in demand reflected by nearby recent developments. Thus, the anticipated market conditions for the Study Area are more like those currently found in other nearby urban centers (e.g., Bellevue) than today's rents within existing buildings in the Study Area. Depending on the timing of new development, market conditions may differ from those modeled for this analysis.

A prototype can be considered financially feasible for development if the RLV (the developer's land budget) exceeds the value of the existing property. In this situation, a developer can potentially reach a deal with the property owner if the property comes up for sale. If the RLV is lower than the value of a site, the project would not be financially feasible unless market conditions or investment return expectations change. However, RLV alone does not indicate that a property *will* redevelop, only that it *could* redevelop, if:

- The property owner decides to make the property available for sale and is willing to accept the estimated market value for the property.
- There is sufficient demand from the intended end user(s) of the new development to "absorb" the space as it is developed (this will tend to limit the amount of new construction at any given time).
- There is a developer with interest and ability to develop the type of space that is financially feasible and they face similar costs and financial return expectations as the typical values modeled.
- Other potential uses of the property (e.g., renovation/improvements to the existing building) would not be financially competitive with redevelopment.

Residual Land Value as an Indication of Potential for Community Benefits and Value Capture

If the RLV exceeds the estimated value of the existing property by a sufficient margin, this suggests that the new development may be able to bear the cost of providing additional public benefits and remain financially feasible. As shown in Exhibit 5-2, the remaining RLV after the actual cost of site acquisition is potentially negotiable between the property owner, developer/end user, and the public sector. However, some of this remainder is needed to provide the developer room to negotiate with the property owner to ensure a viable deal is possible. Seeking to "capture" all of this remaining value risks making development infeasible. If project-specific costs and revenues are known with some certainty, the public sector can have greater confidence pushing for greater degrees of value capture. However, because the analysis uses typical costs and market conditions and estimated values for existing property at a Station Area scale, the margin for error relative to a specific individual development is high. Given this, seeking to capture less of the remaining RLV is appropriate so that development remains feasible through fluctuating market conditions, escalating construction costs, or higher-than-expected site acquisition costs.

Exhibit 5-2. Residual Land Value

Sources: ECONorthwest, 2021.

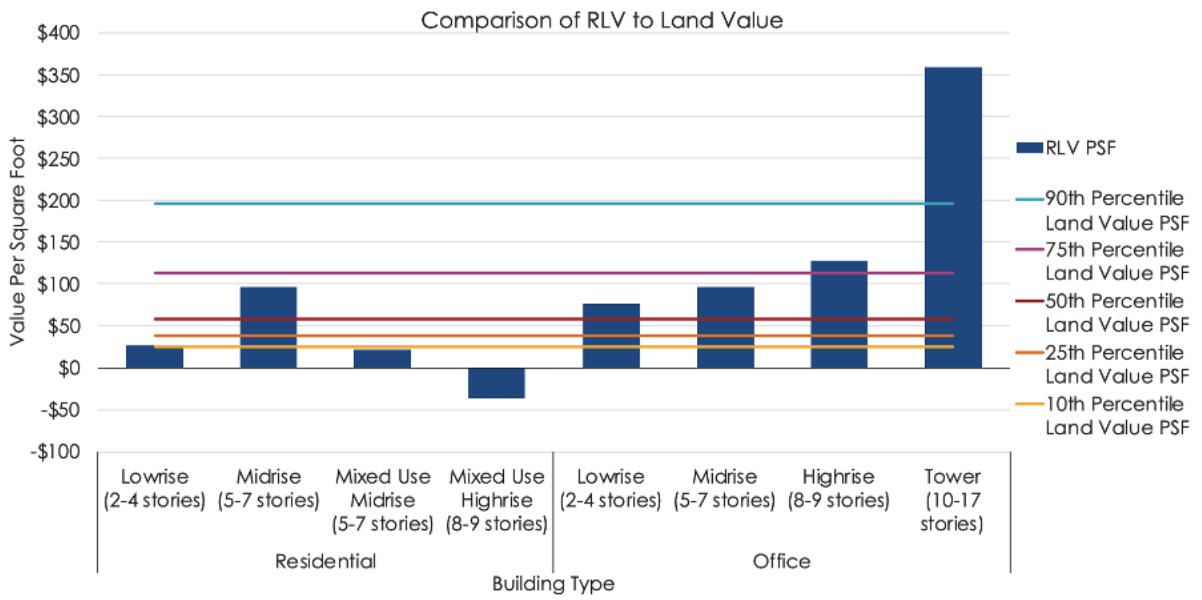
The analysis is intended to provide an indicator of which types and scales of development may be financially feasible enough to offer potential for value capture, not to calculate specific dollar amounts that could be captured from development. It is also beyond the scope of this project to calibrate specific mechanisms for community benefits/value capture.

5.2.2 RLV Alternatives Results

Results

ECONorthwest's analysis showed that RLV varies substantially by land use and scale, as shown in Exhibit 5-3. The dark blue bars indicate the RLV per square foot of land for various scales of residential and office development. The various colored lines indicate percentile thresholds of the value of the existing property in the commercial corridor of the Study Area on a per-square-foot basis.

