

**PORT ORCHARD URBAN GROWTH
AREA
SUBAREA PLAN**

**DEVELOPMENT AND POPULATION ALLOCATION
REPORT**

PROPERTY COUNSELORS

JANUARY 2005

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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.

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.

II. ECONOMIC AND DEMOGRAPHIC OVERVIEW

The economic conditions and outlook for the Port Orchard area and Kitsap County will determine the demand for additional land. These conditions are discussed in this section in terms of:

Employment

Population

EMPLOYMENT

KITSAP COUNTY AND CENTRAL PUGET SOUND REGION

The study area is part of the larger County and regional economies. Government dominates employment in Kitsap County, particularly the Federal government and various defense installations in the area. As shown in Table II-1, government jobs provided 27,200 of the 80,700 total non-agricultural wage and salary jobs as of August 2004 as reported by the Washington State Department of Employment Security. The impact of government is actually understated as the figures do not include members of the armed forces. Total government employment including members of the armed forces is twice the amount shown in the table.

Table II-1
Kitsap County
Nonagricultural Wage and Salary Employment

NAICS Industry Title	Sept. 2000	August 2004	Change 2000 - 2004
Total Nonfarm 1/	73,600	81,200	7,600
Total Private	48,300	53,500	5,200
Goods-Producing	6,100	6,600	500
Construction, Nat. Resources and Mining	4,300	4,800	500
Manufacturing	1,800	1,800	0
Services-Providing	67,500	74,600	7,100
Trade, Transportation and Utilities	12,300	13,000	700
Wholesale Trade	1,000	1,200	200
Retail Trade	10,300	10,700	400
Transportation, Warehousing, and Utilities	1,100	1,100	0
Information and Financial Activities	4,200	5,500	1,300
Other Services	25,700	28,400	2,700
Government	25,300	27,700	2,400
Federal Government	14,200	14,900	700
State and Local Government	11,100	12,800	1,700

1/ Excludes proprietors, self-employed, members of the armed services, workers in private households, and agriculture. Includes all full-and part-time wage and salary workers receiving pay during the pay period including the 12th of the month.

Source: Washington Department of Employment Security, Labor Market Economic Analysis

The importance of government, and defense installations is particularly evident in the list of major employers in the County prepared by the Kitsap County Economic Development Council and shown in Table II-2. Excluding the Naval Station with the transient workforce on the ships in Port, Puget Sound Naval Shipyard in Bremerton, the Naval Sub Base in Bangor, and the Undersea Warfare Center in Keyport are three of the six largest employers, with the other three being the County and local school districts. Even the largest private employer – Johnson Controls World Services is a defense contractor. A recent study of economic impacts of military bases in Washington (Dr. Paul Summers, July 2004) concluded that military bases in Kitsap County account for 27,375 direct jobs and 46,935 total jobs locally.

Other large private employers include Nextel/TeleTech, a call center, and large retail chain stores.

Table II-2

**Major Employers in Kitsap County
December 2003**

	Total	Full Time	Part Time
Federal Defense Agencies			
Naval Station Bremerton (NAVSTA) includes ships	9,681	9,681	
Puget Sound Naval Shipyard (civilian)	9,302	5,821	9
Naval Sub Base Bangor (military)	5,821	5,821	
Naval Sub Base Bangor (civilian)	2,293	2,293	
Naval Undersea Warfare Ctr. (Keyport) (only 21 of these are military)	1,561	1,561	
Puget Sound Naval Shipyard (military)	877	877	
Naval Station Brem (civilian)	862	862	
Naval Hospital Bremerton (military)	687	687	
Naval Hospital Bremerton (civilian)	362	362	
Engineering Field Activity NW	230	230	
Human Resources Ctr. Regional	208	208	
Federal Non Defense Agencies			
Veterans Home and Outreach	137	201	236
United States Post Office	332	275	57
Private Sector Defense Contractors			
Johnson Controls World Services	1,030	880	150
BAE Systems	391	369	22
AMSEC LLC	346	158	188
Lockheed Martin Bangor/Space /Sys.	240	240	
Raytheon Systems	225	225	
Governmental and Local Public Agencies			
Bremerton School District (includes 180 subs)	2,920	1,953	180
Central Kitsap School District	1,605	1,067	538
Kitsap County	1,587	1,152	435
South Kitsap School District	1,198	966	232
North Kitsap School District	878	549	329
City of Bremerton (includes seasonal)	742	330	262
Suquamish Tribe (Port Madison Ent)	505	441	64
Bainbridge Island School District	484	293	191
Kitsap Transit	103	309	94
Olympic College	306	306	
Olympic Educ. Services District #114	248	146	102
Port Gamble S'Klallam Tribe	239	170	69
Kitsap Regional Library	205	77	128
Private Sector			
Harrison Hospital	1,513	646	867
Nextel/TeleTech	604	80	524
Fred Meyer	444	245	199
Safeway Inc.	417	102	315
Town & Country Market	395	248	147
Kitsap Mental Health	380	225	155
Martha & Mary Lutheran Services	373	271	102
OSTROM Mgmt. Co. (Rmnt Hms)	350	195	155
Courtesy Auto Group	300		
COSTCO Wholesale Corp.	297	105	142
Sound Pub. (Kitsap Newspaper Grp)	290	250	40
The Doctors Clinics	289	214	75
Group Health Cooperative	249	126	123
Crista Ministries (Retirement Home)	247	105	142
The Home Depot	245	147	98
Kitsap Community Fed Credit Union	244	186	58
Kitsap Bank	240	215	25
Sound City Food (Burger King)	200	70	130
The SUN Newspaper	200	150	50

Source: Kitsap Regional Economic Development Council

While various economic development advocates have pushed for diversification of the economy, there are some advantages to the defense-related concentration.

- The major defense installations export their goods and services outside the region, and are comparable to the manufacturing and information-based private businesses found in other communities.
- A strong government presence often provides a stabilizing influence on a local economy.

The latter factor is reflected in the relatively low unemployment rate in the County. The rate has consistently been lower than the rate for the State as a whole.

Table II-3
Work Force Statistics
August 2004

	Kitsap County	Washington State
Labor Force	105,100	3,211,000
Employment	99,800	3,022,900
Unemployment	5,300	188,100
Unemployment Rate	5.0%	5.9%

Source: Washington Department of Employment Security, Labor Market Economic Analysis

Kitsap County is part of the four county Central Puget Sound region. The characteristics of the employment profile in each of the four counties – Kitsap, King, Snohomish, and Pierce – are compared in Table II-4. The figures shown are from the US Census Bureau’s County Business Patterns and include private employment only. Kitsap’s private employment represents 3.3 percent of the total for the four-county region. King County represents about 70 percent of the total, with Snohomish and Pierce County representing 14 percent each. The distribution of employment by industry sector is shown in the left portion of the table. For the region as a whole, approximately 21 percent of non-government jobs are in goods providing sectors. Such jobs in Kitsap represent 12 percent of total non-government employment, lower than the shares for the other counties. Kitsap County has a large share of its employment in retail and service jobs.

The right portion of the table compares the average payroll per employee for each sector and county – Kitsap County has the lowest average payroll of the four counties in every sector. Employment in Kitsap County is projected to grow from 77,600 in 2002 to 89,600 in 2012, according to figures from the State Department of Employment Security summarized in Table II-5.

Table II-4

**Central Puget Sound Counties
Comparison of Industry Composition and Average Payroll-2001
Non-Government Employment**

	Employment-% of Total					Payroll per Employee				
	Kitsap	King	Snohomish	Pierce	4-County	Kitsap	King	Snohomish	Pierce	4-county
Goods Producing										
Constr. Nat. Res. Mining	8.2%	6.1%	8.5%	7.8%	6.7%	33,764	44,892	37,439	39,720	42,324
Manufacturing	3.9%	12.7%	26.6%	10.2%	14.0%	28,547	49,916	55,900	36,653	49,958
Subtotal	12.1%	18.7%	35.1%	18.0%	20.7%	32,071	48,292	51,423	37,977	47,484
Services Providing										
Wholesale Trade	1.8%	6.3%	3.8%	4.6%	5.6%	35,287	51,634	41,098	37,122	48,850
Retail Trade	22.4%	10.9%	15.0%	15.7%	12.5%	21,722	24,792	22,939	23,245	24,043
Transp. Warehouse Utilities	2.6%	4.5%	2.4%	4.3%	4.1%	27,594	43,503	35,624	36,472	41,555
Information	2.5%	6.9%	3.2%	1.9%	5.6%	37,750	138,209	46,062	33,027	124,642
Fin. Ins. Real Estate	6.4%	7.5%	6.1%	6.5%	7.1%	31,519	49,430	39,725	46,024	47,340
Services	52.1%	45.1%	34.5%	49.0%	44.4%	24,335	36,661	25,486	26,284	33,426
Subtotal	87.9%	81.3%	64.9%	82.0%	79.3%	24,904	46,454	28,518	28,562	41,128
Total	100.0%	100.0%	100.0%	100.0%	100.0%	25,771	46,798	36,565	30,258	42,442

Total Private Employment 49,570 1,053,579 209,047 207,984 1,520,180

Source: US Census Bureau, County Business Patterns
Property Counselors

Table II-5

**Kitsap County
Projected Employment Growth**

	2002 Est.	2007 Proj.	2012 Proj.	Avg. Ann. Growth	
				2002-2007	2007-2012
Goods Producing					
Constr. Nat. Res. Mining	4,500	4,800	5,200	1.3%	1.6%
Manufacturing	1,800	1,900	2,100	1.1%	2.0%
Subtotal	<u>6,300</u>	<u>6,700</u>	<u>7,300</u>	1.2%	1.7%
Services Providing					
Wholesale Trade	1,100	1,200	1,200	1.8%	0.0%
Retail Trade	10,400	11,200	11,800	1.5%	1.0%
Transp. Warehouse Utilitie Information	1,000	1,000	1,100	0.0%	1.9%
Fin. Ins. Real Estate	5,100	5,600	6,100	1.9%	1.7%
Services	26,200	28,900	31,400	2.0%	1.7%
Government	27,500	29,100	30,700	1.1%	1.1%
Subtotal	<u>71,300</u>	<u>77,000</u>	<u>82,300</u>	1.6%	1.3%
Total	<u>77,600</u>	<u>83,700</u>	<u>89,600</u>	1.5%	1.4%

Source: Washington State Department of Employment Security, Labor Market Analysis

The fastest growing sectors are projected to be Finance Insurance and Real Estate and Services. Manufacturing is projected to grow at an average annual rate of 2.0 percent from 2007 to 2012, the fastest rate of any sector. These growth rates are compared to the rates projected by Department of Employment Security for other counties in the region as shown in Table II-6. Kitsap County growth in total employment of 1.5 percent per year for the period 2002 to 2007 is comparable to that for the region. The rate of 1.4 percent for the period 2007 to 2012 is less than the rate of 1.6 percent for the region. Kitsap County is projected to show higher growth in the goods producing sectors than in the other counties. Overall, the employment growth outlook is positive, reflecting continuation of existing trends, with no significant change in the County's role in the region.

SOUTH KITSAP COUNTY

The study area represents the urbanized area of South Kitsap County. South Kitsap County is generally the area south of Sinclair Inlet and State Highway 3. The area includes the following geographic units as shown on the maps in Figures II-1 and II-2.

PSRC Forecast Analysis Zones	Census Tracts
9002 Port Orchard	922.00, 923.00, 924.00, 925.00
9004 Gorst/Burley/Glenwood	921.00, 929.01, 929.02
9015 Southworth/Manchester	927.00, 928.00
9016 Olalla	928.01, 928.02, 928.03

Puget Sound Regional Council (PSRC) has evaluated data from the State Department of Employment Security to determine the distribution of jobs at the census tract level. Table II-7 presents this data for years 1995, 2000, and 2002. As shown in the table, South Kitsap County has 11,390 jobs in 2002 (covered employment). This represents 15.3 percent of all covered employment in the County in this year. As shown in the lower part of the table, total employment in South Kitsap grew by 684 jobs between 1995 and 2000, and 425 jobs between 2000 and 2002. The total increase over the period in South Kitsap was 18 percent of total new jobs in the County, thereby raising the area's overall share.

The right hand column in the upper portion of the table shows the percentage share of jobs by census tract. The tracts with the highest shares are the tracts in the immediate Port Orchard area. The tracts showing the most growth are 921 to the west of Port Orchard including McCormick Woods, and the tracts in the immediate Port Orchard area.

Table II-6

**Central Puget Sound Region
Projected Employment Growth Rates**

	2002 to 2007					2007 to 2012				
	Kitsap	King	Snohomish	Pierce	Total	Kitsap	King	Snohomish	Pierce	Total
Goods Producing										
Constr. Nat. Res. Mining	1.3%	1.0%	1.4%	1.4%	1.1%	1.6%	1.1%	1.7%	1.0%	1.2%
Manufacturing	1.1%	-1.4%	-0.1%	0.5%	-0.8%	2.0%	1.6%	1.9%	1.0%	1.6%
Subtotal	1.2%	-0.5%	0.3%	0.9%	-0.1%	1.7%	1.4%	1.8%	1.0%	1.5%
Services Providing										
Wholesale Trade	1.8%	0.9%	1.3%	1.3%	1.0%	0.0%	0.8%	0.9%	0.8%	0.8%
Retail Trade	1.5%	1.3%	1.0%	1.4%	1.3%	1.0%	1.3%	1.3%	1.2%	1.3%
Transp. Warehouse Utilitie	0.0%	1.2%	2.5%	3.5%	1.6%	1.9%	1.2%	1.1%	1.7%	1.3%
Information		2.7%	1.1%	1.3%	2.6%		2.8%	1.0%	1.2%	2.7%
Fin. Ins. Real Estate	1.9%	1.6%	3.5%	2.2%	1.9%	1.7%	1.2%	1.5%	1.4%	1.3%
Services	2.0%	2.2%	2.2%	2.3%	2.2%	1.7%	2.0%	1.8%	1.8%	2.0%
Government	1.1%	1.6%	1.8%	1.3%	1.5%	1.1%	1.5%	1.6%	1.2%	1.4%
Subtotal	1.6%	1.8%	1.9%	1.9%	1.8%	1.3%	1.7%	1.6%	1.5%	1.7%
Total	1.5%	1.5%	1.5%	1.8%	1.5%	1.4%	1.7%	1.6%	1.4%	1.6%

Source: Washington State Department of Employment Security, Labor Market Analysis

