Planning Commission Executive Summary

Issue Title: Kitsap County Buildable Lands Update

Meeting Date: April 20, 2021

Time Required: 1 hour

Department: Department of Community Development (DCD)

Attendees: Angie Silva, Dave Ward, and Liz Williams

Action Requested At This Meeting:
No action requested – DCD will present remaining draft assumptions for Steps 4-9 of Kitsap County's Residential Land Capacity Analysis. Draft assumptions are subject to change based on coordination with local jurisdictions.

Background

Kitsap County, in coordination with local cities, is updating its Buildable Lands Program pursuant to the requirements set forth in the State's Growth Management Act, RCW 36.70A.215 and WAC 365-196-315.

The Growth Management Act requires Kitsap County and its cities to issue a Buildable Lands Report once every eight years. This is one of the first steps counties and cities take prior to updating their Comprehensive Plans, which for Kitsap County is due in June 2024. The purpose and scope of the Buildable Lands Program and subsequent report is to:

- look back at development trends between 2013 and 2019 to review consistency with local policies and plans;
- look forward and evaluate if there is sufficient land supply to accommodate planned population and employment growth, and
- identify reasonable measures, if necessary, to address any inconsistencies that may be identified by the review and evaluation.

In addition to the requirements in state law, Kitsap's Countywide Planning Policies (CPPs) require local jurisdictions to use an agreed-upon methodology for the forward-looking Land Capacity Analysis (LCA) to determine if there is adequate land supply.

At the April 20th Planning Commission briefing, DCD will provide an update on coordination with local cities to develop an agreed-upon framework for the residential LCA (Attachment 1). Specifically, DCD will build off the previous Planning Commission briefing on Steps 0-3 and discuss preliminary draft guidance for Steps 4-9.

In addition, DCD will cover new statutory requirements passed by the state legislature in 2017 (SB 5254). For example, new considerations were added for determining a reasonable market factor to evaluate land suitable for new development or redevelopment (RCW 36.70A.215 (3)(b)(ii)).

Market Factor Guidance
Based upon state law changes, the Department of Commerce updated Buildable Lands Guidelines indicate the purpose of the market factor is to, "account for the estimated percentage of developable acres contained within an urban growth area that, due to fluctuating market forces, is likely to remain undeveloped over the course of the 20-year planning period. The market factor recognizes that not all developable land will be put to its maximum use because of owner preference, cost, stability, quality, and location" (Buildable Lands Guidelines - Appendix A: Market Supply Factor Evaluation Considerations).

Passage of SB 5254 resulted in the need for jurisdictions to elaborate beyond landowner intent to sell or redevelop over the 20-year planning period. SB 5254 specifically added the following considerations for how jurisdictions derive market factor assumptions:
- Infrastructure costs, including but not limited to transportation, water, sewer, stormwater, and the cost to provide new or upgraded infrastructure if required to serve development.
- Cost of development.
- Timelines to permit and develop land.
- Market availability of land.
- The nexus between proposed densities, economic conditions needed to achieve those densities, and the impact to housing affordability for home ownership and rental housing.
- Market demand when evaluating if land is suitable for development or redevelopment.

As part of Kitsap County's Buildable Lands Program Update, the County's consultant firm, Heartland LLC (a subconsultant for Berk), was tasked with developing recommended market factor assumptions for local cities and unincorporated Urban Growth Areas (UGA) across the County. Their approach includes analysis of development patterns by product type (single family or multi-family) over the last 20 years to determine historic delivery and how it aligns with capacity planned for in each area. In addition, market data (Redfin, Costar, Washington Center for Real Estate Research) was used to help inform recommendations.

Jurisdictions are currently reviewing draft market factor assumptions developed by Heartland LLC. These recommendations are subject to change based on continuous coordination with cities. However, initial draft guidance indicates the following ranges be considered depending on geography and product type:
- Low – 5%-20%
- Medium – 20%-35%
- High – 35%-50%

The County and cities will use these ranges to select a market factor assumption to account for local circumstances that may impact the development of and availability of land in each geography. Jurisdictions must document and defend the considerations used to influence the upward or downward adjustment within the recommended market factor ranges. Heartland LLC has developed preliminary guidance on the specific circumstances that may influence adjustments within a given range. DCD will provide additional information about the recommended ranges and considerations for selecting a market factor assumption at the April 20th briefing.

Public Outreach and Coordination Efforts
Since the Planning Commission's last briefing on April 6, 2021, the following are completed and anticipated coordination and outreach efforts for this project:
- April 12, 2021 – City of Port Orchard Coordination - *complete*
- April 13, 2021 – Kitsap Building Association Work Group- *complete*
- April 20, 2021 – Planning Commission Briefing
- April 22, 2021 – City of Bremerton Coordination
- April 27, 2021 – All City/County Coordination Meeting

Project Timeline
Due to workload and other factors, two jurisdictions have experienced delays while working to complete their preliminary residential LCA runs. DCD is coordinating with the Department of Commerce and BERK Consulting to address the impact of these schedule delays on the overall project timeline. More information will be shared, as available, at the Planning Commission's April 20th briefing. At this time, the County and cities continue to work towards the June 30, 2021 deadline. However, modification to this deadline is subject to change as more information and coordination with Commerce and Kitsap cities refine information in the coming days.

Attachments:

1. Draft Assumptions for Steps 0-9 of Kitsap County's Residential Land Capacity Analysis (this document is subject to change based on coordination with local jurisdictions)

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Kitsap County Land Capacity Analysis

Preliminary Draft Technical Methodology Guidance

INTRODUCTION

Kitsap County is a Growth Management Act (GMA) jurisdiction and must plan for the accommodation of growth within its boundaries, with most growth focused into urban growth areas (UGAs) where urban services are available or can be made available. Per RCW 36.70A.110 and WAC 365-196-310, a Land Capacity Analysis (LCA) is a necessary component in this planning as it quantifies the housing units, population, and employment growth that can be accommodated within urban areas under existing development regulations. The LCA methodology is also one of the components of the Buildable Lands Program (BLP) required under RCW 36.70A.215 and WAC 365-196-315.

The BLP is required of the more populous counties and their cities (i.e., Clark, King, Kitsap, Pierce, Snohomish, Thurston, and Whatcom Counties) to determine if they are achieving their planned densities within UGAs and, if not, to identify reasonable measures other than adjusting UGAs to achieve targets and objectives of their comprehensive plans. The BLP review and evaluation efforts are led by Kitsap County, in coordination and participation with its constituent cities. For the Buildable Lands Report due June 2021, the buildable land capacity as of January 1,2020 will be measured against the CPP growth targets for the 2036 planning horizon.

The countywide LCA methodology described in this document (Kitsap County LCA) establishes an overall framework to promote consistency in the calculation of growth capacity, as required in the Kitsap Countywide Planning Policies (CPPs); however, cities may employ variations to the assumptions used in the methodology with proper "show your work" documentation to account for local circumstances.

The Kitsap County LCA methodology incorporates an analysis of housing and population capacity on residential land and employment capacity from land zoned for commercial and industrial uses. The work relies upon the data and work of the Kitsap County Assessor's office as their countywide parcel-level data with current uses and improvements will be merged with each municipality's permitting records of zoning. Additionally, the LCA relies upon County-maintained spatial data on existing land use and infrastructure conditions, including environmentally critical areas and transportation access. The methodology assumes the availability of GIS data listed in each analysis section and assumes that Assessor records provide an accurate record of property value (land vs. improvement value) and current land use.

An overview of the Kitsap County LCA methodology is shown in Exhibit 1. The methodology includes two phases. The first phase is the stand-alone Programmatic Infrastructure Gap Review that would typically be carried out by planning staff. The second phase consists of the nine LCA steps that are designed to be executed by a GIS analyst, with direction and input from planners for key assumptions. This document provides detailed guidance for each step of the process, highlighting assumptions that can be varied by individual jurisdictions based on local conditions, with proper documentation.

Kitsap County | Draft Assumptions for Steps 0-9 of Kitsap County's Residential Land Capacity Analysis
(this document is subject to change based on coordination with local jurisdictions)

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Exhibit 1. Kitsap County LCA Process

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│ Step 0:  Programmatic           │
│ Infrastructure Gap Review       │
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│ Step 1: Define Development      │
│ Status and Classify Parcels     │
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│ Step 2: Exclude Parcels         │
│ Unlikely to Develop             │
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│ Step 3: Identify Critical       │
│ Areas                           │
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│ Step 4: Identify Future         │
│ Roads/Right of Way Needs        │
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│ Step 5: Identify Future         │
│ Public Facilities Needs         │
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│ Step 6: Account for             │
│ Unavailable Lands (Market       │
│ Factor)                         │
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│ Step 7: Determine Net Acres     │
│ by Zone                         │
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│ Step 8: Apply Density in        │
│ Each Zone to Calculate          │
│ Housing Unit Capacity           │
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│ Step 9: Apply Average           │
│ Household Size to Calculate     │
│ Population Capacity             │
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Source: BERK, 2020.

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Data Inputs Required

- Kitsap County parcel polygons;

- Kitsap County Assessor parcel records;

- Public service providers and service area boundaries;

- Applicable capital facility plans and system plans;

- Recent building permit data, including a list of parcels created as part of an approved plat;

- Assumed residential density by zoning district (see text box); and

- Environmentally critical areas:

    - Streams (including stream type classification);

    - Water bodies;

    - Wetlands (including wetland type classification);

    - Hydric soils; and

    - Geologic hazard areas (moderate and high hazard risk).

STEP 0: PROGRAMMATIC INFRASTRUCTURE GAP REVIEW

In 2017, the state legislature added a requirement for the BLP to include consideration of infrastructure gaps as the lack of transportation or utility infrastructure can affect the amount and timing of future development and thus impact the amount of land suitable for development or redevelopment. Under the BLP, counties and cities are required to evaluate and identify lands subject to infrastructure gaps including but not limited to transportation, water, sewer, and stormwater. (RCW 36.70A.215 (3)(b)(i))

The Department of Commerce Guidebook published in 2018 clarified that the infrastructure gap review should focus on those gaps that could prevent densities from being achieved or that could delay development during the remainder of the planning period. Commerce also states that adopted capital facilities plans may be relied upon for land capacity calculations but recognizes situations may arise that could result in gaps. Accordingly, the gap analysis should include:

- Identifying planned capital facility projects that would have added capacity but are no longer planned or are delayed beyond the 20-year planning period;

Assumed Density

For each residential zone, jurisdictions will need to select an assumed density (units per acre) to apply in Step 8 of the LCA. Assumed densities are those densities "at which future development is expected to occur." WAC 365-196-210(6). This assumed density will also be used in Step 1 when identifying partially utilized parcels.

Commerce recognizes that achieved density can be a starting point for determining assumed density. However, jurisdictions must draw upon local circumstances when selecting a reasonable assumed density and always consider situations, such as:

- If the zone had seen very little development activity in recent years;

- Zoning or development regulations have recently changed, and insufficient new permit data is available to evaluate the market response; or

- There have been significant new (or anticipated future) infrastructure investments or other amenities that change market conditions. An example might be new Fast Ferry service to Downtown Seattle.

In addition, jurisdictions should draw upon other sources of information to derive assumed densities, such as:

- Market studies

- Achieved densities in other jurisdictions with similar zoning and market characteristics.

Always consider the impacts of regulations such as setbacks, height limits, and parking requirements on development feasibility when selecting a reasonable assumed density.

- Identifying planned transportation improvements that, without being implemented, would limit additional development and redevelopment; and

- Identifying areas that are likely to remain outside of water and sewer service boundaries.

From the perspective of the LCA, properties with limited or no access to critical infrastructure during the planning period may be identified as constrained and either:

1) removed from the available land supply at the outset and not carried forward into the remaining Steps 1 through 9 or,

2) identified as subject to partially constrained growth and addressed in Step 6 or Step 8, either through an alternative market factor or alternative densities.

This infrastructure gap review in Step 0 is meant to consider areas with system level challenges that affect whether parcels are candidates for growth. Infrastructure gaps should be identified prior to performing detailed analysis of land capacity for residential or commercial/industrial uses, as these infrastructure gaps will directly affect the amount of land available for both residential and employment purposes. In contrast, in Steps 4 and 5, a deduction will be applied to lands determined vacant, under-utilized, and partially utilized for infrastructure installed as a natural course of development (e.g., rights of way, stormwater treatment, etc.).

Per the Commerce Guidebook, "Methodology steps are cumulative, so in determining how each is estimated, care should be taken to avoid double counting factors." (Guidebook, page 37) Careful consideration of whether land is partially or fully constrained due to infrastructure should be made, as well as whether the infrastructure issues can be addressed as part of development or redevelopment. There may be other factors at play due to the market conditions or allowable densities. It should be noted that depending on the overall LCA results and the chosen targets or densities, if there are inconsistencies reasonable measures may be needed.

Gap Analysis

The infrastructure gap review below is meant to provide a framework to review whether areawide infrastructure limitations exist to limit the supply of land that are candidates for growth. If there are no known systemwide or areawide infrastructure limitations for water, sewer, stormwater, or transportation that could prevent or delay development, you may use the worksheet in Exhibit 4 to briefly document this finding and move on to Step 1.

The Gap Analysis process consists of two major sub-steps:

- **Step 0.1:** Identify Relevant Infrastructure Systems that Could Prevent or Delay Development; and

- **Step 0.2:** Identify and Map System Capacity Challenges Using Available Information.

Step 0.1 is a high-level review of available information to identify which infrastructure systems may require more detailed review for their potential to prevent assumed densities from being achieved or delay urban development, while Step 0.2 is a more detailed review to identify specific geographic locations with infrastructure constraints.

Step 0.1. Identify Relevant Infrastructure Systems that Could Prevent or Delay Development

The County and cities have been planning under GMA and developing their Capital Facility Plan

elements and supporting system plans for decades. While the BLP newly identifies the infrastructure review and evaluation step, relevant information and capital programs already exists to support the land use plans of each jurisdiction and the LCA.

In Step 0.1, jurisdictions should review available information in the CFP to determine if any infrastructure systems have the potential to prevent assumed densities from being achieved during the 20-year planning period. These impediments could either be at a systemwide scale (for example, entire water or sewer system has supply or treatment capacity constraints) or in a specific area (e.g. neighborhood, district, subarea), and they could result in either a complete prevention of development potential (e.g., no improvement is planned to deliver necessary urban services for water, sewer, stormwater or transportation), or result in major differences in achievable densities.

This review should answer the following kinds of questions. An answer of "yes" or "maybe" would warrant closer review in the Step 0.2.

- □ **Water**: Are there major constraints in supply, pressure, or distribution that would prevent development, or markedly constrain expected densities?

- □ **Sewer**: Are there unsewered areas or areas currently operating on septic without capital plans in place to extend service? Are there areas of septic where failure has been identified by the Health District? Would the lack of areawide sewer due to physical or economic feasibility considerations alter an area's development potential during the planning period?

- □ **Stormwater**: Are _regional_ systems necessary for urban-scale development at a systemwide or areawide level?[1]

- □ **Transportation**: Does the jurisdiction contain areas with long-term physical service challenges?[2]

  - ▪ Areas are inaccessible due to geographic constraints; or

  - ▪ No infrastructure currently exists to provide physical access.

_Step 0.2. Identify and Map Areas Using Available Information_

After identifying potentially relevant infrastructure systems in Step 0.1, this Step 0.2 is meant for the County and cities to review available information and plans and consider if there are areawide infrastructure gaps that may reduce the supply of land considered candidates for growth.

This decision tree in Exhibit 2 illustrates the evaluation process that should be followed for each of the relevant infrastructure systems identified in Step 0.1, based on local conditions and service providers. For example, cities are likely to provide more services directly and have fewer unserved or inaccessible areas than the county. The decision tree in Exhibit 2 allows these jurisdictions to conduct the gap analysis efficiently and prioritize resources for detailed analysis only in situations where infrastructure systems are found to have meaningful gaps or major deficiencies.

