

Chapter 5

Commercial and Industrial Land Analysis



kitsap2035

Growing for a Better Tomorrow



Commercial & Industrial Land Analysis

Introduction

Economic activity in Kitsap County during the seven-year period from 2006 to 2012 was initially marked by economic expansion relating to the continued surge in residential housing construction, increased housing and land values, and indirectly, a robust stock market. Taxable sales growth in 2006 was estimated to be 5.7 percent over the previous year. However, during late 2006, most economic indicators began to fall with the end of the housing market boom followed by the ten-quarter long Great Recession (December 2006 to June 2009). U.S. economic growth rebounded in the summer of 2009. Lagging economic indicators, including: a decrease in local jobs, a decline in the labor force participation rate, increased unemployment, a precipitous fall in residential and commercial building values, and an increase in foreclosures, continued to plague the County economy to varying degrees through 2012.

One lagging indicator, the job market in Kitsap County, weakened between 2006 and 2012. Employment rates, unemployment figures, and job numbers were greatly impacted by the economic downturn associated with the Great Recession, with construction being particularly hard-hit. In 2006 the number of jobs in the County grew by 2.3 percent to approximately 86,500 jobs, many of them in the higher paying construction sector. However, 2007 through 2012 saw an average one percent decline annually in the number of jobs within the County. In 2009 alone the County lost 3 percent of all jobs. By 2012, the private and public sectors were still losing positions but the decrease had slowed to .07 percent.

In 2012 there were approximately 82,200 jobs in the County. (This does not include uniform military service members.) Annual unemployment rates remained relatively low during the beginning of the economic downturn averaging about 4.7 percent from 2006 through 2008. Businesses, then government, began and continued to shed jobs. The unemployment rate spiked to 8.2 percent in 2010 before falling slightly to 7.3 percent in 2012. By March of 2009, 4,374 county residents were collecting ongoing unemployment insurance (UI). This compares with 1,964 as a typical number of workers on UI in a given month in a non-recessionary or post-recessionary period. While the area was losing jobs for much of this reporting period (2006-2012), median hourly wages continued to rise from 2006 to 2007 to \$17.03. There was no measurable wage deflation in spite of the softening demand for labor. In fact, from 2008 to 2012, median hourly wages rose from \$18.59 to an estimated \$20.90 in 2012. While it is not definitive, a loss of lower paying jobs may have been the cause of this relative increase in the median wage.

Employment Targets

Kitsap County adopts employment targets to be consistent with the Puget Sound Regional Council’s (PSRC) Regional Growth Strategy¹. Unlike previous Comprehensive Plan update efforts that relied on employment forecasts alone, this BLR utilizes county-wide adopted and approved targets that reflect employment trends, while also addressing the Regional Growth Strategy policies. Kitsap County expects to see an additional 46,158 jobs by 2036; 76.6 percent commercial jobs and 23.4 percent industrial jobs. These percentages illustrate a 6.4 percent increase in industrial jobs from the previous employment planning work (2006 Comprehensive Plan). The increase in industrial jobs supports County and regional goals to support the creation and retention of living wage jobs. Table 5-1 illustrates the Kitsap Countywide Employment Targets for 2010-2036. These targets were adopted by the Kitsap Regional Coordinating Council Executive Board on July 22, 2014.

Table 5-1. Kitsap Countywide Employment Targets 2010-2036

UGA	Sector Share Summary		Growth Allocation: 2010-2036	
	Commercial	Industrial	Total	Percent
Bainbridge Island	1,984	823	2,808	6.1%
Bremerton	13,493	4,509	18,003	39%
Bremerton UGA	962	422	1,385	3%
Central Kitsap	1,030	171	1,200	2.6%
Kingston	437	163	600	1.3%
Port Orchard	2,571	560	3,132	6.8%
Port Orchard UGA	1,712	134	1,846	4%
Poulsbo	3,607	548	4,155	9%
Poulsbo UGA	44	2	46	0.1%
Silverdale	6,679	2,427	9,106	19.7%
Total Urban	32,521	9,760	42,281	91.6%
Rural²	2,817	1,060	3,877	8.4%
Total Urban and Rural	35,338	10,820	46,158	100%

Source: Kitsap County and BERK and Associates

¹ The Regional Growth Strategy is a land use policy document located within the PSRC Vision 2040 Plan. The RGS was adopted previously and requires jurisdictions to adopt population, housing, and employment targets at a regional level.

² The Rural employment targets do not reflect jobs associated with the military or on Tribal lands, and therefore may be somewhat lower than would actually occur in these sectors.

