CITY OF KIRKLAND
FINANCE AND ADMINISTRATION
123 Fifth Avenue, Kirkland, WA 98033
425-587-3000

MEMORANDUM

To: Kurt Triplett, City Manager

From: Michael Olson, Director of Finance and Administration
Kevin Pelstring, Financial Planning Manager
Cody Harris, Budget Analyst

Date: October 19, 2026

Subject: **Preliminary 2027 Property Tax Levy Public Hearing**

RECOMMENDATION:

Staff recommends that the City Council holds a public hearing and reviews the draft Ordinance O-4955, which is scheduled for adoption on November 17 and will levy preliminary property taxes for the City of Kirkland for the year 2027.

EXECUTIVE SUMMARY:

- Property tax levy increases are limited to the lesser amount of 1% or an inflation factor plus new construction. With inflation over 1%, the 2027 levy increase is limited to 1%.
- A public hearing on revenue increases, including property tax levies, is required by state law.
- The 1% levy increase has been included in each year of the 2027-2028 Preliminary Budget.
- The preliminary 2027 property tax levy of $47,112,873 (pending updated data from King County) will be presented to Council for approval at the November 17 meeting to provide time for Council to evaluate any public feedback.

BACKGROUND:

Washington State law, at RCW 84.55.120, requires that the City holds a public hearing on revenue sources that must include consideration of possible increases in property tax revenues. A public hearing on the City's property tax levy will be held on November 4, 2026. Following the public hearing, the City Council must establish the City's preliminary property tax levy by adopting Ordinance O-4955 at the Council meeting on November 17, 2026.

The property tax ordinance must be adopted in time to meet the November 30, 2026 deadline established by King County for taxing districts to submit 2027 property tax levies. Each year, the King County Assessor prepares a levy worksheet for cities and other taxing districts that establishes the maximum levy capacity (within legal limits) and the amount of new construction valuation. The City cannot accurately calculate the amount of the levy until the final worksheet is

received from the County. The County estimates that the final levy worksheets will be available by late November or early December.

Since the date of the final levy worksheet is unknown, City Council must adopt an ordinance that establishes a maximum amount of property taxes the City expects to levy in 2027. A maximum amount is used since the County will allow cities to submit a final levy amount that is lower than the preliminary amount and, if a higher amount is submitted, the Assessor will reduce the amount requested to an amount no greater than the allowable levy. Consequently, the preliminary property tax levy is intended to be higher than the final levy, which will be calculated when the City receives its final levy worksheet from King County. If the final worksheet is provided by the County in time, City staff will present the final 2027 property tax levy for adoption at the December 8, 2026 City Council meeting. Otherwise, it will be brought forward for adoption when the County makes the final worksheet available.

DISCUSSION/ANALYSIS:

The preliminary 2027 property tax levy ordinance is provided in Attachment 1 as Draft Ordinance O-4955.

Property Tax Levy for Kirkland
There are **five** components that make up the 2027 levy:

1. Base levy
2. Optional 1% levy increase
3. New construction
4. Prior year levy corrections
5. Local Tax Increment Financing

Base Levy
The City's 2027 base levy equals the 2026 highest allowable levy (excluding refunds and tax increment financing) of $44,975,639, which consists of the following levies:

- Levy for the General Fund and the Street Fund
- 2002 Parks Maintenance levy lid lift
- 2012 Street Maintenance and Pedestrian Safety levy lid lift
- 2012 Parks Maintenance, Restoration, and Enhancement levy lid lift
- 2020 Fire & Emergency Medical Services levy lid lift

In addition, any minor levy corrections made by the King County Assessor are added to the base levy. The Assessor does not include this amount as part of the 2027 regular levy when calculating the optional increase. Based on the preliminary worksheet provided by the County on October 15, 2026, there are no citywide levy corrections in 2027, however $96,078 will be added to Kirkland's 2027 levy due to refunds to individual taxpayers from prior years.

Optional 1% Levy Increase
For taxing districts with a population of 10,000 or more, the optional levy increase is the lesser of 1% or the rate of inflation as measured by the Implicit Price Deflator. According to the Washington State Department of Revenue, the Implicit Price Deflator measure of inflation for the 2027 regular levy is 3.88%. Therefore, the 2027 optional levy increase is limited to 1%. The optional levy increase requires approval by the governing body.

The City's 2027-2028 Preliminary Budget assumes a 1% optional levy increase in 2027 and on the 2026 preliminary levy. When applied to the final 2026 levy, as shown in the table below, the 1% increase equates to $449,756 and is applied to the following regular levy components in Figure 1 on the following page.