Figure II-1

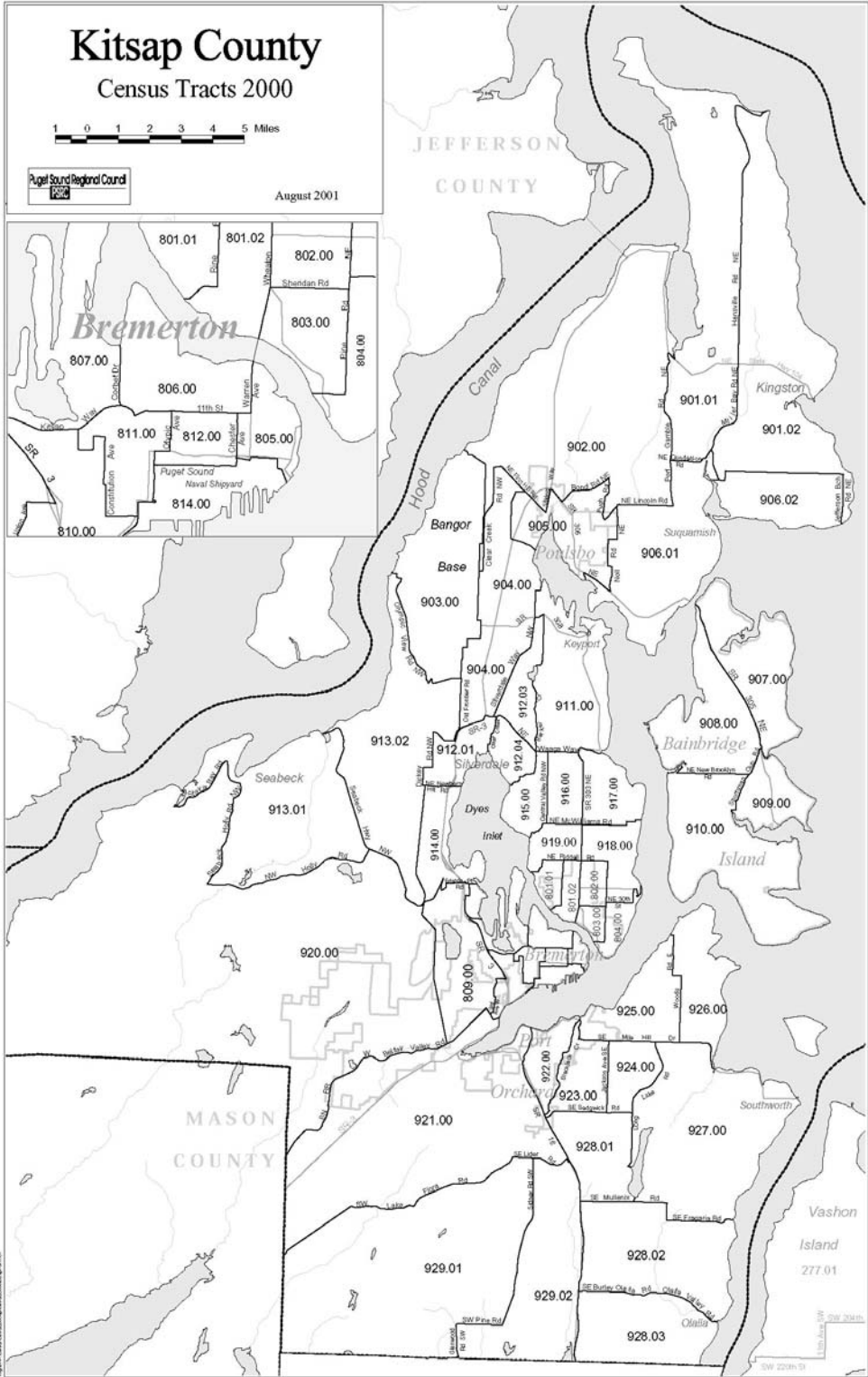


Table II-7

**South Kitsap County Covered Employment Estimates
1995 to 2002 by Census Tract**

2002

Census Tract	Const/Res	FIRES*	Mfg.	Retail	WTU*	Education	Govt.	Total	% of So. Kitsap
921 Gorst/Glenwood	245	552	203	319	156	117	170	1,762	15.5%
922 Port Orchard	79	1,069	34	158	31	84	860	2,314	20.3%
923 East Port Orchard	56	1,133	*	697	*	287	43	2,230	19.6%
924 East of Jackson	29	244	-	120	14	256	24	687	6.0%
925 Retsil	132	805	*	283	*	240	326	1,821	16.0%
926 Manchester	27	60	-	4	*	51	402	549	4.8%
927 Southworth	64	137	-	17	8	138	17	381	3.3%
928.01 Bethel	78	199	*	250	92	59	92	792	7.0%
928.02 So. of Mullenix	30	89	*	10	*	104	3	258	2.3%
928.03 Olalla	25	27	*	-	5	-	-	60	0.5%
929.01 So. of Lake Flora	67	65	-	-	-	-	-	132	1.2%
929.02 Burley	118	132	68	*	12	62	2	405	3.6%
Total	950	4,512	305	1,858	317	1,396	1,940	11,390	100.0%
Kitsap	3,979	29,987	1,572	9,735	1,891	7,017	20,194	74,375	
% of Kitsap	23.9%	15.0%	19.4%	19.1%	16.8%	19.9%	9.6%	15.3%	

Change 1995 to 2000

Census Tract	Const/Res	FIRES*	Mfg.	Retail	WTU*	Education	Govt.	Total	% of So. Kitsap
921 Gorst/Glenwood	(11)	(241)	96	182	257	34	146	504	73.7%
922 Port Orchard	(87)	(192)	23	(66)	(24)	11	(713)	(959)	-140.1%
923 East Port Orchard	*	(12)	*	344	*	(16)	54	492	71.9%
924 East of Jackson	8	2	-	10	(7)	23	(34)	28	4.1%
925 Retsil	(19)	28	(2)	(22)	4	36	35	123	17.9%
926 Manchester	(6)	(10)	*	10	*	(2)	(220)	(215)	-31.4%
927 Southworth	42	52	*	*	*	14	13	265	38.7%
928.01 Bethel	(4)	31	*	197	9	*	34	308	45.0%
928.02 So. of Mullenix	(15)	(36)	*	*	*	21	5	(24)	-3.5%
928.03 Olalla	(9)	4	*	-	*	-	-	(2)	-0.3%
929.01 So. of Lake Flora	(11)	60	*	*	*	-	-	66	9.7%
929.02 Burley	(2)	52	*	*	*	2	0	99	14.5%
Total	(167)	(263)	188	653	249	72	(679)	684	100.0%
Kitsap	496	2,654	216	1,415	250	1,069	(3,003)	3,097	
% of Kitsap	-33.6%	-9.9%	87.0%	46.2%	99.4%	6.8%	22.6%	22.1%	

Change 2000 to 2002

Census Tract	Const/Res	FIRES*	Mfg.	Retail	WTU*	Education	Govt.	Total	% of So. Kitsap
921 Gorst/Glenwood	22	438	40	(104)	(226)	(25)	17	132	30.9%
922 Port Orchard	24	369	11	(171)	(8)	6	74	233	54.9%
923 East Port Orchard	*	830	*	(331)	*	26	(51)	34	7.9%
924 East of Jackson	(2)	77	-	(77)	4	2	3	(17)	-4.0%
925 Retsil	39	412	*	(231)	*	(4)	(21)	115	27.0%
926 Manchester	6	38	*	(35)	*	(4)	151	144	33.9%
927 Southworth	(66)	48	*	*	*	(3)	2	(246)	-57.8%
928.01 Bethel	9	94	*	(85)	22	*	10	42	9.8%
928.02 So. of Mullenix	(13)	49	*	(1)	*	(15)	(5)	27	6.3%
928.03 Olalla	(0)	9	*	-	*	-	-	8	1.9%
929.01 So. of Lake Flora	26	(48)	-	*	*	-	-	(42)	-10.0%
929.02 Burley	9	13	(3)	*	*	(5)	0	(4)	-1.0%
Total	110	2,329	38	(1,017)	(282)	37	180	425	100.0%
Kitsap	(314)	9,109	(636)	(5,498)	(995)	(85)	1,550	3,131	
% of Kitsap	-35.0%	25.6%	-6.0%	18.5%	28.4%	-43.5%	11.6%	13.6%	

* Const/Res: Construction and Resources
 FIRES: Finance Insurance Real Estate Services
 WTU: Wholesale Transportation Utilities

Source: Puget Sound Regional Council, Covered Employment Estimates, June 2004

PSRC has published projections of employment at the Forecast Analysis Zone (FAZ) level. The projections for 2000 through 2030 for South Kitsap are summarized in Table II-8. The projections anticipate strong growth in South Kitsap, rates significantly higher than rates for the County as a whole. These projections are derived from a detailed economic model which allocates region-wide activity to the forecast analysis zones based on location preference factors and availability of land. They reflect one set of assumptions and results that can be considered in the urban growth area allocations in a later section of the report.

The fastest growing analysis zones are the Port Orchard area (FAZ 9002) and lands to the west (FAZ 9004). The fastest growing sectors are Finance Insurance Real Estate and Services (FIRES), Manufacturing, and Wholesale, Transportation and Utilities (WTU).

Table II-8

PSRC Employment Projections- South Kitsap Analysis Zones

						Avg. Annual Growth			
	1990	2000	2010	2020	2030	1990-2000	2000-2010	2010-2020	2020-2030
9002 Port Orchard									
Retail	1,831	2,359	2,442	2,779	3,098	2.6%	0.3%	1.3%	1.1%
FIRES	1,691	1,977	2,579	3,472	4,345	1.6%	2.7%	3.0%	2.3%
Manufacturing	273	406	381	369	391	4.0%	-0.6%	-0.3%	0.6%
WCTU	176	159	259	439	538	-1.0%	5.0%	5.4%	2.1%
Gov/Educ.	1,809	2,084	2,386	2,518	2,682	1.4%	1.4%	0.5%	0.6%
Total	5,780	6,985	8,047	9,577	11,054	1.9%	1.4%	1.8%	1.4%
9004 Gorst/Burley/Glenwood									
Retail	383	507	595	636	674	2.8%	1.6%	0.7%	0.6%
FIRES	221	441	793	1,337	1,082	7.2%	6.0%	5.4%	-2.1%
Manufacturing	131	270	477	685	790	7.5%	5.9%	3.7%	1.4%
WCTU	180	447	648	805	999	9.5%	3.8%	2.2%	2.2%
Gov/Educ.	194	364	406	437	468	6.5%	1.1%	0.7%	0.7%
Total	1,109	2,029	2,919	3,900	4,013	6.2%	3.7%	2.9%	0.3%
9015 Southworth/Manchester									
Retail	90	54	110	191	294	-5.0%	7.4%	5.7%	4.4%
FIRES	135	144	237	315	404	0.6%	5.1%	2.9%	2.5%
Manufacturing	3	7	5	5	6	8.8%	-3.3%	0.0%	1.8%
WCTU	15	274	169	155	149	33.7%	-4.7%	-0.9%	-0.4%
Gov/Educ.	210	462	447	430	442	8.2%	-0.3%	-0.4%	0.3%
Total	453	941	968	1,096	1,295	7.6%	0.3%	1.2%	1.7%
9016 Olalla									
Retail	64	395	335	348	364	20.0%	-1.6%	0.4%	0.5%
FIRES	113	207	261	294	315	6.2%	2.3%	1.2%	0.7%
Manufacturing	9	3	6	8	11	-10.4%	7.2%	2.9%	3.2%
WCTU	74	91	90	97	97	2.1%	-0.1%	0.8%	0.0%
Gov/Educ.	192	272	221	199	182	3.5%	-2.1%	-1.0%	-0.9%
Total	452	968	913	946	969	7.9%	-0.6%	0.4%	0.2%
South Kitsap									
Retail	2,368	3,315	3,482	3,954	4,430	3.4%	0.5%	1.3%	1.1%
FIRES	2,160	2,769	3,870	5,418	6,146	2.5%	3.4%	3.4%	1.3%
Manufacturing	416	686	869	1,067	1,198	5.1%	2.4%	2.1%	1.2%
WCTU	445	971	1,166	1,496	1,783	8.1%	1.8%	2.5%	1.8%
Gov/Educ.	2,405	3,182	3,460	3,584	3,774	2.8%	0.8%	0.4%	0.5%
Total	7,794	10,923	12,847	15,519	17,331	3.4%	1.6%	1.9%	1.1%
Kitsap County									
Retail	13,604	16,476	18,760	23,352	28,256	1.9%	1.3%	2.2%	1.9%
FIRES	17,973	24,313	30,940	38,567	45,572	3.1%	2.4%	2.2%	1.7%
Manufacturing	15,433	12,301	11,918	11,326	10,537	-2.2%	-0.3%	-0.5%	-0.7%
WCTU	2,957	3,237	3,845	5,355	6,737	0.9%	1.7%	3.4%	2.3%
Gov/Educ.	29,300	27,607	29,799	30,499	31,168	-0.6%	0.8%	0.2%	0.2%
Total	79,267	83,934	95,262	109,099	122,270	0.6%	1.3%	1.4%	1.1%

Source: Puget Sound Regional Council, Forecast of Population and Employment Sub-County

POPULATION

HISTORICAL GROWTH

Port Orchard is one of four cities in Kitsap County. With an estimated population of 8,060 in April 2004 as reported by the Washington State Office of Financial Management (OFM), Port Orchard is larger than Poulsbo, but smaller than Bremerton or Bainbridge Island. Port Orchard is both the County seat and service center for South Kitsap County. South Kitsap is home to approximately one-fourth of the County population, with 50 percent in Central Kitsap and 25 percent in North Kitsap.

Table II-9

Kitsap County and Cities Population Growth

Population

	1990	2000	2001	2002	2003	2004
Unincorporated	138,676	159,896	160,625	161,345	162,000	164,960
Bainbridge Island	3,081	20,308	20,740	20,920	21,350	21,760
Bremerton	38,142	37,259	37,260	37,530	38,730	37,520
Port Orchard	4,984	7,693	7,810	7,900	7,910	8,060
Poulsbo	4,848	6,813	6,965	7,005	7,010	7,200
Total	189,731	231,969	233,400	234,700	237,000	239,500

Average Annual Growth

	1990-2000	2000-2001	2001-2002	2002-2003	2003-2004
Unincorporated	1.4%	0.5%	0.4%	0.4%	1.8%
Bainbridge Island	20.8%	2.1%	0.9%	2.1%	1.9%
Bremerton	-0.2%	0.0%	0.7%	3.2%	-3.1%
Port Orchard	4.4%	1.5%	1.2%	0.1%	1.9%
Poulsbo	3.5%	2.2%	0.6%	0.1%	2.7%
Total	2.0%	0.6%	0.6%	1.0%	1.1%

Source: State of Washington Office of Financial Management

Population and household data for the South Kitsap area can be aggregated from census tract level information. Table II-10 summarizes the information from the US Census with estimates for 2003 provided by Puget Sound Regional Council (Census tracts 928 and 929 in 1990 were further divided in 2000. The values shown for census tracts 928.01 and 929.01 in 1990 include the areas for 928.02/928.03 and 929.02, respectively.)

Table II-10

South Kitsap County Population Growth Trends

Census Tract	Population			Households			Avg. Pop. Per HH		
	1990	2000	2003	1990	2000	2003	1990	2000	2003
921 Gorst/Glenwood	3,513	4,896	5,134	1,348	1,845	1,992	2.61	2.65	2.58
922 Port Orchard	4,237	6,415	6,637	1,632	2,385	2,376	2.60	2.69	2.79
923 East Port Orchard	4,761	5,218	5,060	1,668	1,930	1,927	2.85	2.70	2.63
924 East of Jackson	6,125	6,363	6,094	2,218	2,436	2,401	2.76	2.61	2.54
925 Retsil	4,087	4,803	4,900	1,487	1,750	1,911	2.75	2.74	2.56
926 Manchester	4,551	5,542	5,557	1,616	2,056	2,123	2.82	2.70	2.62
927 Southworth	5,569	7,280	7,507	1,916	2,595	2,757	2.91	2.81	2.72
928.01 Bethel	7,854	4,089	4,277	2,635	1,436	1,546	2.98	2.85	2.77
928.02 So. of Mullenix	-	3,835	3,872	-	1,287	1,339	-	2.98	2.89
928.03 Olalla	-	2,613	2,687	-	924	999	-	2.83	2.69
929.01 So. of Lake Flora	7,450	4,783	5,030	2,431	1,675	1,817	3.06	2.86	2.77
929.02 Burley	-	4,880	5,086	-	1,644	1,762	-	2.97	2.89
Total	48,147	60,717	61,841	16,951	21,963	22,950	2.84	2.76	2.69

Census Tract	Average Annual Growth Rate				Total Growth			
	Population		Households		Population		Households	
	1990-2000	2000-2003	1990-2000	2000-2003	1990-2000	2000-2003	1990-2000	2000-2003
921 Gorst/Glenwood	3.4%	1.6%	3.2%	2.6%	1,383	238	497	147
922 Port Orchard	4.2%	1.1%	3.9%	-0.1%	2,178	222	753	(9)
923 East Port Orchard	0.9%	-1.0%	1.5%	-0.1%	457	(158)	262	(3)
924 East of Jackson	0.4%	-1.4%	0.9%	-0.5%	238	(269)	218	(35)
925 Retsil	1.6%	0.7%	1.6%	3.0%	716	97	263	161
926 Manchester	2.0%	0.1%	2.4%	1.1%	991	15	440	67
927 Southworth	2.7%	1.0%	3.1%	2.0%	1,711	227	679	162
928.01 Bethel	3.0%	1.5%	3.3%	2.5%	2,683	188	1,012	110
928.02 So. of Mullenix	0.0%	0.3%	0.0%	1.3%	-	37	-	52
928.03 Olalla	0.0%	0.9%	0.0%	2.6%	-	74	-	75
929.01 So. of Lake Flora	2.6%	1.7%	3.2%	2.7%	2,213	247	888	142
929.02 Burley	0.0%	1.4%	0.0%	2.3%	-	206	-	118
Total	2.3%	0.6%	2.6%	1.5%	12,570	1,124	5,012	987

Source: Puget Sound Regional Council: Population, Housing, and Household Estimates
Property Counselors

As shown in the table, the population of the South Kitsap area was 60,717 in 2000, with estimated growth to 61,841 by 2003. There were 21,963 households in 2000. The average factor for population per household has dropped from 2.84 to 2.69 over the 13 year period. Population growth is displayed in the lower portion of the table in terms of average annual growth rate and total growth. Overall the area grew at an average rate of 2.3 percent between 1990 and 2000, and 0.6 percent per year between 2000 and 2003. The fastest growing tracts are 921, 922, 926, 927, 928.01 and 929.01. On an absolute basis the growth can be presented according to the relationship of tracts to urban growth boundaries and the study area.