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[1] These questions address areawide/system concerns. See Step 5 Public Facilities deductions for site/parcel specific public and private facilities like stormwater needed for development of vacant, partially utilized, or under-utilized land.
[2] These questions are addressing areawide physical challenges or systemic issues. Parcel/site specific deductions are addressed in Step 4.

Exhibit 2. Infrastructure gap review Jurisdiction Decision Tree
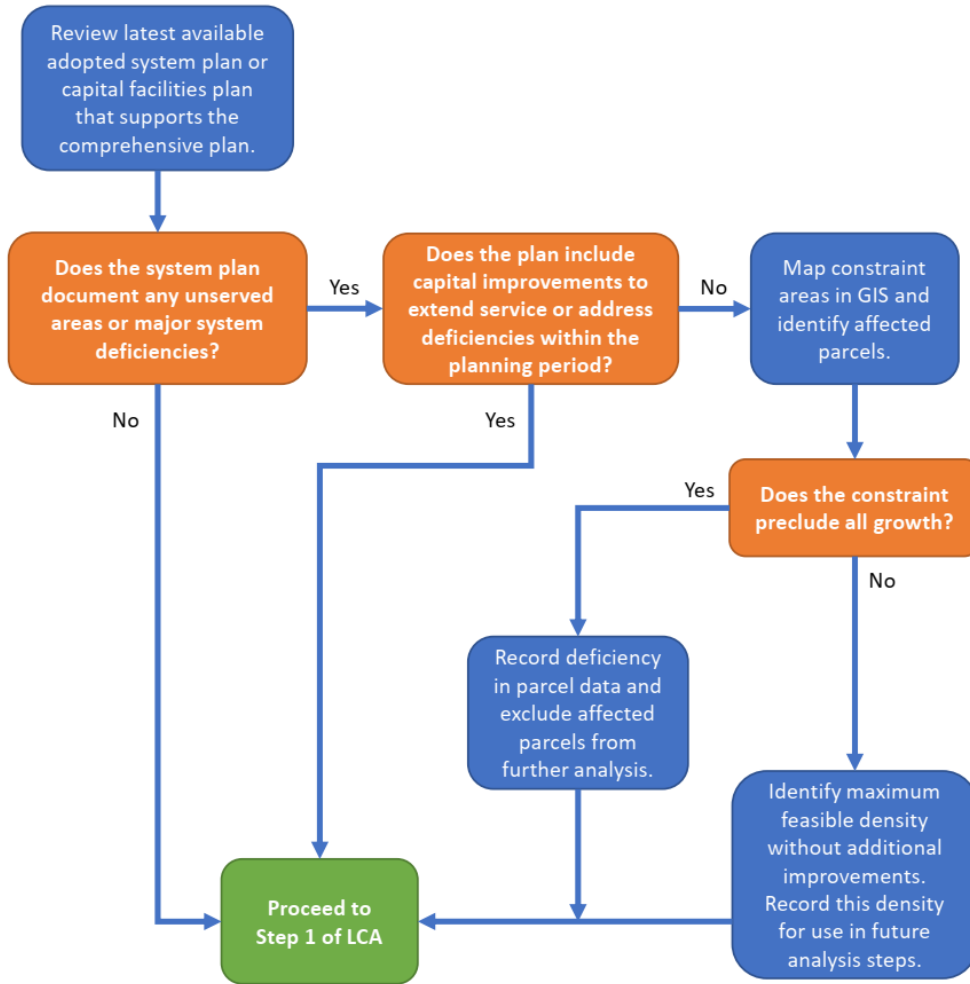
Source: BERK, 2021.

The infrastructure gap review is meant to use readily available information. GIS analysis would only be required if mapping is called for in the decision tree. If responses to the decision tree indicate mapping is necessary, then add the following fields to the parcel layer. The following steps below will explain how to calculate values for these fields.

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Exhibit 3. GIS Database Fields to be Added – Infrastructure gap review

Field Name	Field Type	Comments
Infrastructure Gap	Text	Note infrastructure gap type (water, sewer, stormwater, etc.), if present.
Constant	Binary	If infrastructure gap is likely to <mark>prevent or delay</mark> development (i.e., conditions are expected to remain constant during the planning period), set value to TRUE. Otherwise, set value to FALSE.
Alt Density	Numeric	If infrastructure gap does not prevent or delay development, but limits density, note the alternative assumed density (or FAR for non-residential properties) for use in Step 8. Used in tandem with the "Alt Market Factor" field. Do NOT provide values for both fields.
Density Units	Text	Unit of measure for density: ▪ "du/ac" for residential properties. ▪ "FAR" for commercial/industrial properties.
Alt Market Factor	Numeric	If infrastructure gap does not preclude development, but limits growth capacity, note the assumed market factor for use in Step 6. Used in tandem with the "Alt Density" field. Do NOT provide values for both fields.

Source: BERK, 2020.

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Infrastructure Gap Review Worksheet

An infrastructure gap review worksheet is included in Exhibit 4 below. A jurisdiction would already have the information needed in existing plans, and would focus only on systems with the potential to prevent assumed densities from being achieved or delay urban development during the 20-year planning period at a systemwide or areawide scale. If there are no systemwide or areawide constraints with any system, document this in Exhibit 4 and continue to Step 1.

Exhibit 4. Programmatic Infrastructure Gap Review Worksheet

Step	Response / Description
Step 0.1: Determine if any of the following infrastructure systems have the potential to prevent assigned densities from being achieved or delay urban development during the 20-year planning period at a systemwide or areawide scale. An answer of "yes" or "maybe" to the following questions would warrant closer review for that infrastructure type in the Step 0.2.	
▪ **Water**: Are there major constraints in supply, pressure, or distribution that would preempt development, or markedly constrain expected densities?	
▪ **Sewer**: Are there unsewered areas or areas currently operating on septic without capital plans in place to extend service? Are there areas of septic where failure has been identified by the Health District? Would the lack of areawide sewer due to physical or economic feasibility considerations alter an area's development potential during the planning period?	
▪ **Stormwater**: Are regional systems necessary for urban-scale development at a systemwide or areawide level?	
▪ **Transportation**: Does the jurisdiction contain areas with long-term physical service challenges? Areas are inaccessible due to geographic constraints; or no infrastructure currently exists to provide physical access.	
Step 0.2: Complete the following **using available information** only for **relevant systems** where you answered "yes" or "maybe" to the questions above. Answer the following questions separately for each relevant system identified.	
▪ Review latest available adopted system plan or capital facilities plan. Provide a list or links to plans relevant systems under review.	
▪ Does the system plan document any underserved or major system deficiencies? If yes, describe.	
▪ Does the plan include capital improvements to extend service or address deficiencies in the planning period? If yes, describe and proceed to Step 1.	
▪ Does the constraint prevent or delay all growth? If yes, identify affected parcels in GIS: ○ Document the infrastructure gap type in the **Infrastructure Gap** field. ○ Use the **Constant** field to flag any parcels where lack of infrastructure would make development unfeasible within the 20-year planning period and the current status of the property is unlikely to change. ○ Exclude affected parcels from further analysis. Continue to Step 1.	
▪ Does the constraint partially constrain growth? If yes, identify the areas spatially, document the infrastructure gap type in the **Infrastructure Gap** field, and note the alternative densities for Step 8, or alternative market factor for Step 6. Only one	

Step	Response / Description
assumption should be varied, either density or market factor, but not both, to avoid double counting. ○ **Density Limitation:** If infrastructure conditions would not preclude development, but they are likely to limit growth capacity, set the field **Alt Density** to the maximum anticipated density (dwelling units per acre or floor area ratio) and document the source of this assumption. The property would be flagged, and the appropriate density would be applied in Step 8. ○ **Market Factor:** If infrastructure conditions would not preclude development, but they are likely to limit growth capacity, and the limitation can be addressed by market factor considerations in Step 6, set the field **Alt Market Factor** equal to the anticipated market factor reduction associated with infrastructure conditions and document the source of the assumption. The parcels would be flagged, and the appropriate market factor would be applied in Step 6.	

RESIDENTIAL LCA

The Residential LCA identifies vacant, partially underutilized and under-utilized parcels in residential zones to calculate available capacity for development of housing units and associated population. Results will demonstrate whether existing zoning regulations allow for the growth needed to meet chosen residential growth targets for the 20-year planning period. The first step in this process is to categorize properties according to their development potential. The following steps apply only to properties located in residential zoning districts.

Step 1. Define Development Status and Classify Parcels

The land capacity analysis is designed to measure capacity for new growth and therefore focuses primarily on vacant and redevelopable land. Assumptions regarding future development potential vary with site-specific conditions, so a detailed classification of properties must be performed as the first step in the analysis.

To prepare for this analysis add the following fields to the parcel layer. The steps below will explain how to calculate values for these fields.

Exhibit 5. GIS Database Fields to be Added – Residential LCA Step 1

Field Name	Field Type	Comments
Zone	Text	Zoning district
Assumed Density	Numeric	Assumed density (units per acre) for the zone. This assumption should consider factors such as the achieved density from the "look back" analysis, whether zoning or development regulations have recently changed, and insufficient new permit data is available to evaluate the market response, infrastructure investments or other amenities that change market conditions or impacts of development regulations such as setbacks, height limits, and parking requirements on development feasibility (see text box above). Set to NULL for all non residential or mixed-use zones.

Field Name	Field Type	Comments
Potential Units	Numeric	The potential residential units on the parcel based on assumed density with no deductions considered. This field is used only for determining which parcels are partially utilized. Not in final land capacity calculations.
LCA Class	Text	Land Capacity Analysis Classification, as determined in Step 1 (Excluded, Pipeline, Vacant, Partially Utilized, or Under-Utilized).
Pipeline Density	Numeric	Approved/proposed density (in du/ac) for Pipeline properties, as determined in Step 1.1. For non-Pipeline properties, set value to Null.
Platted Lot	Text	If the parcel is a platted lot, set to TRUE. Otherwise, set to FALSE.

Source: BERK, 2020.

- **Step 1.1: Identify Pipeline Properties (OPTIONAL).** Pipeline development refers to growth that has been permitted or approved between January 1, 2020 and December 31, 2020 and not captured during the 2013-2019 evaluation period. but was not built. Unless there is a reason to believe the growth will not actually be completed, this growth can be accounted for in the capacity calculations. Jurisdictions that wish to account for pipeline development separately in their LCA can remove the parcels from the land supply at the outset of the process and add them back in later based on approved final permits or development agreements. This can result in a more accurate accounting of capacity for growth. In addition, the process for approving plats, master plans, and building permits can provide a more accurate, site-level review of critical areas than the regional approach used in this LCA. Properties can be classified as "Pipeline" if they meet any of the following criteria. Jurisdictions that complete this optional step can select to use any or all of these criteria and can refine *these criteria to best reflect local circumstances.*

  - The property is part of an approved final single-family plat but has not yet been approved for any building permit. The primary purpose of including such properties in the pipeline is to capture large plots of land being developed for single-family home sites where individual lots have not yet been identified as lots in the County Assessor parcel data. Assign future growth for these parcels as one single-family unit per platted lot.

  - A preliminary plat has been approved and site development permits have been issued, but the final plat has not been filed or approved. The site development permits show evidence of commitment and the proposal densities appear to be best reflected in the final capacity rather than the typical LCA process. Treat lots like a final plat above – one single-family unit per plated lot.

  - A final land use permit has been approved for the property (e.g., multifamily or mixed-use site plan) but no construction occurred between January 1, 2020 and December 31, 2020. Assign future growth for these parcels consistent with type and number of units described in the approved land use permits.

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- The property is part of a master plan or a phased development under a development agreement. For final master plans or development agreements, assign approved density levels and classify the properties as "Pipeline." If the master plan or development agreement is preliminary or still pending, assign the proposed density levels, but do not classify the land as "Pipeline."

- **Step 1.2: Identify Excluded Properties.** Parcels with the following use classifications are not likely to redevelop and should be classified as "Excluded":

  - Utility parcels;

  - Transportation parcels or right-of-way;

  - Marinas;

  - Cemeteries;

  - Hospitals;

  - Governmental services;

  - Schools (including higher education);

  - Churches and other places of worship;

  - Cultural, entertainment, and parks/recreation properties;

  - Tidelands and water areas; and

  - Current Use Exempt parcels (RCW 84.34); note if there is a clear intent to develop in the planning period, treat as pipeline, vacant, or partially utilized as appropriate.

  - Open space

  - Shoreline parcels less than 1 acre

  In addition, any properties identified as "Constant" in the Infrastructure Gap Review (Step 0) should be classified as "Excluded."

- **Step 1.3: Identify Vacant Properties.** Vacant parcels are properties with no development or very minimal improvements, regardless of size (see Exhibit 6). These are identified in County Assessor parcel data as having a property class code associated with vacant/undeveloped land ("910 – Undeveloped Land," or "990 – Other Undeveloped Land"). For these parcels, set LCA_Class to "Vacant".

Exhibit 6. Example of a Vacant Parcel
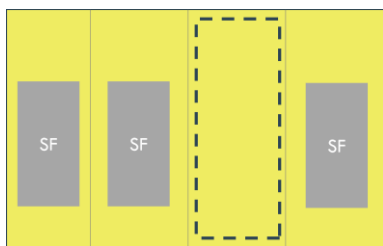
Source: BERK, 2020.

Step 1.4: Identify Partially Utilized Properties. Partially utilized properties are parcels currently occupied by a use, but which encompass enough land to be further subdivided without rezoning. Typically, this category consists of parcels zoned for single-family residential development that are large enough to be subdivided for the creation of additional single-family lots (see Exhibit 7). For parcels not classified as Vacant or Pipeline, assign the "Partially Utilized" classification if the property meets **all** the following criteria:

▫ The parcel is in a residential zone where the predominant form of new housing development is expected to be single family.

▫ Based on assumed density for that zone, the parcel has potential to support at least 2.5 X number of existing units.

To identify Partially Utilized parcels in residential zones, do the following:

▫ Calculate the field Potential Units as number of units that could be built at the assumed density level for that zone (parcel acres x Assumed Density).

▫ Compare Potential Units to the existing units on the parcel. If Potential Units is at least 2.5x existing units, then classify the parcel as Partially Utilized. (LCA Class = "Partially Utilized")

Note: Critical areas will be accounted for in Step 3. Then remaining acreage of Partially Utilized parcels will be aggregated and standard deductions will be applied. The Potential Units field is not used to calculate land capacity.

**Exhibit 7. Example of a Partially Utilized Parcel**
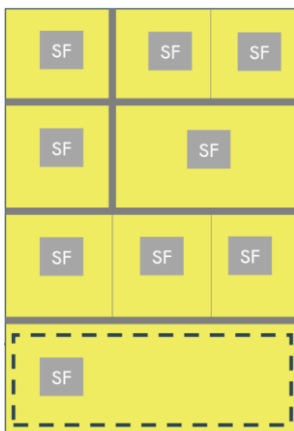
Source: BERK, 2020.

▪ **Step 1.5: Identify Under-Utilized Properties.** Under-utilized properties contain some amount of existing development, but there is a strong possibility that the existing use will be converted to a more intensive use during the planning period. For example, a single-family home on a property with multifamily or commercial zoning could be considered under-utilized (see Exhibit 8).

For parcels not classified as Vacant, Pipeline, or Partially Utilized, assign the "Under-Utilized" classification if the property meets **any** of the following criteria:

- The property is in a residential or mixed-use zone where the predominant form of new housing development is expected to be multifamily, and the existing use is a detached single-family home, cottage, mobile/manufactured home, or garage/shed; or

- The property improvement to land value ratio is < 0.5 (i.e., assessed improvements value divided by assessed land value <0.5).

Exhibit 8. Examples of Under-Utilized Parcels
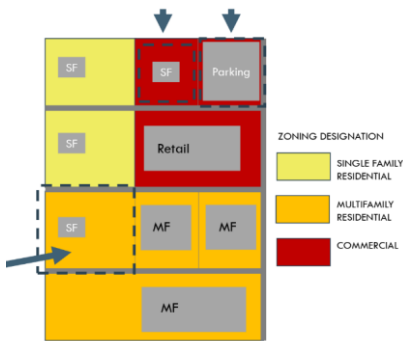
Source: BERK, 2020.