Figure 1: 1% Increase by Budget Component

Budget Component	2026 Amount	1% Increase	2027 Amount
General Fund & Street Fund	28,672,444	286,724	28,959,168
2002 Parks Maintenance Levy	1,636,221	16,362	1,652,583
2012 Streets Levy	3,908,694	39,087	3,947,781
2012 Parks Levy	3,052,644	30,526	3,083,170
2020 Fire Prop 1	7,705,636	77,056	7,782,692
Total	**44,975,639**	**449,756**	**45,425,395**

New Construction

The construction of new buildings and additions to existing structures generates new property tax revenue for the City. The new construction levy is calculated by dividing the new construction valuation by $1,000 and multiplying the result by the last year's regular levy tax rate ($0.86380 per $1,000 of assessed valuation). The preliminary new construction valuation for the 2027 levy (as of October 15, 2026) is $584,466,068, which corresponds to a new construction levy of $504,862 ($584,466,068/$1,000 x $0.86380).

In the preliminary 2027 property tax levy ordinance, the preliminary 2027 new construction levy is increased from $504,862 to $1,514,585, which is three times the amount shown on the County's preliminary worksheet provided October 15, 2026. This intentionally high estimate is done to ensure the City receives the final new construction levy amount in 2027, which will not be known until the City receives its final 2027 levy worksheet from the King County Assessor in late November or early December. When the final levy worksheet is received, staff will adjust the 2027 property tax levy accordingly and prepare a final ordinance for Council approval.

The preliminary 2027 new construction levy is allocated proportionately across the five regular levy components noted in Figure 2 below. The table also includes prior year corrections and increases from the Tax Increment Finance Area AV. Overall, based on the actual expected 2027 final levy, the City will receive $37,446 more than the 2027 preliminary budget.

Figure 2: Preliminary 2027 Levy Including New Construction

Budget Category	Levy with Optional One Percent Increase	Addition From New Construction	Assessor's 2027 Levy
Base Levy (General Fund & Street Fund)	28,959,169	321,854	29,281,023
2002 Parks Maintenance Levy	1,652,583	18,367	1,670,950
2012 Streets Levy	3,947,781	43,876	3,991,657
2012 Parks Levy	3,083,170	34,267	3,117,437
2020 Fire & EMS Levy	7,782,692	86,498	7,869,190
Prior year levy Corrections/Relevys	96,078	-	96,078
Tax Increment Finance Area AV increase	76,814	-	76,814
Total	**45,598,287**	**504,861**	**46,103,148**
Artificially High New Construction Increment		1,009,725	1,009,725
Total	**45,598,287**	**1,514,585**	**47,112,873**

Prior Year Levy Refunds and Corrections
Each year's property tax levy typically includes minor corrections to the prior year's levy, which are made by the King County Assessor. They mostly encompass property tax refunds for individual property valuation reassessments. These refunds, which reduce the total levy amount remitted to the City, are re-levied by the County Assessor in the following year pursuant to RCW 84.69.180, because the City is entitled to the total levy amount. This re-levied amount is in addition to the 1.0% optional increase, and is separate from corrections made from errors affecting the whole City of Kirkland taxing district of which there were none in prior years. In 2027, the County Assessor will re-levy $96,078 in prior year refunds.

Tax Increment Financing
Pursuant to chapter 39.114 RCW, the County Assessor has added a line for the Tax Increment Financing (TIF) program add-on value. Following the City's creation of a tax increment area under this new program in 2023, each year since the 2024 property tax has included a TIF amount. The Tax Increment Financing is calculated by dividing the Tax Increment Area AV increase (RCW 84.55.010) by $1,000 and multiplying the result by the last year's regular levy tax rate ($0.86380 per $1,000 of assessed valuation). The Tax Increment Area AV increase for the preliminary 2027 property tax levy (as of October 15, 2026) is $88,925,880, which corresponds to a Tax Increment Financing revenue of $76,814.00 ($88,925,880/$1,000 x $0.86380).

Trends in Assessed Valuation
Assessed valuation encompasses existing properties, which are revalued annually, and new construction. The preliminary 2027 total assessed valuation for Kirkland (as of October 15, 2026) is $49,917,817,228, which represents a 4.75% decrease from 2026. This includes new construction, which represents a 1.12% addition to the 2026 total assessed valuation.

For the preliminary 2027 property tax levy only, new construction valuation is shown at triple the October 15 figure to ensure that the final new construction levy amount will be remitted to the City. It should be noted that the preliminary new construction figure from King County does not include the State utility assessed valuation, which has not been finalized yet. Excluding new construction, an increase in total assessed valuation on existing properties does not generate additional revenue for the City on its own. Only a new voter-approved levy, the 1% optional increase (which must be approved by the City Council), and new construction can generate new

property tax revenue for the City. When the City's total assessed valuation increases, the City's levy rate correspondingly decreases so that the City does not collect more than the lawfully allowable levy amount. The reverse is also true when the City's total assessed valuation decreases, as in this case.