Exhibit 5-3. Comparison of Residual Land Value to Land Value



Sources: ECONorthwest, 2021.

This shows:

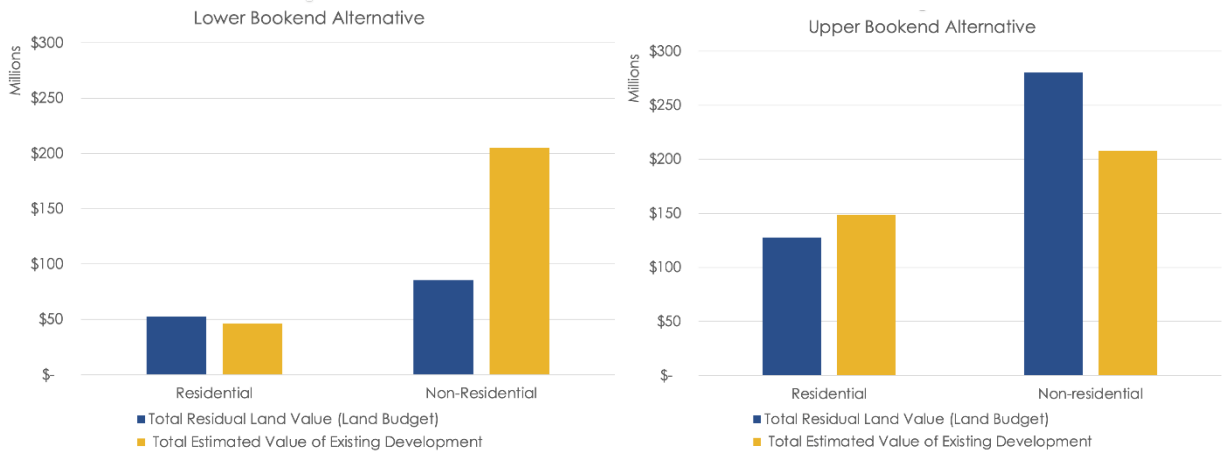
- For residential development, midrise development (5-7 stories) without ground-floor commercial appears to be most feasible.
  - Lowrise development may be feasible in locations with lower land cost (vacant land, or within residential infill areas), but is unlikely to support redevelopment within the commercial corridor.
  - Including ground floor commercial in midrise residential ("Mixed Use Midrise") increases development costs to the point that development is less likely to be feasible.
  - Given the need to change to a different construction type under current building code, highrise residential development (8 or more stories) is not likely to be financially feasible under anticipated market conditions, even if land were free.
- For office development, feasibility increases with scale, so long as there is sufficient demand for high-end office space to support very large developments.
- Office development typically uses different construction types than residential development (steel, concrete, or sometimes mass timber), particularly for midrise development. Projected office rents in this area are high enough that value is projected to exceed costs even with these higher cost construction types.

These differences across land use and building scale are reflected in the approximate aggregate RLV of each Alternative, shown by the dark blue bar in Exhibit 5-4. The yellow bar shows the estimated total value of existing development on the sites identified for possible redevelopment in each Alternative. Where the yellow bar is larger than the blue bar, this means that although individual redevelopment and infill projects may be financially feasible and may have some potential for value capture, there are more sites where redevelopment is not financially feasible in the near-term, even without additional value capture measures. Where the blue bar is larger than the yellow bar, this suggests that there are more potential redevelopments where value capture may be possible near-term, or that those that are feasible have greater value capture potential.

The larger bars for non-residential development in Alternative B (Upper Bookend Alternative) reflect the greater financial feasibility of larger scale office development types. While these aggregate results point to the overall performance of different scales and types of development, it is important to note that they represent an approximate snapshot of the collective value capture potential of the development in each Alternative; they do not forecast development timing or account for project-specific conditions. For that reason, Alternative-level results are best understood as directional and order of magnitude results rather than specific dollar amounts that would be available for value capture.

- This preliminary analysis suggests substantially greater value capture from June Alternative B, with potential for tens of millions of value capture from feasible development, primarily from non-residential development in the northeast and southeast quadrants.
- There is likely to be little potential for value capture in the northwest and southwest quadrants in either June Alternative.
- Residential development is already subject to affordability requirements and is providing community benefits in the form of affordable housing units; while there may be additional potential for value capture, pushing this further could jeopardize feasibility for some residential development, which could result in less housing production subject to the existing inclusionary requirements for affordable housing.

