

**PORT ORCHARD URBAN GROWTH  
AREA  
SUBAREA PLAN**

**DEVELOPMENT AND POPULATION ALLOCATION  
REPORT**

**PROPERTY COUNSELORS**

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# I. INTRODUCTION AND SUMMARY

## INTRODUCTION

### BACKGROUND AND PURPOSE

This population and allocation development report is a technical document in support of the Sub-Area Plan for the Port Orchard South Kitsap Urban Growth Area. The Growth Management Act, adopted by the Washington State Legislature in 1990, requires most counties and cities to adopt comprehensive plans to guide growth and development. A sub-area plan addresses the unique needs and features of a limited geographic area and provides more detailed land use policies and designations.

The area considered for the Port Orchard South Kitsap Urban Growth Area (UGA) includes Port Orchard, McCormick Woods, and adjacent lands to the south and east as far as 1.5 miles northeast of Retsil as shown in Figure I-1. A Citizen's Advisory Group appointed by Commissioner Jan Angel of Kitsap County and Mayor Kim Abel of the City of Port Orchard is guiding the subarea planning process, with assistance from Kitsap County and City of Port Orchard staff and the prime consultant.

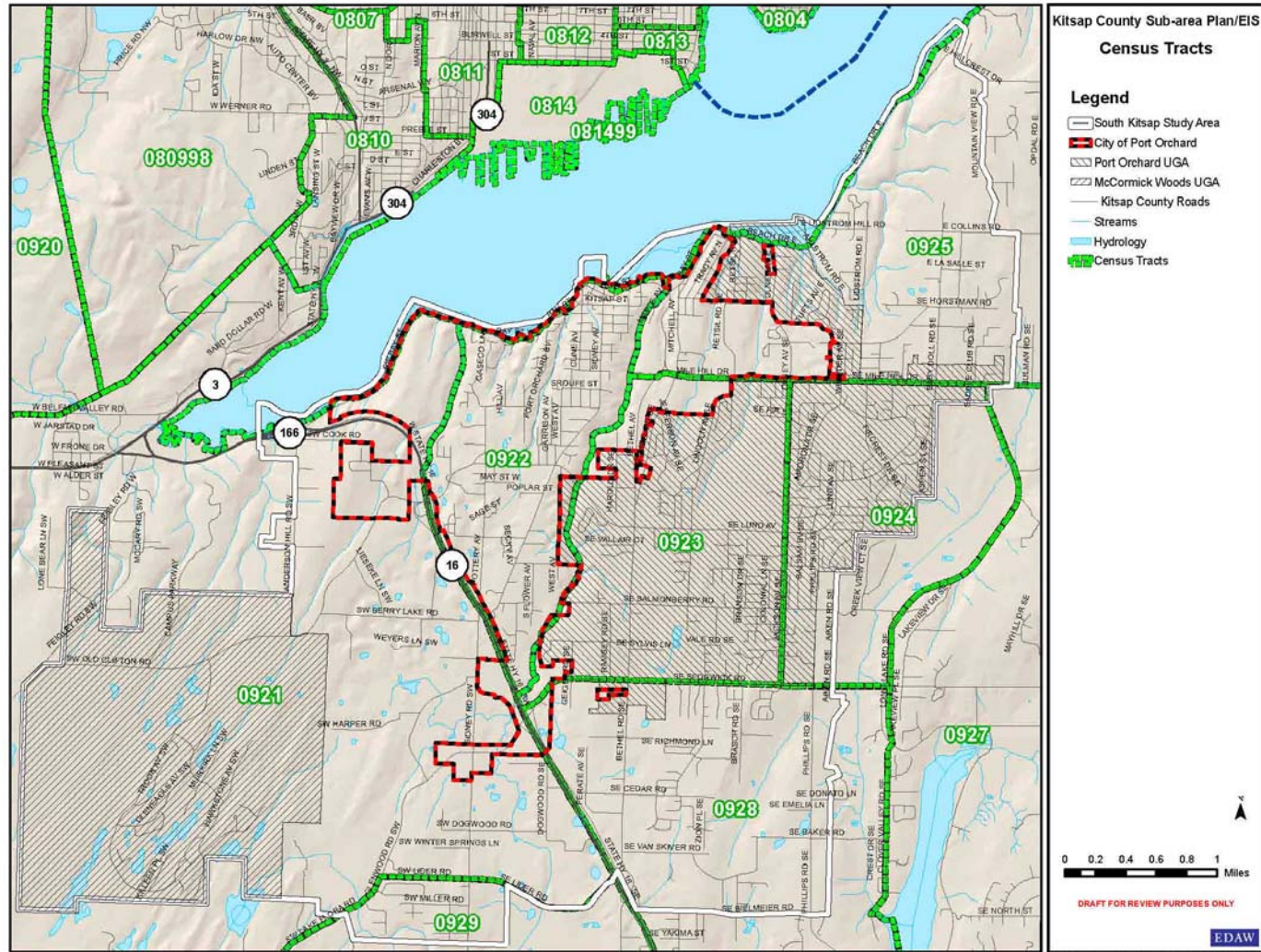
The Sub-Area plan will identify areas to remain rural and areas for urban growth. The sizing of the urban growth area must accommodate the population growth allocated by Kitsap County, and be measurable with a documented rationale. This population and development allocation report provides the rationale for sizing the urban growth area.