City	922
Mostly Within UGA	923
Partially Within UGA	921, 924
Outside UGA	925, 926, 927, 928.01, 928.02, 928.03, 929.01, 929.02

Table II-11

South Kitsap Growth 1990 - 2003

	1990 – 2000	2000 – 2003
City	2,178	222
Mostly Within UGA	457	(158)
Partially Within UGA	1,621	(31)
Outside UGA	8,314	1,091
	12,570	1,124

Source: Property Counselors

Based on this rough estimation, 66 percent of growth in South Kitsap between 1990 and 2000 occurred in census tracts almost entirely outside the existing urban growth boundary. The share was even higher from 2000 to 2002. The shares would be larger yet, if the growth within zones partially within the UGAs were further broken out.

PROJECTED GROWTH

The Washington State Office of Financial Management prepares population projections that are the basis for growth management planning at the County level. The projections for Kitsap County are shown in the following table.

Table II-12

**Kitsap County Population Projections
Office of Financial Management**

Projected Population	2000	2005	2010	2015	2020	2025
Low	231,969	219,855	232,057	245,238	257,975	268,573
Intermediate	231,969	236,403	257,841	281,883	307,113	331,571
High	231,969	277,242	306,960	340,585	376,521	412,391

Average Annual Growth	2000-2005	2005-2010	2010-20015	2015-2020	2020-2025
Low	-1.1%	1.1%	1.1%	1.0%	0.8%
Intermediate	0.4%	1.8%	1.8%	1.7%	1.5%
High	3.6%	2.1%	2.1%	2.0%	1.8%

Source: Office of Financial Management, January 2002

PSRC has made projections of population growth through 2030 at the Forecast Analysis Zone level. The projections for the zones within South Kitsap are shown in Table II-13. At the County level, the projections are slightly higher than the OFM projections. As shown, population is projected to grow slowly through 2000, with growth increasing as the South County area captures a larger share of County and regional growth. The fastest growing zones are those other than the immediate Port Orchard area. Significant growth is projected outside the urban growth area, notably in 9015. The projections reflect assumptions about location preferences and land availability as well as adopted growth policies. Actual population growth will be affected by economic trends not anticipated at this time as well as further growth policies. Based on historical growth and current projections, however, there is likely to be continued growth outside the urban growth boundary.

Table II-13
Population Trends and Forecasts
PSRC Forecast Analysis Zones

2000 FAZ PSRC

	1990	2000	2003	2010	2020	2030	Avg. Ann. Growth				
							1990-2000	2000-2003	2000-2010	2010-2020	2020-2030
9002	19,210	22,799	22,691	22,891	24,146	25,320	1.7%	-0.2%	0.0%	0.6%	1.0%
9004	10,963	14,559	15,250	14,582	15,969	17,757	2.9%	1.6%	0.0%	0.5%	2.0%
9015	10,120	12,822	13,064	16,611	21,036	24,769	2.4%	0.6%	2.6%	4.9%	4.1%
9016	7,854	10,537	10,836	10,800	11,784	12,848	3.0%	0.9%	0.2%	0.8%	1.8%
So. Kitsap	48,147	60,717	61,841	64,884	72,935	80,694	2.3%	0.6%	0.7%	1.7%	2.2%
Kitsap Co.	189,731	231,969	237,000	262,489	301,522	339,904	2.0%	0.7%	1.2%	2.4%	2.6%
So. Kitsap as %	25.4%	26.2%	26.1%	24.7%	24.2%	23.7%					

Source: Puget Sound Regional Council, Forecast of Population and Employment Sub-County

III. REAL ESTATE MARKET ANALYSIS

The demand for development in the study area and South Kitsap County will be determined by the underlying growth in population and employment both locally and regionally. Historical market activity and future demand determinants are presented in this section for three categories of uses:

Residential – Single Family and Multifamily

Commercial – Retail, Office, and Lodging

Industrial

RESIDENTIAL MARKET

OVERVIEW

HOUSING INVENTORY

Table III-1 summarizes the make-up of the Kitsap County housing inventory in 2000 and 2004 based on housing data compiled by the Washington State Office of Financial Management (OFM). Nineteen percent of the housing units in the entire County are multifamily units in 2004. However, only 2 percent of the housing added between 2000 and 2004 were multifamily units. Bremerton, Port Orchard and Poulsbo have large shares of multifamily units, ranging from 34 percent to 44 percent of total units, while the unincorporated areas and Bainbridge Island have 12 percent and 13 percent respectively.

BUILDING PERMITS

Building permits activity in the entire County and South Kitsap are shown in Table III-2 based on data from Kitsap County and Puget Sound Regional Council (PSRC). The top portion shows the absolute number as well as South Kitsap's share of County permits. South Kitsap's share dropped throughout the period. The lower portion of the table shows the percent distribution of housing by type for permits issued. As shown, single family permitted units represented a larger share of total in the County than in South Kitsap. Conversely, mobile homes made up a larger share of permitted units in South Kitsap than in the County as a whole.

Table III-1
Kitsap County Housing Inventory

2000

	SF*	MF*	MH*	Total
Kitsap Unincorporated	45,294	7,716	8,316	61,326
Bainbridge Island	7,134	1,105	278	8,517
Bremerton	9,007	7,289	335	16,631
Port Orchard	1,764	1,277	137	3,178
Poulsbo	1,679	1,028	285	2,992
Total	64,878	18,415	9,351	92,644

2004

	SF*	MF*	MH*	Total
Kitsap Unincorporated	48,519	7,687	9,291	65,497
Bainbridge Island	7,786	1,177	269	9,232
Bremerton	8,965	7,266	384	16,615
Port Orchard	1,917	1,299	145	3,361
Poulsbo	1,826	1,107	294	3,227
Total	69,013	18,536	10,383	97,932

% of Total 2004

	SF*	MF*	MH*	Total
Kitsap Unincorporated	74.1%	11.7%	14.2%	100.0%
Bainbridge Island	84.3%	12.7%	2.9%	100.0%
Bremerton	54.0%	43.7%	2.3%	100.0%
Port Orchard	57.0%	38.6%	4.3%	100.0%
Poulsbo	56.6%	34.3%	9.1%	100.0%
Total	70.5%	18.9%	10.6%	100.0%

Change 2000 to 2004

	SF*	MF*	MH*	Total
Kitsap Unincorporated	3,225	(29)	975	4,171
Bainbridge Island	652	72	(9)	715
Bremerton	(42)	(23)	49	(16)
Port Orchard	153	22	8	183
Poulsbo	147	79	9	235
Total	4,135	121	1,032	5,288

% of Total Change 2000 to 2004

	SF*	MF*	MH*	Total
Kitsap Unincorporated	77.3%	-0.7%	23.4%	100.0%
Bainbridge Island	91.2%	10.1%	-1.3%	100.0%
Bremerton	262.5%	143.8%	-306.3%	100.0%
Port Orchard	83.6%	12.0%	4.4%	100.0%
Poulsbo	62.6%	33.6%	3.8%	100.0%
Total	78.2%	2.3%	19.5%	100.0%

* SF: Single Family Dwelling. MF: Multifamily Dwelling. MH: Mobile Home or Other.

Source: Washington State Office of Financial Management

Table III-2

**Residential Permit Trends Kitsap County and South Kitsap
1996 through 2003**

Permitted Units

	Kitsap County				South Kitsap				So. Kitsap as % of County			
	SF	MF	Mobile	Total	SF	MF	Mobile	Total	SF	MF	Mobile	Total
1996	1374	256	442	2072	408	141	192	741	29.7%	55.1%	43.4%	35.8%
1997	1030	71	445	1546	259	37	227	523	25.1%	52.1%	51.0%	33.8%
1998	970	38	415	1423	260	9	172	441	26.8%	23.7%	41.4%	31.0%
1999	1132	20	354	1506	285	5	138	428	25.2%	25.0%	39.0%	28.4%
2000	1107	103	315	1525	246	15	127	388	22.2%	14.6%	40.3%	25.4%
2001	1069	111	301	1481	257	50	95	402	24.0%	45.0%	31.6%	27.1%
2002	1144	65	261	1470	300	2	73	375	26.2%	3.1%	28.0%	25.5%
2003	1359	75	247	1681								

% of Total Units by Type

1996	66.3%	12.4%	21.3%	100.0%	55.1%	19.0%	25.9%	100.0%
1997	66.6%	4.6%	28.8%	100.0%	49.5%	7.1%	43.4%	100.0%
1998	68.2%	2.7%	29.2%	100.0%	59.0%	2.0%	39.0%	100.0%
1999	75.2%	1.3%	23.5%	100.0%	66.6%	1.2%	32.2%	100.0%
2000	72.6%	6.8%	20.7%	100.0%	63.4%	3.9%	32.7%	100.0%
2001	72.2%	7.5%	20.3%	100.0%	63.9%	12.4%	23.6%	100.0%
2002	77.8%	4.4%	17.8%	100.0%	80.0%	0.5%	19.5%	100.0%
2003	80.8%	4.5%	14.7%	100.0%				

SF: Single Family, MF Multifamily, MH: Mobile Home

Source: Kitsap County figures from Kitsap County Trends Report, Spring/Summer 2004.
South Kitsap County figures from Puget Sound Regional Council, Residential Building Permit Data

SINGLE FAMILY HOUSES

As described above, single family units continue to represent the dominant share of all housing units in the County and South Kitsap. Price trends for housing sales in Kitsap County and subareas as reported by the Multiple Listing Service are shown in Table III-3. The figures represent only those sales handled by the listing service and include condominium sales as well as single family detached units, but do provide a consistent source of data on prices over time.

Table III-3

Kitsap County Housing Price Trends

AVERAGE PRICE NEW AND USED HOUSES

	1998	1999	2000	2001	2002	2003
1. South Kitsap	\$147,924	\$149,754	\$149,594	\$159,104	\$166,353	\$187,646
2. West/Central	159,393	162,472	168,894	177,702	188,754	211,023
3. W. Bremerton	97,066	97,810	108,358	105,859	120,920	142,807
4. E. Bremerton	117,846	115,871	124,236	128,923	143,652	164,769
5. East/Central	132,374	138,806	140,272	149,512	160,555	183,996
6. North Kitsap	171,771	188,771	190,273	201,808	220,237	244,904
7. Bainbridge Is.	339,973	382,044	416,975	434,697	423,115	478,966
County Averages	\$175,669	\$183,669	\$186,214	\$191,299	\$203,134	\$227,713
Less Bainbridge	\$146,791	\$153,070	\$154,285	\$163,557	\$175,554	\$197,849

AVERAGE PRICE NEW HOUSES ONLY

	1998	1999	2000	2001	2002	2003
South Kitsap	\$160,975	\$175,148	\$178,600	\$207,873	\$196,518	\$225,278
Central Kitsap	145,979	147,269	150,782	165,656	181,313	200,218
Bremerton	137,049	136,048	155,137	173,459	181,590	221,694
North Kitsap	182,576	202,517	214,040	227,973	275,937	287,153
Bainbridge Island	348,819	382,306	410,050	453,023	481,114	559,698
County Averages	\$195,219	\$226,200	\$232,136	\$240,117	\$269,881	\$264,249
Less Bainbridge	\$165,298	\$178,201	\$182,202	\$200,179	\$216,194	\$232,293

Source: Kitsap County Trends Report, Spring/Summer 2004

The average price for homes sold in 2003 was \$227,713 for new and used homes and \$264,249 for new homes only. South Kitsap prices in 2003 were \$244,904 and \$225,278 for new and used, and new homes respectively. Prices were higher than the County average for all homes (new and used), but lower for new houses only. The differences reflect many factors, including average lot size, but the major factor is accessibility to the Seattle and King County employment centers.

Kitsap County offers housing that is affordable relative to other counties in the region. Affordability can be measured by an index representing the ratio of what a purchaser can afford and what is available. An index greater than one indicates that the average purchaser can afford a typical house.

Table III-4
Housing Affordability
(Ratio of Purchaser Income to
Required Income for Typical House)
Fourth Quarter 2003

	All Buyers	New Home Purchasers
Kitsap County	150.8	89.6
King County	116.9	65.6
Pierce County	147.2	86.1
Snohomish County	128.6	78.1

Source: Kitsap County Trends Report, Spring/Summer 2004, Washington Center for Real Estate Research.

As shown, the all-buyer index in Kitsap County as calculated by the Washington Center for Real Estate Research is greater than one, meaning the average purchaser can afford a typical house. However, the new buyer index is below one, meaning such a new buyer can't afford such a home. In both cases, however, Kitsap County has a higher index than the other three counties in the Central Puget Sound region.

MULTIFAMILY HOUSING

Multifamily housing includes both attached dwellings for rent – apartments, and for sale – condominiums.

APARTMENTS

Market conditions for apartments in Kitsap County and the larger region are reported semiannually in the Apartment Vacancy Report by Dupre + Scott. Current and historical conditions for Kitsap County and its subareas are shown in Table III-5. Bainbridge Island was not included in the survey.

Table III-5
Apartment Statistics – Kitsap County

	2000	2001	2002	2003	2004	5 Year Avg.
Vacancy Trends						
Kitsap County	5.6%	5.0%	2.7%	3.7%	7.1%	5.2%
Bremerton	6.4	5.5	2.9	3.2	7.4	5.8
Port Orchard	4.4	5.9	2.7	3.5	7.6	4.8
Poulsbo	3.6	3.4	2.4	4.4	6.3	4.8
Silverdale	5.9	4.1	2.4	4.2	6.5	4.9
Rental Rate Trends						
Kitsap County	\$622	\$647	\$705	\$725	\$735	\$677
Bremerton	569	599	663	696	702	639
Port Orchard	597	612	640	676	684	632
Poulsbo	752	751	805	768	800	771
Silverdale	672	704	776	776	789	734

Source: Dupre + Scott, Apartment Vacancy Report

Vacancy by Unit Type – Sept. 2004	All Units	Studio	1 BR	2BR/1BA	2BR/2BA	3BR/2BA
Kitsap County	7.1%	0.8%	6.1%	7.2%	6.8%	10.1%
Bremerton	7.4	0.8	7.7	6.0	6.4	14.2
Port Orchard	7.6		5.3	11.8	3.9	8.4
Poulsbo	6.3		6.3	7.9	6.0	2.8
Silverdale	6.5		5.0	4.2	9.3	8.8
Rent by Unit Type						
Kitsap County	\$735	\$512	\$621	\$703	\$808	\$923
Bremerton	702	514	579	687	786	927
Port Orchard	684		585	655	757	848
Poulsbo	800		687	752	892	1,038
Silverdale	789		676	744	839	943
Rent per Square Foot 2004 (¢/mo)						
Kitsap County	N/A	95.1	90.8	80.4	81.3	78.9
Bremerton	N/A	94.2	87.4	76.1	82.4	81.2
Port Orchard	N/A		93.6	79.9	75.8	85.7
Poulsbo	N/A		90.3	84.3	82.2	77.4
Silverdale	N/A		93.4	83.4	82.9	79.6

Source: Dupre + Scott, Apartment Vacancy Report

Historically, the Port Orchard area has shown the lowest average rents of cities in the County, with Poulsbo achieving the highest rents. Growth in rents has slowed in all areas over the last year. The Port Orchard area has shown the lowest average vacancy rate in the County. That rate increased to 7.6 percent in fall 2004. The highest vacancy rate in Port Orchard is for two bedroom/one bathroom units. Rent levels are lower than in other cities for all unit types. The differences in average rents are due largely to the nature of the local employment base and wages, and household income levels.