Exhibit 5-4. Summary of Residual Land Value

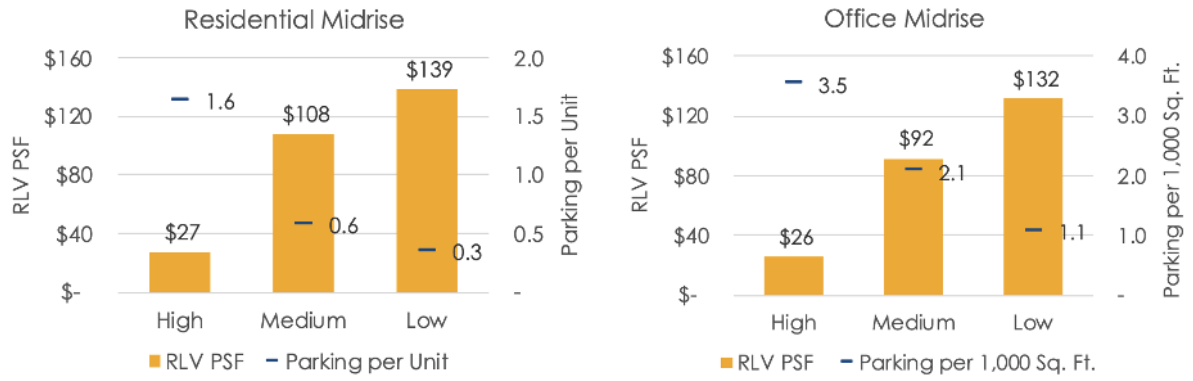


Sources: ECONorthwest, 2021.

Additional testing showed that RLV is also highly sensitive to parking ratio, as shown in Exhibit 5-5. The prototypes tested for Alternative B assume "Medium" parking ratios, which roughly reflect developers' desired parking ratios in this type of environment. In contrast the "High" parking ratios reflect current zoning. ("Low" parking ratios were tested for comparison but would require district parking strategies and/or changes to travel behavior to make these parking ratios viable in the market.)

- These results show that reducing parking requirements is an important part of creating potential for value capture in the Study Area.

Exhibit 5-5. Residual Land Value Sensitivity to Parking



Sources: ECONorthwest, 2021.

Summary of Key Findings

- Allowing tower-scale office buildings (10 or more stories) in the Study Area could create substantial potential for value capture, if there is sufficient demand to support multiple large-scale office developments.
- Office development in the 5- to 9-story range can also offer substantial potential for value capture, even if to a lesser degree than tower-scale buildings. This type of development could be feasible across much of the commercial portion of the Study Area, but the pace of office development will be limited by regional market demand and Kirkland's ability to absorb new development.
- Where midrise (5- to 7-story) residential development is feasible it may be able to provide some additional community benefits, in addition to the affordability set-asides that are already required. However, some of the areas identified for midrise residential use may not be feasible for redevelopment in the near-term and increasing affordability requirements or adding other costs as a means of value capture could delay redevelopment further on those sites.
- For both residential and non-residential development, reducing required parking ratios is an important aspect of the potential for value capture. Without such a reduction, the potential for value capture will be much less.
- This preliminary analysis shows the most value capture potential in Alternative B, with potential for tens of millions of dollars of additional value capture beyond Alternative A, primarily from non-residential development.

5.3 Community Benefits Strategies

As part of this analysis, a range of possible strategies were studied for their potential to realize benefits to the community from development. Based on this initial scan, the following strategies were identified as tools that could work well together as part of an overall framework for realizing community benefits for Kirkland in support of the Station Area Plan project objectives. The strategies that were identified as relevant to the project to achieve priority benefits identified by the City are described below.

5.3.1 Tax Increment Finance (TIF)

Overview

Tax Increment Financing (TIF) is a common tool in other states that was recently authorized by state legislation for the first time in Washington. TIF allows a jurisdiction to capture the future value of public investments and catalyze growth. In a typical TIF, a city designates a geographic area in which a public investment is needed. The city then freezes assessed values for that area for a finite time period (typically 15-25 years). Based on a project analysis that identifies the likely increase in assessed values in the TIF district after the investment, the city can issue bonds to raise the funds necessary to complete the infrastructure investment. In subsequent years, as increased revenues begin to accrue, the city uses those proceeds to service the debt.

This tool has been common in most states for many years but has not been widely used in Washington State. Recent legislation (ESHB 1189) removes previous limitations on TIF in Washington State. Some of the guidelines from that legislation include that no city can have more than 2 TIF areas at a time, no TIF can exceed a Base AV of $200 million or 20% total Jurisdiction assessed valuation (whichever is less), and the TIF district can last no more than 25 years. In addition, the city must make a finding that the provision of the infrastructure enables development to occur in a way that it would not have happened absent the infrastructure investment (this could include enabling the entire development or aspects of the scale and/or use of a project).

Community Benefit Potential

One of the advantages of a TIF is that it is a flexible tool, as long as the TIF-supported investment is publicly owned and is linked to community improvements and investment. It can be used to help catalyze development by supporting needed infrastructure improvements. This analysis has identified multi-benefit projects, parks, public realm, and mobility as the community benefits that would be the best candidates for a TIF.

Multi-Benefit Projects: Infrastructure projects that combine multiple benefits through improvements should be prioritized as TIF candidates. Some examples include transportation improvements that include linear open spaces or trail connections; or stormwater facilities that also provide parks or open space. A next step to identify such multi-benefit projects is to review the range of representative infrastructure improvements and seek areas of alignment. There may also be potential for other large representative infrastructure projects to be a good fit for a TIF. A review of gaps for such projects is warranted, to identify any further TIF candidates, especially if they are deemed important to catalyze future development.