The purpose of the development allocations task is to determine whether and to what extent additional land is required outside the existing Port Orchard city limits and South Kitsap UGAs to accommodate projected growth over the 20-year period 2005 to 2025. Further, this study evaluates the locational requirements of individual land uses to determine what general areas outside the existing UGA are most suitable for development. These results will provide one basis for allocating development to define a set of alternatives for the plan.

### GEOGRAPHIC AREAS CONSIDERED IN REPORT

The study area considered for possible UGA expansion includes existing urban growth areas, areas exhibiting urban densities, and adjacent areas. These areas represent the most densely developed portions of South Kitsap County. The South Kitsap area is bounded by Puget Sound to the east, the Pierce County line to the south, the Mason County line to the west, and the undeveloped areas beyond State Highway 3 and Sinclair Inlet to the north.

**Figure I-1**  
**Port Orchard/South Kitsap UGA Study Area**



The analysis in the report considers trends and conditions at successively smaller levels of geography: 1) the County-wide level, 2) South Kitsap level, 3) the study area, and 4) smaller areas, where data allows. The South Kitsap level represents the designated market area for much of the real estate analysis in the study.

## **ORGANIZATION OF REPORT**

This key findings and conclusions are summarized below, organized in three sections:

Economic and Demographic Overview

Real Estate Market Analysis

Development Allocations

## **SUMMARY**

### **ECONOMIC AND DEMOGRAPHIC OVERVIEW**

An overview of economic and demographic conditions and trends provides a basis for identifying future demands for development and its likely geographic distribution. The sources of data and conclusions are documented in detail in Section II of the Population Allocation Report and summarized in the following paragraphs.

The government sector dominates employment in Kitsap County, particularly the Federal Government and various defense installations. Manufacturing represents less than 3 percent of total jobs, and the County Comprehensive Plan includes a goal of increasing that share to 9 percent over 20 years. Kitsap County private employment represents only 3 percent of private employment in the four-county region (Kitsap, King, Snohomish, and Pierce Counties). However, due to the County's lower average wage rates in all sectors, the County can compete with other areas in the region, as it offers a lower cost of doing business.

South Kitsap County had approximately 15.3 percent of total jobs in the County in 2002. This share increased from 15.1 in 1995. According to projections by the Puget Sound Regional Council (PSRC), employment in South Kitsap will continue to grow as a share of employment in the County. The PSRC projections call for most of the growth to occur in Port Orchard and the area to the west.

The population of South Kitsap County was estimated to be 61,841 in 2003, approximately 26 percent of the County population of 237,000. The South Kitsap share of County population has increased from 25.4 percent in 1990. Over two-thirds of the growth in South Kitsap County since 1990 has occurred in census tracts outside the designated Urban Growth Area.