CONDOMINIUMS

Table III-6 summarizes condominium sales trends in Kitsap County over the past three years. Data are taken from the Assessor's website. As shown, there were approximately 500 sales over the period. Thirty-four of those were in the Port Orchard area. The average price in the County was \$171,000, with the highest average price in Bainbridge Island and the lowest in Bremerton. The Port Orchard area's average price of \$103,000 exceeded the average for Poulsbo. Port Orchard condos were the oldest with units built on average in 1981. The largest units sold were in Bainbridge at 1,500 square feet, and the smallest were in Poulsbo. On a per square foot basis, the average price ranged from \$178 in Bainbridge to \$89 in Bremerton.

The average figures somewhat obscure the picture of the condominium market in the Port Orchard area. There are several older projects from the 1970s and two recent projects included in the sales figures. There are also newer projects with higher prices, including

a fourplex in Port Orchard, the Sinclair Sunset View, with units selling for \$254,000 to \$280,000. Recent sales in the Shoreline Commons averaged \$135 to \$170 per square foot.

Overall, the condominium market in the Port Orchard area shows an emerging interest in new and high amenity units.

Table III-6

Kitsap County Condominium Sales Trends

	2002		2003		2004		Total	
	Sales	Avg Price	Sales	Avg Price	Sales	Avg Price	Sales	Avg Price
Bainbridge Condos	67	244,885	56	299,308	64	258,830	187	265,955
Bremerton Condos	13	134,692	74	91,274	25	93,356	112	96,779
Kingston Condos	25	138,356	27	134,693	14	163,455	66	142,181
Port Orchard Condos	17	107,359	10	102,185	7	96,000	34	103,499
Poulsbo Condos	19	82,893	23	110,899	12	114,229	54	101,785
Silverdale Condos	14	124,389	10	122,138	4	120,400	28	123,015
Total	155	172,650	200	159,741	126	188,204	481	171,344

	2002		2003		2004		Total	
	Avg Yr Built	Avg Size	Avg Yr Built	Avg Size	Avg Yr Built	Avg Size	Avg Yr Built	Avg Size
Bainbridge Condos	1988	1,412	1987	1,586	1987	1,492	1987	1,491
Bremerton Condos	1984	1,442	1983	1,055	1980	983	1982	1,084
Kingston Condos	1991	1,143	1989	1,104	1999	1,229	1992	1,145
Port Orchard Condos	1982	1,191	1981	1,057	1977	937	1981	1,099
Poulsbo Condos	1983	920	1985	1,020	1985	992	1984	978
Silverdale Condos	1992	1,135	1992	1,090	1993	1,066	1992	1,109
Total	1987	1,261	1985	1,208	1986	1,270	1986	1,241

Source: Kitsap County Assessor Residential Sales Reports
Property Counselors

PROJECTED RESIDENTIAL DEMAND

The demand for residential development is directly related to population growth. The population growth figures presented in Section II are the starting point for the housing projections shown in Table III-7.

The County-wide projection is taken from the OFM Intermediate projection. South Kitsap's share of the County-wide projection is assumed to remain constant at 26 percent. The PSRC projections reflect a decline in the South County share to 24 percent by 2025, but a constant share seems justifiable given the documented increase in share from 1990 to 2000 and future improved regional access to the area via the expanded Tacoma Narrows Bridge to the south in Pierce County. The assumptions regarding the Tacoma Bridge traffic and land use impacts are presented in Appendix A. The average factor for population per household is projected to decline from 2.76 in 2000 to 2.60 in 2025, reflecting the factors in the PSRC model. The number of households is assumed to equal the number of housing units. (The housing projection does not reflect second or seasonal homes or vacant units.) The portion of the housing that will be multifamily is projected to increase to 15.5 percent by 2010 as reflected in the PSRC models, and increase at a slower rate thereafter.

Table III-7

Projected Residential Demand

Projected Population	2000	2005	2010	2015	2020	2025
Kitsap County (OFM Intermediate)	231,969	236,403	257,841	281,883	307,113	331,571
South Kitsap as %	26.2%	26.1%	26.0%	26.0%	26.0%	26.0%
South Kitsap	60,776	61,701	67,039	73,290	79,849	86,208
Projected Households						
Population per Household	2.76	2.69	2.66	2.64	2.62	2.60
So. Kitsap Households	22,020	22,937	25,203	27,761	30,477	33,157
Housing Projections-South Kitsap						
% Multi-family	12.6%	14.0%	15.5%	16.0%	16.5%	17.0%
Multifamily Units	2,775	3,211	3,906	4,442	5,029	5,637
Single Family and Mobile Homes	19,246	19,726	21,296	23,319	25,448	27,520
Total Units	22,020	22,937	25,203	27,761	30,477	33,157

Source: Property Counselors

COMMERCIAL MARKET

RETAIL

MARKET STATISTICS

Kitsap County is increasingly a part of the larger central Puget Sound retail market. Table III-8 summarizes statistics published by CB Richard Ellis for the Puget Sound market as they define it. While Kitsap is not included as a submarket, local information is available to make a comparison.

Table III-8
Puget Sound Retail Market
2nd Quarter 2004

	Gross Leasable Area	Vacancy Rate	Average Rent NNN¹
Downtown Seattle	1,733,018	3.58%	\$38.31
Northend	9,688,424	3.46	15.36
Southend	10,662,411	2.15	16.32
Bellevue Eastside	11,369,485	4.09	21.58
Tacoma	8,146,890	4.89	17.81
Regional Total	41,600,228	3.58	18.73

1 NNN: Triple Net, tenant pays operating expenses
Source: CB Richard Ellis, Puget Sound Market Fourth Quarter 2003

As shown, the statistics cover 42 million square feet, with the largest shares in Bellevue Eastside, Southend and Northend. Vacancy rates are low in all submarkets. The real performance differences are reflected in the average rents. As shown, there is a great disparity between average rents in the Downtown Seattle and suburban markets. Even within the suburban markets, there is disparity between Bellevue/Eastside and the remaining areas. Unlike some other property types where low rents may be attractive as an affordable alternative to mature markets, retail rents reflect the buying power of the surrounding trade area.

Table III-9 provides a similar comparison for subareas within Kitsap County according to a survey by Bradley Scott, a local brokerage firm. The criteria for including retail developments differ between the regional and local data sets as the regional data excludes buildings under 10,000 square feet, while the local survey doesn't. Also, the subareas are defined generally, and not by City boundaries. Port Orchard includes development in adjacent unincorporated Kitsap County. As shown, local vacancy rates are higher than

those elsewhere in the region. The largest concentrations of space in Kitsap County are in Silverdale (around the Kitsap Mall), in East Bremerton (along Wheaton Way), and in the Port Orchard area.

Rents in Kitsap average approximately \$12 to \$14 in South Kitsap, and \$16 to \$20 in Silverdale, comparable to several of the submarkets in the region.

**Table III-9
Kitsap County Retail Vacancy Survey
As of March 2004**

Area	<u>Retail Space (Sq. Ft.)</u>		Percent Vacant	Percent Vacant
	Surveyed	Vacant	2003	2004
Bainbridge Island	174,125	500	0.90%	0.29%
Downtown Bremerton*	197,665	44,084	11.11	22.30
East Bremerton	1,434,634	193,768	14.04	13.51
West Bremerton	387,190	4,300	5.39	1.11
Poulsbo	310,263	34,765	2.54	11.21
Port Orchard	1,254,036	74,274	7.92	5.92
Silverdale	2,455,032	87,761	9.76	3.57
Total	6,212,945	439,452	9.54%	7.07%

* Does not include Penney's, PayLess, and Sears buildings.
Source: Bradley Scott, Inc.

EXISTING DEVELOPMENT IN SOUTH KITSAP

Retail development has become a highly segmented product, based on types of goods and geographic features of market areas. The table on the following page provides a description of several types of shopping centers. Of the ten types shown in the table, the neighborhood, community, and strip shopping centers serve local market areas of fewer than 100,000 people. Specialty centers can serve trade areas of various sizes. The other centers serve larger market areas. These distinctions are helpful in characterizing the existing development in South Kitsap.

**Table III-10
Types of Shopping Centers**

<p>Neighborhood Shopping Center</p> <p>Anchors Supermarket and drug store</p> <p>Number of Stores 10-40 stores</p> <p>Total Retail Space 30,000-100,000 square feet</p> <p>Site Area 3-10 acres</p> <p>Market Area Population 10,000-30,000 people</p> <p>Market Area Radius 1-3 miles</p>	<p>Lifestyle Center</p> <p>Anchors Restaurants, furnishings, apparel</p> <p>Number of Stores 50 – 100</p> <p>Total Retail Space 250,000 – 400,000</p> <p>Site Area 10 – 50</p> <p>Market Area Population 250,000 – 500,000</p> <p>Market Area Radius 12 – 50 miles</p>
<p>Community Shopping Center</p> <p>Anchors Junior department or discount store</p> <p>Number of Stores 25-80 stores</p> <p>Total Retail Space 100,000-450,000 square feet</p> <p>Site Area 10-30 acres</p> <p>Market Area Population 30,000-75,000 people</p> <p>Market Area Radius 3-8 miles</p>	<p>Off-Price Center</p> <p>Anchors Off-price/discount store</p> <p>Number of Stores 20-60 stores</p> <p>Total Retail Space 100,000-500,000 square feet</p> <p>Site Area 5-15 acres</p> <p>Market Area Population 80,000-250,000 people</p> <p>Market Area Radius 6-15 miles</p>
<p>Regional Shopping Center</p> <p>Anchors 1 or 2 full-line department stores</p> <p>Number of Stores 50-100 stores</p> <p>Total Retail Space 300,000-750,000 square feet</p> <p>Site Area 30-50 acres</p> <p>Market Area Population 100,000-250,000 people</p> <p>Market Area Radius 8-15 miles</p>	<p>Specialty Center</p> <p>Anchors Specialty/theme retailer(s)</p> <p>Number of Stores varies widely</p> <p>Total Retail Space varies widely</p> <p>Site Area varies widely</p> <p>Market Area Population varies widely</p> <p>Market Area Radius varies widely</p>
<p>Super-Regional Shopping Center</p> <p>Anchors 3 or more full-line department stores</p> <p>Number of Stores 100-300 stores</p> <p>Total Retail Space 600,000-2,000,000 square feet</p> <p>Site Area 40-100 acres</p> <p>Market Area Population 250,000-600,000 people</p> <p>Market Area Radius 12-50 miles</p>	<p>Outlet Center</p> <p>Anchors Manufacturer's outlet stores</p> <p>Number of Stores 30-100 stores</p> <p>Total Retail Space 200,000-800,000 square feet</p> <p>Site Area 5-50 acres</p> <p>Market Area Population 200,000-600,000 people</p> <p>Market Area Radius over 50 miles</p>
<p>Strip Retail Center</p> <p>Anchors Convenience grocery</p> <p>Number of Stores 3-20 stores</p> <p>Total Retail Space 10,000-30,000 square feet</p> <p>Site Area 1-3 acres</p> <p>Market Area Population under 20,000 people</p> <p>Market Area Radius under 2 miles</p>	<p>Power Center</p> <p>Anchors</p> <p>Number of Stores 10-20 stores (mainly large retailers)</p> <p>Total Retail Space 250,000-800,000 square feet</p> <p>Site Area 20-50 acres</p> <p>Market Area Population 250,000-500,000 people</p> <p>Market Area Radius 12-50 miles</p>

Sources: Urban Land Institute, Dollars and Cents of Shopping Centers
Property Counselors

The characteristics of the shopping concentration in South Kitsap County are shown in Table III-11. Wal-Mart and Fred Meyer are both considered community-scale general merchandise outlets. Both are located south of the City on Bethel Road. South Kitsap Mall is the largest center in terms of floor area, but it has no traditional anchors. High Point doesn't have a traditional anchor, but does have a major recreation facility in the bowling alley. The remaining centers are traditional neighborhood centers.

Table III-11
Retail Market Conditions
Port Orchard Area Shopping Centers

Center	Location	Gross Leasable Area	Anchors
South Kitsap Mall	Mile Hill Road	180,000	
Mile Hill Plaza	Mile Hill Road	100,155	Albertson's
Port Orchard Shopping Center	Mile Hill Road	69,547	
Bethel Junction Shopping Center	Bethel & Lund	109,000	Safeway
South Park Village	Manchester Hwy.	80,000	QFC
Wal-Mart	Bethel Road	103,000	Wal-Mart
Fred Meyer	Bethel Rd. & Sedgewick	130,000	Fred Meyer
High Point	Bethel Rd. & Mile Hill Rd.	67,000	Jo Anne's Fabrics
Home Depot	Bethel Road	150,000	Home Depot

TRADE AREA SPENDING

The South Kitsap area has the population and household income levels that can support new retail development. Tables III-12 and III-13 summarize the potential retail sales and associated square footages that are supportable over time. The projections are based on the long-term population projections for the area shown in Section II. Average spending factors are applied as derived from statewide retail sales data. Square footages are calculated based on typical sales efficiency factors (dollars per square foot). As shown in the tables, the following levels of sales and square footage are supportable.

	Sales (Millions)	Square Feet (Thousands)
2003	\$870	3,035
2005	899	3,137
2010	977	3,407
2015	1,090	3,802
2020	1,212	4,230

While a portion of these sales may leak to other areas of the County or outside the County, these figures do represent the potential levels of retail activity that could occur.

The growth in supportable square feet represent an increase of 1.2 million square feet, an average annual absorption of 70,000 square feet over the 17 year period. A comparable calculation for the entire County indicates an increase of 5.9 million square feet for an average of 346,000 square feet per year.

Table III-12
South Kitsap County
Projected Market Demand
Market Area Spending

	Market Area Spending				
	2003	2005	2010	2015	2020
RETAIL TRADE					
Building Materials/Hardware	45,293,423	46,825,219	50,846,516	56,755,709	63,135,455
General Merchandise	116,791,122	120,740,928	131,110,023	146,347,142	162,797,601
Food	122,409,949	126,549,779	137,417,732	153,387,909	170,629,801
Auto Dealers/Gas Station	168,595,648	174,297,452	189,265,920	211,261,701	235,009,019
Apparel/Accessories	36,841,356	38,087,309	41,358,204	46,164,700	51,353,941
Furniture/Furnishings/Equip	49,876,572	51,563,368	55,991,572	62,498,704	69,524,003
Eating Drinking	70,731,230	73,123,318	79,403,066	88,630,995	98,593,749
Miscellaneous Retail	140,250,441	144,993,627	157,445,516	175,743,248	195,498,039
SUBTOTAL	750,789,742	776,181,000	842,838,548	940,790,108	1,046,541,609
SERVICES					
Hotels Motels etc.					
Personal Services	7,178,737	7,421,518	8,058,869	8,995,441	10,006,592
Business Services	46,596,382	48,172,243	52,309,221	58,388,404	64,951,676
Auto Repair/Services	28,101,343	29,051,713	31,546,641	35,212,875	39,171,052
Other Services	37,408,339	38,673,466	41,994,700	46,875,168	52,144,270
SUBTOTAL	119,284,800	123,318,940	133,909,432	149,471,887	166,273,591
TOTAL	870,074,542	899,499,940	976,747,980	1,090,261,996	1,212,815,200

Source: Property Counselors

Table III-13
Projected Market Demand
South Kitsap Supportable Retail/Service Development

	\$/Sq Ft	Supportable Square Feet				
		2003	2005	2010	2015	2020
RETAIL TRADE						
Building Materials/Hardware	200	226,467	234,126	254,233	283,779	315,677
General Merchandise	250	467,164	482,964	524,440	585,389	651,190
Food	500	244,820	253,100	274,835	306,776	341,260
Auto Dealers/Gas Station	1,000	168,596	174,297	189,266	211,262	235,009
Apparel/Accessories	250	147,365	152,349	165,433	184,659	205,416
Furniture/Furnishings/Equip	250	199,506	206,253	223,966	249,995	278,096
Eating Drinking	250	282,925	292,493	317,612	354,524	394,375
Miscellaneous Retail	200	701,252	724,968	787,228	878,716	977,490
Subtotal		2,438,096	2,520,551	2,737,013	3,055,098	3,398,513
SERVICES						
Hotels Motels etc.						
Personal Services	200	35,894	37,108	40,294	44,977	50,033
Business Services	200	232,982	240,861	261,546	291,942	324,758
Auto Repair/Services	200	140,507	145,259	157,733	176,064	195,855
Other Services	200	187,042	193,367	209,973	234,376	260,721
Subtotal		596,424	616,595	669,547	747,359	831,368
TOTAL		3,034,520	3,137,146	3,406,560	3,802,458	4,229,881

Source: Property Counselors

PROJECTED DEMAND

The trade area spending projections are one basis for estimating retail demand. Retail space demand can also be based on projected employment in the retail sector. The results of this approach are summarized in Table III-14.