Parks: While smaller open spaces and neighborhood parks can be provided through a density bonus program (see Section 5.3.3 Density Bonus and Baseline Requirements), larger community-serving parks

could be easier to provide through a TIF. The capital needs analysis indicated that current LOS would require 22 acres of community parks in the Station Area. The TIF could cover site acquisition and development costs. The City should also consider the potential of multi-benefit projects as TIF candidates, such as streetscape improvements inclusive of linear open spaces or trail connections which have been identified as aligned with Parks purpose and need for this area.

Transportation Infrastructure: There are several potential transportation projects that would support future development in line with Station Area Plan goals, including public realm improvements to 120th Ave NE that could be a part of a multi-benefit project, additional bicycle/pedestrian improvements to the interchange, and other road improvements.

Shared Facilities: As a newly enabled tool in Washington State, more study is needed to understand whether shared facilities with other agencies like the LWSD can be funded through a TIF. If possible, partnering with LWSD to address the need for additional school capacity could be a valuable use case, especially if this is a priority topic for the City.

Considerations for 85th SAP

- A TIF is most effective in areas that are most likely to have significant property value increases.
- Given the assessed value guidelines in the TIF legislation, only a subset of Study Area parcels could be included in a TIF. Note that the location of the investment does not have to fall within the TIF district (e.g., a water facility can be constructed outside the TIF district but serve the TIF district parcels). A preliminary review indicates that were all northeast and southeast areas of change indicated in June Alternative B to be included in a TIF district, that boundary would approach or slightly exceed the legislated $200 million assessed value limit.
- Improvements that are the best fit for a TIF are ones that are unlikely to happen through typical CIP, critical to make desired development possible, and ideally can provide multiple benefits.
- TIF districts are financed against projected future value of development, but the city is responsible for servicing the debt even if the projected development does not materialize. It is important to think carefully about how much growth is realistic and set the total TIF value accordingly.
- It is important to note that the incremental City property taxes from new development are reflected in the operating revenues in the fiscal analysis. If TIF is used to bond against those revenues, allowing improvements to be made in advance of the revenues being realized, this would reduce the operating surplus discussed earlier, but would allow infrastructure improvements to be made earlier in the timeframe.
- Based on the assumptions in other sections of this report, a preliminary estimate of potential TIF revenues under HB 1189 suggests that TIF may be able to support between $50 to $75 million (2021$ assuming 25 years of revenues discounted at 3.5%) in debt for infrastructure projects. These figures rely on the speculative plans for the timing, use, and scale of development in certain areas of development east of I-405 in the east quadrants.
- A TIF study would be the next step to determine an appropriate geographic area for a TIF, estimate potential revenue, and narrow specific projects that should be funded through a TIF.

5.3.2 Commercial Linkage Fees

Overview

Linkage fees "link" new development with the increased demand for affordable housing. These fees are typically charged to developers based on a per square foot fee established for specific uses like commercial or retail. Less commonly, linkage fees can be packaged with a Linkage Fee program as well. Fees as set are based on a nexus study that demonstrates the rationale and relationship between the development and the fee that is charged. Linkage fees are used widely throughout the U.S., particularly in communities facing acute housing pressures from rising land values and strong commercial development markets.

Community Benefit Potential

By collecting mandatory fees associated with commercial development, a community can generate the funds necessary to provide more housing options. Funds generated through linkage fees can support a wide range of housing goals, including family-friendly housing, workforce housing, affordable housing, supportive housing. Some examples of linkage fees and their outcomes include:

- **Seattle MHA Program:** This program charges a fee to commercial development and offers a fee-in-lieu option for residential inclusionary zoning requirements. Fees range from $7.64-$35.75 per sq ft for residential and $5.58-$16.17 for commercial depending on zoning and location. A recent report by the Seattle Office of Housing found that MHA has collected $96.1 million over a two-year period from 2019-2020 with contributions from 259 MHA-eligible projects.
- **Boston Commercial Linkage Program:** Boston, MA has one of the oldest and most robust commercial linkage programs in the country. Boston's linkage fee only applies to commercial developments over 100,000 square feet. Another important feature of Boston's program is that it dedicates a small portion of the fee to workforce development as well as affordable housing production.
- **Additional Commercial Linkage Fee Programs:** Linkage fees are common in many Bay Area cities facing housing pressure from commercial development such as San Francisco, Berkeley, San Jose, and Napa. Within the Puget Sound region, Bothell is in the process of developing commercial linkage fees.

Considerations for 85th SAP

- Potential revenue generation from a Commercial Linkage program would be dependent on a range of factors. These factors include the eventual amount and type of development that is built in the Station Area, City policies like required parking ratios, as well as the specific fee rates and policies of the potential Commercial Linkage program itself. Understanding that these factors would influence the total value capture potential, the amount of non-residential growth represented in June Alternative B may have the potential to generate in the range of $10-$50 million should all the allowed development capacity be built within the 23-year planning horizon. More analysis through a nexus study would be required to better evaluate potential policies and establish a linkage program.
- It is important to balance the need for additional housing while maintaining the development feasibility of commercial projects. A nexus study would be the next step to address this consideration

by showing the increase in demand for affordable housing that accompanies new non-residential development. As part of a nexus study, recommendations on fee schedules and policies would be developed.