Growth from 2006-2012

Total square footage of gross floor area associated with permitted commercial/industrial buildings³ countywide from 2006 to 2012 is shown in Table 5-2. Permit counts are found in Table 5-3. Unincorporated Kitsap County and the cities of Bremerton, Bainbridge Island, Poulsbo, and Port Orchard cumulatively permitted approximately two million square feet of new commercial/industrial building space from 2006 to 2012 in the unincorporated Kitsap County UGAs.

Table 5-2. Commercial/Industrial Building Permitted By Square Feet 2006-2012

Jurisdiction	Permitted Development (Square Feet)
Unincorporated County	386,451
Incorporated Cities	
Bremerton	902,637
Bainbridge Island	446,859
Port Orchard	36,624
Poulsbo	349,125
Total	2,121,696

Source: Kitsap County, Cities of Bremerton, Bainbridge Island, Port Orchard, and Poulsbo

Table 5-3. Unincorporated Tenant Improvements

Permit Year	No. of Tenant Improvement Permits
2006	99
2007	130
2008	152
2009	130
2010	129
2011	157
2012	57
Grand Total	854

The City of Bremerton had the largest square footage increase during the reporting period followed by the City of Bainbridge Island. The County continued to provide modest increases in employment land supply. As described earlier, the Great Recession had a major impact on Kitsap County's economy. Although creation of new commercial and industrial square footage drastically declined in the reporting period, within unincorporated Kitsap County, commercial tenant improvement permits increased from 387 in the previous reporting period to 854 in this reporting period. This illustrates a 121 percent increase. This trend indicates that many existing vacant commercial spaces were remodeled during the time period rather than necessitating new construction.

³ Data collection and permit data formatting issues precluded the reporting of total acres associated with these approved commercial/industrial developments.

Commercial & Industrial Land Demand

At the regional or county level, population and employment are usually associated with each other and grow or decline at similar rates. Growth or decline in population will contribute to growth or decline in employment and vice versa. For this reason, it is important to understand the relationship between population and employment in Kitsap County as the basis for countywide employment targets. Table 5-4 is a summary of employment target options considered during the planning process.

Table 5-4. Summary of Employment Target Options including 2036 Regional Growth Strategy

Method	2036 Projections		
	Population	Total Non-Farm Employment	Population Employment Ratio
1a. Applying 2036 adopted pop-emp ratio to new 2036 population	331,571	127,400	2.60
1b. Extending 2025 employment to 2036 at 2010-2025 growth rate	331,571	152,356	2.18
2. Growing 2010 pop-emp ratio at same rate as State average	331,571	121,646	2.73
3a. PSRC Land Use Baseline	382,210	129,810	2.94
3b. PSRC Land Use Targets	368,881	136,119	2.71
3c. PSRC Land Use Baseline- Recommended 2036 pop target	331,571	112,611	2.94
3d. PSRC Land Use Targets - Recommended 2036 pop target	331,571	122,351	2.71
3e. PSRC Vision 2040 Regional Growth Strategy - 2036	355,406	134,074	2.65
3f. Alternative 2035 Adopted pop and 2036 RGS emp	331,571	125,082	2.65

Source: PSRC 2014; BERK Consulting 2014

Kitsap County and city planners recommend a population/employment ratio of 2.65 for consistency with the VISION 2040 Regional Growth Strategy. A ratio of 2.65 is similar to the 2006 Kitsap County Comprehensive Plan based ratio of 2.6, while also recognizing the demographic changes that are anticipated in consideration of state trends (e.g. an aging population).

Applying the 2.65 ratio, as seen in Table 5-4, to the adopted 2036 population target of 331,571 results in countywide total employment of about 125,100 jobs; net growth from 2010-2036 would equal approximately 46,160 jobs. Allocation of projected jobs is addressed in the section below.

Table 5-5. Adopted Population/Employment Ratio

Final 2036 Projections/Target		
Adopted Population Target	Adopted Total Non-Farm Employment	Adopted Population Employment Ratio
331,571	125,100	2.65

Allocation Method

Kitsap County analyzed six methods for allocating employment demand to the cities, UGAs, and rural areas. Tables 5-6 and 5-7 illustrate total employment allocation share and net employment allocation share respectively and present comparisons of different allocation shares among the cities and UGAs. This analysis shows shares of total jobs and shares of net jobs over the 2016-2036 period. These share options were developed using an Excel-based allocation model.⁴

The highlighted “Remand plus SKIA⁵ with Adjustments” column shows results from the method used by Kitsap County. It is a blend of the Kitsap County Comprehensive Plan and the SKIA Subarea Plan with the following adjustments to bend the trend to match the PSRC Regional Growth Strategy:

- The Rural allocation is reduced to 8.4 percent. This share is lower than all other studied allocation options except the PSRC Regional Growth Strategy. The 8.4 percent acknowledges the Regional Growth Strategy that is directing growth to the urban areas, and represents less than half the 2010 share. At the same time, the 8.4 percent share recognizes the County has designated rural employment areas consistent with the Growth Management Act.⁶
- Bremerton’s allocation reflects a share close to the target Post Remand plus the SKIA Plan.⁷ The share is lower than in the 2006 share, but higher than the 2010 share and PSRC Baseline, to bend the trend towards the Regional Growth Strategy centers concept that is important for Bremerton’s Downtown and SKIA.
- The Port Orchard UGA share is reduced compared to the 2006 Comprehensive Plan and Post Remand plus SKIA plans, as well as the PSRC Baseline. This share is more consistent with the 2010 share and reflects a trend towards the lower share of the Regional Growth Strategy.

⁴ Allocation methods analyzed are further outlined in the BERK memorandum dated July 9, 2014 in Appendix C.

⁵ The City of Bremerton City Council Changed the name of South Kitsap Industrial Area to Puget Sound Industrial Center – Bremerton, in 2014.

⁶ This also recognizes that there may be some employment growth in the military and tribal sectors that are located in rural areas, but are not accounted for.

⁷ The City of Bremerton annexed most of the South Kitsap Industrial Area (SKIA) in 2008 and 2009.

- Other shares consider PSRC Baseline (market trends) and current shares considering “on the ground” conditions. This includes market interest and corridor land use patterns that are likely to intensify in present locations: Bremerton UGA, Central Kitsap, and Kingston.
- The reduced Rural and Port Orchard UGA allocation shares are redirected to Silverdale (a designated Urban Center) and Poulsbo as well as other UGAs. These increased shares also reflect the trend towards the Regional Growth Strategy and represent an increase above the 2010 share and PSRC Baseline, as well as an increase over past plans (Original Remand and Remand plus SKIA Plan).

Table 5-6. Total Employment Allocation Share

Share Comparison: <u>Total</u> 2036						
UGA	Remand Plus SKIA with Adjustments	2010 Share	Original Remand Share	Remand Plus SKIA Plan	PSRC Baseline	PSRC RGS
Bainbridge Island	7.2%	7.8%	6.9%	7.2%	7.4%	7.6%
Bremerton	35.6%	35.6%	38.1%	34.9%	34.1%	38.5%
Bremerton UGA	3.0%	3.0%	2.5%	2.6%	3.5%	2.2%
Central Kitsap UGA	4.3%	5.3%	4.2%	4.3%	4.3%	3.8%
Kingston UGA	1.0%	0.8%	0.7%	0.8%	1.0%	0.6%
Port Orchard	5.4%	4.6%	5.1%	5.4%	4.4%	5.3%
Port Orchard UGA	5.2%	5.8%	7.1%	7.6%	6.1%	4.2%
Poulsbo	7.4%	6.4%	6.3%	6.7%	6.6%	7.3%
Poulsbo UGA	0.4%	0.6%	0.6%	0.6%	0.6%	0.4%
Silverdale UGA	15.8%	13.5%	13.0%	13.8%	12.4%	17.3%
Rural	14.8%	18.5%	15.5%	16.1%	19.7%	12.8%

Source: BERK Consulting 2014

Table 5-7. Net Employment Allocation Share

Share Comparison: <u>Net</u> 2036						
UGA	Remand Plus SKIA with Adjustments	2010 Share	Original Remand Share	Remand Plus SKIA Plan	PSRC Baseline	PSRC RGS
Bainbridge Island	6.1%	7.8%	5.2%	6.1%	6.8%	7.2%
Bremerton	39.0%	33.6%	45.7%	36.9%	34.9%	46.8%
Bremerton UGA	3.0%	3.0%	1.6%	1.9%	4.2%	0.7%
Central Kitsap UGA	2.6%	5.3%	2.3%	2.7%	2.6%	1.3%
Kingston UGA	1.3%	0.8%	0.6%	0.7%	1.3%	0.2%
Port Orchard	6.8%	4.6%	5.8%	6.8%	3.9%	6.5%
Port Orchard UGA	4.0%	5.8%	9.2%	10.7%	6.5%	1.4%
Poulsbo	9.0%	6.4%	6.2%	7.2%	6.9%	9.0%
Poulsbo UGA	0.1%	0.6%	0.7%	0.8%	0.6%	0.1%
Silverdale UGA	19.7%	13.5%	12.3%	14.3%	10.5%	23.9%
Rural	8.4%	18.5%	10.3%	12.0%	21.7%	2.9%

Source: BERK Consulting 2014

Table 5-8 covering proposed job allocations by urban and rural geography shows jobs allocated to UGAs and Rural areas. The total column represents the proposed allocation, whereas the sector share summary is for informational purposes only. More detail regarding sector shares is presented in Appendix C of this document, as background information. Each jurisdiction will determine the appropriate mix of industrial and commercial jobs in their respective comprehensive plans. Comprehensive Plans would be measured against the allocation total not the sector breakdowns.

