



City of Kirkland
Planning and Building
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MEMORANDUM

To: Planning Commission

From: Janice L Swenson, Senior Planner
Allison Zike, AICP, Deputy Planning and Building Director
Adam Weinstein, AICP, Planning and Building Director

Date: March 4, 2024

Subject: **2044 Comprehensive Plan Update - Economic Development
Element Policy Briefing, File No: CAM22-00023**

Recommendation

Receive a briefing and hold a study session to discuss draft revisions to the Economic Development Element goals and policies (see Attachment 1). Provide staff with direction to continue preparing the draft 2044 Comprehensive Plan Economic Development Element.

Focus Areas for Planning Commission

The Planning Commission (PC) should focus on the below questions for discussion after reviewing the memorandum and attachments:

1. Do Commissioners have any questions or feedback about any specific draft revisions to Economic Development Element goals or policies?
2. Are there any policy themes or concepts that you believe need to be incorporated into the draft policies?
3. Review the report from the students at the UW Evans School of Public Policy and Governance class (Attachment 2). Do you agree with staff's revisions responding to their recommendations?
4. Are there other recommendations you'd like staff to include in the draft policies or as implementation action items?

Background

The City of Kirkland is in the process of conducting a State-mandated update of the Kirkland Comprehensive Plan (Plan) with a target adoption date of end of 2024 (the State deadline for City Council adoption is December 31, 2024).

The PC was provided an overview of the existing Economic Development Element and community engagement activities at the January 25, 2024 meeting¹. The staff memo and attachments provide a summary of the current ongoing business-related services provided by the various City Departments, study issues for the Element, the

¹ <https://kirklandwa.primegov.com/Portal/Meeting?meetingTemplateId=809>

key themes we've heard as a result of the community engagement discussions (Economic Development Focus Group, Economic Development Survey, Youth Council, Senior Council) and from media announcements (This Week In Kirkland, Biz News newsletter, Govdelivery listserv).

At the January 25, 2024 meeting, the Planning Commission had the following comments for consideration in the revised policies:

Business Development

- Think of creative new ideas to encourage start-up businesses, develop accelerator spaces (along the Cross Kirkland Corridor, North Rose Hill, Totem Lake; see example of the Beltway in Atlanta);
- Allow pop-up shops on underutilized land or parking lots;
- Activate parks with businesses;
- Encourage retail stores that sell affordable products;
- Promote Kirkland as an arts destination by using synergistic marketing between the arts, hotels, restaurants, recreational businesses; and
- Encourage the community to buy and invest locally - examples: "Import Replacement" concept from Jane Jacobs; fund innovation; see Washington State micro-enterprise program.

Business Retention

- Concerns about commercial displacement caused by redevelopment or high commercial rents (e.g., losing existing businesses like Goodwill and Michael's stores brought up concerns that we may never get these types of businesses again, or that the City will see similar larger sites convert to housing permanently);
- The City could play a more active role encouraging small businesses and property owners to partner to fill vacant commercial retail spaces or facilitate short term leases; and
- Questions about the desired policy direction related to the future of auto dealerships because they provide a significant source of sales tax revenue to the City.

Support Commercial Uses in Lower-Density Zones

- With the caveat to prohibit vending machines; and
- Policies should stay at a high level to provide flexibility to allow zoning to incrementally adjust.

Support Encouraging Home Businesses

- They generate revenue for the city via sales tax and licensing fees;
- They support other local small businesses; and
- They are not all focused on creating products or services to sell; they can be high technology start-up businesses.

Discussed further along in this memo is a summary of results from a Home Occupation Survey conducted by the City Manager's Office and recommendations from students at the UW Evans School of Public Policy and Governance received on March 1, 2024.

Economic Development Element Review

Overview

The existing Economic Development Element was adopted in 2015 with the last Comprehensive Plan update. The Element contains the existing overarching Economic Development Strategy, along with a list of high-level objectives, goals, and policies to achieve the key strategy and objectives.

Goals and policies in the other general elements and city programs are also needed to support a strong, sustainable, local economy such as providing land use for commercial development to provide job opportunities, affordable housing, accessible transportation options, capital improvement infrastructure and public services.

The City is planning to accommodate an assigned employment growth target by 2044 of an additional 26,490 jobs.