Table III-14
Projected Retail Absorption South Kitsap County
Employment-Based

Projected Employment	1990	2000	2010	2020	2030
Kitsap County					
Retail	13,604	16,476	18,760	23,352	28,256
FIRES	17,973	24,313	30,940	38,567	45,572
Manufacturing	15,433	12,301	11,918	11,326	10,537
WCTU	2,957	3,237	3,845	5,355	6,737
Gov/Educ.	29,300	27,607	29,799	30,499	31,168
Total	79,267	83,934	95,262	109,099	122,270
Retail Space Absorption					
Employment	13,604	16,476	18,760	23,352	28,256
SF / Employee	500	500	500	500	500
Retail Sq. Ft.	6,802,000	8,238,000	9,380,000	11,676,000	14,128,000
So. Kitsap as %	17.4%	20.1%	18.6%	16.9%	15.7%
South Kitsap Share	1,184,000	1,657,500	1,741,000	1,977,000	2,215,000
Increase from 2000			83,500	319,500	557,500

Source: Based on PSRC Employment Projections

The PSRC retail employment projections for the County are used as the basis. The associated retail building area is estimated at 500 square feet per employee, a standard figure in the industry. South Kitsap's share is calculated as its proportionate share of retail employment as derived from the PSRC employment projections. As shown, the share declines over time. This pattern reflects a change from the pattern of 1990 – 2000. The resultant projection indicates an absorption of 557,500 square feet of retail development between 2000 and 2030. This number is less than half of the amount estimated using the trade area spending model.

The employment-based model also underestimates the predicted amount of historical retail development. The amount of retail space in the Bradley Scott survey increased from 4.6 million to 5.7 million between September 2000 and March 2004. The change in retail employment was only 400. Using 500 square feet per employee, the predicted gain would be only 200,000 square feet.

The trade area spending based projection is considered a more defensible method for projecting retail absorption.

OFFICE

MARKET STATISTICS

As with retail development, Kitsap County is increasingly a part of the Puget Sound office market. Table III-15 summarizes statistics published in CB Richard Ellis for the Puget Sound market as they define it. Again, Kitsap County is not included as a submarket, but local information is available to make a comparison. The market includes 81 million square feet with the largest concentrations in Downtown Seattle, the Eastside, and Southend. The overall vacancy rate is 16 percent, a sign of a soft market, but an improvement over the rates in recent years. The suburban markets in Snohomish County and the Southend have notably high vacancy rates. Both were affected by job losses at the Boeing Company. Average rents don't vary greatly across submarkets; Downtown Seattle is the highest, and the suburban markets to the south – Tacoma and Southend – are lowest.

Table III-15

Puget Sound Area Office Market Conditions

	Net Rentable Area (SF)	Vacancy Rate	Average Rental Rate (Fully Serviced)
Downtown Seattle	36,541,614	15.44%	\$24.61
Southend	11,056,641	24.00	18.87
Tacoma Fife	2,997,984	14.11	18.98
Eastside	25,743,662	13.74	21.92
Snohomish County	3,588,442	23.30	21.95
North Seattle	1,422,600	8.88	23.08
Total	81,350,943	16.25	22.76

Source: CB Richard Ellis, Puget Sound Office Market Index Brief

Table III-16 provides a similar comparison for Kitsap County based on data from Bradley Scott. The criteria for inclusion in the local survey differ from the regional survey, with buildings under 10,000 square feet not included in the latter. As shown, the overall vacancy rate of 7.8 percent is well below the rate for the region. The Port Orchard market area includes office space within and outside the City boundaries. With less than 200,000 square feet of space, it is the smallest of the areas shown. The largest market area is Silverdale, followed by Poulsbo, Downtown Bremerton, and East Bremerton. The Port Orchard area has a vacancy rate of 9 percent, above the average for the County, but less than the rates for Bainbridge Island, Downtown Bremerton, and East Bremerton.

Table III-16

**Kitsap County Office Vacancy Survey
As of March 2004**

Area	Office Space (Sq. Ft.)		Percent Vacant 2003	Percent Vacant 2004
	Surveyed	Vacant		
Bainbridge Island	237,310	27,068	12.42%	11.41%
Downtown Bremerton	452,589	51,622	12.95	11.41
East Bremerton	369,698	47,374	12.61	12.81
West Bremerton	244,732	5,136	2.58	2.10
Poulsbo	528,556	22,631	8.49	4.28
Port Orchard	188,237	17,013	8.29	9.04
Silverdale	574,524	32,449	5.37	5.65
Total	2,595,646	203,293	8.95%	7.83%

Source: Bradley Scott, Inc.

Comparing the data in the 2004 survey to the same data in 1999, yields information on changes in the amount of occupied office Table III-17 provides this comparison. As shown, the County experienced an increase in occupied office space of 582,000 square feet over five years, an average absorption of 116,000 square feet per year, behind only Silverdale and East Bremerton. Its share of absorption was 14 percent, double its share of total square feet.

Office rents in Kitsap County range from \$24 per square foot per year, in new buildings in Bainbridge Island and Poulsbo to \$9 or less in older buildings in Bremerton according to an informal survey. Rents in South Kitsap range from \$11 to \$19. The approximate average rents in the County are generally lower than the rents in the other regional submarkets. County office properties can compete on price with these locations, particularly with cost-conscious businesses needing to expand. The overall cost of doing business, including labor costs in addition to rents, is significantly lower in Kitsap County as reflected in the payroll data in Table II-4.

Table III-17

**Kitsap County
Office Absorption Statistics**

	Occupied Office		Absorption	
	1999	2004	5 Years	5 Yr. Avg.
Bainbridge Island	144,012	210,233	66,221	13,244
Downtown Bremerton	352,309	400,949	48,639	9,728
East Bremerton	210,115	322,340	112,224	22,445
West Bremerton	205,108	239,593	34,485	6,897
Poulsbo	425,809	505,934	80,125	16,025
Port Orchard	90,290	171,220	80,931	16,186
Silverdale	383,044	542,063	159,019	31,804
Total	1,810,687	2,392,331	581,644	116,329

Source: Property Counselors based on data from Bradley Scott.

PROJECTED ABSORPTION

The employment-based method can also be considered for projecting office absorption. An industry standard space requirement is 250 square feet per employee. Considering historic data, the amount of occupied square feet increased from 1.8 million to 2.4 million square feet between 1999 and 2004, a change of 600,000 square feet. The number of office using employees in the Finance Insurance Real Estate and Services (FIRES) sector is estimated as 80 percent, and the associated increase was 3,200. At 250 square feet per employee, the predicted increase would be 800,000 square feet. In this case, the predicted increase is higher than actual absorption but the method is a better predictor than it was for retail space. Applying that method to future employment level, the resultant projections are shown in Table III-18.

Table III-18

**Projected Office Absorption South Kitsap County
Employment-Based**

Projected Employment	1990	2000	2010	2020	2030
Kitsap County					
Retail	13,604	16,476	18,760	23,352	28,256
FIRES	17,973	24,313	30,940	38,567	45,572
Manufacturing	15,433	12,301	11,918	11,326	10,537
WCTU	2,957	3,237	3,845	5,355	6,737
Gov/Educ.	29,300	27,607	29,799	30,499	31,168
Total	79,267	83,934	95,262	109,099	122,270
Office Space Absorption					
Employment-FIRES	17,973	24,313	30,940	38,567	45,572
% officing Using	80%	80%	80%	80%	80%
SF / Employee	250	250	250	250	250
Office Sq. Ft.	3,594,600	4,862,600	6,188,000	7,713,400	9,114,400
So. Kitsap as %	12.0%	11.4%	12.5%	14.0%	13.5%
South Kitsap Share	432,000	553,800	774,000	1,083,600	1,229,200
Increase from 2000			220,200	529,800	675,400

Source: Based on PSRC Employment Projections

As shown, the projected absorption in the County is 2.8 million square feet between 2000 and 2020. The projected increase in South Kitsap is 530,000 or 26,500 square feet per year on average.

LODGING

Lodging is a third commercial use that will grow in the future. The three sources of demand for lodging are commercial travel, tourism travel, and group activities (conventions and organized events). Lodging market conditions for Kitsap County are presented below in terms of market statistics, existing development, and projected demand.

MARKET STATISTICS

Lodging tax collection data provides a measure of change in hotel room revenues. Room revenues in Kitsap County are subject to a 2 percent state shared tax (coming out of the State's share of retail sales tax collections) and a 2 percent special tax. The state shared tax collections over the past seven years in the unincorporated County and cities are summarized in Table III-19. Overall, the taxes, and therefore the underlying revenues grew at 4.7 percent per year. Excluding inflation, the rate was 2.7 percent net growth in

real terms. Assuming no real growth in room rates, 2.7 percent reflects the average growth rate in room night demand.

Port Orchard has the highest growth rate of any of the cities. This was a direct result of new properties opening. Poulsbo and Bainbridge Island both showed growth well in excess of inflation as well. Port Orchard lodging revenues showed only minimal growth in 2003, while Bainbridge Island and Poulsbo both showed strong growth and Bremerton and unincorporated Kitsap County showed declines.

EXISTING LODGING FACILITIES

The Holiday Inn Express and Days Inn are the major hotel properties in South Kitsap County, with the Holiday Inn in Downtown Port Orchard, and Days Inn located on Highway 16. Both are limited service facilities, and serve a mix of commercial, tourist, and group travelers. The Hampton Inn in Bremerton is the newest property in the County, opening in the summer of 2004. Its location adjacent to the new conference center on the Bremerton waterfront position it to capture significant group business as well as commercial and transient business.

There are currently 1,179 lodging rooms in the major hotels and motels in Kitsap County. Room revenue data implies that the current occupancy in Kitsap County is 60 percent and the average room rate is \$60 per night.

PROJECTED DEMAND

Assuming no increase in average occupancy, future room night demand growth at 2.7 percent per year (equal to the historical rate) would support the following number of additional hotel rooms in the County.

	Additional Rooms	Total Rooms
2005 – 2010	170	1,349
2010 – 2015	190	1,539
2015 – 2020	220	1,759
2020 – 2025	250	2,009

If South Kitsap captures 24% of this growth it would represent 200 additional rooms over the period.

Table III-19
Kitsap County Lodging Tax Collection Trends
State Shared 2% Portion

	1997	1998	1999	2000	2001	2002	2003	Avg Ann Grow 1997-2003
Kitsap County (unincor	86,057	94,873	91,467	89,765	95,860	102,504	100,241	2.6%
Bainbridge Island	15,814	17,044	12,700	20,765	20,050	19,420	23,432	6.8%
Bremerton	97,688	102,043	102,841	95,911	101,181	126,950	96,019	-0.3%
Port Orchard	2,830	12,807	17,902	22,968	29,635	37,764	37,883	54.1%
Poulsbo	31,534	26,931	22,383	34,149	41,280	42,867	51,568	8.5%
Total	<u>235,920</u>	<u>255,696</u>	<u>249,292</u>	<u>265,558</u>	<u>290,007</u>	<u>331,507</u>	<u>311,146</u>	4.7%

Source: Washington State Department of Revenue

INDUSTRIAL

MARKET STATISTICS

Kitsap County is increasingly a part of the Puget Sound Industrial Market. CB Richard Ellis reports on industrial market conditions on a quarterly basis; the current conditions are summarized in Table III-20. As shown, the total market is over 200 million square feet. The survey does not include owner occupied buildings or buildings under 10,000 square feet. Kitsap County is not included, although such data is available from local sources.

The largest submarket is the Kent Valley (also referred to as the Southend in other surveys). The Seattle Close-In market is the next largest, followed by the Eastside, Tacoma/Fife, and Snohomish County. The survey distinguishes between flex tech space (buildings containing 25 to 75 percent office) and traditional warehouse/manufacturing/assembly space. The latter type of space represents most of the industrial inventory. The overall vacancy rate is high by historical standards. Vacancy rates are highest in the Eastside and Snohomish County, both affected by the job losses at Boeing and the high tech sector. The rental rates, expressed in terms of net dollars per square foot per month vary widely. Flex tech rents are higher than traditional industrial rents (reflecting a higher price for the office development) and range from an average of \$0.85 in Seattle close-in to \$1.05 in Eastside and Snohomish County. Industrial rents vary from \$0.30 in Tacoma/Fife to \$0.50 on the Eastside and Snohomish County.

Table III-20
Puget Sound Industrial Market Conditions
3rd Quarter 2004

	Building SF	Vacancy Rate	Net Lease Rate (SF/Mo)
Seattle Close-In	69,888,916	5.42%	
Flex Tech	292,080	6.31	\$0.85
Non Flex Tech	69,596,836	5.41	0.45
Kent Valley	95,528,607	6.69	
Flex Tech	1,777,040	21.34	0.90
Non Flex Tech	93,751,567	6.41	0.31
Tacoma Fife	11,688,920	6.96	
Flex Tech	0	N/A	N/A
Non Flex Tech	11,688,920	6.96	0.30
Eastside	21,090,406	15.69	
Flex Tech	4,799,542	20.85	1.05
Non Flex Tech	16,290,864	14.17	0.50
Snohomish County	8,746,746	19.24	
Flex Tech	297,487	8.94	1.05
Non Flex Tech	8,449,259	19.60	0.50
Total	206,943,595	7.72	
Flex Tech	7,166,149	19.89	
Non Flex Tech	199,777,446	7.29	

Source: CB Richard Ellis, Puget Sound Industrial Market Brief, Third Quarter 2004

Table III-21 presents similar data for Kitsap County. The Kitsap County market is much smaller than the other Puget Sound markets, with 1.4 million square feet. The vacancy rate is currently under 5 percent, down from almost 9 percent one year earlier. Average rents in Kitsap County are at or below the averages for Tacoma/Fife for traditional industrial space and lower than the Kent Valley for flex tech space.

Table III-21
Kitsap County Industrial Vacancy Survey
(March 2004)

Industrial Park	Industrial Space (Sq. Ft.)		Percent	Percent
	Surveyed	Vacant	Vacant '03	Vacant '04
Day Road	231,520	13,100	16.72%	5.66%
North Kitsap	393,670	5,200	4.96%	1.32%
Olympic View	377,480	12,400	9.46%	3.28%
Auto Center Area	385,650	32,075	8.29%	8.32%
Total	1,388,320	62,775	8.60%	4.52%

Source: Bradley Scott, Inc.

Generally, industrial development in the region can be characterized in a series of concentric rings around Seattle. The first ring includes the western King County and South Snohomish County submarkets. These markets are becoming built out and are experiencing pressure in rents. The next ring includes eastern King County, north Snohomish County, and Pierce County. These areas still offer lower rents. The third ring includes Skagit County to the north and Thurston County to the south. Kitsap County currently competes with the areas in the second and third rings.

A comparison of current vacancy data with similar data from past years provides a measure of the increase in occupied square feet (defined as absorption). As shown in Table III-22, the amount of occupied square feet of industrial space increased by 305,000 between September 2000 and March 2004, an average absorption of 87,000 square feet. The largest increases were in Day Road Industrial Park on Bainbridge and North Kitsap.

Table III-22
Kitsap County
Industrial Absorption Statistics

Industrial Park Area	Occupied Space		Absorption	
	Sept. 2000	March 2004	3.5 Years	Avg.
Day Road	109,000	218,416	109,416	31,261
North Kitsap	203,538	388,474	184,936	52,839
Olympic View	334,095	365,099	31,004	8,858
Auto Center Area	373,555	353,564	(19,991)	(5,712)
Total	1,020,188	1,325,552	305,364	87,247

Source: Bradley Scott, Inc.
Property Counselors

EXISTING DEVELOPMENT

Existing industrial development is located within existing industrial business parks and standalone developments throughout the County. Table III-23 summarizes the characteristics of industrial sites as compiled by the Kitsap County Economic Development Council. In addition to their location, the existing developments can be grouped by size and/or type.