Table 5-8. Adopted Job Allocations by Urban and Rural Geography

UGA	Sector Share Summary		Growth Allocation: 2010-2036	
	Commercial	Industrial	Total	Percent
Bainbridge Island	1,984	823	2,808	6.1%
Bremerton	13,493	4,509	18,003	3.9%
Bremerton UGA	962	422	1,385	3.0%
Central Kitsap uGA	1,030	171	1,200	2.6%
Kingston UGA	437	163	600	1.3%
Port Orchard	2,571	560	3,132	6.8%
Port Orchard UGA	1,712	134	1,846	4.0%
Poulsbo	3,607	548	4,155	9.0%
Poulsbo UGA	454	2	46	0.1%
Silverdale UGA	6,679	2,427	9,106	19.7%
Total Urban	32,521	9,760	42,281	91.6%
Rural	2,817	1,060	3,877	8.4%
Total Urban and Rural	35,338	10,820	46,158	100.0%

Is the Countywide Employment Land Supply Adequate to Accommodate Forecast Growth?

The commercial/industrial land supply for the cities and the unincorporated County was calculated based on the adopted land capacity methods. However, in 2013, Kitsap County, together with its Cities, updated the employment land capacity and demand methods. This update was approved by the County and the four cities, and allows the jurisdictions to more accurately determine the amount of existing space available for employment growth and the amount of employment growth to expect in the planning period. A detailed description of the steps involved and assumptions used in that analysis are contained in Appendix A of this report. Detailed output reports on the commercial/industrial land capacity for each jurisdiction are reported in Appendix B. Summary results of the comparison between commercial/industrial land demand and supply for the unincorporated county UGAs and the Cities through 2036, respectively, are shown in Table 5-9, including Kitsap County unincorporated UGAs and cities commercial/Industrial land supply and demand analysis. Table 5-10 shows the capacity remaining through 2025.⁸

Table 5-9. Commercial/Industrial Land Supply and Demand Analysis through 2036

UGA	Growth Allocation 2036		Total Capacity 2036	Difference	Capacity/Demand Ratio
	Total	Percent	Total Job Capacity	Total Capacity Minus Allocation	Ratio
Bainbridge Island	2,808	6.1%	2,941	1,363	1.04
Bremerton	18,003	39.0%	19,182	1,179	1.06
Bremerton UGA	1,385	3.0%	1,383	-2	1
Central Kitsap UGA	1,200	2.6%	1,012	-188	0.84
Kingston UGA	600	1.3%	638	38	1.06
Port Orchard	3,132	6.8%	5,569	2,437	1.78
Port Orchard UGA	1,846	4.0%	3,634	1,787	1.97
Poulsbo	4,155	9.0%	4,010	-145	0.97
Poulsbo UGA	46	0.1%	64	2	1.39
Silverdale UGA	9,106	19.7%	8,246	-861	0.9
Total Urban	42,281	91.6%	47,897	5,616	1.13
Rural	3,877	8.4%	N/A	N/A	N/A
Total Urban and Rural	46,158	100.0%	N/A	N/A	N/A

Source: Kitsap County and Kitsap Regional Coordinating Council.

⁸ The new methodology adopted in 2013 results in capacity measured in an employee-based result (number of jobs), rather than acres. The amount of area needed for the number of employees is detailed in Appendix C, either in gross square footage or acreage.

Table 5-9. Commercial/Industrial Land Supply and Demand Analysis through 2025⁹

Jurisdiction	2025 Demand Acres	2025 Capacity Acres
Bainbridge	109	49.4
Bremerton	418	350
Bremerton UGA	121	70
Central Kitsap UGA	139	38
Kingston UGA	69	25
Port Orchard	95	224
Port Orchard UGA	131	145
Poulsbo	125	123
Poulsbo UGA	61	4
Silverdale UGA	400	336
SKIA UGA	200	740

⁹ See pages 53 and 54 of the 2007 BLR for 2025 employment demand. Employment zoned lands were unchanged between the 2007 BLR and 2012 BLR. As noted above, the methodology for determining capacity was changed in 2013 to be an employee-based result, but this table is in acreage to reflect the methodology utilized in the last comprehensive plan update.