- **Step 1.6: Identify Platted Lots.** Single-family parcels that are platted lots recorded prior to the January 1, 2020 "look back" date should be identified and removed from the land supply prior to application of critical areas deductions (Step 3) if they are classified as Vacant, Partially Utilized, or Under-Utilized. As part of approved plats, these properties have already undergone critical areas review and should not have deductions applied again. Development potential for these platted lots is calculated separately in Step 8. As part of this process, any parcel-level attribute information added as part of the Infrastructure Gap Review (Step 0) should be maintained to ensure that any density limits or modifications to market factor resulting from infrastructure gaps can be properly considered when calculating development potential in Step 8.

  Where platted lots are identified, set the "Platted Lot" field to TRUE. Platted lots are identified by Assessor tax account number with the following query:
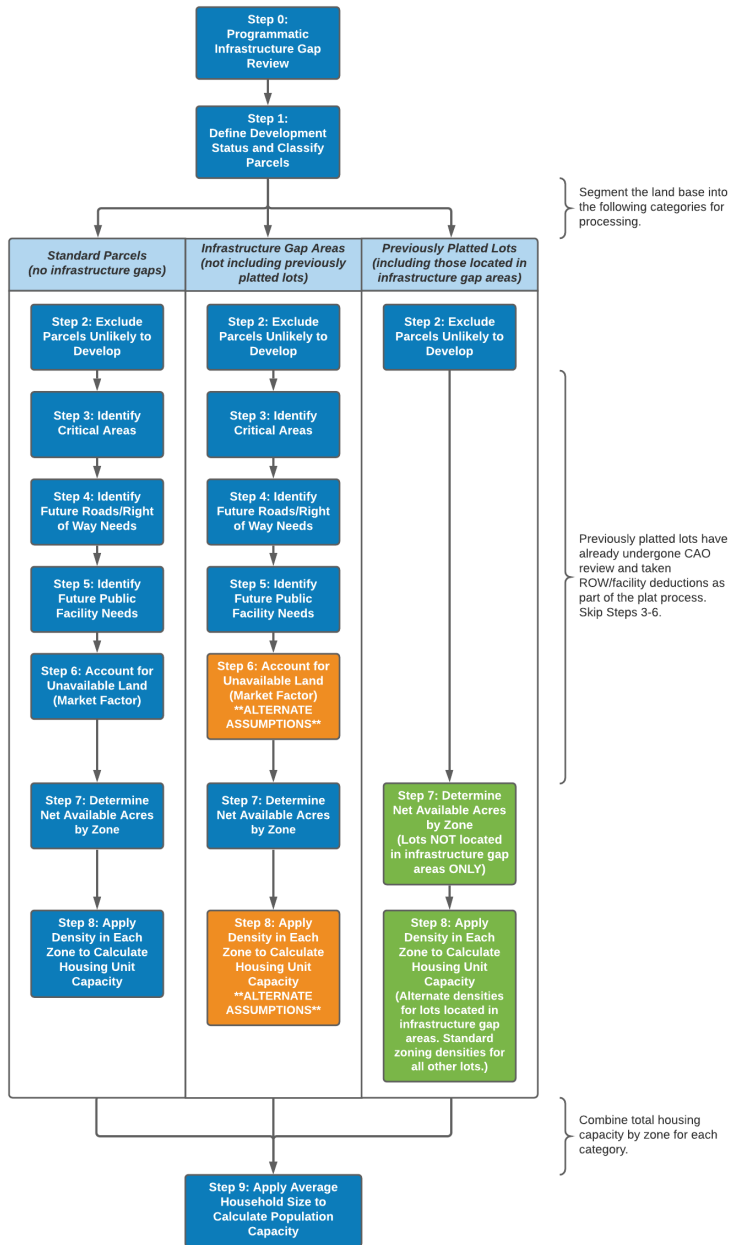
  SELECT FROM GIS.PARCEL_POLY WHERE [ACCT_NO] >= '37-***-***-****'**

- **Step 1.7: Segment Land Base for Processing.** While the LCA provides a standard methodology for analyzing land capacity, deviations are necessary to account for unique circumstances. Infrastructure gap areas as identified in Step 0 are one such special consideration, and platted lots identified in Step 1.6 are another. In this sub-step, the land base should be segmented into three groups, and each group will proceed through Steps 2-8 separately. The net housing capacity by zone for each

group will be recombined in Step 9 to determine total housing and population capacity. Using GIS, segment the land base into three feature classes based on the criteria below:

▫ **Previously Platted Lots:** Previously platted lots have already undergone review and deductions for critical areas, roads, and public facilities. As such, these properties should not repeat those steps in this LCA process. Previously Platted Lots will complete Step 2, then proceed to Step 7.

  ▪ Using GIS, select all properties where "Platted Lot" equals TRUE. Export these properties to a new GIS feature class, "LCA_Platted_Lots."
    Any infrastructure-related attributes established in Step 0 should be maintained.

▫ **Infrastructure Gap Parcels:** Properties located within identified infrastructure gaps in Step 0 are not anticipated to achieve the same level or development as properties without infrastructure gaps. These properties will complete Steps 2-8, but they will use alternative growth assumptions (either an alternate density limit or alternate market factor).

  ▪ Using GIS, select all properties where "Infrastructure Gap" is not NULL, and "Platted Lot" equals FALSE. Export these properties to a new GIS feature class, "LCA_InfraGap_Parcels."

▫ **Standard Parcels:** Properties not flagged as Platted Lots and not located in an infrastructure gap area are not subject to special considerations and can complete Steps 2-8 without using alternate assumptions.

  ▪ Using GIS, select all properties where "Platted Lot" equals FALSE, and "Infrastructure Gap" is NULL. Export these properties to a new GIS feature class, "LCA_Standard_Parcels."

Exhibit 9. Land Supply Data Processing Diagram

Step 0:
Programmatic Infrastructure Gap Review

Step 1:
Define Development Status and Classify Parcels

Segment the land base into the following categories for processing.

Standard Parcels *(no infrastructure gaps)*

Infrastructure Gap Areas *(not including previously platted lots)*

Previously Platted Lots *(including those located in infrastructure gap areas)*

Step 2: Exclude Parcels Unlikely to Develop

Step 2: Exclude Parcels Unlikely to Develop

Step 2: Exclude Parcels Unlikely to Develop

Step 3: Identify Critical Areas

Step 3: Identify Critical Areas

Step 4: Identify Future Roads/Right of Way Needs

Step 4: Identify Future Roads/Right of Way Needs

Step 5: Identify Future Public Facility Needs

Step 5: Identify Future Public Facility Needs

Step 6: Account for Unavailable Land (Market Factor)

Step 6: Account for Unavailable Land (Market Factor) **ALTERNATE ASSUMPTIONS**

Previously platted lots have already undergone CAO review and taken ROW/facility deductions as part of the plat process. Skip Steps 3-6.

Step 7: Determine Net Available Acres by Zone

Step 7: Determine Net Available Acres by Zone

Step 7: Determine Net Available Acres by Zone (Lots NOT located in infrastructure gap areas ONLY)

Step 8: Apply Density in Each Zone to Calculate Housing Unit Capacity

Step 8: Apply Density in Each Zone to Calculate Housing Unit Capacity **ALTERNATE ASSUMPTIONS**

Step 8: Apply Density in Each Zone to Calculate Housing Unit Capacity (Alternate densities for lots located in infrastructure gap areas. Standard zoning densities for all other lots.)

Combine total housing capacity by zone for each category.

Step 9: Apply Average Household Size to Calculate Population Capacity

Step 2: Exclude Parcels Unlikely to Develop

This step refines the classifications from Step 1. This refinement is intended to address additional factors that could affect development potential, such as high-value homes that may be unlikely to redevelop or subdivide, despite having adequate acreage to do so.

- **Step 2.1: Exclude High-Value Residential Parcels.** For parcels that meet the following criterion, change LCA Class to "Exclude":

  - The assessed value of property improvements is greater than 2.5 X the parcel's assessed land value.

Step 3: Identify Critical Areas

Critical areas are defined by the GMA generally as wetlands, frequently flooded areas, geologically hazardous areas, fish and wildlife habitat conservation areas, and critical aquifer recharge areas. These are all environmentally sensitive areas that must be protected under GMA and are generally not available for development. This step determines the location of critical areas and applies a mosaic feature that generalizes buffers and required setbacks. Once identified, these areas are deducted from the remaining vacant, partially utilized, and under-utilized land supply.

This analysis assumes a percentage of critical areas can be legally developed under the current Critical Areas Ordinance. The likelihood that an area can be developed depends upon the type of environmental sensitivity. This method differentiates "Areas of Moderate Geologic Hazard" from other "Critical Areas" and applies a different partial reduction of acreage for each category when calculating developable land supply. Further, this analysis assumes that most jurisdictions do not limit residential development in critical aquifer recharge areas or in frequently flooded areas. For example, Kitsap County Code (KCC 19.600.620) does not list residential development as an activity with a potential groundwater threat and thus does not limit residential development. Also, Kitsap County Code (chapter 15.12 KCC) does not generally prohibit residential development in frequently flooded areas, except in designated floodways, but rather imposes structural building standards. After review of designated floodways in Flood Insurance Rate Maps, most of these areas are located outside of UGAs, are located on public lands or notated along DNR typed water courses. The DNR typed watercourses are already included in this reduction factor and so no additional reduction for FEMA flood hazard along streams corridors is included. Should city regulations prohibit or limit development in critical aquifer recharge areas or frequently flooded areas, those jurisdictions should account for and include these areas in the critical area mosaic.

The Critical Areas mosaic represents the areas most highly encumbered by the presence of environmental

DEVELOPMENT POTENTIAL OF HIGH-VALUE HOMES

Step 2.1 examines properties with special circumstances that make them unlikely to redevelop, regardless of subdivision potential or zoning. Often, these properties are high-value, luxury single-family homes with larger lot sizes and high improvement values relative to the value of the underlying land.

The methodology identifies these properties on the basis of improvement-to-land value ratio to control for variations in land values across large areas. Local jurisdictions may consider local property value conditions and set alternative thresholds, as appropriate.

CRITICAL AREAS

The methodology for Step 3 is based on Kitsap County's adopted framework for regulating critical areas. Local jurisdictions may include additional environmental constraints or apply different reduction factors, depending on local regulations.

features. Components of the mosaic include the following critical areas categories:

- **Streams:** Both perennial and seasonal streams, as well as their associated buffer areas.
- **Wetlands:** Delineated wetland areas and their associated buffers, as regulated by the Critical Areas Ordinance.
- **Water Bodies:** Areas of standing water that cover a portion of a parcel, including lakes, ponds, bogs, or saltwater.
- **Hydric Soils:** Inclusion of hydric soils in the critical areas mosaic captures areas that have the potential to be classified as wetlands, even if no formal wetland delineation has been performed.
- **Areas of High Geologic Hazard:** Unstable areas with steep slopes or other geologic characteristics that make them highly unsuitable for development.

Areas of Moderate Geologic Hazard include lands with moderate slopes, seismic concerns, or erosion risks, but they are not as sensitive as the high geologic hazard areas included in the Critical Areas mosaic and are therefore assigned a lower reduction factor.

Exhibit 10 provides a detailed description of each critical areas mosaic component, data sources, associated buffer widths, and land supply reduction factors.

The following sub-steps are applied to the "LCA_Standard_Parcels" and "LCA_InfraGap_Parcels" land supply datasets. The "LCA_Platted_Lots" dataset does not complete Steps 3-6.

- **Step 3.1: Construct critical areas mosaic.** For each class of critical area (streams, water bodies, wetlands, hydric soils, and geologic hazards), apply the following GIS operations:
  - Buffer features according to adopted buffers and setbacks, as established in the latest Critical Areas Ordinance.
  - With the exception of Moderate Geologic Hazard area, dissolve all critical area and buffer/setback areas to create a single Critical Areas polygon.
  - Dissolve all Moderate Geologic Hazard features and associated buffer/setback areas to create a single polygon.

- **Step 3.2: Overlay critical areas mosaic on parcel base.**
  - Select Vacant, Partially Utilized, and Under-Utilized parcels and dissolve to create an aggregated Developable Lands GIS feature class. The dissolve operation should respect LCA classification, zoning, and any infrastructure gaps identified in Step 0. Ensure that the resulting feature class maintains the following attributes:
    - LCA Classification;
    - Zoning;
    - Infrastructure gap type; and
    - Infrastructure density limit or alternate market factor (identified as part of Step 0.2).
  - Overlay the Critical Areas polygon and the Areas of Moderate Geologic Hazard polygon with the aggregated Developable Lands feature class. Perform a union of these three datasets to

generate an updated Developable Lands feature class consisting of the following:

- Areas with no environmental constraints;

- Critical Areas; and

- Areas of Moderate Geologic Hazard.

□ Areas of environmental constraint that do not intersect Vacant, Partially Utilized, or Under-Utilized parcels should be excluded from the updated Developable Lands feature class.

□ At this point, the GIS feature class can be exported into a tabular format for additional spreadsheet-based operations in Microsoft Excel or a similar program. Subsequent steps will refer to this as the "Buildable Lands table."

- **Step 3.3: Apply critical area reductions**

  □ Add a "Developable Acres" column to the Buildable Lands table. This column represents the baseline aggregate acreage available for development after consideration of critical areas and is calculated in the following steps. Further deductions for roads, infrastructure, and public uses will be applied in Steps 4-7.

  □ For each record in the Buildable Lands table, calculate developable acres as follows:

    - For areas without environmental constraints, set equal to total acreage of the polygon.

    - For areas impacted by Critical Areas, set Developable Acres to 25% of overall polygon acreage (75% reduction).

    - For areas impacted by Areas of Moderate Geologic Hazard, set Developable acres to 50% of overall polygon acreage (50% reduction).

Exhibit 10. Parameters for Identifying Critical Area Reductions

Type	Type Description	Buffer Width	Minimum Building Setback	% Reduction	Comment
Streams					
DNR Water-courses	**S:** All waters, within their bankfull width, as inventoried as "shoreline of the state" under chapter 90.58 RCW (Segments of Big Beef Creek, Curley Creek, Chico Creek, Burley Creek, Union River, Blackjack Creek and Tahuya River)	200 feet	15 feet beyond buffer	75%	WCHYDRO contains watercourses represented as arcs or lines created by the Washington State Department of Natural Resources. These occur

Type	Type Description	Buffer Width	Minimum Building Setback	% Reduction	Comment
	F: Segments of natural waters other than Type S Waters, which are within the bankfull widths of defined channels and periodically inundated areas of their associated wetlands or within lakes, ponds or impoundments having a surface area of 0.5 acre or greater at seasonal low water and which in any case contain fish habitat.	150 feet	15 feet beyond buffer	75%	alone as single arc watercourses representing streams, ditches, or pipelines, or as centerlines through water body polygons such as double-banked streams, lakes, impoundments, reservoirs, wet areas, or glaciers. Also included are areas where the Wild Fish Conservancy has field-surveyed streams, where accessible, for fish presence and overall condition.
	NP: Segments of natural waters within the bankfull width of defined channels that are perennial nonfish habitat streams. Perennial streams are flowing waters that do not go dry any time of the year of normal rainfall.	50 feet	15 feet beyond buffer	75%	
	NS: Segments of natural waters within the bankfull width of defined channels that are not Type S, F or Np Waters. These are seasonal, nonfish habitat streams in which surface flow is not present for at least some portion of the year of normal rainfall.	50 feet	15 feet beyond buffer	75%	
Wetlands					
Wetlands	**Category I:** Category I wetlands include, but are not limited to, wetlands that represent rare or unique wetland types, those that are more sensitive to disturbance than most wetlands, those that are relatively undisturbed and contain ecological attributes that are impossible to replace within a human lifetime, or those that provide a high level of function. Category I wetlands score twenty-three points or more out of twenty-seven on the wetlands ratings system. *(Washington State Wetland Rating System for Western Washington, revised 2014, or as hereafter amended)*	92.5 feet		75%	All wetland delineations are done in accordance with the approved federal wetland delineation manual and applicable regional supplement. All areas within the county that meet the wetland designation criteria are designated critical areas and are subject to the provisions of Kitsap County Code

Type	Type Description	Buffer Width	Minimum Building Setback	% Reduction	Comment
	Category II: Category II wetlands are those wetlands that are more difficult to replace and provide high levels of some functions. Category II wetlands score between twenty and twenty-two points out of twenty-seven on the wetlands ratings system. *(Washington State Wetland Rating System for Western Washington, revised 2014, or as hereafter amended)* **Category III:** Category III wetlands are those wetlands with a moderate level of function and can often be adequately replaced with mitigation. Category III wetlands score between sixteen and nineteen points on the wetlands ratings system. *(Washington State Wetland Rating System for Western Washington, revised 2014, or as hereafter amended)* **Category IV:** Category IV wetlands have the lowest level of function and are often heavily disturbed. Category IV wetlands score less than sixteen points out of twenty-seven on the wetlands ratings system. *(Washington State Wetland Rating System for Western Washington, revised 2014, or as hereafter amended)*				Title 19 – Critical Areas Ordinance. Through personal communication with environmental review staff, the most common wetland categories found in urban areas are Category III and IV wetlands. The characteristics of these common wetland types were moderate level of function. In very rare circumstances since the adoption of the 2017 CAO, low functioning/value Category II were delineated. Discussion was also held on common modifications of buffer standards allowed in code. This includes buffer averaging, administrative buffer reductions of 25% or less (Type II decision) of if greater than a 25% buffer reduction, buffer variance approved by the Hearings Examiner (Type III decision). To calculate average buffer widths, the most common wetland category found in urban areas was used (Category III to IV). The range of buffer widths from moderate functioning wetlands are 75ft to 110ft, with average at 92.5 feet.