HOUSING UNITS		JOBS	
Existing (2018)	K2044 Target (2019 – 2044)	Existing (2018)	K2044 Target (2019 – 2044)
38,656	13,200 (above 2018 existing)	49,280	26,490 (above 2018 existing)

Draft Revised Economic Development Element Goals and Policies

Attachment 1 provides a side-by-side comparison of the existing and draft revised Economic Development Element goals and policies. Staff is requesting PC feedback on initial draft revisions to strategies, goals, and policies. The draft revisions incorporate text amendments that are generally motivated by one or more of the following:

- Compliance with required State, regional, or countywide policies;
- Recommendations from the 2022 Equity Review of the Kirkland 2035 Comprehensive Plan;
- Addressing Kirkland 2044 study issues as directed by the PC and City Council;
- PC comments from your previous meeting on the topic;
- Community engagement activities held to date, comments from UW Evans School students (see below); and
- Alignment with the draft Kirkland 2044 Vision and Guiding Principles and in-progress draft revisions in other Plan elements.

The table in Attachment 1 includes staff notes to further explain the reasoning behind certain text amendments to respond to PC comments, study issues, public outreach, as well as notes indicating if the amendment is proposed to achieve compliance with a specific policy from an outside agency. The table also highlights several policies that staff anticipates focusing on during the March 14 PC discussion.

A majority of the PC comments and study issues have been addressed in the draft goals and policies. Some comments or study issues are allowed under existing zoning, are being implemented through an existing program, or are planned to be studied with the 2024-2026 Planning Work Program (home occupation regulations; parking requirements; commercial uses in neighborhoods). Some comments will need

further discussions with City Council or the Park Board (such as increasing businesses in parks or other public land) or are more appropriate for future code amendments (such as uses associated with commercial uses in residential areas) or may have budgetary or staff resource implications.

Additional Community Engagement Input to Consider

UW Evans School of Public Policy and Governance Class Project

Input on the draft goals and policies was received from students in the Local Government Course at the University of Washington Evans School of Public Policy and Governance class. The class is co-taught by former Kirkland Deputy City Manager Marilynne Beard.

In their report “*Fostering Inclusive and Equitable Economic Development in Kirkland*” (March 1, 2024), the students evaluate the community feedback received during the 2044 Comprehensive Plan update related to the Economic Development Element and make recommendations for revisions to the policies to better reflect the comments and to provide for a more equitable and inclusive local economy (see Attachment 2). Using case studies from other cities, the report also delves deeper into strategies, actions, and programs the City and business community could take to address three key themes from the community comments: 1) increasing affordable commercial tenant rents, 2) increasing “third places”, and 3) increasing pop-up commercial spaces and other ideas.

Below is a short summary of key takeaways from their recommendations.

Suggested Policy Revisions

Staff incorporated several of the student’s suggestions for revisions to the draft goals and policies in Attachment 1 (shown in bold).

- Policy ED-1.2 ...types of businesses that should be encouraged...add: and public spaces...that support the needs of different groups in the community such as Blacks, Immigrants, People of Color (BIPOC), seniors, youth, and lesbian, gay, bisexual, transgender, queer, intersex, asexual (LGBTQIA) . This is in response to the comments from youth and others for the desire to create more affordable types of businesses geared for youth (thrift stores, bookstores, outdoor stores, and music stores) and “third places” for connecting with others.
- Policy ED-1.7 encourages home based businesses and small-scale commercial uses in neighborhoods: add “safety” to the list of adverse impacts to avoid (noise, parking, light, odor) when considering the types of businesses in residential neighborhoods.
- Policy ED-1.8 supports locally developed enterprises by encouraging small start-up businesses: added text in potential action items for supporting affordable commercial incubator spaces, locations for pop-up businesses, working with local banks, tax rebate programs, providing mediation service assistance programs for lease negotiations.

Suggested actions and strategies

Strategy 1- Increasing affordable commercial rents

The report recognizes that the high cost of commercial rents can pose challenges for smaller businesses, especially immigrant and BIPOC owned businesses, or startup businesses. The students offered some other ideas to address this rising concern:

- Establish an arbitration/mediation program for tenants and landlords to reduce the cost of tenant spaces or to extend leases;
 - Create tax rebates or credits for landlords to maintain affordable rents, especially for underserved groups' businesses;
 - Establish eviction protections for businesses; and
 - Property owners or banks could limit personal guarantee requirements for commercial lease agreements, which would reduce a significant barrier to underserved groups' startups.
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- The City and business community could also help:
 - Establish small business incubator spaces at market- or below-market rates;
 - Convene meetings between banks and aspiring business owners to secure start-up capital and/or generous lines of credit;
 - Expand the number of below-market rate leases for existing City-owned property while purchasing/developing additional commercial buildings. Houghton Village Shopping site was suggested since its is owned by the City; and
 - Support community-based organizations and immigrant and BIPOC-owned business cooperatives in acquiring their own commercial properties for below-market rate leases.