- Larger existing parks such as Olympic View, Twelve Trees, and Day Road, West Hills and Port Orchard Industrial Park.
- Master Planned Developments with capacity for industrial uses, including Northwest Corporate Campus, Port Blakely Kitsap Lake, and West Hills.
- Various smaller developed or undeveloped sites.

As shown in the table, many of the sites fall into that third category.

Olympic View Industrial Park, owned by the Port of Bremerton, is located in South Kitsap County and is the largest industrial parcel in the County. Much of the land is only available for lease because of terms in the original transfer of the property from the Federal government, and thus is not suitable for users desiring to own their sites.

The Port Orchard Industrial Park has just added 20 acres, and another 7.5 acres will be added through annexation. The area around the intersection of Sydney and Sedgwick Roads has sites that could be developed as business parks.

The South Kitsap Industrial Area (SKIA) is an area in South Kitsap County between the Bremerton National Airport and Port Orchard. The County prepared a subarea plan for SKIA. The 2,300 acres in SKIA are expected to meet the deficit of 1,729 gross acres required to meet projected industrial demand in Kitsap County through 2017. This projection is discussed in more detail in the development allocation section.

Table III-23
Kitsap County
Industrial and Business Parks

Name	Size (Acres)	Type
South Kitsap		
Olympic View Industrial Park	560	Light Industrial Airport
Northwest Corporate Campus	377	Office/Business Park
Port Orchard Industrial Park	40	Office/Industrial
Pottery Professional Plaza	7.5	Professional Offices
Sylvan Products	69	Zones Industrial
Mullinex	10	Undeveloped
Olympic View Business Park	30	Business Park
Central Kitsap		
Olhava Master Plan	215	Mixed Use Business Park
Port Blakely Kitsap Lake	200	Mixed Use
West Hills Industrial Park	61	Mixed Use Industrial Park
Powder Hill		Office Park
West Sound Business Park	5.93	Office/Warehouse
Community Center Site – Silverdale	7+	Undeveloped
Dickey Road	30	Undeveloped Industrial
Dog Fish Creek	14	Undeveloped
Finn Hill Road	9.51	Undeveloped Light Industrial
Fire Station Site – Poulsbo		Undeveloped
Silverdale Frontier Way	5	Zoned Industrial
Silverdale - Hwy 308	5.03	Zoned Light Industrial
Werner Road Property	4.55	Zoned Industrial
West Bremerton	5	Zoned Industrial
North Kitsap		
Twelve Trees	74	Light Industrial
Arbor Business Park	5	Industrial/Office
Hill Top Industrial	10+	Undeveloped
Kennedy Business Park	10	Office/Warehouse
Salish Business Park	25	Commercial/Industrial Park
Bainbridge Island		
Day Road	74	Industrial Park
Manzanita	35	Future Light Mfg. Park

Source: Kitsap County Economic Development Council

PROJECTED ABSORPTION

The employment-based method can also be considered for projecting industrial absorption. An industry standard space requirement is 587 square feet per employee for

manufacturing and 1,121 for warehousing according to the PSRC Industrial Land Supply Demand study completed in 1999. Considering historic data, the amount of occupied square feet increased from 1.0 million to 1.3 million square feet between September 2000 and March 2004, a change of 300,000 square feet. The industrial space using sectors are manufacturing, WCTU, and a portion of Services (estimated as 20 percent). The employment in these sectors increased by 800 over this period. At an average factor of 969 square feet per employee, the associated increased space requirement would be 775,000, higher than the actual absorption.

As employment in the industrial sector begins to rise in the future, this estimating method may be more valid. If that is true, the projected level of industrial absorption would be as shown in Table III-24.

Table III-24
Projected Industrial Absorption South Kitsap County
Employment-Based

Projected Employment	1990	2000	2010	2020	2030
Kitsap County					
Retail	13,604	16,476	18,760	23,352	28,256
FIRES	17,973	24,313	30,940	38,567	45,572
Manufacturing	15,433	12,301	11,918	11,326	10,537
WCTU	2,957	3,237	3,845	5,355	6,737
Gov/Educ.	29,300	27,607	29,799	30,499	31,168
Total	79,267	83,934	95,262	109,099	122,270
Industrial Space Absorption					
Employment	21,985	20,401	21,951	24,394	26,388
SF / Employee	969	969	969	969	969
Industrial Sq. Ft.	21,303,077	19,768,181	21,270,519	23,638,174	25,570,360
So. Kitsap as %	4.7%	10.7%	12.9%	15.4%	17.3%
South Kitsap Share	997,387	2,108,114	2,746,020	3,631,955	4,412,715
Increase from 2000			637,905	1,523,841	2,304,601

Source: Based on PSRC Employment Projections

As shown, projected absorption in the County over a 20 year period is 3.8 million square feet. Projected absorption in South Kitsap is 1.5 million square feet.

IV. DEVELOPMENT ALLOCATIONS

The projected levels of development described in Section III, will occur throughout South Kitsap County based on development capacity, locational preferences and public policy. Draft development allocations are presented in this report as an input to the policy making required under the Growth Management Act and the Subarea Plan. The allocations are presented in this section in terms of:

Capacity Estimates

Locational Preferences and Opportunities

Development Allocations

CAPACITY ESTIMATES

The County prepared estimates of development capacity within urban growth areas and rural areas as part of a Buildable Lands Analysis, documented in the Building Lands Analysis report in 2002. The analysis identified the amount and type of development occurring between 1995 and 1999, and the land capacity at the end of the period, and considered the projected demand for residential and employment-based development. The conclusion of the report was that the County as a whole had adequate land available at that time to accommodate projected commercial and industrial growth and population projections. However, the analysis did not examine employment land needs for individual cities and UGAs. Further, the county-wide conclusions for residential land needs did not apply at the local level, as a surplus of land was indicated for Bainbridge Island and Port Orchard and a deficit was indicated for Bremerton and Poulsbo.

The County is currently updating its estimate of development capacity, both to identify the effects of recent development, and also to review and refine the criteria for designating net developable lands. The 2005 Updated Land Capacity Analysis (ULCA) for UGAs in South Kitsap County were finalized in August 2005. The results of this analysis and the current projections for population and employment-based development are compared below.

POPULATION PROJECTIONS AND CAPACITIES

The Kitsap Regional Coordinating Council (KRCC) develops County Wide Planning Policies for adoption by the County Commission, in accordance with the State Growth Management Act (GMA). KRCC develops population distributions for subareas of the County in collaboration with cities. KRCC prepared new designations in December 2004 as summarized in Table IV-1. The estimate of 76 percent of population growth to occur in UGAs is an adopted target. The target will be evaluated in five years. As shown in the

table, the population distributed to urban growth areas is 75,697. Applying the 76 percent UGA target, the amount of population growth to be accommodated in the non-UGAs would be 23,905. The estimated total population would thus be 331,571, equal to the OFM Intermediate population estimate.

Table IV-1

KRCC Population Distribution 2000 – 2025

Population Distribution 2005 – 2025	Through 2025		
	2000 Population	+ New Population	= Total in 2025
Bremerton City ²	37,259	14,759	52,017
Bremerton East UGA ¹	5,412	2,210	7,622
Bremerton West UGA ¹	3,229	2,017	5,246
Bremerton Port UGA ²	68	-68	0
Central Kitsap UGA ¹	21,743	8,733	30,476
Gorst UGA ¹	154	73	227
Silverdale UGA ¹	15,276	8,054	23,335
Bainbridge Island City ²	20,308	8,352	28,660
Kingston UGA ³	1,871	3,135	5,006
Poulsbo City ²	6,813	3,739	10,552
Poulsbo UGA ²	901	3,355	4,256
Port Orchard City ²	7,693	3,600	11,293
Port Orchard UGA ²	11,570	3,375	14,945
Port Orchard UGA Expansion Study Area ³	0	6,334	6,334
South Kitsap UGA (McCormick Woods/ULID #6) ²	1,241	8,024	9,265
UGA Population	133,537 (58%)	75,697 (76%)	209,234 (63%)
Non-UGA Population	98,432 (42%)	23,905 (24%)	122,337 (37%)
Total County Population	231,969	99,602	331,571
OFM Projection through 2025	Low		268,573
	Intermediate		331,571
	High		412,391

1 Based on PSRC Model

2 Based on City and/or County Comprehensive or Sub-Area planning

3 Target to be substantiated by further analysis and/or Sub-area planning

4 Office of Financial Management official estimate

Source: Kitsap Regional Coordinating Council, Adopted December 7, 2004

Focusing on the South Kitsap areas, the growth distributions are identified as:

	New Population 2000 – 2025
Port Orchard	
City	3,600
UGA	3,375
South Kitsap UGA (McCormick Woods and ULID 6)	8,025
Port Orchard UGA Expansion Study Area	6,334
	21,334

This population represents 28 percent of the population distribution to UGAs within the County, a slightly higher percentage than South Kitsap’s historical share of population, 26% in 2000.

Considering the census tracts corresponding to these UGAs, 921, 922, 923 and 924, the estimated population increase from 2000 to 2003 was only 33. If these estimates are true, the target population for the 20-year period 2005 to 2025 is only slightly less than the 25 year period 2000 to 2025.

The current capacity estimates for the South Kitsap UGAs are summarized in Table IV-2. The dwelling unit figures include units of all types (single family, multi-family, and mobile homes.)

**Table IV-2
Updated Land Capacity Analysis
South Kitsap UGAs**

	Dwelling Units	Population
Port Orchard		
City	1,417	3,271
UGA	844	2,089
South Kitsap UGA 1) (McCormick Woods/ULID #6)	3,210	8,024
Port Orchard UGA Expansion Area	To be determined	

¹ Based on 2003 Sub-Area Plan Approval
Source: 2005 Updated Land Capacity Analysis, August 11, 2005

The updated population capacity can be compared to the KRCC allocations for these UGAs.

**Table IV-3
Comparison of Updated Capacity
Analysis and Population Allocation**

	Capacity	Allocation	(Defecit)
Population			
Port Orchard			
City	3,271	3,600	-329
UGA	2,089	3,375	-1,286
South Kitsap UGA 1) (McCormick Woods/ULID #6)	8,024	8,024	0
Port Orchard UGA Expansion Area	To be Determined	6,334	-6,334
Dwelling Units			
Port Orchard			
City	1,417	1,558 (2)	-141
UGA	844	1,361 (2)	-517
South Kitsap UGA 1) (McCormick Woods/ULID #6)	3,210	3,210 (3)	0
Port Orchard UGA Expansion Area	To be Determined	2,534 (3)	-2,534

1 Allocated population assumed equal to capacity based on 2003 Sub-Area Plan Approval

2 Estimated using population per household factor in ULCA of 2.31 for City,
2.48 for UGA

3 Estimated using 2.5 population per household

Source: Property Counselors

The population allocations to both the City of Port Orchard and the Port Orchard UGA exceed the updated capacity estimates. Further, the population allocated to the South Kitsap UGA is assumed to equal the approved capacity per the adopted Sub-Area Plan, with no market factor to provide flexibility and efficiency in markets.

The Port Orchard UGA will be further analyzed through the Sub-Area Plan and Environmental Impact Statement to provide solutions to accommodating the allocated population and providing a market factor. A market factor acknowledges that more land needs to be available for development than the anticipated demand because some properties will not be available and others may not match the specified requirements. (See Appendix B for further discussion of market factors.)

COMMERCIAL INDUSTRIAL PROJECTIONS AND CAPACITIES

Kitsap County prepared a commercial industrial land supply demand analysis as part of the 1998 Comprehensive Plan. The County prepared an updated analysis in September 2004. The methods and conclusions of these analyses are discussed below.

The 1998 analysis was based on a comparison of land needs derived from employment projections. State projections for job growth were adjusted to reflect an increase in manufacturing jobs as a share of all non-agricultural jobs from 2.9 percent to 9 percent over 20 years. This adjustment reflects an economic development objective originally discussed at an Economic Development Summit in 1993, and later adopted as a policy in the 1998 update of the Comprehensive Plan.

The employment projections used are compared to the most recent employment projections from the State Department of Employment Security.

Table IV-4

Comparison of Employment Projections In 1998 Analysis and Current Projection

	Year 2012	
	1998 Analysis	Current DES
Construction/NatRes/Mining	4,628	5,200
Manufacturing	8,028	2,100
Transportation and Utilities	2,322	1,100
Retail and Wholesale Trade	21,539	13,000
Finance Insurance Real Estate	3,248	6,100
Services	28,008	31,400
Government	27,630	30,700
Total Covered Employment	95,403	89,600

Source: 1998 Kitsap County Comprehensive Plan, Economic Development Appendix,
Washington State Department of Employment Security

The numbers in certain sectors are difficult to compare because of the change in classification from the Standard Industrial Classification (SIC) to North American Industrial Classification System (NAICS). However, the current DES projections and recent employment trends do not yet reflect the higher manufacturing levels targeted in the previous plan. Such a target remains an economic development objective and Comprehensive Plan policy.

The previous employment projections were broken down into industrial and commercial sectors, and a space factor was applied to each.

	Factors		Employment Growth		Space Demand (Thousand SF)		Net Acres	
	Sq.Ft./ Emp	Lot Coverage	1997 – 2012	2013 – 2017	1997 – 2012	2013 – 2017	1997 – 2012	2013 – 2017
Industrial	969	0.38	9,397	2,601	9,106	2,520	550	152
Commercial	500	0.32	13,701	5,331	6,851	2,665	491	191

Further adjusting the net acres for the percentage of land that is developable, (36 percent of gross acres) using market factors of 50% for industrial and 25% for commercial (to reflect the need for designated land to exceed expected demand given that some properties will not be available and that some properties won't meet specific requirements of individual users as described in Appendix B), and considering that 89 percent of industrial land need and 55 percent of commercial land need will be in the County, the resultant need was estimated as:

1997 – 2012	Gross Land Need Uninc. County
Industrial	2,040 Acres
Commercial	938 Acres
2013 – 2017	Gross Land Need Uninc. County
Industrial	563 Acres
Commercial	299 Acres
Total 1997 – 2017	Gross Land Need Uninc. County
Industrial	2,603 Acres
Commercial	1,237 Acres
Avg Annual	Gross Land Need Uninc. County
Industrial	130 Acres
Commercial	62 Acres

The 1998 Comprehensive Plan identified the capacity for development as:

Industrial or Business Park Land	876 acres
Commercial Land	567 acres

The County responded to the projected demand by designating additional industrial lands between 1998 and 2003 including:

Port Blakely	293
Site Specific Changes 2002	-12
Poulsbo UGA	17
Site Specific 2003	-4
ULID #6 (2003)	70
SKIA (2003)	1,253
Total Additions	1,617

With these additions, the projected demand still exceeded supply by 110 acres.

Similarly, the County designated additional commercial lands between 1998 and 2003.

Site Specific 2002	60
Manchester Subarea	-7
Site Specific 2003	12
Kingston UGA 2003	-29
Total Additions	36

With these additions the projected demand still exceeded supply by 700 acres. The County adopted site specific Comprehensive Plan amendments in 2004 that reduced the industrial shortfall by 27.5 acres and the commercial shortfall by 42.6 acres.

With the updated Land Capacity Analysis estimates of net acreage for individual UGAs in South Kitsap, and the demand projections for South Kitsap presented in Section III, it is possible to refine this analysis.

LOCATIONAL PREFERENCES AND OPPORTUNITIES

The traditional location factors for individual uses can be compared to the characteristics of the South Kitsap area and the study area to determine what market based opportunities are available to meet future demand.

RESIDENTIAL

Preferred locations for residential development are those that have the features that residents desire, and which can be delivered at affordable prices. The factors can be summarized as follows:

Resident Preferences

Proximity to Jobs
Accessibility to Regional Transportation
Proximity to Commercial Services
Proximity to Recreational Resources
Quality of Schools, and Other Institutions
Availability of Views And Amenities

Cost Factors

Availability of Utilities
Relatively Flat Sites
Relatively Few Critical Areas
Availability for Development

The opportunities for residential development can be rated as high, medium, and low within each of the census tracts in South Kitsap County. The ratings are relative to the resident preference criteria. The cost criteria are site specific and will be considered as in the alternatives analysis portion of this study.