Type	Type Description	Buffer Width	Minimum Building Setback	% Reduction	Comment
Water Bodies					
Water Bodies	▪ **Bay, Estuary, Ocean or Sea** (Water Body cartographic feature code: 116) ▪ **Lake, Pond, Reservoir, Gravel pit or quarry filled with water** (Water Body cartographic feature code: 421, 101, 402) ▪ **Marsh, wet area, swamp or bog** (Water Body cartographic feature code: 111)			75%	WBHYDRO contains water body polygons, such as double-banked streams, lakes, impoundments, reservoirs, wet areas, or glaciers. The purpose of including these features in the mosaic is to ensure that isolated water areas (such as lakes, ponds, or bogs) not covered by other categories are properly accounted for and removed from the land supply.
Hydric Soils					
Department of Natural Resources Soil Survey	**Soil Description:** ▪ Bellingham silty clay loam ▪ McKenna gravelly loam ▪ Mukilteo peat ▪ Norma fine sandy loam ▪ Semiahmoo muck ▪ Shalcar muck ▪ Shelton-McKenna complex ▪ 0-10 percent slope ▪ Tacoma silt loam			75%	Potential wetlands

Type	Type Description	Buffer Width	Minimum Building Setback	% Reduction	Comment
Geohazards					
Geohazard	**Areas of High Geologic Hazard:** a) Areas with slopes greater than thirty percent and mapped by the Coastal Zone Atlas or Quaternary Geology and Stratigraphy of Kitsap County as "Unstable" (U), "Unstable Old Land Slides" (UOS) or "Unstable Recent Slides" (URS). b) Areas deemed by a Geologist to meet the criteria.			75%	The GEOHAZARDS feature class is a union of the DNR & Natural Resource Conservation Service's (SCS) 1980 Soil Survey for Kitsap County and the soil STABILITY classification from the 1979 "Quaternary Geology and Stratigraphy of

Type	Type Description	Buffer Width	Minimum Building Setback	% Reduction	Comment
	Areas of Moderate Geologic Hazard: a) Areas designated U, UOS, or URS in the Coastal Zone Atlas or Quaternary Geology and Stratigraphy of Kitsap County, with slopes less than thirty percent; or areas found by a qualified geologist to meet the criteria for U, URS, and UOS with slopes less than thirty percent; or b) Slopes identified as "Intermediate" (I) in the Coastal Zone Atlas or Quaternary Geology and Stratigraphy of Kitsap County, or areas found by a qualified geologist to meet the criteria of I; or c) Slopes fifteen percent or greater, not classified as I, U, UOS, or URS, with soils classified by the Natural Resources Conservation Service as "highly erodible" or "potentially highly erodible;" or d) Slopes of fifteen percent or greater with springs or groundwater seepage not identified in Items 1 and 2, above; or e) Seismic areas subject to liquefaction from earthquakes (seismic hazard areas) such as hydric soils as identified by the Natural Resources Conservation Service, and areas that have been filled to make a site more suitable. Seismic areas may include former wetlands which have been covered with fill.			50%	Kitsap County" thesis work by Jerald Deeter.

Source: Kitsap County, 2014.

Step 4: Identify Future Roads/Right of Way Needs

Roads, right of way, and traffic mitigation are necessary for new development, particularly undeveloped properties. The LCA applies a deduction for future road needs after accounting for environmentally critical areas in Step 3. Road and right of way deductions necessary for a given development project can depend on a variety of factors, including level of serve for roadway segments and intersections, site characteristics, environmental features, and permitting requirements. The standard deduction used here is based on review of permit trends and code requirements in unincorporated Kitsap County. The following applies to the "LCA_Standard_Parcels" and "LCA_InfraGap_Parcels" land supply datasets. The "LCA_Platted_Lots" dataset does not complete Steps 3-6.

For each record in the Buildable Lands table, calculate deductions for future roads and right-of-way as follows:

- Add column "ROW Deduction."

- Calculate deduction according to the following formula:

  - "ROW Deduction" = 20% of "Developable Acres"

Step 5: Identify Future Public Facility Needs

After accounting for new roads, right of way, and traffic mitigation in Step 4, the LCA further deducts land necessary for construction of public facilities needed to serve new development, such as utility easements, on-site stormwater detention facilities, trails and common open space required by development regulations. The deduction for public facilities should be taken based on the remaining buildable area after the road/right of way deduction is applied. The standard deduction used here is based on review of permit trends and code requirements in unincorporated Kitsap County. The following applies to the "LCA_Standard_Parcels" and "LCA_InfraGap_Parcels"

Customizing Road, Infrastructure, and Market Factor Deductions

The deductions described in Steps 4-7 are intended to address future infrastructure needs by new development and market conditions in unincorporated Kitsap County. Modifications to these assumptions may be necessary in more urban areas, and cities are encouraged to develop custom deductions that best fit their circumstances.

Road/Right-of-Way Deduction

- Right of way and private circulation needs may vary between unincorporated areas and cities. Developable lands in urban areas may already be served by established road networks, thereby reducing the need for new roads or off-site improvements compared to other jurisdictions. The County guidance establishes a single deduction factor for all unincorporated areas, but cities may consider modifying roads/right of way deductions based on local conditions. For example, cities whose redevelopable land supply is concentrated in areas already served by roads and appropriate levels of service may establish a lower deduction factor for Under-Utilized properties compared to Vacant lands.

Public Facility Deduction

- Public facilities, particularly utilities and regional stormwater, may already exist in urban areas, requiring relatively little additional land associated with new development. If so, Cities may consider reducing deductions for public facilities accordingly.

Unavailable Land (Market Factor)

- High demand for urban real estate may reduce the amount of land that stays unavailable for development, and market factors may also vary across a city, depending on planning/zoning frameworks in place.

land supply datasets. The "LCA_Platted_Lots" dataset does not complete Steps 3-6.

For each record in the Buildable Lands table, calculate deductions for future public facilities as follows:

- Add column "PubFac Deduction."

- Calculate deduction according to the following formula::

  - "PubFac Deduction" = 20% of ("Developable Acres" – "ROW Deduction")

Step 6: Account for Unavailable Lands (Market Factor)

In addition to land needed for public infrastructure, some percentage of otherwise developable land is likely to remain unavailable due to market conditions and landowner intent. In general, Commerce Guidance indicates larger urban jurisdictions with significant development and redevelopment activity observed or expected will likely find and assume lower market supply factors. Other jurisdictions not anticipating substantial redevelopment and/or still experiencing urbanization of unimproved areas will likely assume higher market supply factors (page 41).

The following sub-steps apply to the "LCA_Standard_Parcels" and "LCA_InfraGap_Parcels" land supply datasets. The "LCA_Platted_Lots" dataset does not complete Steps 3-6.

Step 6.1. Identify Residential Product Type for Each Zone

Assign a housing product type (Single Family or Multifamily/Mixed Residential) to each zone based on anticipated predominant uses. The product type assigned should represent the predominant residential building typology and use that is likely to be developed for that zone, based either on past buildout or what is envisioned and supported by development regulations and requirements.

Exhibit 11. Residential Product Type Examples

Product Type	Description/Application	Illustrative Examples
Single Family	All areas where single family residential product inclusive of any of the following listed as the predominant use: detached, duplex, tri-plex four plex or townhouse plat.	Detached single family homes and subdivisions, attached townhomes and duplexes
Multifamily/Mixed Residential	All areas where multilevel stacked residential product in the form of rental housing or condominium ownership is the predominant permitted use. Inclusive of high density multifamily and mixed use developments	Stacked flat apartment buildings, garden style apartment complexes, mid rise multifamily podium projects, mid rise multifamily podium projects with ground floor commercial uses, residential high rise, residential condominium projects.

Source: Heartland, 2021.

Step 6.2. Identify Market Factor Range by Geography

For each record in the Buildable Lands table:

- Add column "Market Factor Range."

- Assign the applicable market factor range for each zone based on its geographic location and assigned Product Type, according to the market factor matrix contained in Appendix X – Market Factor Guidance Framework:

  - Low (5-20%);

  - Medium (20-35%); or

  - High (35-50%).

Step 6.3. Establish Specific Market Factor Based on Local Conditions.

Step 6.3 provides a framework for selecting a final market factor from within the range assigned in Step 6.2, based on specific local conditions. A detailed discussion of conditions that warrant adjustments to market factors is contained in Appendix X – Market Factor Guidance Framework; the conditions include the following:

- Vacant vs. Partially Utilized or Under-Utilized lands;

- Local market conditions;

- Single-family uses in recently up-zoned areas;

- Restrictive covenants in planned communities;

- Known parcel size and assemblage challenges;

- Transit accessibility;

- Infrastructure limitations; and

- Areas designated as Growth Centers.

Local jurisdictions should review and incorporate these criteria when setting their local market factors and document their assumptions for each zone and geographic area.

For each record in the Buildable Lands table:

- Add 2 columns: "Market Factor Final" and "Market Deduction."

- For the "LCA_Standard_Parcels" dataset:

  - Apply the criteria in Appendix X – Market Factor Guidance Framework and set "Market Factor Final" equal to the finalized market factor.

  - Calculate "Market Deduction" as:
    ("Developable Acres" – ("ROW Deduction" + "PubFac Deduction"))

- For the "LCA_InfraGap_Parcels" dataset:

  - If an alternate market factor was established in Step 0, set "Market Factor Final" equal to this value.

  - If no alternate market factor was established in Step 0, apply the criteria in Appendix X – Market Factor Guidance Framework and set "Market Factor Final" equal to the finalized market

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factor.

- ▫ Calculate "Market Deduction" as:
  ("Developable Acres" – ("ROW Deduction" + "PubFac Deduction")) x "Market Factor Final"

- ▪ For the "LCA_Platted_Lots" dataset, skip this step and proceed to Step 7.

Step 7: Determine Available Net Acres

This step calculates Net Available Acres by applying the deductions from Steps 4-6 to the Developable Acres calculated in Step 3. Assumptions for under-utilized and partially utilized platted lots are different because redevelopment (typically on older plats from the 1960s-1970s) is often substantially impeded if not functionally prohibited, by plat requirements or covenants. An example of these impediments includes strict plat covenants and requirements for majority approval of affected landowners within a plat if additional lots are to be created. The 25% of under-utilized and partially utilized platted lots that remain in the land supply are intended to account for some additional development capacity, including capacity for accessory dwelling units (ADUs). Add a new column to the Buildable Lands table, "Net Acres," and calculate for each record as follows:

- ▪ "LCA_Standard_Parcels" and "LCA_InfraGap_Parcels" land supply datasets:

  - ▫ "Net Acres" = "Developable Acres" – ("ROW Deduction" + "PubFac Deduction" + "Market Deduction")

- ▪ "LCA_Platted_Lots" dataset:

  - ▫ If "Infrastructure Gap" is NULL, calculate net acreage by development classification:

    - ▪ **Vacant:** "Net Acres" = 100% of platted parcel area.

    - ▪ **Under-Utilized and Partially Utilized:** "Net Acres" = 25% of platted parcel area.

  - ▫ If "Infrastructure Gap" is not NULL, do not calculate net acreage. Capacity will be assigned to these records in Step 8.

Step 8: Apply Density in Each Zone to Calculate Housing Unit Capacity

Step 8.1. Calculate Gross Housing Unit Capacity

Gross housing unit capacity is calculated by applying density assumptions for each zone to net available acres. Density assumptions should consider factors such as historical achieved density in the zone, whether zoning or development regulations have recently changed, infrastructure investments or other amenities that change market conditions, market trends, and the impact of development regulations such as setbacks, height limits, and parking requirements on development feasibility. Local jurisdictions should set their own density assumptions based on each community's zoning scheme, historical achieved residential densities, market trends and other local circumstances. Jurisdictions should provide a description/rationale for density assumptions (see text box on Page 4 for guidance). Density assumptions for unincorporated Kitsap County based on a review of the factors above are shown in Exhibit 12.

Comparing Achieved and Assumed Densities

RCW 36.70A.215(3)(d): Determine the actual density of housing that has been constructed and the actual amount of land developed for commercial and industrial uses within the urban growth area since the adoption of a comprehensive plan under this chapter or since the last periodic evaluation…

WAC 365.196.315(5)(a)(ii): Evaluation under RCW 36.70A.215 (3)(b) should compare the achieved densities, type and density range for commercial, industrial and residential land uses with the assumed densities that were envisioned in the applicable county-wide planning policies, and the comprehensive plan.

Commerce Guidance on Lack of Information: When there are insufficient data to use in projecting future urban capacity for redevelopment areas, comparable sites, even if outside of the jurisdiction or assessment area, can provide useful data… (Page 35)

In mixed-use zones where new development is assumed to be single use (residential *or* commercial, not vertical mixed-use), jurisdictions should consider the proportion of developable land that is anticipated to be developed for residential versus commercial uses, based on residential densities allowed, achieved, and assumed. Special considerations for calculating capacity for vertical mixed-use development are described in the sidebar.

Calculate Gross Housing Unit Capacity for each record in the three land supply datasets as follows:

- **"LCA_Standard_Parcels":**
  - Use standard density assumptions by zone, as shown in Exhibit 12.
  - Gross Housing Unit Capacity = Net Acres x Standard Assumed Density x Residential Split

- **"LCA_InfraGap_Parcels":**
  - If alternate density assumptions were established in Step 0:
    - Gross Housing Unit Capacity = Net Acres x Alternate Density
  - If alternate density assumptions were not established in Step 0:
    - Gross Housing Unit Capacity = Net Acres x Standard Assumed Density x Residential Split

- **"LCA_Platted_Lots":**
  - If "Infrastructure Gap" is NULL, calculate gross capacity using standard density assumptions by zone.
    - Gross Housing Unit Capacity = Net Acres x Standard Assumed Density x Residential Split
  - If "Infrastructure Gap" is not NULL, calculate gross housing capacity by development classification:
    - **Vacant:** Assume 1 unit of capacity per vacant platted lot.
    - **Under-Utilized and Partially Utilized:** Assume zero housing capacity due to lack of infrastructure.

Density Assumptions for Mixed-Use Zones

Commerce Guidelines emphasize the importance of not duplicating residential and employment capacity in mixed use zones. Local jurisdictions may estimate future residential capacity in mixed use zone based on achieved residential densities (counting total residential units built per acre after deducting critical areas) or by dividing the land base proportionally between residential and commercial uses based on floor area ratios (page 25-27, including Figure 8).