- Set clear targets for affordable housing production by AMI, bedroom mix, and other parameters. Supporting workforce development programs may help to address the current jobs/housing imbalance within the Station Area. Similar to Boston's program, the City should consider a workforce development component of a potential linkage program which would allocate a portion of the fees collected toward workforce development programs.
- Look for opportunities to incentivize co-location of amenities like community rooms, childcare spaces, and small open spaces as a part of required active frontages or open spaces in Linkage program funded affordable housing development. This can serve to maximize community benefit of public investment, while not reducing the capacity of a particular site to maximize affordable housing provision. The Puget Sound Early Learning Facilities Fund is an example of an aligned program.
- Consider a linkage program as part of a larger housing policy framework that includes the City's current inclusionary zoning policies, MFTE policy, and other tools.

5.3.3 Density Bonus and Baseline Requirements

Overview

Density bonus programs, also known as incentive zoning programs, allow additional development in exchange for the developer providing community benefits. Under a typical density bonus program, new zoning establishes a base development allowance in each zone. Certain zones are eligible for an additional increase in development up to a maximum development amount. In exchange for this additional development, the developer provides public benefits through fee-in-lieu or direct provision of the amenity. In many density bonus programs, developers can select from a menu of benefits to provide on a points-based system, with specific point totals tied to specific development increases. This point-based approach has two benefits. First, it allows communities to accomplish several public benefit goals through a single program. City staff can weigh the value of different benefits to prioritize benefits based on need or value to the community. Second, this points-based approach provides flexibility for developers, which increases the likelihood they will participate in the program.

Community Benefit Potential

One of the advantages of a density bonus program is that it can support a number of different community benefits. This analysis identified parks, schools, and sustainability (including public realm improvements) as the benefits with the greatest potential to be realized through density bonus programs. Examples of the kinds of benefits that could be provided include:

Parks: Developers provide on-site open space or pay a fee into a parks fund. Density bonus programs have shown themselves to be particularly effective for small pocket parks, plazas, roof decks and other open spaces that can be integrated into large developments.

Schools: In land-constrained locations like the Study Area, applicants can provide educational space on-site. This can include childcare or educational space integrated into the development or by setting aside land for future school development.

Sustainability: Sustainability features and performance are one of the most common objectives to be incentivized through density bonus programs. Two approaches include listing specific sustainability features to be provided (green infrastructure, solar arrays, etc.) or identifying third-party sustainability certifications that can serve as demonstration of sustainability benefits (eg: LEED, WELL).

Mobility: Mobility and transportation demand management to support safe connections for people of all ages and abilities is a core value and project objective. A series of transportation demand management (TDM) strategies including policies and programs can be found in the Transportation Supplemental Study Appendix 1. These TDM strategies are recommended to be incorporated into June Alternative B to help manage representative infrastructure needs, improve mobility, and increase potential revenue capture. In reviewing these potential strategies, the City should consider which are appropriate as baseline requirements and which are best suited for development incentives.

Considerations for 85th SAP

- Identify which benefits are the highest priority, and establish a points system that reflects those priorities
- Base development standards should be calibrated so that all development is held to an acceptable minimum standard of public benefit provision through other strategies like mandatory impact fees and design standards. The City should consider modifications to existing policies as they establish baseline standards for the Station Area. This analysis found that topics including park LOS, active frontage definition, parking ratios or other transportation demand management strategies, and mid-block pedestrian connections should be considered.
- Bonus allowances should be calibrated so they create a sufficient incentive to attract participation from developers. Coordinate a comprehensive scan of existing and potential policy changes together with a Density Bonus Program.
- Analysis shows that current Park LOS would necessitate 15 acres of neighborhood parks in the Station Area. While smaller open spaces are a good candidate for base requirements and bonus incentives, the City should also consider shifting their park LOS policy away from per acre standards toward geographic equity of park access within walking distance and inclusion of school facilities and non-city parks in walking distance.
- School development parameters and needs as provided by Lake Washington School District should be considered for inclusion.
- Identify partnership opportunities to advance priority community benefits through program alignment or potential co-benefits. Possible topics that should be explored include Shared Use of community facilities and public open space, integrated early education and childcare facilities, workforce development and green infrastructure programs, as well as sustainability, climate action, and health and well-being initiatives.

Based on the current understanding of the City's priorities and objectives, the team prepared a potential structure of base requirements and bonus incentives for consideration in Exhibit 5-6.

Exhibit 5-6. Potential Structure of Base Requirements and Bonus Incentives.