Tract 921 Gorst/Glenwood

High:

McCormick Woods

This area is an attractive established residential development with good connections to the regional transportation network and high amenity value. While there are limited commercial services in the immediate area, there are areas designated for further development.

Medium:

Anderson Hill/Berry Lake

Harper Road

Glenwood

Sidney/Sedgewick (west of Highway 16 and north of Sedgewick Road).

These areas are currently not developed for residential at urban densities but they are located between such areas, and they are accessible to the regional transportation network and employment opportunities, and provide attractive settings for development. The Sidney/Sedgewick area is particularly suitable for higher density multifamily development in proximity to commercial development

Tract 922 Port Orchard

High:

City of Port Orchard

The City is well located with respect to employment opportunities and the regional transportation network. There are a variety of commercial services available throughout the City, as well as recreational amenities and waterfront access.

Medium:

SR 16/Sedgewick Road (east of Highway 16 and north of Sedgewick Road)

This area is suitable for multifamily residential development in proximity to commercial development.

Tract 923 East Port Orchard

High:

Ramsey Road/Blueberry

This area is suitable for multifamily and mixed use development in proximity to new commercial development. The balance of the tract is suitable for infill development.

Tract 924 East of Jackson

High:

Salmonberry Road

This area has good connections to the regional transportation network, and existing commercial services.

Tract 925 Retsil

High:

Sinclair Height

This area is adjacent to the City of Port Orchard and offers proximity to the water and view opportunity.

Tract 926 Manchester

This area is outside the boundaries of this study area.

Tract 927 Southworth

This area is outside the boundaries of this study area.

Tract 928.01 Bethel

Medium

Strawberry Hills

This area is at the edge of existing urbanized area but does enjoy good access to the major regional transportation routes.

Bethel Road South at Sedgewick

This area is suitable for multifamily residential in proximity to commercial development.

Tract 928.02 South of Mullinex

This area is outside the boundaries of this study area.

Tract 929.01 South of Flora

This area is outside the boundaries of this study area.

Tract 929.02 Burley

This area is outside the boundaries of this study area.

COMMERCIAL DEVELOPMENT

Commercial development includes retail, office and lodging. Preferred sites for commercial development are those that provide convenient services to the trade area population. The factors can be summarized as follows:

Convenient access and visibility from regional and local transportation network.

Proximity to population base and spending potential.

Proximity to other commercial services.

The opportunities for commercial development can be rated as high, medium and low. In many cases, these areas are already in the process of annexing and being zoned commercial. Existing commercial lands that are vacant or underutilized will not be rated as high as other areas, if the latter have better access and proximity to population or other commercial concentrations.

Tract 921 Gorst/Glenwood

High:

Sidney/Sedgewick Road

This area has excellent access and visibility from one of the major interchanges on one of the busiest highways in the area. The site is suitable for regional scale retail. Sites in this area are under consideration for rezoning.

Medium:

Anderson Hill/Berry Lake
McCormick Woods
Glenwood Road

These areas offer proximity to population concentrations, but have frontage on major arterials rather than the highway. These areas are more suitable for neighborhood scale development.

Tract 922 Port Orchard

High:

SR 16/Sedgewick Road (east of SR 16)

This area has excellent access and visibility from one of the major arterials on the busiest highway in South Kitsap.

Medium:

Elsewhere in Port Orchard

Areas elsewhere on arterials in Port Orchard are suitable for neighborhood scale retail development.

Tract 923 East Port Orchard

High:

Ramsey Road/Blueberry

This area enjoys good highway access, and is planned for large scale retail development.

Tract 924 East of Jackson

Medium

Salmonberry Road

This area offers good arterial access and proximity to existing commercial and residential development.

Mile Hill Road

This area is an established arterial for neighborhood commercial development.

Tract 925 Retsil

Medium

Mile Hill Road

This area is an established arterial for neighborhood commercial development.

Tract 926 Manchester

This area is outside the boundaries of this study area.

Tract 927 Southworth

This area is outside the boundaries of this study area.

Tract 928.01 Bethel

High

SR 16/Sedgewick Road southeast quadrant.

Fred Meyer area.

These areas offer excellent highway access, as well as proximity to existing major commercial development.

Tract 928.02 South of Mullinex

This area is outside the boundaries of this study area.

Tract 928.03 Olalla

This area is outside the boundaries of this study area.

Tract 929.01 South of Flora

This area is outside the boundaries of this study area.

Tract 929.02 Burley

This area is outside the boundaries of this study area.

INDUSTRIAL DEVELOPMENT

Preferred sites for industrial development are those that provide convenient access for delivery of materials and shipment of goods, and proximity to suppliers and customers. Specific factors can be summarized as follows:

Convenient Highway, Rail and Air Access.
Proximity to Suppliers And Customers
Proximity to Labor Force
Availability of Large Sites
Buffers from Residential Uses

The opportunities for industrial development can be rated as high medium and low. Existing industrial lands that are vacant or underutilized will not be rated as high as other areas, if the latter have better access, proximity, and site features.

Tract 921 Gorst/Glenwood

High:

South Kitsap Industrial Area
Port Orchard Industrial Park and Adjacent Lands

These areas enjoy access to State Highways 3 and 16. SKIA is adjacent to the Bremerton National Airport. Portions of SKIA are served by rail. There are large parcels available in SKIA.

Medium:

McCormick Woods
Northwest Corporate Center
Sidney/Sedgewick Road (west of SR 16)

These areas are desirable for business park development, but not as much so for manufacturing and warehouse use because of the proximity to residential areas. The Sidney/Sedgewick area would be suitable for industrial development but would be more valuable for commercial use.

Tract 922 Port Orchard

Medium

SR 16/Sedgewick Road (Northeast Quadrant)
This area would be suitable for industrial use, although it could be more valuable for commercial use.

Tract 923 East Port Orchard

There are no obvious opportunities for industrial development in this area.

Tract 924 East of Jackson

There are no obvious opportunities for industrial development in this area.

Tract 925 Retsil

There are no obvious opportunities for industrial development in this area.

Tract 926 Manchester

This area is outside the boundaries of this study area.

Tract 927 Southworth

This area is outside the boundaries of this study area.

Tract 928.01 Bethel

Medium

This area would be suitable for industrial development although it would be more valuable for commercial use.

Tract 928.02 South of Mullinex

This area is outside the boundaries of this study area.

Tract 928.03 Olalla

This area is outside the boundaries of this study area.

Tract 929.01 South of Flora

This area is outside the boundaries of this study area.

Tract 929.02 Burley

This area is outside the boundaries of this study area.

DEVELOPMENT ALLOCATIONS

The purpose of the development allocations task is to determine whether additional land is required outside the existing UGA to accommodate projected growth. Further, based on locational requirements of individual uses, what general areas outside the existing

UGA are most suitable for development. These results will provide one basis for allocating development under a set of alternatives for the plan. Given those alternatives, an update of the land capacity analysis can determine whether the alternatives are adequate to meet the projected demand.

RESIDENTIAL

The KRCC population allocations presented at the beginning of this section can be characterized as follows:

- The distribution/allocations account for a County population of 331,571, equal to the OFM intermediate projections, by 2025.
- The population allocated to South Kitsap UGAs is approximately 28 percent of County population allocations within UGAs, slightly higher than the historic fraction of 26 percent.

The total population projection for South Kitsap County is reasonable in comparison to OFM projections and historical growth patterns. However, the comparison of housing needs to development capacity should include a market factor of 25 percent to reflect the fact that designated lands should exceed anticipated demand since some properties will not be available and some properties won't meet specific needs of individual users. The rationale for this factor is discussed in Appendix B. The comparison of UGA capacity and need can be revised as shown in the following table:

**Table IV-5
UGA Expansion Area Growth Requirements**

	Dwelling Unit Allocation	Dwelling Unit Capacity	Additional Capacity Required
Basic Allocation	2,534	To be determined	2,534
Basic Allocation w/ Market Factor 25%	3,168	To be determined	3,168
Plus Port Orchard City and UGA	5,453	2,261	3,192
Plus Port Orchard City and UGA w/ Market Factor 25%	6,829	2,261	4,568
Plus South Kitsap UGA (McCormick Woods/ULID #6)	8,663	5,471	3,192
Plus South Kitsap UGA w/ Market Factor	10,829	5,471	5,357

Source: Property Counselors

The successively higher numbers can be interpreted as follows:

An expansion area with the capacity for 2,534 units is necessary to meet the basic population allocation from KRCC.

An expansion area with the capacity for 3,168 units is necessary to meet the allocation and provide a 25% market factor.

An expansion area with the capacity for 3,192 units would be necessary to meet the basic allocation and make up the deficit for the Port Orchard City and UGA.

An expansion area with the capacity for 4,568 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 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.

The following areas outside the existing UGA all received medium ratings for resident location preferences.

Tract 921 including Anderson Hill/Berry Lake, Glenwood Road, and Harper Road.

Tract 923 including Ramsey Road, Blueberry Road, and Bethel Road

Tract 925 east of Sinclair Heights

Tract 928.01 including Bethel Road, Phillips Road, and Strawberry Hill.

They are suitable locations for expansion of the UGA.

COMMERCIAL

The current County analysis was prepared in September 2004 on a County-wide basis for gross land needs. The comparison of supply and demand presented at the beginning of this section can be summarized as follows:

- The gross acreage requirements incorporate adjustments for critical areas and a market factor of 25 percent. The factors used, including the market factor are acceptable for such an analysis.
- The projected employment increases support an estimated 6,850,500 square feet of commercial development County-wide for 1997 – 2012, and 2,665,500 for 2013 – 2017.

- Accounting for critical areas, and applying a market factor of 25%, the estimated commercial land demand over the period 1997 to 2017 exceeds designated land by 700 acres.

With the Updated Land Capacity Analysis estimates of net acreage for individual UGAs, its possible to refine this analysis.

The forecasts in Section III for the 20 year period 2000 to 2020 at the County level were

Retail	5,891,000
Office	2,850,800
Total	8,731,000

The Section III and County analysis totals are comparable. The office portion in the previous analysis was probably overstated because the 500 square feet per employee used is appropriate for retail but high for office. The retail figure underestimates the demand as suggested by the historical absorption comparison. Overall, the projected needs analysis at the County level are still valid.

Focusing on South Kitsap County, the absorption projections presented in Section III are used as the basis for the allocations. For retail space, the annual absorption projection of 70,000 square feet for the period 2003 to 2020 is extrapolated to the period 2005 to 2025. Building area is translated into site area using a floor area rate of .25, a typical figure for single story retail developments. For office space, the annual absorption figure of 26,500 for the period 2000 to 2020 is extrapolated to the period 2005 to 2025. Building area is translated into site area using a floor area ratio of .32, reflecting a mix of single story and multistory buildings. For lodging, the projected demand for 200 rooms would require 6 net acres..

	Building Requirement 20 Years	Net Acres	Net Acres w/ Market Factor
Retail	1,400,000 SF	129	160.7
Office	530,000 SF	38	47.5
Lodging	200 Rooms	6	7.5

The net acreage requirement can be compared to the updated land capacity estimate.

Table IV-6 Updated Commercial Land Capacity

	Net Acres
City of Port Orchard	43.7
Port Orchard Urban Growth Area	112.0
Gorst	11.0
Total	166.7

Source: 2005 Updated Land Capacity Analysis, August 11, 2005

The twenty year growth projection of 215.7 net acres exceeds the capacity by 49 acres.

These conclusions reflect current usage patterns and historic comprehensive plan goals. If South Kitsap County were to pursue and capture regional scale retail development (similar to Kitsap Mall), the requirements would differ.

These net acreage requirements will be distributed among the existing UGAs and additional areas designated for commercial development. The areas that are preferred from a market perspective are:

SR 16 Interchanges

Major Arterials
Sedgewick Road
Bethel Road
Mile Hill Road

Other Arterials
Old Clifton
Lund
Ramsey Road

INDUSTRIAL

The current County analysis was prepared on a County-wide basis. The comparison of supply and demand presented at the beginning of this section can be summarized as follows:

- The gross acreage requirements incorporate adjustments for critical areas and a market factor of 50 percent. A higher market factor is appropriate in an emerging area where availability of sites will be an important part of marketing the area.

- The projected employment increases support an estimated 11,626,000 square feet of development County-wide between 1997 and 2017.
- Accounting for critical areas and applying a market factor of 50%, the estimated commercial land demand over the period 1997 to 2017 exceeds the estimated designated land capacity by 110 acres.

With the Updated Land Capacity Analysis estimates of net acreage for industrial UGAs, its possible to update this analysis.

The projections in Section III for the 20 year period 2000 to 2020 were only 3.3 million square feet. The difference is the adopted County policy of increasing the manufacturing sectors share of total employment from 2.9 percent to 9.0 percent. Such a policy will dictate a higher land need estimate than extrapolating of historic trends.

Manufacturing employment has not increased its share of total employment since 1998. So 20 year projections for 2005 through 2025 will not differ significantly from the 20 year projections from 1997 to 2017. The net acreage requirement for the 20-year period is estimated to be as follows:

	Net Acres	Net Acres with 50% Market Factor
1 st 10 Years	550	825
2 nd 10 Years	152	228
	702	1,053

South Kitsap County will capture a large share of future industrial development, because the South Kitsap Industrial Area (SKIA) is the largest area designated for industrial development in the County. SKIA and the other UGAs in South Kitsap County represent approximately 60% of the net industrial land capacity in the County.¹ Assuming that South Kitsap County captures a commensurate share of industrial development, it would require 631 net acres of industrial demand over the 20 year period.

¹ The total capacity for industrial development is derived from a combination of the 2005 Updated Land Capacity Analysis and data from city comprehensive plans. The estimates and their sources are summarized below.

	Source	Net Acres
City of Port Orchard	2005 ULCA	13.3
Port Orchard UGA	2005 ULCA	6.6
South Kitsap Industrial Area (SKIA)	2005 ULCA	917.1
Gorst	2005 ULCA	1.3
Subtotal South Kitsap		<u>938.3</u>
City of Bremerton	Comp Plan, Port Blakely	300.0
Bremerton East	2005 ULCA	0
Bremerton West	2005 ULCA	5.2
Central Kitsap	2005 ULCA	5.4
Silverdale	2005 ULCA	206.9
Poulsbo	Comp Plan, Light Industrial, and Business Park Zones	55.0
Bainbridge Island	Comp Plan, Light Industrial Zone	69.2
Kingston	2005 ULCA	<u>7.3</u>
Total		1,587.2
South Kitsap as % of Total		59.1%

The updated land capacity is compared to the 20 year demand in Table IV-7.

Table IV-7
Comparison of Industrial Land
Capacity and 20 Year Demand

	Land Capacity Net Acres	20 Year Demand Net Acres
City of Port Orchard	13.3	
Port Orchard Urban Growth Area	6.6	
South Kitsap Industrial Area	917.1	
Gorst	1.3	
Total	938.3	631

As shown, the land capacity exceeds the 20 year demand by approximately 300 acres. The areas currently designated for industrial use have adequate capacity to meet the demand.

These conclusions reflect current usage patterns and historic comprehensive plan goals. The analysis may be required to be reevaluated for any potential large site development project utilizing industrial sites with South Kitsap.

The areas in the City of Port Orchard and the Port Orchard Urban Growth Area, as well as the portions of SKIA such as the Port properties and designated areas of the McCormick Woods will likely be built-out during this period, with the remainder of the 20 year demand occurring elsewhere in SKIA.

The conclusions of this analysis differ somewhat from the County-wide analysis presented at the beginning of this section. That analysis was done at the County-wide level using gross industrial acreage. The current analysis relies on estimates of net industrial acreage and is based on specific consideration of development constraints.

APPENDIX A

IMPACT OF TACOMA NARROWS BRIDGE COMPLETION

BACKGROUND

The new Tacoma Narrows Bridge will supplement the existing bridge and provide additional capacity and safety improvements for this link of Highway 16 between Tacoma and Port Orchard. Construction of the new bridge and retrofit of the existing bridge will provide two general purpose lanes and one High Occupancy Vehicle (HOV) lane in each direction as well as wider shoulders and a separated bike path.