The example density assumptions for Kitsap County (Exhibit 12) assume that 50% of the developable acreage in mixed-use zones is available for residential development, and the remaining 50% is available for employment capacity.

Local jurisdictions are encouraged to develop their own assumptions based on local conditions, observed trends, example developments where there is no recent history, and/or mixed-use development regulations.

Considerations for Vertical Mixed-Use Development

In the example of vertical mixed-use areas, both residential and commercial densities should be calculated using total acreage.

For example, residential density would be calculated as total housing units divided by total acreage. Commercial FAR would be calculated as total developed commercial square footage divided by total acreage. These calculated densities can then each be applied to total developable acreage in the mixed-use zone to estimate residential and commercial capacity, without using an acreage split.

Exhibit 12. Example: County Residential Density Assumptions by Zone

Zoning	Allowed Density (units per acre)	Achieved Density (units per acre)	Density Assumed for Capacity Calculation (units per acre)	Residential Split	Assumed Densities: Description/Rationale
Urban Restricted (UR)	1-5			100%	
Greenbelt (GB)	1-4			100%	
Urban Cluster Residential (UCR)	5-9			100%	
Urban Low Residential (UL)	5-9			100%	
Urban Medium Residential (UM)	10-18			100%	
Urban High Residential (UH)	19-30			100%	
Urban Village Center (UVC)	10+			50%	

Source: Kitsap County, 2020.

Step 8.2. Calculate Net Housing Unit Capacity

After applying density assumptions, aggregate gross housing capacity by zone. Net housing capacity by zone is calculated by subtracting existing housing units on Partially Utilized and Under-Utilized properties in each zone:

- Net Housing Unit Capacity = Gross Housing Unit Capacity – Existing Housing Units

Step 8.3. Address Pipeline Development

After Net Housing Unit Capacity is calculated for each zone, adjust for pipeline development that was set aside in Step 1. Development projects approved after the January 1, 2020 cutoff date, final platted lots without building permits, and approved master planned or phased development should be included. Calculate pipeline housing units for each zone as follows:

- **Final platted lots:** 1 single-family unit per lot;

- **Finalized land use permits or development proposals:** Total proposed housing unit count as approved by permit; and

- **Approved master planned or phased development:** If the property was set aside as "Pipeline" in

Step 1 and assigned an approved density level, calculate unit yield based on property acreage and approved density.

After calculating Pipeline units by zone, add them back into Net Housing Unit Capacity by zone.

Step 8.4. Address Capacity for Accessory Dwelling Units (ADU's) for Additional Urban Housing Capacity (Optional)

Accessory Dwelling Units (ADU's) offer the potential for additional housing capacity on **developed** single-family lots. Each jurisdiction may develop assumptions or analysis to determine the capacity for new ADUs that could reasonably be expected based on development regulations, permitting trends, and local market conditions. These assumptions should include a relatively high market factor to account for homeowners that would not choose to add an ADU. Any additional capacity factors for ADU's should **not** be applied to the "LCA_Platted_Lots" dataset. The potential for additional ADU development on Partially Utilized and Under-Utilized properties is already considered as part of the net acreage calculations in Step 7.

Maintain ADU capacity as a separate line-item from Net Housing Unit Capacity for each zone.

Step 9: Apply Average Household Size to Calculate Population Capacity

The final step of the Residential LCA is the calculation of population capacity based on Net Housing Unit Capacity by zone calculated in Step 8.

Step 9.1. Consolidate Land Supply Datasets

Consolidate the Net Housing Capacity tables for the three separate land supply datasets ("LCA_Platted_Lots," "LCA_InfraGap_Parcels," and "LCA_Standard_Parcels") into a single table and calculate total net housing capacity by zone.

Step 9.2. Calculate Population Capacity by Zone

For each zone in the consolidated table, calculate population capacity as follows:

- Apply a 5% discount to Net Housing Unit Capacity to reflect estimated vacancy rate.

- After applying vacancy discount, multiply the housing unit capacity by the assumed household size. Exhibit 13 provides average household size assumptions to use in each city and unincorporated UGA. Apply the single-family household size to capacity in zones assumed to be predominantly single-family homes. Apply the multifamily household size assumption to capacity in zones assumed to be predominantly multifamily homes.[3]

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[3] Average household size varies across Kitsap County. And it also varies between single family and multifamily housing. Exhibit 13 uses the best available data from the Census to provide reasonable assumptions by jurisdiction and unincorporated UGA.

Exhibit 13. Average Household Assumptions by Jurisdiction and UGA

Jurisdiction/UGA	Single Family Household Size	Multifamily Household Size
City of Bainbridge Island	2.45	2.22
City of Bremerton	2.33	2.13
City of Port Orchard	2.64	2.42
City of Poulsbo	2.51	2.07
Bremerton - Unincorporated UGA	2.33	2.13
Central Kitsap - Unincorporated UGA	2.56	2.31
Kingston - Unincorporated UGA	2.36	1.8
Port Orchard - Unincorporated UGA	2.76	2.11
Poulsbo - Unincorporated UGA	2.51	2.07
Silverdale - Unincorporated UGA	2.77	2.12

Note: The Census does not publish average household size by housing type. Therefore, average ownership household size is used as a proxy for single family and average renter household size is used as a proxy for multifamily. For unincorporated UGAs, household sizes are based on the best matching Census Defined Place, which may be the neighboring city. For Central Kitsap the county averages are used.

Source: U.S. Census American Community Survey 5-Yr Estimates, 2015-2019; BERK, 2021.

- Calculate population capacity for ADU's. For each zone, apply a 5% vacancy discount to ADU capacity, and then multiply by the latest renter household size reported by the ACS.

- Summarize total population capacity by zone.

Kitsap County Land Capacity Analysis Market Factor Guidance

WORKING DRAFT March 10, 2021

Table of Contents

Market Factor Guidance Approach and Methodology

Intro and Purpose

The Market Factor, also known as the Market Supply Factor, is a final adjustment to the buildable land supply that follows other deductions that account for critical areas, infrastructure gaps, right-of-way, and future public facilities. It accounts for the percentage of buildable land that is unavailable or infeasible to develop during the 20-year planning period. Historically, it has been used as a proxy to account for landowner preferences and unwillingness to sell, with various methodologies and approaches employed to develop and inform the assumption. As stated in the Department of Commerce's 2018 Buildable Lands Guidelines:

Over a 20-year planning period, not all land will be available for development or redevelopment, no matter how suitable. One key constraint on property availability is market availability, or whether land will transact for purpose of development or redevelopment. Owners of property that could be developed or redeveloped may have no interest in selling or developing over an extended period of time for any number of reasons.

E2SSB-5254 introduced new language regarding the overall buildable lands reporting requirements including new recommendations related to Market Factor assumptions. As part of Kitsap County's 2020/2021 updated Land Capacity Analysis the County is seeking guidance on development of Market Factor assumptions for municipalities and Urban Growth Areas (UGA) across the County.

Definition of Market Factor

Department of Commerce Guidelines. Several definitions of Market Factor are discussed in the Department of Commerce's 2018 Guidance Publication (see *Buildable Lands Guidelines, 2018).* Included are several references to the Revised Code of Washington (RCW) as well as the Washington Administrator Code (WAC). Overall, the guidelines describe Market Factor as:

Market Supply Factor is the estimated percentage of developable land contained within an urban growth area that is likely to remain unavailable over the course of a 20-year planning period and is,

in practice, the final non-developable land deduction when calculating lands suitable for development and redevelopment.

Process Overview

The following is an overview of the process utilized to develop Market Factor guidance for Kitsap County.

- Review Commerce guidance and past studies/methodologies
- Explore and evaluate potential methodologies, data sources and implementation frameworks
- Develop a framework for each City to evaluate and select a Market Factor assumption
- Recommended Market Factors for application across Kitsap County
- Create a "menu" of options organized by geography and product typologies
- Provide additional discussion and recommendations related to specific conditions that may impact the Market Factor assumption

Objectives

- Provide an improved framework and methodology for determining and applying a Market Factor
- Better reflect market realities present across the County
- Facilitate a clear process and resource for Cities to leverage

Market Factor Guidance Approach and Methodology

Approach to market factor in Kitsap County

- Analyze development patterns over the last 20 years by market area/jurisdiction and product type

  - What was delivered over the last 20 years by product type?
  - How do historical rates of deliveries align with capacity *historically* planned in the area?
  - Leverage this data to inform market factor recommendations

- Provide recommendations for determining market factor based on:

  - Product type, jurisdiction type, market conditions
  - Historical assumptions
  - Other known market constraints

Why use this approach?

- To inform a market factor assumption, we're using historic product delivery and projected capacity for that product to derive a more realistic market factor assumption

- Historic deliveries by product type data is the best proxy for the nexus of real estate market conditions, willingness to sell and other factors that limit the development of land

- *Using this approach Market Factor assumptions can account for inefficiencies in the delivery of housing and commercial square footage and lack of availability of land*

Market Factor Guidance Approach and Methodology

Methodology Overview

A: Establish the Market Factor Indicator through analysis of historical deliveries and the planned capacity for the coming twenty-year planning period.

Measurements: 5-year avg. deliveries
Cities' Planned capacity

Regional
Geographies: Kitsap County Cities and UGAS, PSRC Regional Geographies classifications.

Data Sources: - County Parcel Data
          - 2014 Kitsap BLR Data
          - 2016 Comp Plan Update
          - PSRC Regional Geographies

Output: Market factor indicators informing recommended ranges for all geographies and product   types

Process :

- Assemble and evaluate past deliveries by evaluating the 5-year and 20-year average deliveries. These are used to project trends into the future.

- Evaluate Capacity Projections (2014 BLR, 2016 Comp Plan)

- Create an indicator by extending the 5-year delivery trend over the 20-year forward planning period and express as a percent of capacity. This gives an indication of what percentage of the planned capacity will be absorbed over the coming years. This indication can also be used to calculate what percentage of capacity does NOT develop over the 20-year planning horizon, which serves in this analysis as an *indicator* for market factor. The values from this analysis informed Market Factor Range recommendations but were not used to directly calculate Market Factors.

B: Establish Market Factor Ranges for select Cities and UGAs

In the next step, cities were sorted into Low/Med/High Market Factor Range, based on the relationship of their Market Factor Indicators for each Product-type.

- Market price data (rents, median house prices) are used to inform how these ranges should be distributed among Market Factor Alignments

     Range Bounds

     - **Lower = 5%** To account for the unmeasurable variables.

     - Upper 50%:
       Adjusting deliveries for projected growth across the County (for both Single Family and Multifamily product), the countywide market indicator aligns with a 50% upper range bound.

     - **Range Segmentation:**
       This analysis separates the ranges into three segments evenly distributed within the upper and lower bounds (low/medium/high).

     - The Market Factors Range bounds used in previous buildable lands analyses (referenced in **Appendix)** also helped inform the upper and lower market factor range bound.

C: Adjustments – Cities can refine and adjust the Market Factor based on local analysis.

- Cities should adjust their Market Factor within the either the range provided OR the range that aligns most closely with their conditions.

- Further discussion of these adjustments is provided in step 6.3 of the Market Factor Guidance Framework

- Additional data are provided in the appendix to aid cities in making adjustments.

Working Draft

Methodology Summary

A: Assign product types to each zone within each geography

B: Establish market indicators for each city and product type

C: Establish Market Factor Ranges for each geography, and product type.

D: Refine and Adjust

A. Select *Geographies* to Assess Market Factor by Product Type and Market Conditions

Product Type

Residential   Commercial   Industrial

Market Conditions
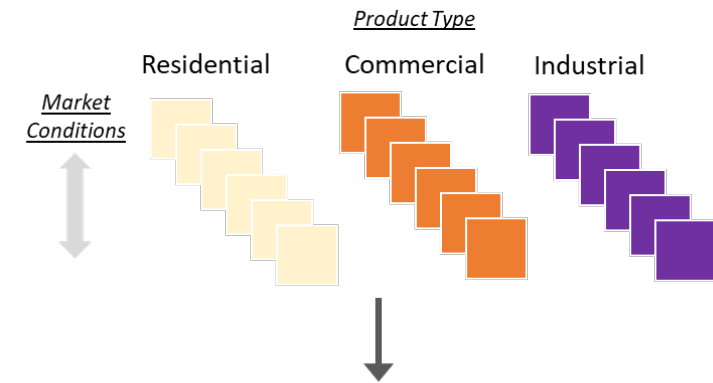
B. Analyze Historic Development Patterns and Historical Market Indicators

Deliveries/ Absorption
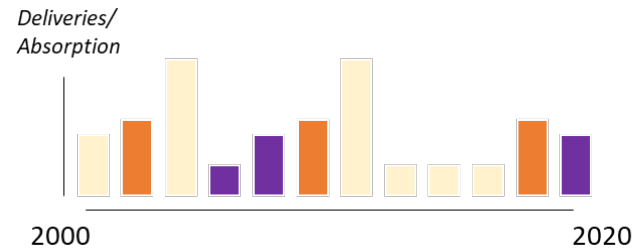
Market Factor % Estimate Market Factor based on % of real estate absorption by product over that time period

2000 ———————— 2020

C. Cities select from a range of market factors organized by product type

Market Factor Guidance by Product Type

Geography	Market Type			
	%			
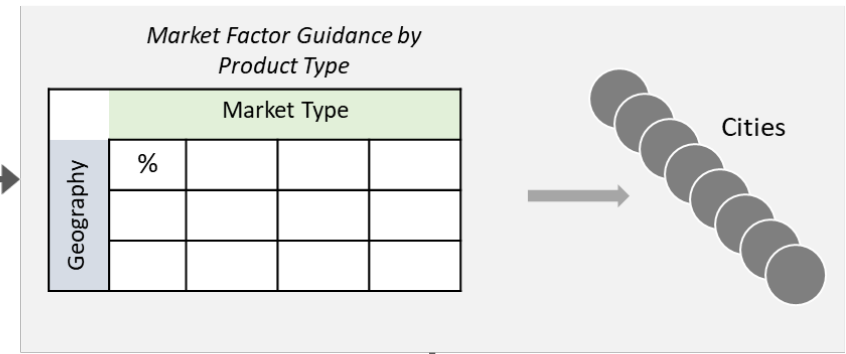
Cities

D. Cities refine and address local conditions through adjustments

PSRC Framework

Below is the PSRC Regional Geographies framework.

