



# PLANNING AND ECONOMIC DEVELOPMENT

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## MEMO

**To:** City Council and Mayor Erickson  
**From:** Karla Boughton, Director and Nikole Coleman, Associate Planner  
**Subject:** 2018 Commercial Code – City Council Workshop June 6, 2018  
**Date:** May 31, 2018

On March 2, 2018, the Planning and Economic Development (PED) Department released a set of proposed amendments to Chapter 18.80 of the Poulsbo Municipal Code Title 18 – Zoning. The proposed amendments were to the Commercial Code – the section of the code that regulates commercial development in the city.

The Planning Commission, in its role as the City's primary land use advisory committee, reviewed the initial release 2018 Commercial Districts Ordinance Update. The Planning Commission held five workshops on the Update (3/13/18, 3/20/18, 3/27/18, 4/10/18, and 4/24/18), and identified several additional modifications. The Planning Commission held a public hearing on the Draft Commercial Districts Ordinance Update on May 8, 2018 and offered a recommendation of approval with modifications.

At its May 16, 2018 workshop, the City Council raised several questions. This memo was prepared to assist the City Council June 6, 2018 workshop.

### A. LITTLE NORWAY/CONTEMPORARY DESIGN

At the May 16, 2018 workshop, a City Council member asked that staff include language referencing "Little Norway." Little Norway is about the people, the history, and the community events and is difficult to codify. City Council also requested that staff include language restricting the use of contemporary or modern design in the C-1 zoning district. Staff recommends inclusion of the these within the C-1 zoning district propose section:

The following additions are proposed to 18.80.050 (shown in blue):

The C-1 zoning district serves as the center of commercial and social activity within the City of Poulsbo and provides an anchor for the community. Development in downtown Poulsbo shall continue to reinforce and enhance the existing Scandinavian heritage and small-town 'waterfront village' character through site planning, architectural features and elements, streetscape features, landscaping, artwork, lighting, and signage.

Overall design standards for C-1 zoning district are:

- Maintenance and enhancement of street-level street-facing store fronts with individual identity;
- Remain authentic to downtown Poulsbo's Scandinavian heritage and character as a waterfront fishing village;
- Reinforce the "Little Norway" moniker through design details, artwork, community-oriented spaces, and accessories (such as flags, scallops, and lighting);
- Contemporary modern building forms, including rooflines, are to be avoided.

### B. COMMUNITY VIEW

At the May 16, 2018 workshop, a City Council member asked that the 'community view' from the west side of Poulsbo towards the section of the city between Hostmark and Moe Street be considered to ensure that the 1<sup>st</sup> Lutheran Church remains the dominant structure from this view.

Staff proposes the following addition to 18.80.050 B:

12. Community View. Consideration of the view of the First Lutheran Church shall be evaluated. Sloping roofs, stepbacks, framing and other architectural design techniques shall be incorporated into the building design when appropriate to mitigate the impact of the view specifically between Moe St NE and NE Hostmark St. from the west side of Poulsbo.



- a. The planning director may elect to require a visual impact survey if significant impacts to the view of the First Lutheran Church from the west side of Poulsbo are anticipated.
  - i. If required, the visual impact survey shall include graphic representation of the proposed building or addition to an existing building at the thirty-five-foot average height. Photos, photo simulation and other graphics shall be used.
  - ii. The city may require the erection of a balloon, crane or similar device to simulate the proposed dimensions and height of a structure if the visual impact survey graphics are not sufficient to determine the visual impact on the viewscape.

**C. PARKING AND CONGESTION**

Parking and traffic congestion are a concern for the C-1 zoning district. The proposed new residents in downtown, with the current level of tourism, may result in a confluence of factors. The Engineering Department will ensure these two factors are reviewed in the required traffic impact analyses (TIA) for proposed projects by requiring that proposed projects are considered in TIA's. NO relaxation of parking standards are proposed with the draft amendments.

**D. LAND USE ACREAGE BY ZONING DISTRICT**

A City Council member requested to see the breakdown of acreage zoned for commercial. Staff provides the following table, with numbers taken directly from the 2016 Comprehensive Plan.

ZONING	CITY ACREAGE	PERCENT OF CITY ACREAGE TOTAL
Residential Low (RL)	1,612.4	60%
Residential Medium (RM)	144.1	5%
Residential High (RH)	228.3	8%
Commercial (C)	440.6	16%
Office Commercial Industrial (OCI)	42.1	2%
Light Industrial (LI)	56.1	2%
Business Park (BP)	533.9	1%
Park (P)	149.7	6%

**E. MIXED-USE AND CONSISTENCY WITH LONG RANGE PLANNING**

Mixed use – locating residential units within commercial zoning districts either within a commercial structure or on a commercially zoned site – is a planning strategy that has regional, countywide, and local policy direction.