Construction of the new bridge began in October 2002, and is scheduled for completion in Spring 2007 (with retrofit of the existing bridge complete in Spring 2008). A three dollar toll will be imposed at opening for eastbound users, with the toll rising to \$4 in 2010, \$5 in 2013, and \$6 in 2016.

The completed project will provide improved cross-Puget Sound access for the Pierce Peninsula, Kitsap County and the remainder of the Olympic Peninsula. The impact of the project is reflected in the development and population allocation for the Port Orchard/South Kitsap UGA. The most recent projections for traffic on the bridges were prepared as part of the *SR-16 Tacoma Narrows Bridge Traffic and Revenue Study*, William Smith Associates, August 2002, in support of the revenue bond financing of the project. The assumptions and conclusions of this study and their relationship to South Kitsap County transportation and land use are described in this appendix.

HISTORIC TRAVEL PATTERNS

A motorist survey was completed in 1999 as part of the study, to identify baseline travel patterns. The origin of weekday eastbound users was determined to be:

From Peninsula – Pierce County	<u>57.1% of average daily trips</u>
From South and Central Kitsap	30.2
From North Kitsap	3.5
From Mason County	4.7
From Other Olympic Peninsula	<u>4.5</u>
	100.0%

The report states that the eastbound portion of trip ends is representative of overall weekday patterns on the bridge.

While the majority of trips originated on the Pierce County portion of the peninsula close to the bridge, over 30 percent originated in the Southworth Bremerton area. The bridge is a significant cross-sound travel link for south and central Kitsap residents.

HOUSEHOLD AND EMPLOYMENT PROJECTIONS

Traffic projections in the Wilbar Smith study were based on household and employment projections developed by ECONorthwest and trip tables developed by Pierce County Public Works. The ECONorthwest analysis created a set of forecasts that “reflect the most current information about the Puget Sound economy, but remain consistent with Puget Sound Regional Council (PSRC) methodology coupled with information specific to the areas closest to the Tacoma Narrows Bridge.” (p.58.) In terms of annual growth rates, the differences between the ECONorthwest and PSRC projections for sub regional areas was within 0.1 percent per year, except in the Pierce Peninsula where the ECONorthwest growth rates were 0.2 to 0.3 percent higher per year.

Within Kitsap County the zone definitions differed, but the changes in household distribution within the County was similar.

Comparison of Sub Regional Household and Employment Allocation (Thousands)

Households	ECONorthwest				PSRC			
	2000	2010	2020	2030	2000	2010	2020	2030
North Kitsap	35.5	45.4	54.4	63.6	29.2	38.3	46.3	54.4
Bremerton	29.0	34.4	43.1	53.4	30.9	36.4	45.6	56.1
South Kitsap	22.0	27.4	31.7	35.6	26.3	32.5	37.2	42.1
Total	86.5	107.2	129.2	152.6	86.4	107.2	129.1	152.6
South Kitsap as %	25.4	25.6	24.5	23.3	30.4	30.3	28.8	27.6

Both sets of projections reflect South Kitsap households declining slightly as a percentage of total Kitsap County. While these figures do not mean that the bridge won't lead to an increase in households beyond what would otherwise occur, they do mean that two sets of forecasts, both intended to reflect future conditions after completion of the bridge, project that South Kitsap will not increase its share of County households, over all.

PROJECTED BRIDGE TRAFFIC

The traffic projections for the bridge reflect the impact of the imposition of toll for eastbound users. The projected impact of the toll provides further insight into the overall traffic and land use impacts of the bridge. The projected traffic volumes are as follows:

		Estimated Average Daily Traffic		
		North/		
Year	Conditions	Eastbound	Westbound	Total
2001	Toll Free	41,700	43,300	85,000
2010	Toll Free	50,000	54,800	104,800
2010	\$4 Toll	42,200	51,700	93,900

As shown, with a toll collected from eastbound users, the number of trips is virtually unchanged from 2001 levels. With no toll on the westbound leg, traffic increases by 19.4 percent, but less than it would have without the eastbound toll. Obviously some eastbound travelers are avoiding the toll by taking a ferry or driving around through Olympia. While there are more trips in total, the imposition of the eastbound toll offsets the benefits of capacity and safety improvements for eastbound travelers.

CONCLUSIONS

The Tacoma Narrows Bridge has historically been an important transportation link to the eastside of Puget Sound for Bremerton and South Kitsap residents. With completion of the new bridge and retrofit of the existing bridge it would be logical to expect South Kitsap to attract more households than areas farther north. However, the underlying projections by both ECONorthwest and PSRC do not reflect such increases. This result can be at least partly explained by the fact that the toll offsets many of the benefits of the bridge improvements.

APPENDIX B

APPLICATION OF MARKET FACTORS

The Growth Management Act allows for applying “a reasonable land market supply factor” to provide development capacity in excess of the amount of development to be accommodated. The market factor recognizes that there will not always be a match between supply and demand because some properties are not “on the market” and there will not be a perfect match between the specific requirements of users and characteristics of individual properties. The market factor provides for market choice.

The Puget Sound Growth Management Hearings Board has established 25 percent as a benchmark market factor, and stated that use of a market factor greater than this for establishing 20 year land supply, will invite greater scrutiny and need for justification. Kitsap County used a 50 percent market factor in its current comprehensive plan (Economic Development chapter, 1998 Kitsap County Comprehensive Plan, Amended December 8, 2003) for designating industrial land supply and the SKIA Sub Area Plan (South Kitsap Industrial Area Plan, December 8, 2003). The rationale for such a factor was that economic development policies for the County called for increasing manufacturing employment as a percent of total employment from 2.9 percent to 9.0 percent over 20 years. In order to achieve that increase, the County believes it is necessary to provide a greater degree of choice for prospective industrial developers and users. Further, much of the Port of Bremerton land in the South Kitsap Industrial Area can only be leased and may not meet the needs of many users.

Even a 25 percent factor provides a significant cushion between supply and demand over a 20 year period, because Comprehensive Plans must be updated at least every ten years. For example, if the projected demand is 100 acres per year over 20 years, a 25 percent market factor would allow for designation of 2,500 acres. By the end of the tenth year, there would still be 1,500 acres of land supply for 100 acre annual demand. At that time, the plan would have to be updated and a new 20 year supply designated. If the Plan is updated more frequently, say at the end of five years, no less than 2,000 acres would be available at the time new land supply is designated.

The market factor is intended to address the market issues of availability of property and matching of requirements and characteristics. The land supply should already be adjusted for physical characteristics that limit development. These characteristics include critical areas, road rights of way and public facilities, and areas that can't be served with utilities. If all of these factors are reflected in the estimation of the net development capacity for an area, then that net capacity can be compared to the allowable land supply including the market factor. If, for example, the net development capacity was not adjusted for properties that can't be served with sewers, then the allowable land supply could be increased beyond the market factor to provide adequate provision of truly

developable land. However, such an adjustment is not a market adjustment, rather a development capacity adjustment and is not properly included in the market factor.

For purposes of this analysis, the market factors used are:

Residential	25%
Commercial	25%
Industrial	50%

There is nothing particularly unusual about the real estate market for residential and commercial development that justifies a higher factor, such as that for industrial development. It is assumed that all adjustments for land served by utilities are applied in the development capacity determinations.

RESPONSE TO COMMENTS BY CITY OF PORT ORCHARD

GENERAL

The data in the report does come from a variety of sources. The analysis attempts to reconcile any differences among sources where they occur. The intent is to provide as much detail and explanation for existing conditions and projected future conditions as possible. The time period for the Sub-Area Plan is 2005 to 2025. When other periods are considered in the report, they are extrapolated to this 20 year planning period.

SPECIFIC COMMENTS

1. Page I-1

Paragraph one. Correction made.

Paragraph two. Reference to prime consultant is deleted.

Paragraph three. The Kitsap Regional Coordinating Council (KRCC) is responsible to Kitsap County.

2. Page I-4

Paragraph 3. As the average household size has declined over recent decades, more housing units are required to accommodate a given population. This appears to be a long term trend. Apartment vacancy rates are at relatively high levels currently, but that appears to be a short-term condition. With low interest rates, households are choosing for-sale housing over apartments. Eventually, the demand and supply of apartment units will come back into balance, and vacancy rates will decline.

Paragraph 4. The projection for 64,000 square feet of retail space per year is derived from long-term retail spending estimates as presented in the Real Estate Market Analysis section of the report. (Section III).

3. Page I-5

Paragraph 1. Correction made.

Paragraph 4. Correction made.

4. Page I-6.

Paragraph 2. The 700 acres represents the difference between county-wide unincorporated commercial supply and demand as identified in the County's 2004 commercial/industrial land analysis and described in detail in Section IV of the report.

5. Page II-1.

Additional text added for clarification.

6. Page II-2.

Bottom of page. Health care is included within the Services sector as defined in various industrial classification schemes. From a land use and real estate perspective, medical facilities are usually considered as office space for medical offices, and special purpose facilities for hospitals and clinics.

7. Page II-3.

The State and Local public agency category is renamed Governmental Agencies. The Kitsap Regional Economic Development Council did not list subcategories for private employers in their data. As shown in Table II-2, however, most private employers fall into the subcategories of health care, retail, and finance, insurance, and real estate (FIRE).

8. Page II-4.

Washington State Department of Employment Security projections of employment beyond 2012 were not available at the time of this report.

9. Page II-5.

Correction made.

10. Page II-6.

Washington State Department of Employment Security projections of employment beyond 2012 were not available at the time of this report. Puget Sound Regional Council properties through 2030 are shown in Table II-8.

11. Page II-7.

Correction made.

12. Page II-12.

PSRC figures are shown because they are available at the FAZ level within the County, and because the forecast period is longer. The State and PSRC figures show some discrepancies, but reflect the same trends regarding the high growth sectors.

13. Page II-14.

OFM estimates are prepared at the County level. PSRC prepares population forecasts at the FAZ level. Both forecasts are shown in order to provide an understanding of the outlook for growth in the area.

14. Page III-4.

The figures in Table III-3 are taken directly from the Kitsap County Trends Report. While lot size is one factor in explaining the differences in price, accessibility to Seattle and King County employment centers is a more significant factor. A sentence has been added to note these factors.

15. Page III-6.

Part 1 of Table. The differences in average apartment rents are due largely to the nature of the local job base and wage levels, and household income levels. A sentence is added to this effect.

Part 2 of Table. Rent per square foot is a measure regularly reported in the Apartment Vacancy Report. It effectively adjusts the data for differences in size of units, and is a key factor in driving development feasibility.

16. Page III-7.

The conclusion regarding the emerging interest in the condominium market in Port Orchard is based on the experience of the Sinclair Sunset View project on Tracy, and recent sales at Shoreline Commons on Bay Street. A sentence has been added to this effect.

17. Page III-8.

Silverdale market data trends are included because they represent a geographic submarket for which data are available from the Kitsap County Assessor, and therefore provides additional insight on locational differences in market prices.

18. Page III-9.

The decline in average household size is evident in population and household data for the local, regional, and national level. The most common explanations are smaller families and additional single person households as a result of divorces and longer life-spans.

OFM and PSRC figures are shown because they have different geographic coverage. While there may be differences in specific assumptions, the general trends are the same.

19. Page III-11.

The data shown in the table is published by Bradley Scott, Inc., a prominent local commercial brokerage firm. Silverdale is a major retail concentration in the County, and its inclusion in the data provides insights into the overall retail market.

20. Page III-13.

Home Depot is added.

Sales efficiency factors are average figures for gross retail sales per square foot of leasable area. A phrase to this effect is added. Table III-12 and III-13 summarize the projected market demand for retail development based on income and population growth in the trade area.

21. Page III-15.

For purposes of real estate market analysis, health services are considered as office or special purpose facilities.

22. Page III-16.

The Department of Employment Security (DES) is the State agency responsible for employment projections. DES projections are not available beyond 2012. The Bradley Scott survey tracks historical retail, office and industrial vacancy rates, and does not include projections of future demand. Historical absorption rates derived from Bradley Scott data are considered in the projections in this report.

23. Page III-18.

While Silverdale is not incorporated, it does provide a significant concentration of residential and commercial development. Available data on development conditions in Silverdale provides insights into county-wide conditions.

24. Page III-20.

The figures in Table III-8 assume a decline in South Kitsap's share of county-wide retail employment as projected by PSRC. This decline is related to the continued capture of regional-scale retail (versus neighborhood scale retail such as grocery stores) in the central part of the County. However, in terms of total square feet of retail space, the rate of annual growth per year increases over each decade.

25. Page III-27.

Sentences added to this effect.

26. Page IV-1.

Entire section has been rewritten to include updated land capacity results.

27. Page IV-3.

Comment added to this effect.

28. Page IV-4.

The figures are updated to include the Updated Land Capacity Analysis (ULCA) results. The population per dwelling unit factors are implied in the land capacity analysis and vary from 2.3 to 2.5 by area.

29. Page IV-5.

The information is included because it represents the County's published commercial/industrial lands analysis. Information is added in this section to address demand and capacity in South Kitsap.

30. Page IV-8.

The analysis is intended to reflect real estate market location criteria and market suitability. Zoning and critical areas must be considered in the development and evaluation of land use alternatives.

31. Page IV-10.

Sentence added.

32. Page IV-13.

SKIA is an important resource in meeting County-wide economic development objectives.

33. Page IV-15.

This section has been revised to incorporate ULCA. Resident per DU factors are consistent with ULCA and vary from 2.3 to 2.5 by area.

34. Page IV-16.

There are references to different sources and timelines. Comments are added to clarify the basis for extrapolating data from other periods to the period 2005 to 2025.

35. Page IV-17.

There are references to different sources and timelines. Comments are added to clarify the basis for extrapolating data from other periods to the period 2005 to 2025.

36. Page IV-18.

The industrial projections are determined largely by the County's policy of targeting industrial employment at 9% of total employment rather than the current 2.9%. Employment growth and the associated industrial absorption will be relatively high until the goal is reached. There has not been significant progress in meeting the goal, so it remains a goal for the 20 year period 2005-2025 just as it was a goal for the earlier period.

RESPONSE TO COMMENTS BY JERRY HARLESS

GENERAL

1. Industrial Employment Growth Targets. The report was prepared assuming current economic development policies regarding industrial employment growth.
2. Updated Land Capacity Analysis. The report has been revised to incorporate results of the updated Land Capacity Analysis as of August 2005.
3. Application of Reasonable Measures. The analysis does not assume that housing demand must be met by expanding the UGA. Rather it identifies the amount of housing to be accommodated. Whether that will be accommodated by expanding the UGA, reasonable measures, or a combination will be addressed in the land use alternative.
4. Resident Preference Criteria. The analysis does not apply resident preference criteria. Rather, it identifies location criteria for each use. These outcomes are intended to reflect real estate market realities in considering whether particular areas are suitable for certain types of developments.

SPECIFIC COMMENTS

Page I-5. The report has been revised to reflect the results of the 2005 Updated Land Capacity Analysis, dated August 2005.

Page II-1. Recent employment growth has not made progress toward the goal of increased industrial employment as a percentage of total employment.

Page II-6. The industrial land analysis in the report assumes that the increase in industrial employment will occur over the 20 year period 2005 to 2025 rather than the earlier 20 year period 1997-2017.

Page III-1, III-2, III-6, III-7, III-9. The analysis identifies a number of dwelling units to be accommodated. That figure could be accommodated through a mix of housing types at varying densities. These issues will be addressed in the land use alternatives.

Page III-2. Correction is noted.

Page IV-3. The Updated Land Capacity Analysis of August 2005 was used.

Page IV-4. This section has been rewritten based on the results of the Updated Land Capacity Analysis and no longer makes comparisons to the previous analysis.

Page IV-7. The analysis doesn't apply resident preference criteria, rather location criteria for each use. These criteria are intended to reflect economic realities in considering whether particular areas are suitable for certain types of development.

Page IV-14. This section has been rewritten based on the results of the Updated Land Capacity Analysis, August 2005. The analysis identifies a number of units to be accommodated. That figure could be accommodated by a combination of reasonable measures and expanded boundaries for the UCLA.