Additional geographies under consideration include the existing Regional Growth Centers within Kitsap County:

* Silverdale
* Bremerton
* Bremerton Industrial Center

Regional Geographies (PSRC)			
Metropolitan	**Core Cities**	**High-Capacity Transit Communities**	**Cities and Towns**
Bremerton & Bremerton Urban Growth Area (UGA)	Silverdale	Bainbridge Island	None
		Poulsbo & Poulsbo UGA	
		Kingston	
		Port Orchard & Port Orchard UGA	
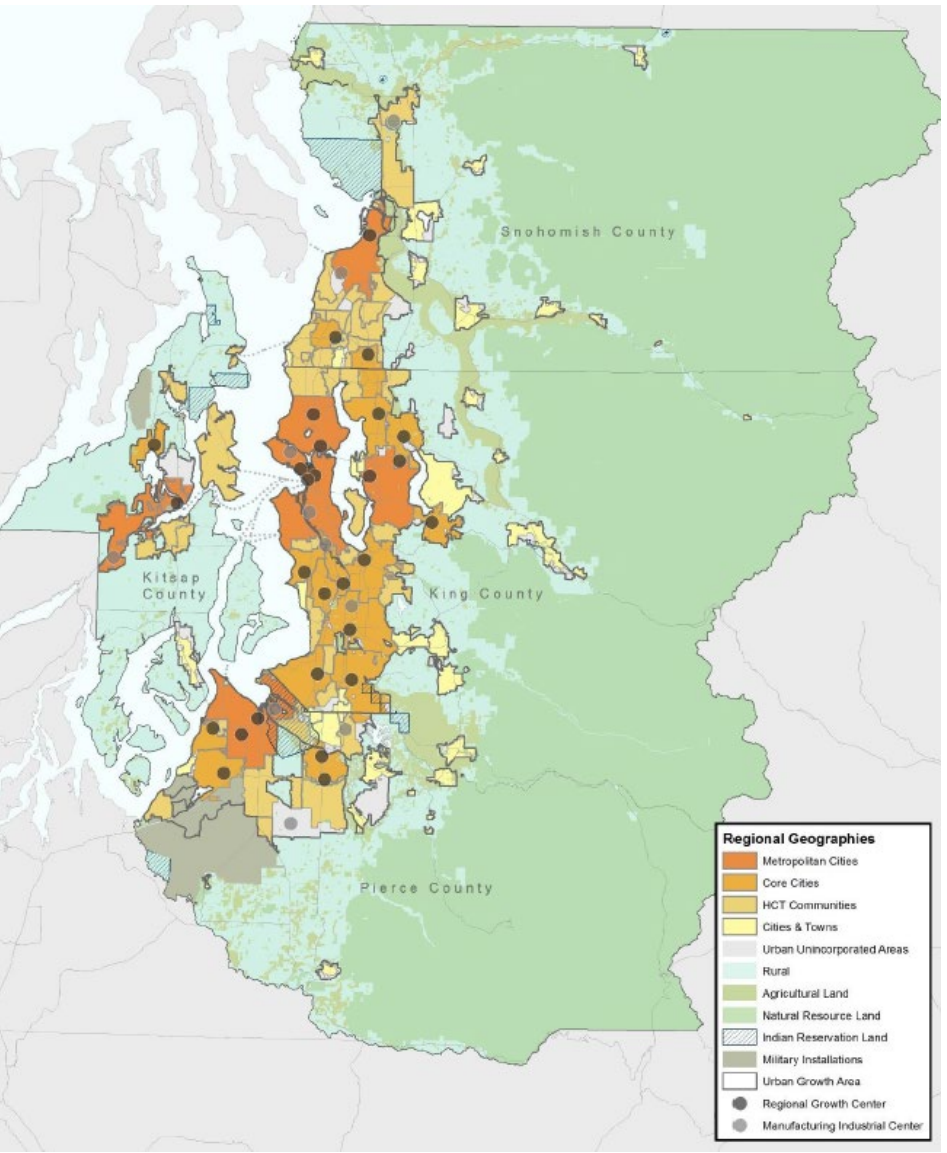
Framework Overview

The following provides an overview of the Market Factor guidance framework developed for Kitsap County. There are four district steps defined within the framework outlined below.

Additional details and data are provided on the subsequent pages detailing each step.

Step	Explanation of step
Step 6.1 Identify Zoning by Predominant Product-Type	Identify the predominant product type in each zone of the City/UGA where capacity exists
Step 6.2 Select from Market Factor Ranges	For each product type select a Market Factor Range to apply to the capacity analysis
Step 6.3 Adjustments	Adjust selected assumption based on known conditions

Step 6.1 –

Assign the applicable product type to each zone based upon the anticipated predominant uses in the corresponding zone.

The product-type assigned to each zone should represent the predominant building typology and use that is likely to occur. This can be based on past buildout within a given zone OR the product type envisioned and supported by the zoning regulations and requirements.

Identify Zoning

Identify Product Type

Residential
Single Family
Multifamily/Mixed Residential
Non-Residential
Industrial
Commercial (non industrial)

Classify

Zoning	Mixed use (y/n)	Land Use	Product Type	Mkt Factor
R1	N	SF	Single Family	
R4	N	SF	Single Family	
R6	N	SF	Single Family	
R12	N	MF	Single Family	
R18	N	MF	Multifamily	
R24	N	MF	Multifamily	
R48	N	MF	Multifamily	
(MHC)	N		Single Family	
NB	Y	MU	Mixed Res	
CB	Y	MU	Mixed Res	
DR	Y	MU	Mixed Res	
DC	Y	MU	Mixed Res	
UC	Y	MU	Mixed Res	
WC	Y	MU	Mixed Res	
RB	Y	MU	Mixed Res	
		TOTALS		

Market Factor Guidance FRAMEWORK

Step 6.1 –

Jurisdictions can refence the table to the right to assist in selecting product-type categories.

Product-type	Description/Application	Illustrative Examples
Residential		
Single Family	All areas where single family residential product inclusive of any of the following listed as the predominant use: detached, duplex, tri-plex four plex or townhouse plat.	Detached single family homes and subdivisions, attached townhomes and duplexes
Multifamily/Mixed Residential	All areas where multilevel stacked residential product in the form of rental housing or condominium ownership is the predominant permitted use. Inclusive of high density multifamily and mixed use developments.	Stacked flat apartment buildings, garden style apartment complexes, mid rise multifamily podium projects, mid rise multifamily podium projects with ground floor commercial uses, residential high rise, residential condominium projects
Non-Residential		
Industrial	Industrial facilities inclusive of manufacturing, warehousing, distribution and light industrial and facilities	Heavy industrial and manufacturing, warehousing and logistics development, light industrial and flex industrial facilities
Commercial (non-industrial)	Inclusive of all nonindustrial commercial uses. Appropriate to apply in mixed use areas where the commercial use is the predominant use inclusive of instances where mixed residential is allowed but commercial component is primary.	Retail and office development (stand alone of mixed) Commercial components of residential mixed-use products

Market Factor Guidance FRAMEWORK

Step 6.2 –

The following table contains Market Factor Range Recommendations for all combinations of Regional Geographies, and product-types. Starting with the middle of the selected range, given in the table to the right. In step 6.3, a city can provide justification to adjust within this range, or select a more appropriate range.

Range Bounds
- **Lower: 5%**
  To account for the unmeasurable variables.
- **Upper 50%:**
  Upper bound for potential market factors.
- **Range Segmentation**:
  This analysis separates the ranges into three segments evenly distributed within the upper and lower bounds (low/medium/high).

Market Factor Range Guidance

5%	20%	35%	50%
Low	**Medium**	**High**	
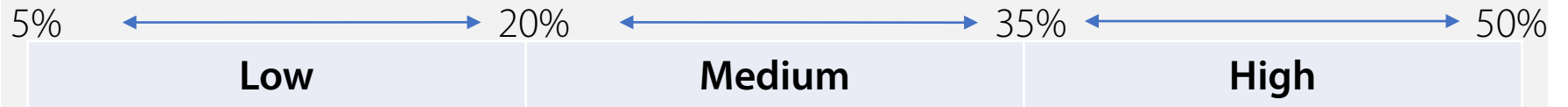
Table – Market Factor Suggested Ranges by Product-Type

Geographies		Product Typology			
		Residential		Non-Residential	
Market Factor Range		Multifamily/ Mixed-Res	Single Family	Commercial (Office/Retail/Mixed)	Industrial
Bremerton	City, UGAs	Medium (20% - 35%)	High (35% - 50%)	TBD	TBD
Bainbridge	City	Low (5% - 20%)	Low (5% - 20%)	TBD	TBD
Central Kitsap	UGA	High (35% - 50%)	Medium (20% - 35%)	TBD	TBD
Silverdale	UGA	Medium (20% - 35%)	Medium (20% - 35%)	TBD	TBD
Kingston	UGA	High (35% - 50%)	Medium (20% - 35%)	TBD	TBD
Port Orchard	City, UGAs	High (35% - 50%)	Medium (20% - 35%)	TBD	TBD
Poulsbo	City, UTA	Low (5% - 20%)	Low (5% - 20%)	TBD	TBD

Market Factor Guidance FRAMEWORK

Step 6.3 –

The final step provides a framework for selecting a Market Factor from within the range selected in Step 3.

Specific conditions are discussed that would influence future development and impact the Market Factor value assumed by a given City.

Range from
Step 6.2
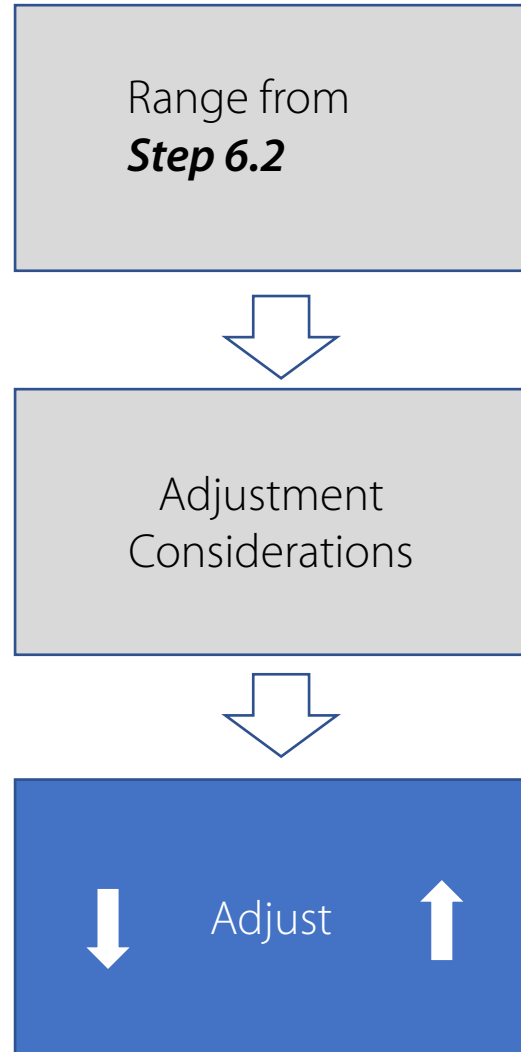
Adjustment Considerations

Adjust

- Vacant versus underutilized lands
- Market conditions
- Single family uses in recently up-zoned areas
- Restrictive Covenants in planned communities
- Parcel size and assemblage challenges
- Transit accessibility
- Infrastructure limitations
- Areas designated as Growth Centers

Step 6.3 –

Overview

Step 6.3 provides a framework for selecting a Market Factor from within the range selected in Step 6.2. Specific conditions are discussed that would influence future development and impact the Market Factor value assumed by a given City or UGA.

Each city should carefully consider these conditions and how they might impact their assumptions related to Market Factor. The conditions discussed do not represent all the potential conditions and issues that Market Factor may address. The County and Cities should adjust within the given ranges or deviate from them altogether to account for known conditions that impact the development of and availability of land in a given geography. The tables on the following pages provides more detailed descriptions of these conditions and how adjustments should be considered.

- Vacant versus underutilized lands

- Market Trends

- Single family uses in recently up-zoned areas

- Restrictive Covenants in planned communities

- Parcel size and assemblage challenges

- Transit accessibility

- Infrastructure limitations

- Areas designated as Growth Centers

Selecting Within The Range Based on Market Conditions:

A range for each product-type by each Regional Geography is provided in Step 6.2. In order to select within this range, each city (or UGA) must review their specific attributes, assumptions and market conditions and consider whether a higher or lower Market Factor is appropriate for that given product type (and therefore, applicable zone within the City or UGA). It is important to note that additional factors may need to be considered to account for unique circumstances influencing the market availability of land in any given jurisdiction.

Documentation of Market Factor Assumptions

It is recommended for cities and jurisdictions to document the elements influencing the upward or downward adjustments on market factor.

[Documentation Worksheet forthcoming]

Market Factor Guidance: Framework

Condition	Explanation	Recommendation on Market Factor Adjustment	
		Select a lower value from the range if:	*Select a higher value from the range if:*
Assumption for Vacant versus Partially Utilized or Underutilized Lands			
Where a City has a mix of vacant and **Partially Utilized or Underutilized Lands** as part of their capacity and it is appropriate to differentiate the Market Factor assumption for vacant and Underutilized lands.	Consider the overall ratio of vacant land versus underutilized land and the condition of said lands. For example, if >50% of capacity is on vacant land, consider adjusting Market Factor downward on **Vacant land and Partially Utilized lands** and upward on **underutilized land**. The relative location of vacant and underutilized lands is also an important consideration. Where underutilized lands are located near or adjacent to important infrastructure and amenities, the need to differentiate between the two is less pronounced.	For Vacant lands and Partially Utilized Lands, select a value that is lower within the given range (or outside the low end of the range if deemed appropriate) when the supply of vacant lands represents a significant portion of overall capacity for a given product and the location and relative attributes of said supply do not represent barriers to redevelopment	For Underutilized Lands, select a higher value in the Market Factor range if conditions are known that may limit or impact the turnover and availability of land with an existing use and improvements.
Market Trends			
Where recent real estate market trends for a given product type indicate more or less challenging conditions for development in the next 20 years.	If trends indicate growth in demand for a given product, consider a downward adjustment on market factor to reflect this demand. Such indicators include growth in pricing/lease rates or and decreases Alternatively, if the market data for a given product indicates more difficult market conditions in terms of ranking amongst jurisdictions, consider selection of a higher market factor within the given range.	Market indicators suggest and overall ranking within the market amongst peer cities indicates that a lower market factor would be appropriate.	Market indicators suggest a downward trends in overall demand or overall rankings amongst peer cities suggest that a higher market factor may be appropriate.

Market Factor Guidance: Framework

Condition	Explanation	Recommendation on Market Factor Adjustment	
		Select a lower value from the range if:	*Select a higher value from the range if:*
Single Family Up-zoned Areas			
Where significant capacity for higher density single family or multifamily/ mixed-use housing is assumed on existing single family uses	Where capacity exists on lands that currently support single family uses but greater densities are permitted, many cities have cited concern regarding how such areas will redevelop and if a specific Market Factor adjustment should be leveraged. The Cities of Shoreline and SeaTac serve as examples where single family areas were up-zoned around planned or completed transit facilities. The turnover and development of single family areas in these cities is captured in through the analysis of historical deliveries data and may be leveraged for reference or comparison on a county wide scale. Important indicators to consider when adjusting for such a condition include: - Whether home prices are below, on par or above median prices in the region - The age and quality of the housing stock - Recent transaction activity - Recent permitting activity	The conditions of the capacity lands with single family uses reflect the following conditions: - Home prices at or below median prices for the area - The housing stock is aging - There is a higher rate of recent transactions reflecting interest from developers	The conditions of the capacity lands with single family uses reflect the following conditions: - Home prices are above median prices for the area representing a potential market barrier to redevelopment - The housing stock includes recently constructed or updated structures - Recent transactions reflect value-in use (meaning the highest and best use of the property is still considered the single family residence)
Restrictive Covenants in Planned Communities			
Where restrictive home- owner association or other similar covenants may limit the redevelopment at a higher intensity/use	In some cases, areas that have been rezoned or up-zoned are still subject to restrictive covenants that run with the land and limit how development may occur. This is most likely to exist in existing single family neighborhoods but may also pose a challenge in business parks and other similar commercial districts.	If restrictive covenants are not known to exist or would have a limited impact on redevelopment in the future.	If restrictive covenants are known and would need to be removed/eliminated in order for redevelopment per new zoning allowances to occur (at a higher intensity).

Market Factor Guidance: Framework

Condition	Explanation	Recommendation on Market Factor Adjustment	
		Select a lower value from the range if:	*Select a higher value from the range if:*
Fragmented Ownership and Parcel Size			
Where capacity in a given neighborhood or zone is fragmented and generally consists of smaller parcels (less than ..25 acres for multifamily site for example)	Where capacity for a given product type occurs on largely fragmented or non-contiguous parcels and parcel sizes are generally smaller in size, a higher market factor may be considered. Such conditions may limit options for parcel assemblage in the future and result in less land being redeveloped in the future.	Vacant and/or underutilized lands consist of a mix of contiguous and non-contiguous properties and parcel sizes do not appear to represent a challenge to development in the future	Conditions are observed that reflect an abundance of capacity on smaller, non contiguous properties in a given zone or neighborhood
Access to Transit			
Where planned or recently completed transit facilities may impact develop feasibility in the surrounding neighborhood/zone.	Planned infrastructure like Bus Rapid Transit, Light Rail and other major transportation improvement that improve access and mobility can greatly improve development feasibility and owner willingness to sell/redevelopment land. Market Factor assumptions should reflect where such improvements either exist or are planned in the future (within an impacted area such as a ¼ mile walk shed).	A significant transportation infrastructure investment is completed or planned that will greatly improve transit access in a given zone or neighborhood.	NA

Market Factor Guidance: Framework

Documentation of Market Factor Assumptions **[In Progress]**

Condition	Conditions/Explanation	Recommendation on Market Factor Adjustment
Vacant vs. Underutilized		
Market Trends		
Single family uses in recently up-zoned areas		
Restrictive Covenants in planned communities		
Parcel size and assemblage challenges		
Transit Accessibility		
Infrastructure Limitations		
Areas Designated As Growth Centers		

Appendix

Kitsap County Market Factor Guidance

Working Draft

Market Factor Guidance FRAMEWORK

Market Factor Range Indicators

What we analyzed:

1. Projected Capacity
   - By Residential Product type
   - By UGA/City
2. 2000-2019 Historical Deliveries
   - By Product Type
3. Market Pricing Trends
   - Growth Trends to Pricing by product type

Geographies:

1. Bainbridge Island
2. Bremerton
3. Kingston
4. **Central Kitsap**
5. Port Orchard
6. Poulsbo
7. Silverdale
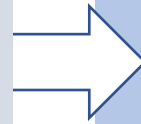
Market Factor Range Indicator:

The application of a historic rate of delivery to the estimated capacity from the 2014 BLR and the 2016 Comprehensive plan update over an assumed twenty-year planning period, can serve to *indicate* the amount of capacity (in dwelling units) that may or may not be absorbed over this period.