1. Puget Sound Regional Council - Vision 2040:

Vision 2040 (adopted by the Puget Sound Regional Council during 2010) serves as the long-range growth management, environmental, economic development, and transportation strategy for King, Kitsap, Pierce, and Snohomish Counties. Vision 2040 includes the Regional Growth Strategy, Multi-County Planning Policies (RCW 36.70A.210) and Implementation Actions.

- MPP-DP-35. Develop high quality, compact urban communities throughout the region's urban growth area that impart a sense of place, preserve local character, provide for mixed uses and choices in housing types, and encourage walking, bicycling, and transit use.

## 2. Kitsap County - Countywide Planning Policies:

To achieve coordinated regional planning efforts, the Growth Management Act (GMA) required that counties and cities develop policy framework to guide development of each jurisdiction's comprehensive plan. According to the GMA, each local comprehensive plan should demonstrate that such policies have been followed in its development. The Kitsap Countywide Planning Policies (KCPP) are the framework for growth management in Kitsap County. Further, the KCPP tailor the PSRCs regional growth management guidelines to Kitsap County and are the policy framework for the County's and the Cities' Comprehensive Plans.

- Town or City Centers are usually the existing downtown core of a city or Urban Growth Area. There is an abundant mix of shopping, service, employment, and cultural opportunities. Multifamily housing may be intermixed, and single-family housing may be within walking or bicycling distance. Infill should include mixed use and higher densities surrounding the Town Center.
- Mixed Use Centers are a generic category that can be described in terms of neighborhoods or districts within a city or Urban Growth Area. The designation represents a commitment to planning for Center development, with a planned mix of housing, commercial, service, and employment opportunities. Most shopping and commercial uses are within a short walking or bicycling distance of housing. There is a higher proportion of multi-family housing at relatively high densities.

In Appendix F of the KCPPs, "Poulsbo Town Center" has been designated as a Town or City Center and Olhava has been designated as a Mixed-Use Center.

## 3. City of Poulsbo - Comprehensive Plan:

The Comprehensive Plan is a 20-year vision and roadmap for Poulsbo's future. The plan guides City decisions on where to build new jobs and houses, how to improve the transportation system, and where to make capital investments such as utilities, sidewalks, and parks. The Comprehensive Plan is the framework for most of Poulsbo's big-picture decisions on how to grow while preserving and improving community character. The Comprehensive Plan helps protect the environment, quality of life, and economic development.

The plan is required to be consistent with Vision 2040 and Kitsap County's Countywide Planning Policies.

- Policy LU 3.1. The City shall support and build upon the Kitsap Countywide Planning Policy designations for Poulsbo Town Center and Olhava Mixed Use Center, (Centers of Growth, Element C), and provide an abundant mix of shopping, service, employment and cultural opportunities. The City shall continue to support future KRCC Center designations for areas within Poulsbo that meet the Centers of Growth criteria in the Kitsap Countywide Planning Policies. The City's Capital Facilities Plan and 6-year Capital Improvement Program shall prioritize capital improvements, non-motorized travel modes and other public improvements for Poulsbo's designated local centers
- Policy LU-3.3. Provide for a mix of activities including retail, office, social, recreation, local services and as appropriate residential, within the commercial designations.
- Policy LU-3.9. Encourage mixed use by allowing residential units to be located in combination with existing and new street frontage commercial in all commercial zoning districts.
- Policy CC-5.9. Encourage mixed use by allowing residential units to be located in association with commercial frontage in Downtown Poulsbo. New mixed-use buildings shall be designed to complement the existing character and pedestrian-scale of Downtown Poulsbo, shall be limited in height to an average of 35', and have a mix of both commercial and residential uses incorporated within the building.
- Policy HS-1.1. Provide land for the city's projected population through a variety of housing types, such as single family and multi-family attached and detached housing (both owner and renter occupied), mixed use, manufactured housing, group homes, government-assisted housing, and housing for low-income households.
- Policy HS-3.6. Encourage additional housing units through the provisions of mixed use development in commercially zoned areas.

- Policy ED-6.5. Facilitate the redevelopment and re-invigoration of older commercial areas. Work with property owners and stakeholders to transform such areas into dynamic retail/mixed use commercial areas that also provide a gathering place.