Preliminary Levy Rates
The preliminary 2027 property tax levy rate is based on the City's total assessed valuation from the 2027 levy preliminary worksheet (as of October 15, 2026), an intentionally high estimate for new construction ($1,514,585), the 1.0% optional increase, the 2002 Parks Maintenance levy, the 2012 Streets levy, the 2012 Parks levy, and the 2020 Fire & EMS levy. The regular levy rate for the City would increase from $0.86380 per $1,000 of assessed valuation in 2026 to $0.94381 in 2027 (see Figure 3 below).

Figure 3: Levy Rate per $1,000 Assessed Valuation

Levy Type	Levy Amount	Applicable AV	Levy Rate
Regular Levy Rate	47,112,873	÷ $49,917,817,228/1,000	$0.94381

SUMMARY
In 2027, the City will have one levy rate for all taxpayers living in the City. The levy rates are estimates based on the preliminary assessed valuation provided by the King County Assessor on October 15, 2026.

The preliminary 2027 property tax levy is summarized in Figure 4 below.

Figure 4: Total Preliminary 2027 Levy

Ordinance O-	Amount
2026 Regular Levy	44,975,639
Optional 1 percent Increase	449,756
New Construction	1,514,585
Relevy for Refunds	96,078
Tax Increment Financing	76,814
Total Regular Levy	**47,112,873**
Excess Levy	-
Total Preliminary 2027 Levy	**47,112,873**

NEXT STEPS:

Following a public hearing on November 4, 2026, the City Council may adopt the preliminary 2027 property tax levy ordinance on November 17, 2026. This adoption date is required to meet King County's 2026 levy for 2027 taxes submittal deadline of November 30, 2026. Final 2027 levy ordinances will be prepared for Council approval once the final levy limit worksheet is received from the King County Assessor in late November or early December.

ATTACHMENTS:

Attachment 1 – Draft Ordinance O-4955, Relating to Establishing the Amount of Property Taxes to be Levied for the Year 2027, the First Year of the City of Kirkland's 2027-2028 Fiscal Biennium

DRAFT ORDINANCE O-4955

AN ORDINANCE OF THE CITY OF KIRKLAND RELATING TO ESTABLISHING THE AMOUNT OF PROPERTY TAXES TO BE LEVIED FOR THE YEAR 2027, THE FIRST YEAR OF THE CITY OF KIRKLAND'S 2027-2028 FISCAL BIENNIUM.

WHEREAS, the City Council held a public hearing on November 4, 2026, to consider revenue sources, including possible increases in property tax revenues, for the 2027-2028 Biennial Budget; and

WHEREAS, the City Council and the City Manager have considered the anticipated financial requirements of the City of Kirkland for the fiscal year 2027; and

WHEREAS, pursuant to RCW 35A.33.135, the City Council is required to determine and fix by ordinance the amount to be raised by ad valorem taxes; and

WHEREAS, RCW 84.55.120 requires that the increase in the levy over the prior year be stated both as to the dollar increase and the percentage change.

NOW, THEREFORE, the City Council of the City of Kirkland do ordain as follows:

Section 1. The regular property tax levy for the year 2027 is hereby fixed and established in the amount of $47,112,873.00. This property tax levy represents a percentage increase of one percent from the previous year equating to a dollar increase of $449,756.00, and also includes those increases authorized by RCW 84.55.010, including but not limited to new construction, improvements to property, and tax increment financing area financing, and additional amounts resulting from administrative refunds made, as shown below:

2027 Regular & Voted Levy	**47,112,873**
Less 2026 Levy	44,975,639
Less New Construction	1,514,585
Less Relevy for Refunds	96,078
Less Tax Increment Financing	76,814
Total Increase	**449,756**
Percent Increase	**1.00%**

Section 2. If any provision of this ordinance or its application to any person or circumstance is held invalid, the remainder of the ordinance or the application of the provision to other persons or circumstances is not affected.

Section 3. This ordinance shall be in force and effect five days from and after its passage by the Kirkland City Council and publication, as required by law, in the summary form attached to the original of this ordinance.

Passed by majority vote of the Kirkland City Council in open meeting this _____ day of _____, 2026.

Signed in authentication thereof this _____ day of _____, 2026.

_____
Kelli Curtis, Mayor

Attest:

_____
Anastasiya Warhol, City Clerk

Approved as to Form:

_____
Darcey Eilers, City Attorney

PUBLICATION SUMMARY
OF ORDINANCE NO. O-4955

AN ORDINANCE OF THE CITY OF KIRKLAND.

SECTION 1.

SECTION . Provides a severability clause for the ordinance.

SECTION . Authorizes publication of the ordinance by summary and establishes the effective date as five days after publication of summary.

The full text of this Ordinance will be mailed without charge to any person upon request made to the City Clerk for the City of Kirkland. The Ordinance was passed by the Kirkland City Council at its meeting on the _____ day of _____, 2026.

I certify that the foregoing is a summary of Ordinance O-4955 approved by the Kirkland City Council for summary publication.

_____
Anastasiya Warhol, City Clerk