Data Sources:

Capacity:
- 2014 BLR
- 2016 Comp Plan Update

Deliveries:
- Kitsap County Assessor Data

Other Delivery Data Considerations:
- *OFM – Not sufficient coverage and lack of Geographical boundaries*
- *Costar – Not ideal for single family product*
- *Permit Data – Not ready, geographic boundary alignment challenges, timing of delivery*

Market Data
- Redfin - Single Family Housing Prices
- Costar – Multifamily and Commercial Market data
- Washington Center for Real Estate Research

Market Factor Guidance FRAMEWORK

How the Market Factor Range Indicators can be used:

- **Market Factor indicator:** Hypothetical % of units that would not develop based on historic delivery rate and 20-year projected capacity

- Indicates the balance of a jurisdiction's demonstrated market deliveries for a given product-type and the projected capacity a jurisdiction has proposed.

- Used to establish an overall range of market factors to be leveraged by product type

- Used along with market pricing data to assign a market factor range to a given geography (low, medium or high range)

Market Factor Indicator Summary – *Multifamily/Mixed-use*

City/Jurisdiction	Product Type	Projected Capacity* - Units	2015-2019 Average Annual Deliveries	Market Factor Indicator	Current Average Pricing – Average Rent Per unit	Average Price* Growth Y/Y (2013-2020)
Bainbridge	Multifamily	339	29	0%	$2,187	3.5%
Bremerton	Multifamily	3,589	48	73%	$1,343	4.8%
Central Kitsap	Multifamily	1,297	8	87%	$1,422	5.5%
Kingston	Multifamily	251	0	100%	NA	2.4%
Port Orchard	Multifamily	1,562	8	90%	$1,344	5.1%
Poulsbo	Multifamily	0	36	0%	$1,620	6.1%
Silverdale	Multifamily	1,548	54	30%	$1,596	5.9%
SUBTOTAL		*8,586*	*183*	*57%*		

Capacity is taken from the 2014 BLR and the 2016 Comp Plan Update

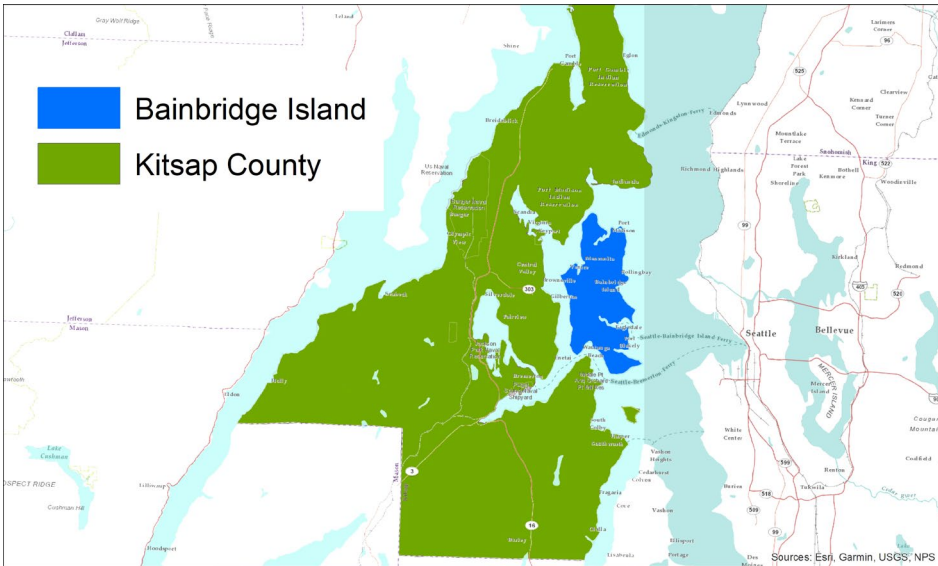*Sources: Kitsap BLR 2014 and 2016 Comp plan Update, Kitsap County Assessor, Costar*

Market Factor Range Recommendations – *Multifamily/Mixed-use*

	Recommendation	Supporting Observations
Bainbridge	Low	The delivery rate with low projected capacity suggests a **low** market factor range. High pricing provides further support for this suggested low range.
Bremerton	Medium	The projected capacity puts upward pressure on the market factor indicator, however a high delivery rate combined modest MF rent growth would suggest a **medium** market factor range.
Central Kitsap	High	Significant projected capacity and a low delivery rate support the recommendation for a **high** market factor range.
Kingston	High	Low projected capacity could be absorbed quickly should a couple projects develop. Low rent growth suggests market conditions would need to change to achieve a higher delivery rate, therefore recommending a **high** market factor range.
Port Orchard	High	The large amount of projected capacity and low delivery rate represent a high market factor indicator therefore recommending a **high** market factor range. However, the high rent growth could indicate a shift in market conditions.
Poulsbo	Low	No projected capacity for multifamily product types, however demonstrated deliveries, high rents, and the strongest rent growth observed would all support a **low** market factor range for any multifamily capacity projected.
Silverdale	Medium	The market factor indicator would point to a **medium** market factor range. However, market conditions, including the highest delivery rate, high face rents and rent growth may support selecting the lower range.

Market Factor Indicator Summary – *Single Family*

City/Jurisdiction	Product Type	Projected Capacity* - Units	2015-2019 Average Annual Deliveries	MKF Indicator	Current Average Pricing -Median PriceY/Y	Average Price* Growth (2013-2020)
Bainbridge	Single Family	2,496	106	15%	$904,000	9.0%
Bremerton	Single Family	13,193	138	79%	$361,000	9.4%
Central Kitsap	Single Family	1,406	34	52%	$389,000	10.6%
Kingston	Single Family	900	19	57%	$515,000	9.0%
Port Orchard	Single Family	6,609	119	64%	$396,000	8.1%
Poulsbo	Single Family	2,329	105	10%	$480,000	7.0%
Silverdale	Single Family	2,201	37	67%	$443,000	6.3%
SUBTOTAL		29,134	557	62%		

*Capacity is taken from the 2014 BLR and the 2016 Comp Plan Update

Sources: Kitsap BLR 2014 and 2016 Comp plan Update, Kitsap County Assessor, Redfin, NWMLS.

Market Factor Range Recommendations – *Single Family*

	Recommendation	Supporting Observations
Bainbridge	Low	Low projected capacity and a high delivery rate suggest the **low** market factor range. Market pricing data provides additional support for this recommendation.
Bremerton	High	While having the highest delivery rate, the large amount of capacity suggests the **high** market factor range. The average Y/Y price growth could indicate a change in market conditions, potentially supporting a lower range.
Central Kitsap	Medium	Modest projected capacity with modest deliveries. The delivery rate is proportionally higher compared to neighboring jurisdictions, and the market factor indicator suggests a **medium** market factor range.
Kingston	Medium	Low projected capacity, but a proportionate delivery rate suggests a **medium** market factor range. The high median price and the strong price growth support the recommendation for the Medium market factor range.
Port Orchard	Medium	The strong delivery rate compared to neighboring jurisdictions and about half the projected capacity would suggest a **medium** market factor range. Market pricing data aligns with this recommendation.
Poulsbo	Low	Less projected capacity, but strong delivery rate when compared to neighboring jurisdictions. The median price and the price growth indicate that market conditions are favorable and support a **low** market factor range.
Silverdale	Medium	Modest projected capacity and a modest delivery rate, these combined with the median pricing and the lowest average price growth would suggest a **medium** market factor range is recommended.

Bainbridge Island

Bainbridge Island
Kitsap County

Sources: Esri, Garmin, USGS, NPS

Projected Capacity (2014 BLR)

339
2,496

Multifamily
Single Family

Deliveries Data By Product Type 2010 – 2019

Single Family   Multifamily

CAPACITY

	Projected Capacity (2014)
Multi Family	339
Single Family	2,496

DELIVERIES

	Total deliveries 2000 - 2019	Avg. Annual Deliveries 2015-2019
Multi Family	273	29
Single Family	2,298	106

PRICE

	Price Growth
Multi Family	3.5% average y/y 2013-2020
Single Family	9.0% average y/y 2013-2020

Bremerton

Sources: Esri, Garmin, USGS, NPS

Projected Capacity (2014 BLR)

- 3,589 Multifamily
- 13,193 Single Family

Deliveries Data By Product Type 2010 – 2019
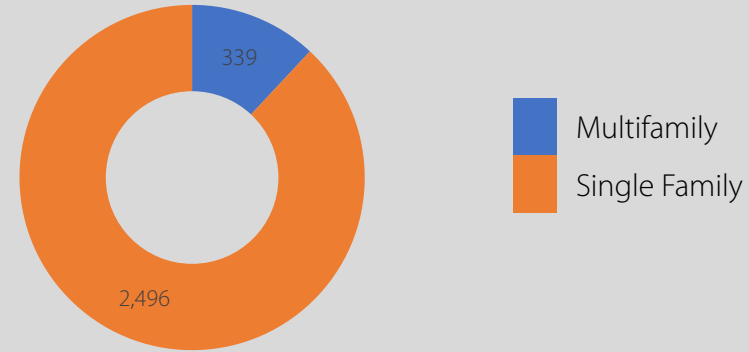
Single Family · Multifamily
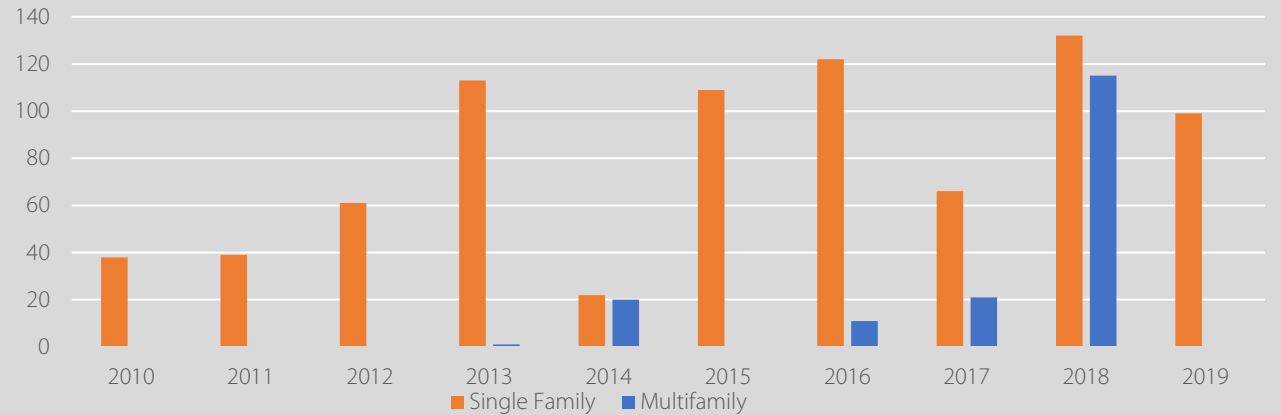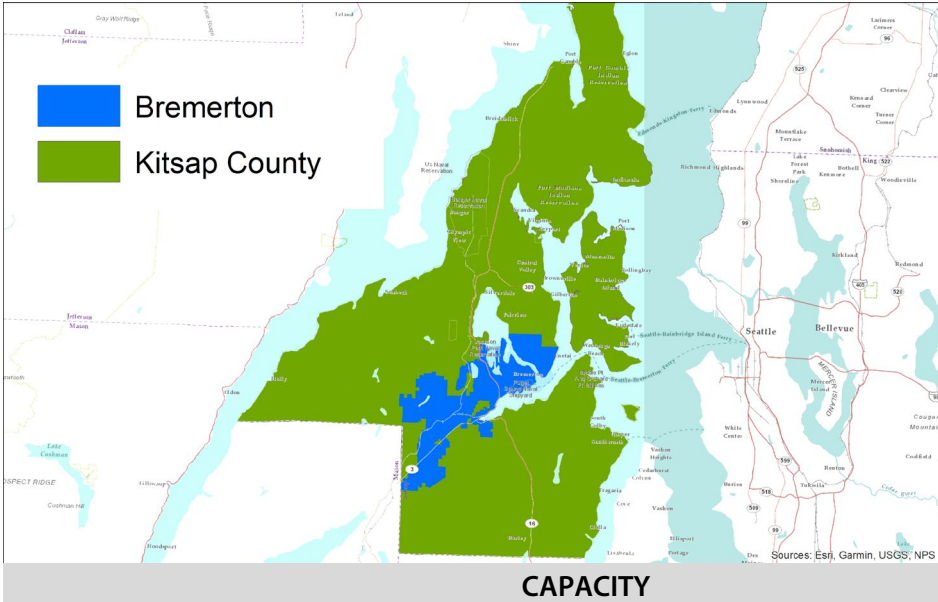
CAPACITY

	Projected Capacity (2014)
Multi Family	3,589
Single Family	13,193

DELIVERIES

	Total deliveries 2000 - 2019	Avg. Annual Deliveries 2015-2019
Multi Family	568	48
Single Family	1,814	138

PRICE

	Price Growth
Multi Family	4.8% average y/y 2013-2020
Single Family	9.4% average y/y 2013-2020

Central Kitsap UGA

Sources: Esri, USGS, NOAA

Central Kitsap
Kitsap County

Projected Capacity (2014 BLR)

251
900

- Multifamily
- Single Family

Deliveries Data By Product Type 2010 – 2019

- Single Family
- Multifamily
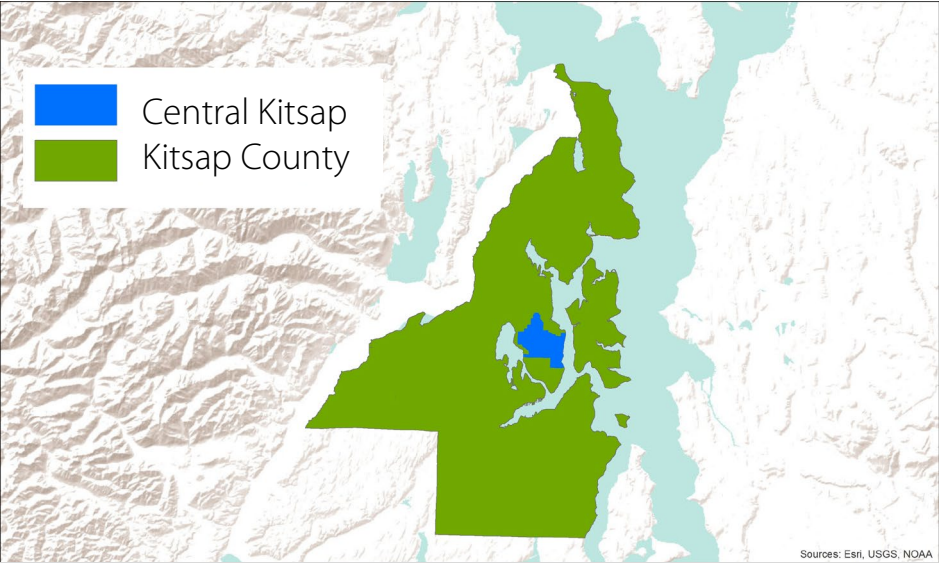
CAPACITY

	Projected Capacity (2016)
Multi Family	1,297
Single Family	1,406

DELIVERIES

	Total deliveries 2000 - 2019	Avg. Annual Deliveries 2015-2019
Multi Family	224	8
Single Family	1,324	34