**F. MIXED-USE**

1. Active Developments

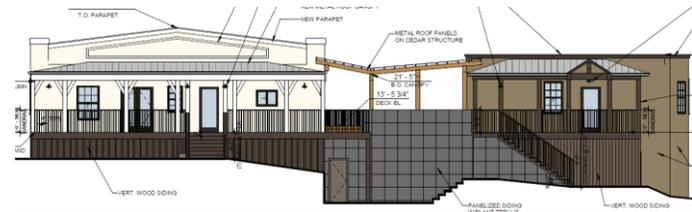
*Vanaheim/Old Police Station*  
 Application: Site Plan Review  
 Application Date: July 6, 2017  
 No. of Units Proposed: 25  
 Commercial Sq. Ft. Proposed: 2,444



*Old City Hall*  
 Application: Site Plan Review  
 Application Date: July 19, 2017  
 No. of Units Proposed: 84  
 Commercial Sq. Ft. Proposed: 7,500



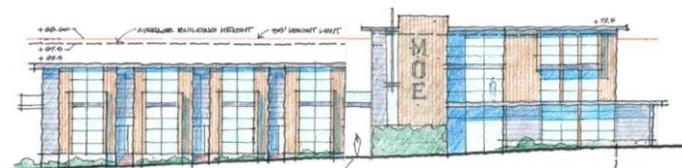
*Nordic House and Olympic Hotel*  
 Application: Design Review for rear facades and Tenant Improvement for upper floors



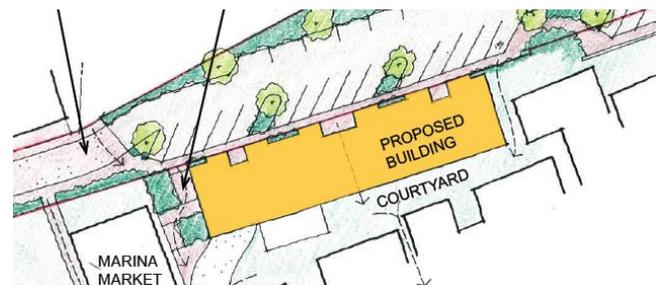
*Jensen Way Lofts*  
 Application: Pre-Application  
 No. of Units Proposed: 4  
 Commercial Sq. Ft. Proposed: 2,000



*Moe Street Building*  
 Application: Pre-Application  
 Currently proposed as a residential only building. Use is not currently permitted



*3rd Street Residential*  
 Application: None.  
 Use is not currently permitted.



## 2. What Uses Should be Allowed on the First Floor of a Mixed-Use Structure:

There are several elements that enter into consideration when addressing what uses should be allowed on the first floor of a mixed-use structure: purpose of mixed use, provision of space for commercial uses, and market trends and demands.

- Purpose of mixed use – The purpose of mixed use as a planning concept, is providing a use dynamic that is not achieved with typical single use zones. Mixed use is typically understood to accommodate and foster pedestrian movement by combining commercial uses with residential uses within the same building, encouraging human interaction, supporting activity in and around the building throughout the day, creating a place where people can live, work and play, and loftier goals of reducing dependency on automobiles.
- Provision of space for commercial uses – The inherent premise of mixed use is that there would be an integration of variety of uses – commercial retail, commercial service, entertainment, public spaces, institutional, residential, and amenities – all within one building or site. The reality of recent mixed-use applications is that they are primarily a residential structure, with minimal commercial space provided. This can have the effect of commercially zoned property not being fully utilized or maximized for its zoned uses, and may result in erosion of our commercial zones, limited acreage for employment opportunities, or the need in the future for new commercially zoned areas.
- Market trends and demands - Mixed use projects are often more difficult and costly to develop, and we've heard from local developers, challenging to finance. Because of these factors, the market desires flexibility to allow for residential uses – which provide more certainty to lenders – be located on the first floor of a mixed-use building.

The City of Issaquah commissioned an economic analysis to understand real estate dynamics and why mixed-use development was not locating within Central Issaquah - where it was desired (see City of Issaquah mixed use information here: <http://www.ci.issaquah.wa.us/mixeduse>). Initial findings from the economic consultant made findings for Issaquah, some of which include:

- Mixed use feasibility is more challenging based on development uncertainties and retail requirements.
- Current retail and residential rents do not support mixed use products.
  - High density, single use residential are highest and best use.
- Development incentives and flexibility can influence feasibility and accelerate viability.
- Acknowledgment that mixed use is primarily a housing product.

## 3. Should Density in Mixed-Use Structures be Addressed?

Mixed Use structures function primarily as a vertical housing product. It is not surprising then, that maximization of the site through generous lot coverage and height, will result in a high density of residential units - especially where smaller, more utility-sized residential units are accepted in today's urban residential markets. This is evident in larger cities, where mixed use buildings are transforming many city-centers, such as Seattle, Bellevue, Tacoma and Portland.