Strategy 2 - Increase “third spaces” to complement business development

A common theme from youth emphasized the importance of third spaces to socialize outside the home or school. Third spaces allow for social interaction outside of work or home settings that are not necessarily tied to commodities (indoor/outdoor malls, libraries, cafes, community centers and pavilions). The students cite examples of programs to encourage these places:

- The City of Seattle’s “Seattle POPS - Privately Owned Public Spaces program” includes atriums, plazas, arcades, and hill climbs open to the public that are required or allowed through the Seattle Land Use Code as part of development; and
- The City of Kirkland’s Neighborhood Matching Grant Program could be expanded to include the purchase of small parcels of land for “Green Pocket” development.

Strategy 3 - Use pop-up commerce spaces to meet youth needs in commercial development.

The students explored strategies to encourage more businesses that offer affordable products and services (e.g. thrift stores, music, outdoor equipment, bookstores), along with public spaces such as parks, community centers, and recreational facilities:

- The City could work to develop more commercial spaces targeted at youth through a rotating pop-up retail space platform, such as the vacant retail space in the City-owned Houghton Village;
- Reach out to local entrepreneurs and businesses with youth customer bases outdoor recreation shops, art stores, etc. to encourage them to locate in Kirkland.; and

- Offer six-month long pop-up leases with highly affordable rents, similar to the City of Toronto, which charges tenants low rents along with 10% of sales beyond an agreed baseline.

Additional recommendations from the report:

- Create a task force to research historical economic inequities in Kirkland;
- Conduct additional community outreach to discuss what equitable economic development means in Kirkland;
- Partner with other cities who are leading similar economic initiatives; and
- Look at Houghton Village as a potential site to pilot the students' recommendations (rent caps, incubator spaces, pop-up shops).

If the PC agrees to any of the additional recommendations above, staff can incorporate them into the draft policies, goals, or as implementation action items.

City of Kirkland Home-Based Business Survey (OneEastside, November 2023)

In 2023, the City Manager's office retained OneEastside to conduct an online survey of Kirkland residents who maintained a home-based business within the city. The purpose of the survey was to gather feedback on existing business conditions for these businesses, and to learn about ways to support and help expand these businesses. The survey results (see Attachment 3) are helpful in assessing our existing Economic Development Element policies regarding home occupations and future home occupation regulations code amendments planned on the Planning Work Program.

OneEastside utilized the Survey Monkey system to design the survey. The survey was open in late August through October 30, 2023. A total of 308 responses were collected, with a 68% completion rate. The survey was available in English, Spanish, Portuguese and Chinese Simplified. A majority took the survey in English, with one individual taking the survey in Spanish and one in Portuguese.

Below are key takeaways from the survey results:

- While professional, scientific and management businesses make up almost 24% of the survey responses, 11 additional industries are represented as well as 17.82% in the Other category;
- Almost 60% indicate that the home-based business is their "main occupation," and 69% state that a room inside their home serves as their primary office location;
- Cost and convenience are chosen as the top reasons for continuing to operate from the home;
- Regarding experiences with the local and state governments, many respondents indicated they received their necessary approvals very quickly or do not remember, would like more opportunities for networking and community engagement, lower taxes and fees, and overall have mostly positive feedback about doing business in the City of Kirkland;
- Respondent demographics data indicate that approximately 55% of respondents identified as Girl/Woman, 37% as Boy/Man and 6% in Other with some feedback about the options. The age range of 45-54 saw the highest percentage of respondents at 28.9% (57), with 55-64 at almost 25% and 65+ at almost 22%.

Interestingly, the 25-34 and 35-44 age brackets had the lower percentages of respondents;

- Approximately 78% of respondents identified as White, with 15% Asian. About 88% of the respondents selected “No” to being part of the LGBTQIA community with 7% stating “Yes”; and,
- For the household income question, the top three responses were 31% who preferred not to answer, 28% who indicated a household income of \$250,000 or more and 10% who indicated an income of between \$100,000 - \$149,000.

Questions for Planning Commission

Staff would like the Commission’s feedback on the following questions:

1. Do Commissioners have any questions or feedback about any specific draft revisions to Economic Development Element goals or policies?
2. Are there any policy themes or concepts that you believe need to be incorporated into the draft policies?
3. Review the report from the students at UW Evans School of Public Policy and Governance class (Attachment 2). Do you agree with staff’s revisions responding to their recommendations?
4. Are there other recommendations you’d like staff to include in the draft policies or as implementation action items?

Next Steps

With PC feedback on the above questions, staff will continue to refine the draft goal and policy amendments and descriptive text in the Element. The PC will receive policy briefings for all the other elements within the Plan, as well as briefings on the Juanita and Kingsgate Neighborhood Plan Updates in the coming months. The PC will hold multiple public hearings on the Plan updates in Spring and Summer 2024. The Economic Development Element update public hearing is scheduled in June. City Council will complete final adoption by December 2024.

Attachments

1. Economic Development Element Draft Goals and Policies
2. Evans School Report
3. Home Occupation Survey results