The Washington State Office of Financial Management projects the population of Kitsap County to be 331,571 in 2025 (intermediate projection). If South Kitsap County maintains its share of County population, its population would increase by 23,900 between now and 2025.

## **REAL ESTATE MARKET ANALYSIS**

An analysis of real estate markets for residential, commercial and industrial development provides an understanding of the nature and type of development that has occurred and is likely to occur in the future. The sources of data and conclusions are documented in detail in Section III of the Population Allocation Report and summarized in the following paragraphs.

Approximately 71 percent of housing units in Kitsap County are single-family units, 19 percent are multifamily units, and the remaining 10 percent are mobile homes. Permits issued for new housing units between 1996 and 2003 reflected a growing share for single-family units. South Kitsap County has a larger share of its dwelling units in single-family category as well. South Kitsap County has average apartment rental rates and condominium sales prices lower than those for the County. The County as a whole, including South Kitsap, has higher housing affordability ratings than other counties in the region. With a declining average population per household, the number of housing units in South Kitsap County is expected to grow at a faster rate than population. Further, multifamily units are expected to increase as a share of total units. The number of total units is projected to increase from 23,000 to 33,000 over the next 20 years.

South Kitsap County serves as a natural trade area for both neighborhood shopping and retailers such as Wal-Mart and Fred Meyer. The Kitsap Mall in Silverdale is the major regional retail concentration and captures some spending from South Kitsap residents. With increased population growth in South Kitsap, the area should be able to retain a higher share of resident spending. The area could support an average of 70,000 square feet of additional retail space per year.

South Kitsap County currently offers 190,000 square feet of office space, approximately 7 percent of the 2.6 million square feet of total office space in Kitsap County, but captured twice that share of absorption over the past five years. Office space rental rates in the County are lower than those in the four county region (Kitsap, King, Snohomish, and Pierce Counties), providing an opportunity for cost-conscious firms facing rent and labor cost increases elsewhere. Based on projections of employment increases in office-using sectors such as Finance Insurance Real Estate and Services, South Kitsap office absorption should average 26,500 square feet per year.

South Kitsap County offers 27 percent of the industrial space in the County according to local survey data. Industrial space rents in Kitsap County are lower than those in the four county region. Industrial space in the County competes with areas outside King and North Snohomish Counties for regional industrial users. The South Kitsap area has a large supply of existing and designated industrial lands in the Port of Bremerton Olympic

View Industrial Park, the Port Orchard Industrial Park, and the South Kitsap Industrial Area (SKIA). Based on current employment projections, South Kitsap is estimated to absorb 1.5 million square feet of industrial space over the next twenty years.

## **DEVELOPMENT ALLOCATIONS**

The conclusions of the Population Allocation Report are framed in development allocations for each type of land use as projected over the next 20 years. The sources of data and conclusions are documented in detail in Section IV and summarized in the following paragraphs.

The purpose of the development allocations is to project the level of future development as a basis for Subarea Plan land use alternatives and to compare it to capacity in the existing urban growth area and potential expansion areas. The County is currently updating its estimates of land capacity. Allocations of population and development for existing UGAs are compared to the updated land capacity estimates. The analysis in this report identifies the adequacy of existing designated areas to accommodate growth and identifies areas that are best suited to attract growth.

### **POPULATION ALLOCATION**

The residential allocations are based on the population distributions adopted by the Kitsap Regional Coordinating Council (KRCC) on December 7, 2004. KRCC distributed a population of 21,334 to all of the UGAs in South Kitsap, which includes both the South Kitsap (McCormick Woods/ULID #6) UGA in addition to the Port Orchard UGA and any potential expansion. The distributions reflect a countywide population level equal to the Office of Financial Management (OFM) 2025 intermediate projections. The Growth Management Act allows for the use of a market factor, to recognize that land markets are complex. More land needs to be designated for development than the anticipated demand because some properties will not be available and some properties may not match the specific requirements of individual users. Using the benchmark factor of 25%, established by the Puget Sound Growth Management Hearings Board, and assuming 2.3 to 2.5 persons per dwelling unit, the number of additional dwelling units required to accommodate this population would be 10,830. The updated land capacity analysis identified capacity for 5,470 units in the existing Port Orchard and South Kitsap (McCormick Woods/ULID #6) Urban Growth Areas.