Mixed use density can be more difficult in smaller cities, where residentially zoned areas are either adjacent or not far from commercial corridors. However, determining the 'right' density that makes mixed use projects viable, while limiting the density of dwelling units, is a difficult task. In a review of many Western Washington cities' mixed-use code provisions, density ranges are infrequently assigned – except perhaps in specifically mixed use zoned areas or upon larger mixed-use developments.

Currently in Poulsbo's commercial code, density for mixed use structures in all C zones is determined by setback, lot coverage, parking and height standards. This has resulted in some cases with large and dense buildings, when heights and lot coverage is maximized.

While staff believes density should continue to be regulated through setbacks, lot coverage, parking and height standards, it is important to acknowledge that even with those standards, that mixed use structures function as a residential high density vertical housing building.

4. Mixed Use Structure – PC Recommendation:

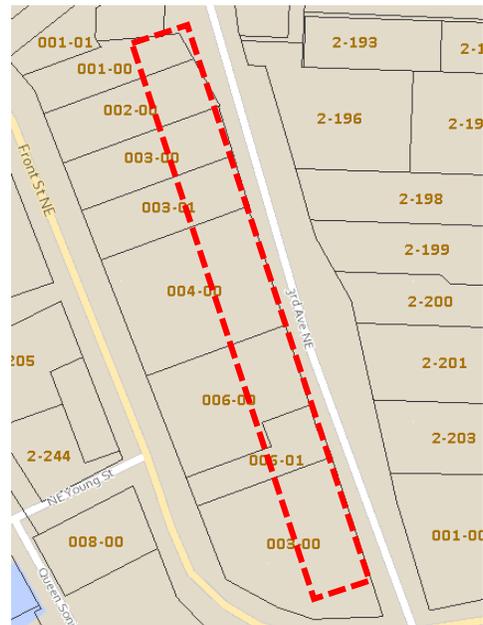
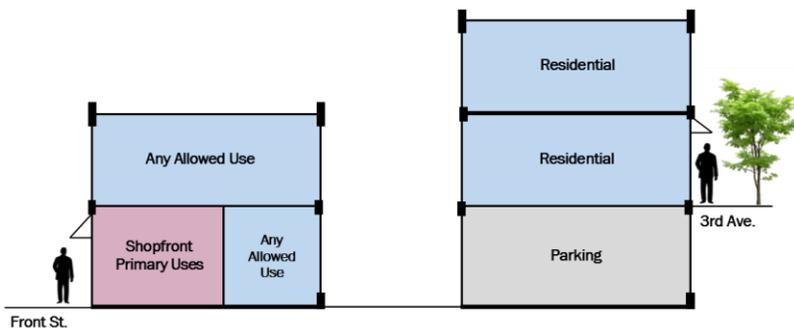
The provisions of the Mixed-Use Structure were brought forward to the Planning Commission for its review, to ensure the current standards will translate into developments that are appropriate for Poulsbo. Within the past months, the PED Department has received several mixed-use structure applications where the distribution of uses caused some concern of whether the mixed-use structure standards remain relevant.

The Planning Commission dealt with two issues, 1) what uses should be allowed on the first floor and 2) should density of residential units be regulated? Both topics are difficult for smaller cities and finding the right balance is not unique to Poulsbo; many jurisdictions struggle with balancing standards for mixed use structures with market trends and demands. We also heard from designers and developers of mixed use projects, that they can be difficult to build and finance, but these types of buildings can be an important part of a community’s-built environment.

Ultimately, the Planning Commission opted to maintain a standard close to the existing code, which requires commercial (or nonresidential uses) and no residential units on the first floor and uses accessory to the residential (such as lobby or fitness center) may be located on the first floor.

5. Mixed Use Site – A Proposed Mixed-Use Model

Residential uses near downtown Poulsbo provide housing opportunities within walking distance of its amenities and features. Through-lots which have street frontage off Front Street NE on the west and 3<sup>rd</sup> Avenue NE on the east, present an opportunity to offer stand-alone residential units on commercially zoned properties. Building and site design shall compliment the character of the Shopfront Overlay, including unique street-facing building facades and pedestrian scale massing.



6. Mixed-Use Questions

- a. What uses should be allowed on the first floor in a mixed-use structure?
- b. Should density be restricted in a mixed-use structure?
- c. Do you support the creation of the “mixed use site”?

7. Exhibits Provided

- a. May 23. 2018 Planning and Economic Development Committee Presentation.
- b. Email sent from Kathy Cocus from KEDA with links to articles.
- c. May 30. 2018 Planning and Economic Development Committee Presentation.
- d. Public Comment received thus far during City Council review.