PRICE

	Price Growth
Multi Family	5.5% average y/y 2013-2020
Single Family	7.9% average y/y 2013-2020

Kingston

Projected Capacity (2014 BLR)

Multifamily: 251
Single Family: 900

CAPACITY

Projected Capacity (2016)

Multi Family	251
Single Family	900

DELIVERIES

	Total deliveries 2000 - 2019	Avg. Annual Deliveries 2015-2019
Multi Family	88	0
Single Family	262	19

PRICE

	Price Growth
Multi Family	2.4% average y/y 2013-2020
Single Family	9.0% average y/y 2013-2020

Deliveries Data By Product Type 2010 – 2019

Port Orchard

Port Orchard
Kitsap County
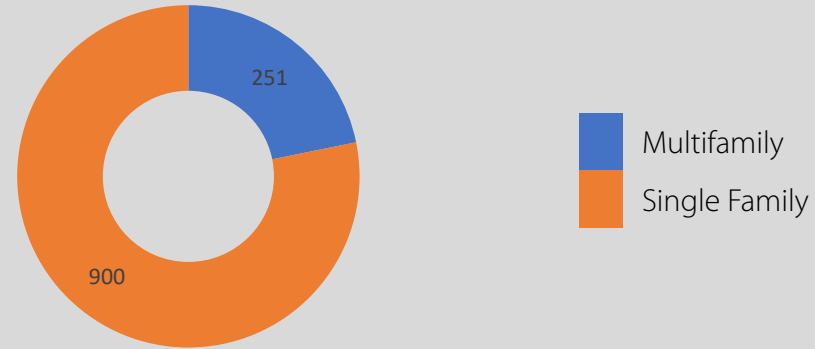
Projected Capacity (2014 BLR)
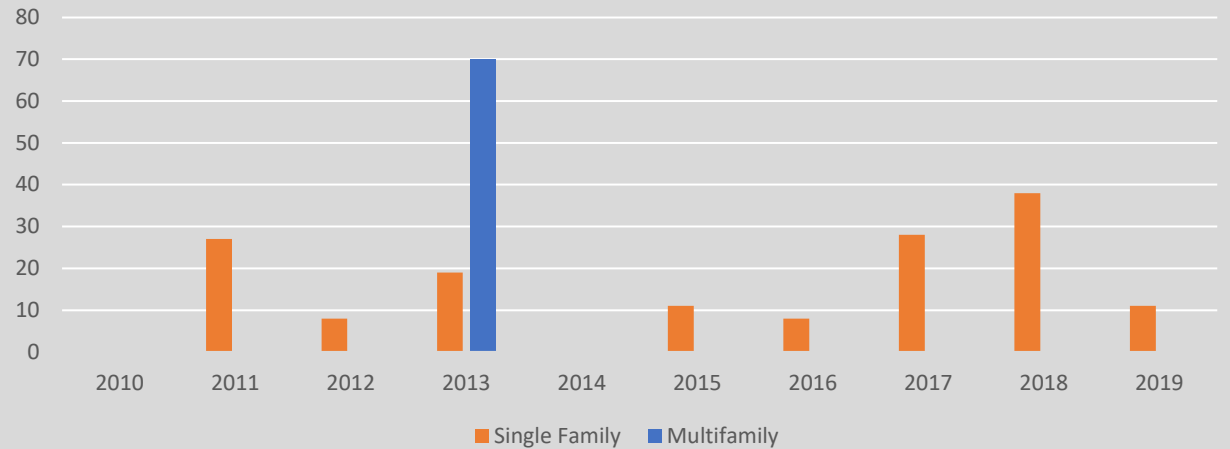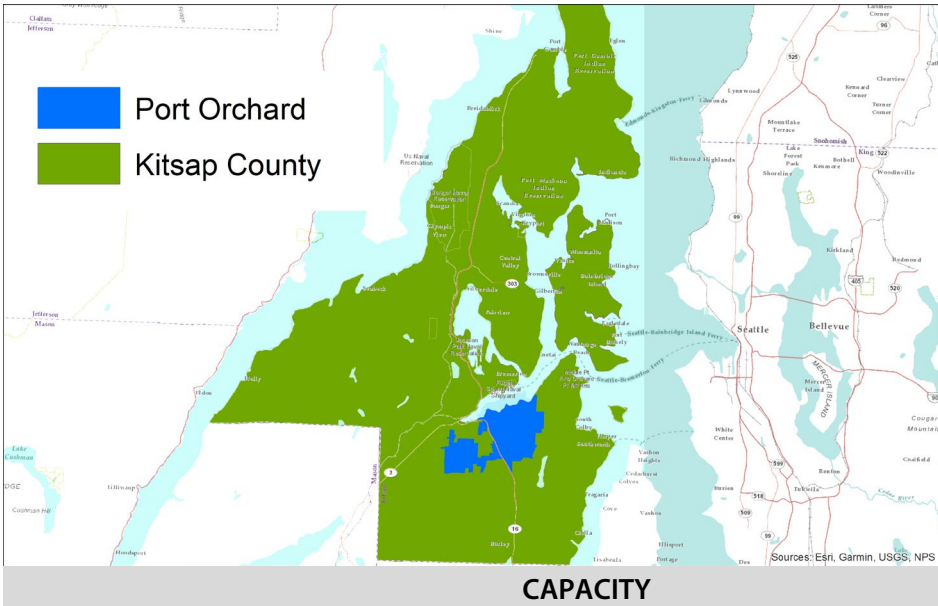
1,562 — Multifamily
6,609 — Single Family

CAPACITY
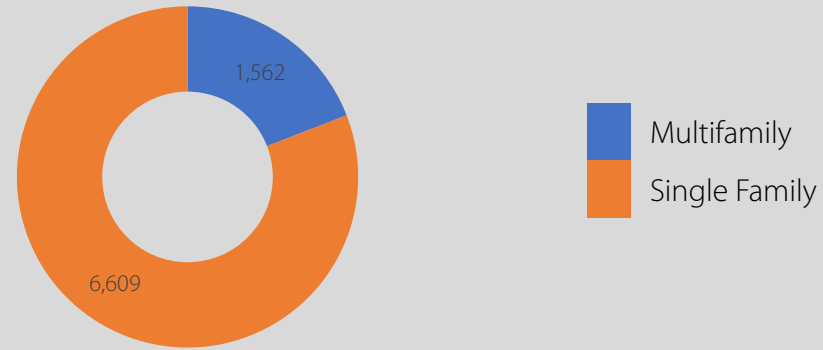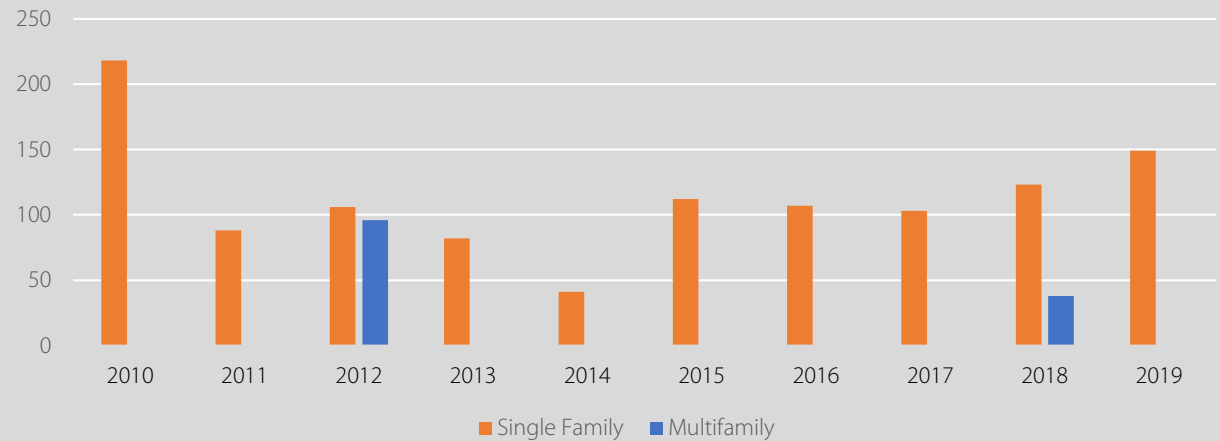
	Projected Capacity (2014)
Multi Family	1,562
Single Family	6,609

DELIVERIES

	Total deliveries 2000 - 2019	Avg. Annual Deliveries 2015-2019
Multi Family	270	8
Single Family	2,636	119

PRICE

	Price Growth
Multi Family	5.1% average y/y 2013-2020
Single Family	8.1% Average y/y 2013-2020

Deliveries Data By Product Type 2010 – 2019

Single Family — Multifamily

Poulsbo
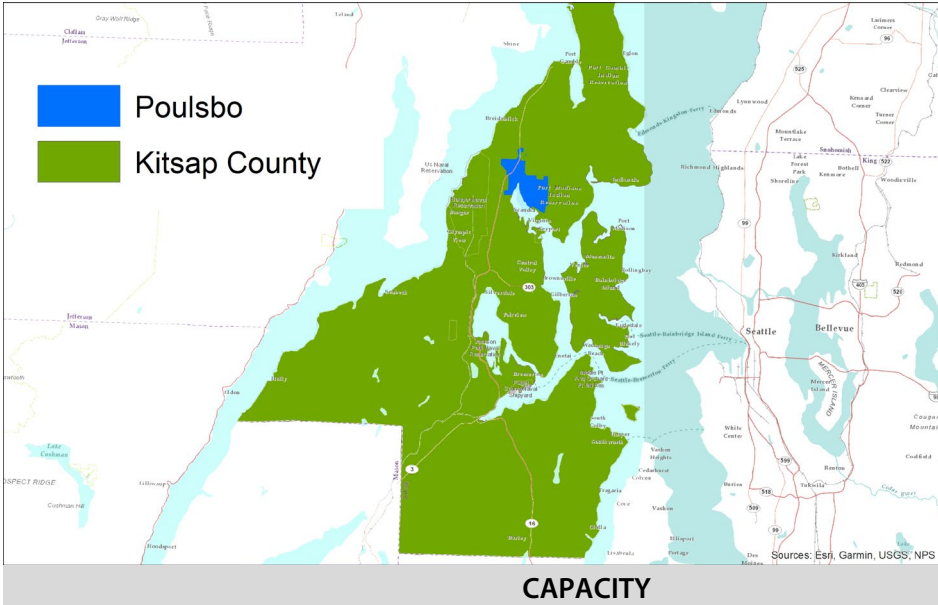
CAPACITY

	Projected Capacity (2014)
Multi Family	0
Single Family	2,329

DELIVERIES

	Total deliveries 2000 - 2019	Avg. Annual Deliveries 2015-2019
Multi Family	206	36
Single Family	1,715	105

PRICE

	Price Growth
Multi Family	6.1% average y/y 2013-2020
Single Family	7.0% average y/y 2013-2020

Projected Capacity (2014 BLR)
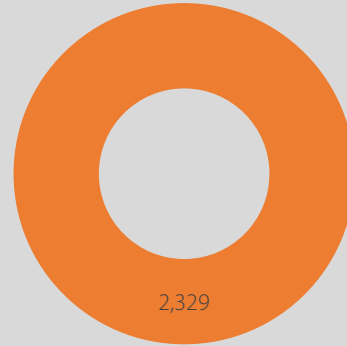
2,329

Multifamily

Single Family

Deliveries Data By Product Type 2010 – 2019

Single Family   Multifamily

Silverdale

Projected Capacity (2014 BLR)

- Multifamily: 1,548
- Single Family: 2,201
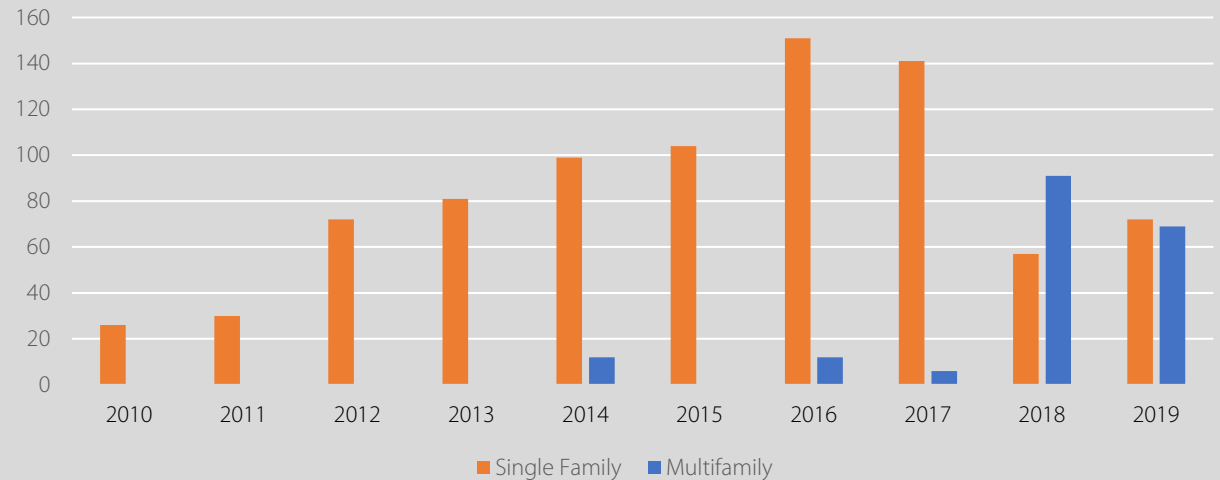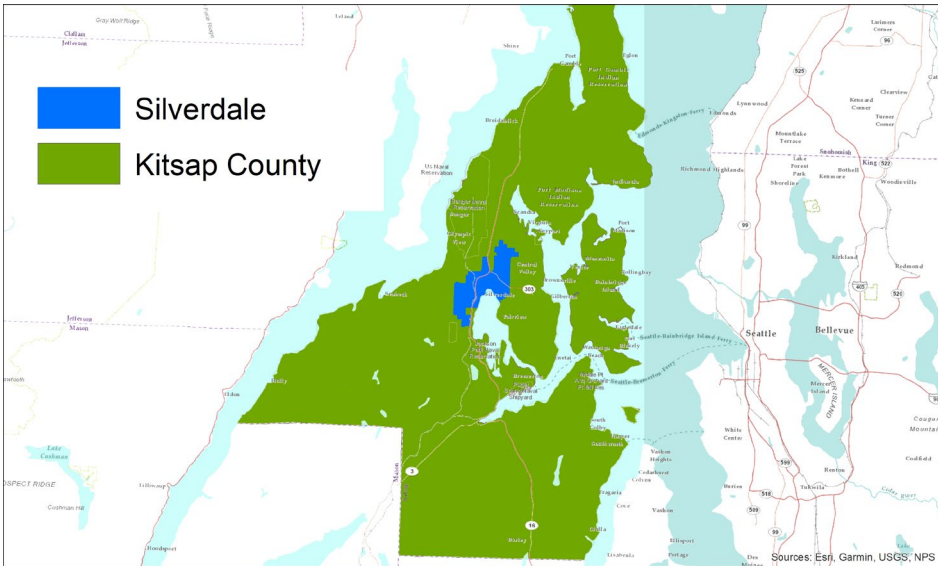
CAPACITY

	Projected Capacity (2014)
Multi Family	1,548
Single Family	2,201

DELIVERIES

	Total deliveries 2000 - 2019	Avg. Annual Deliveries 2015-2019
Multi Family	671	54
Single Family	650	37

PRICE

	Price Growth
Multi Family	5.9% average y/y 2013-2020
Single Family	7.9% average y/y 2013-2020

Deliveries Data By Product Type 2010 – 2019