An ultimate UGA with capacity for an additional 5,360 would meet the KRCC basic allocation for all the South Kitsap urban growth areas, meet deficits between the allocations and capacities for the City of Port Orchard and Port Orchard UGA, and provide a 25% market factor for all the UGAs. An ultimate UGA with a lower capacity could meet the growth requirements under different terms as follows.

An ultimate urban growth area with the capacity for 2,530 additional units is necessary to meet the basic population allocation from KRCC.

An ultimate urban growth area with the capacity for 3,170 additional units is necessary to meet the allocation and provide a 25% market factor.

An ultimate urban growth area with the capacity for 3,190 additional units would be necessary to meet the basic allocation and make up the deficit for the Port Orchard City and UGA.

An ultimate urban growth area with the capacity for 4,570 additional units would be necessary to meet the basic allocation, the Port Orchard City and UGA deficits, and provide a 25% market factor for all areas including the South Kitsap UGA (McCormick Woods/ULID #6).

These numbers would be reduced by the number of new units that have been built in these areas between 2000 and 2005. This number is approximately 5% of the 2000 dwelling unit count or approximately 9% of the projected growth figures.

Actual distributions within the study area will depend upon the density assumptions in the land use alternatives as determined through further analysis in the Sub-Area Plan and Environmental Impact Statement.

#### **COMMERCIAL AND INDUSTRIAL ALLOCATION**

County staff prepared an analysis for commercial and industrial development in September 2004 on a countywide basis. (Industrial and Commercial Land, Comparison of Supply and Demand, Kitsap County Department of Community Development, September 1, 2004). The analysis estimated demand in terms of gross acres. Gross acreage requirements are derived from net actual usable acres by adjusting for critical areas, roads, and a market factor. The required acreages were compared to currently designated commercial and industrial lands, leading to the conclusion that projected County-wide demand exceeds land supply by 110 gross acres (after adjusting for critical areas and roads) for industrial development and 700 acres for commercial development over the 20 year period 1997 to 2017. With the updated Land Capacity Analysis estimates of net acreage for individual UGAs, it's possible to further refine this analysis as it may relate to South Kitsap.

Further analysis of these figures was conducted as part of the analysis in this report. The total commercial land requirement is reasonable in total. However, the portion of the total that represents office space is overstated as it is based on an employment factor that applies to retail uses but not office uses, and the portion that represents retail is understated based on current retail trends. Within South Kitsap, the analysis in this report estimates development levels to be accommodated over the next 20 years as:

Retail:	160.7 net acres
Office:	47.5 net acres
Lodging:	<u>7.5 net acres.</u>
Total:	215.7 net acres

The updated land capacity for existing UGAs is 166.7 acres. An ultimate UGA would require 49 additional acres to provide capacity for the projected growth. This analysis reflects current usage patterns and historical comprehensive plan goals.

The estimated 20-year industrial land requirement countywide is also reasonable, although it is determined largely by the policy of increasing manufacturing employment as a percent of total employment. Current trends do not yet reflect the impact of such a policy. The requirement for industrial land for the 20 year period is 1,053 net acres. The UGAs in South Kitsap County represent approximately 60% of the net industrial land capacity in the County. If the South Kitsap County captures a commensurate share of 60% of future absorption, it would require 630 net acres. The current capacity in the City of Port Orchard, the Port Orchard Urban Growth Area, and the South Kitsap Industrial Area is 940 acres. The areas currently designated for industrial use are adequate to meet the future requirement given the existing usage patterns and historic comprehensive plan goals. This analysis may be required to be reevaluated for any potential large single development project utilizing available industrial parcels within Kitsap County.