Community Benefit	Baseline Examples	Bonus Examples	Notes
Affordable Housing	Existing inclusionary zoning requirements, Commercial linkage	Additional inclusionary units or fees	
Sustainability and Mobility	Existing landscape, stormwater code, and energy code standards; Basic third-party sustainability certifications aligned with market expectations; Basic Transportation Demand Management (TDM) strategies	More ambitious certification with third-party sustainability programs like LEED, Built Green, Passivhaus, Living Building Challenge, or similar; Tree canopy; off-site contributions to Tree canopy or Stream improvements; More ambitious energy code standards; Advanced Transportation Demand Management (TDM) strategies	Example strategies commonly included in green certification programs include energy reduction, green infrastructure, and sustainable materials. Example Transportation Demand Management Strategies include reduced parking provision, shared and paid parking, and provision of transit passes.
Schools & Community Amenities	Existing school impact fees	Provision of on-site educational, childcare, or community space	Requires coordination with LWSD and other aligned Early Education and community service providers
Public Realm	Existing setbacks and landscape standards, mid-block connections for large developments, active frontage on designated corridors	Plazas and other publicly accessible open and gathering places, Additional public realm improvements	Additional public realm improvements can include tree canopy, wider sidewalk areas, and bike/ped connections, as well as improvements to existing City open space to increase utility and accommodate additional users

Sources: Mithun, EcoNorthwest, Fehr and Peers, City of Kirkland, 2021

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6.0 Summary of Findings and Recommendations

6.1 Is the City's Station Area Vision Feasible?

The City must make significant capital investment under June Alternative A if the area develops under current trends. This Alternative does not generate much development project contribution to required infrastructure. June Alternative B: Transit-Connected Growth, however, creates an opportunity for the City to efficiently serve concentrated growth and more tools to make investments in public infrastructure and City operations.

To manage Alternative B successfully, the City will have to:

- Recognize that a variety of strategies will be required to balance the City's overall budget and Station Area needs.
- Take next steps to coordinate and implement Infrastructure and Services Investment strategies, including:
  - Utilize debt financing and potential rate increases to fund **sewer** and **water** infrastructure.
  - Address **parks** LOS and consider alternate delivery methods.
  - Obtain more direction from LWSD on what **school** capacity the District will need to accommodate more students and require that development addresses these needs.
- Take next steps to coordinate and implement Community Benefit strategies, including: TIF/District Financing for site acquisition and development; Baseline Requirements and Development Bonuses for a range of affordable housing, sustainability and mobility, schools and community amenities, and public realm benefits including providing on-site open space, educational or community space; fees-in-lieu; or partnership opportunities including Shared Use Agreements; and address parking policies to maximize potential benefit.

6.2 Recommendations

Based on the results of this analysis, which was conducted using existing City policies, the following recommendations are proposed as a framework for realizing fiscally sustainable infrastructure and services provision and the desired community benefits in the Study Area. These include a combination of existing policies and new policy changes that the City should consider as part of developing a preferred Plan Direction for the Station Area.

6.2.1 Potential Infrastructure-specific Financing and Community Benefit Strategies

Public Infrastructure and Services

In June Alternative B, Capital revenues are expected to cover capital costs for Transportation, Fire, Police Fleet, and municipal facilities [see more in Section 4.5.3 Capital Net Fiscal Impact By Capital Improvement Type (Alternative B)]. Potential strategies to address capital deficits for the remaining City

and other governmental services are described below. These include a blend of financing strategies and opportunities to leverage private investment through requirements and incentives.

Stormwater

Development of the Study Area under Alternative B will not produce negative stormwater impacts due to current mitigation requirements that will require developed parcels to install large detention systems to reduce the flow off their development and help existing flooding issues. The only proposed stormwater project within the Study Area consists of replacing 520 feet of pipe along 120th Ave NE with a smoother pipe material. This will increase capacity through the stormwater main line, helping in all scenarios.

Potential funding strategy. The City can use stormwater capital fund reserves to fill the $700,000 gap between the available stormwater facility charges and the infrastructure improvement cost in 2035.

Water

The City has committed to relocate the water main under I-405 at a cost of $7.8 million (YOE$) per WSDOT requirements due to the construction of the BRT in either Alternative. The remaining water improvements are projected to be built by development at a cost of $24.2 million. Although there is enough dedicated revenue generated cumulatively over the study period to cover the cost of the City-funded improvement, there will not be enough revenue available in the early years to cover the construction costs when they are anticipated to occur in 2027-2028.

Potential financing strategy. The City can issue a $10 million 20-year bond to cover the cost of the improvement and maintain an annual surplus. A bond of that amount and length is anticipated to result in annual debt payments of $685,000. Projected capital facility charge revenue and 7% of net new water utility revenue from growth in the Station Area are projected to be enough to cover the annual debt payments.

Sewer

The City needs to make many significant sewer improvements in either Alternative to support the additional flows from the Station Area. The total cost of the improvements over the study period are estimated to be $92.9 million, of which $14.8 million are anticipated to be funded by development. The remaining $78.1 million will need to be funded by the City. The City is anticipated to generate $24.4 million in sewer capital facility charges on new development in the Station Area that can be used to offset these costs, leaving a cumulative gap of $53.7 million over the study period.

Potential financing strategy. The City can fund sewer improvements with a combination of debt issuance and rate increases. Issuing a $60 million 30-year bond in 2035, resulting in $3.1 million annual debt payments, would cover the cost of needed sewer infrastructure improvements. To make annual debt payments, a rate increase on the overall base would be required, because there is not enough sewer capital facility charges or new sewer rate revenue from the Station Area to cover the payments. Because this investment is also required in Alternative A, where there are less dedicated revenues available to offset costs resulting in a larger City deficit, Alternative A requires a larger rate increase than Alternative B.

Community Facilities and Benefits

Parks

Under current target Levels of Service, some of which are acreage derived, the Parks capital needs under Alternative B are $160.0 million. The majority of those costs, 75.8%, are associated with the acquisition and development of 15 acres of neighborhood parks and 22 acres of community parks, calculated under current LOS guidelines and are likely infeasible in the Station Area. The growth in the Station Area will generate some dedicated revenue that can be used to offset these costs ($31.0 million in parks impact fees and $35.4 million in REET 1) but it will not be enough to cover the costs and will result in a cumulative gap of $93.5 million over the study period.

Potential financing strategy. Consider using a portion of the $80.0 million remaining in general government operating surplus to offset costs. This strategy alone will not address parks capital needs.

Other potential strategies:

- **Policy changes**: Consider alternative non-acreage derived LOS guidelines more appropriate for urban centers, such as shifting the standards to geographic equity of park access within walking distance and inclusion of school facilities and non-City parks.
- **Leverage public assets and partnerships:**
  - Explore the ability of needed and planned infrastructure investments in the **public right-of-way**, including street and utility improvements, to offer **multiple benefits** and contribute to parks and open space. A multi-faceted streetscape improvement can easily incorporate linear parks.
  - **Leverage existing spaces.** Enhance existing neighborhood parks, open space around Forbes Lake, and Cross Kirkland Corridor with needed amenities to increase capacity (expand playgrounds, use vegetation to create intentional spaces for use and division of space).
  - Inventory **existing publicly owned parcels** for potential to support open space objectives. Identify parcels for neighborhood needs to support amenities like playgrounds, picnic areas, walking paths (multiple smaller parcels, parcels that allow for one or two amenities versus several in the same location).
  - Explore **clover leaf space** more for stormwater/natural areas/sustainable landscape areas.
  - **Shared Use** agreements to leverage existing park and recreation spaces for public use. Maintain existing Shared Use agreements and explore expanding these to maximize the use of existing or future community assets.
- **Community Park options:**
  - A series of strategies could support a larger park. This has been identified as one of the top candidate project types for a potential TIF district. In addition, there may be potential for Shared Use agreements to help satisfy Community Park needs.
  - Support complete re-design of Peter Kirk Park, including teen space, senior space, renovation of existing amenities, addition of new amenities.

- Support re-design of community parks to increase capacity for athletics, such as converting grass fields to synthetic or diamond to rectangular, add lights at sports fields and courts, additional amenities.
- Acquisition of Taylor Fields to support addition of amenities as identified in PROS plan (or long-term use given that the site is a closed landfill).

- **Development requirements and development bonuses** show potential to provide smaller scale publicly accessible open spaces and trail connections.
  - In-building or rooftop urban park amenities
  - Linear parks for safe pathways.
  - Pocket parks, including rooftop parks.
  - Dog parks, including rooftop parks.

It should be noted in the next steps that the Station Area would be subject to any voted Parks funding measures to address overall parks system needs.

Affordable Housing

Based on existing Inclusionary Zoning requirements, development of the Study Area under Alternative A will produce minimal new affordable housing units, and Alternative B has the potential to produce between 400 and 1,200 new affordable housing units, if all allowed development is feasible, by the end of the 23-year study period.

Potential community benefit strategy. A commercial linkage program is the primary new strategy recommended to maximize affordable housing objectives, which would go beyond the City's existing Inclusionary Zoning requirements for residential development. The Residual Land Value analysis determined that a Commercial Linkage Program has merit, with greatest potential for value capture for commercial development, and increasing value potential in 10+ story development compared with 5-9 story development. Mid-rise residential is not feasible everywhere in the near term, and additional affordability requirements or other value capture costs may delay development, which could result in less housing production subject to the inclusionary requirements. Parking policies should be reviewed and addressed to maximize potential for benefit. If the City did want to pursue increasing the existing Inclusionary Zoning requirements for affordable housing, it would be important to monitor how the policy change influences production. Finally, due to the existing jobs/housing imbalance in the Study Area, the City should consider allocating a portion of the Linkage Fees toward a workforce development program. As noted in the following section, next steps to pursue this strategy would include further coordination with other policy changes and a nexus study demonstrates the rationale and relationship between the development and the fee that is charged.

Mobility

White not an explicit study topic, the ability for people of all ages and abilities to easily navigate the Station Area will improve community well-being, sustainability, and resilience. It is also directly related to the project's objective to leverage the regional transit investment. Further, making policy and program changes to support transportation demand management (TDM) will facilitate development feasibility and the potential for value capture to be realized for community benefit. Mobility-related policy and program changes can accrue multiple benefits. The City should identify and prioritize multi-benefit

project opportunities and consider them as part of a TIF strategy, especially right-of-way projects where mobility and infrastructure needs overlap. The City should also consider the following baseline or incentive-based transportation demand management (TDM) changes within the Station Area as described in the Transportation Supplemental Study, Appendix 1: parking ratio reductions, unbundled and paid parking, requirements for large employers or multi-family properties to provide transit pass subsidies, managed parking strategies, TNC ridesharing programs, bikeshare or micro mobility programs, and shared off-street parking.

Sustainability

Baseline requirements and density bonuses are the recommended strategies to achieve sustainability features and performance within the Station Area, through third-party green building certifications, energy, landscape, and stormwater standards, as well as tree canopy and stream improvements. The City should consider how these goals would fit into a menu-approach and which levels of performance or features are desirable as baseline requirements or as density bonus incentives, and any needed policy adjustments to support this. They should also explore the potential for partnerships around sustainability, climate action, health and well-being initiatives.

Schools

Under either Alternative, the City will need to help the Lake Washington School District solve for additional school population. Initial estimates are that school capacity will need to increase by 153 students under Alternative A and 936 students under Alternative B. In addition, the community as well as Lake Washington School District have articulated an existing and growing need for childcare and early learning and education facilities.

Although the fiscal impact analysis did not estimate costs for Lake Washington School District, as they are a separate governmental entity from the City, the analysis did estimate anticipated revenues from school impact fees. It is estimated that there will be $24.6 million in school impact fee revenue available for school capital needs in Alternative B. EcoNorthwest estimated that if the LWSD Capital Levy currently scheduled to expire in 2022 were to be extended throughout the life of this study period, it could raise as much as $53.9 million in the Station Area.

Potential community benefit strategies:

- In land-constrained locations like the Study Area, consider requirements or development bonuses for developments to provide space on-site. This can include educational and childcare space integrated into the development (most common for early learning, pre-K and specialized programs like STEM) or by setting aside land for future school development.
- Consider policy changes to define active frontages or required retail space to include educational, childcare, and community-serving spaces in order to implement a Development Bonus strategy.
- Explore partnership opportunities to align programs, such as Joint/Shared Use Agreements that broaden access to community-serving facilities.
- Consider increasing allowed development capacity on existing underutilized public parcels to support future development of new school space.

6.2.2 Recommended Next Steps

A **Public Infrastructure and Services Investment Framework** will be critical to catalyze transit-connected development and can help support coordination and implementation of various strategies.

- Identify **baseline requirements** for project-level infrastructure and contributions to the Station Area. Potential for value capture will be related to some policy changes, including reduced parking ratios and unbundling, modifying parks LOS methodologies to move toward geographic equity and inclusion of shared use facilities. **Next step:** Coordinate a comprehensive scan of existing and potential policy changes together with a Density Bonus Program. Base development standards should be calibrated so that all development is held to an acceptable minimum standard of public benefit provision through other strategies like mandatory impact fees and design standards.
- Use a **TIF District** to finance large, area-wide investments like streetscape improvements, major park, and potentially support additional school capacity and other infrastructure needs. **Next steps:** Conduct a TIF analysis, testing scenarios for TIF boundaries and projected revenues over time including development feasibility, identify target improvements. A Phase 1. TIF Strategy that looks at the TIF area, potential revenue, and eligible projects would cost about $20k and take about three months. This should be paired project feasibility and conceptual study could range from $40-70k depending on the number and extent of candidate projects. A Phase 2. TIF Implementation Study would create the district itself, and cost about $40k over six to nine months. This will rely on supporting 30% design/engineering of TIF projects, and the costs and timeframe for this work is highly dependent on which projects are selected.

A **Community Benefits Policy Framework** can then support community benefits provisions through coordination and implementation of various strategies.

- Establish and confirm **baseline requirements** for affordable housing by maintaining existing inclusionary zoning, and consider sustainability measures, active frontages, and public realm improvements. Base development standards should be calibrated so that all development is held to an acceptable minimum standard of public benefit provision through other strategies like mandatory impact fees and design standards.
- Identify **partnership opportunities** to advance priority community benefits through program alignment or potential co-benefits. **Next steps:** The project team could create a partnership opportunities inventory and the City could use this as a base to conduct outreach to potential stakeholders on topics including the possibilities of Shared Use of community facilities and open space, integrated early education facilities, workforce development and green infrastructure programs. This work could be documented in the Final Station Area Plan.
- Develop a **Density Bonus Program** that can capture the value of more density for the community, particularly considering smaller publicly accessible open spaces, on-site educational and community facilities, transportation demand management (TDM) /Mobility measures, and additional sustainability measures. **Next steps:** Conduct a comprehensive scan of existing and potential policies together to establish base/bonus development allowances for zoning and develop a points-based system of benefits. Bonus allowances should be calibrated so they create a sufficient incentive to attract participation from developers. Coordinate with Lake Washington School District and other

aligned Early Education or Community Service providers regarding a potential incentive program for development to provide integrated educational spaces within projects. Defining base and bonus entitlements could occur within the Form Based Code development during later stages of planning. Either the City or a consultant could complete supplemental work to develop the points-based system that would implement these standards. For a consultant, it may cost about $50k and could take about three months.

- Implement a mandatory **Commercial Linkage Fee** to address affordable housing and workforce development, leaving room for the density bonus system. This should work in partnership with other affordable housing strategies like the City's existing inclusionary zoning policies and state MFTE program. **Next step:** Complete a nexus study to determine fees and consider workforce development allocation. A nexus study would cost $50-60k and would take from six to nine months, depending on how the City wants to engage with key stakeholders.

Appendices

1. Transportation Supplemental Study
2. Water and Sewer Supplemental Study
3. Stormwater Supplemental Study