

City of Poulsbo

Planning & Economic Development



C-1 Downtown Commercial Limited Zoning Amendments - Flexible Use STAFF REPORT AND RECOMMENDATION

To: Planning Commission
From: Karla Boughton, Planning and Economic Development Director
Subject: C-1 Downtown Limited Zoning Amendments (Flexible Use)
Date: July 16, 2019

Staff respectfully recommends approval of the C-1 Downtown Limited Zoning Amendments (Flexible Use) as set forth in Exhibit A to this staff report.

PROPOSED MOTION:

MOVE to recommend (approval) (approval with modifications) to the Poulsbo City Council the C-1 Downtown Limited Zoning Amendments (Flexible Use) as identified as Exhibit A; and direct the Planning and Economic Development Director to prepare findings of fact in support of this decision for the Planning Commission Chair's signature.

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1.0 INTRODUCTION

The City Council adopted amendments to the Poulsbo Municipal Code [Chapter 18.80](#), Commercial Zoning Districts, in 2018 (Ordinance 2018-20). Amendments were to all four of the Commercial zones and addressed the permitted use table, landscaping, design standards, and the creation of the downtown shopfront overlay.

In early 2019, Mayor Erickson requested the Economic Development Committee (EDC) review the mixed use/residential component of the amendments for the C-1 (downtown) zoning district. The EDC discussed options for residential uses in the C-1 district, as well as in the other commercial districts, at multiple meetings throughout the spring (2/27/19, 3/27/19, 4/12/19, 4/24/19). The EDC decided to focus on residential uses in the C-1 zone and at its 4/24/19 meeting requested that the full City Council hold a workshop to continue the discussion. A full City Council workshop was held on the topic on 6/19/19. Representatives from the private sector multi-family development have attended meetings to answer questions.

Within the C-1 [zoning district](#), but outside of the [shopfront overlay](#), the proposed amendment allows residential units on the first floor; provided that the first floor shall be constructed to commercial building and fire code standards and parking required at the applicable commercial ratio, to accommodate flexibility of use as both residential or commercial, as the market supports.

2.0 REVIEW PROCESS TO DATE

The Draft C-1 Downtown Limited Zoning Amendments (Flexible Use) was publicly released June 28, 2019. This release and all associated documents were posted on the City's website, distributed to Washington State Department of Commerce and local, regional and state agencies, and emailed to the City's Development Regulations Update interested parties e-notice list.

On June 28, 2019, the Notice of Application (NOA) with Optional DNS was published in the North Kitsap Herald, emailed to the NOA, SEPA and Development Regulations e-notice list, and posted at the Poulsbo Library, Poulsbo Post Office, City Hall and the City's website. On July 15, 2019 the SEPA Threshold Determination was issued.

On June 28, 2019, a public notice announcing the Poulsbo Planning Commission Public Hearing was published in the North Kitsap Herald, emailed to the public hearing and Development Regulations e-notice list, posted at the Poulsbo Library, Poulsbo Post Office, City Hall and the City's website.

3.0 C-1 ZONING DISTRICT CONSIDERATIONS

3.1 Design Standards: In 2018, the City Council adopted new standards for the C-1 zoning district. These standards are summarized as follows: 1) Stronger architectural and design standards which reinforce Poulsbo's Scandinavian heritage; 2) Established a Shopfront Overlay, with specific design standards which apply only to the overlay; 3) Established the height at 35' with no underbuilding parking credit; 4) Lowered height to 25' along 3rd Avenue between Moe St and Hostmark St as measured from the highest sidewalk grade of 3rd Avenue adjacent to the property line; and 5) Lowered height to 25' along the west side of Front Street within the Shopfront Overlay.

3.2 Mixed Use: Mixed use was discussed at length and detail during the 2018 Commercial Code Update. Two types of mixed use were considered: 1) mixed use structure and 2) mixed use site. The discussion around the mixed-use structure centered on what uses were appropriate on the first floor of a multi-story building in the commercial zoning district (residential was already allowed above the first floor). The discussion around the mixed use site was whether 'standalone' residential units should be allowed in a specific geographic area within the C-1 Zoning District.

The table below summarizes the Planning Commission recommendation on mixed use to the City Council, and what the City Council adopted:

Table 1: Mixed Use 2018		
	Planning Commission Recommendation	City Council Adopted
Residential Units	Not permitted on the first floor.	Not permitted on the first floor.
Uses Accessory to Residential Use (lobby, fitness, etc.)	Permitted behind street level commercial on the first floor.	Permitted behind street level commercial on the first floor.
First Floor Commercial Requirement	Must be commercial and/or accessory uses to residential.	50% of street level ground floor gross square footage shall be occupied by uses allowed in Table 18.80.030 Commercial Uses (excluding residential uses).
Mixed Use Site (3rd Avenue)	Recommended, and included conversion option for 'book-end' lots at Moe and Hostmark. Required a market study or similar type document be submitted every four years to demonstrate that commercial uses are not viable in the first-floor space.	Eliminated Mixed Use Site.

3.3 Reconsideration Request: The Mayor has requested reconsideration of the mixed use component of the C-1 Zoning District. She made this request based upon input from the development community regarding the financial feasibility for redevelopment, the existing commercial market rent, and her concern that an opportunity for reinvestment is being missed.

Any upgrades to the existing structures in the shopfront overlay portion of the C-1 district will require life safety improvements – fire suppression/sprinklering. The property owner of the majority of the downtown parcels on the east side of Front Street has withdrawn building permits for improvements (which included fire suppression/sprinklering).

At the Economic Development Committee (EDC) meetings in early 2019, representatives from the development community were available to answer questions regarding commercial rents versus residential rent structures. The result of these conversations was the understanding that today’s commercial rents cannot support development improvements in the C-1 zoning district. Written material on the rent comparisons have been submitted as public comment, and are included in Exhibit F.

3.4 Flexible Use Option: By allowing the space on the first floor of a commercial structure to be flexible – either commercial or residential uses depending on market demand – could address the current rent structure constraints. The flexible use was discussed at EDC as an option that could be incorporated into PMC 18.80.080.J (Mixed Use Structures). The new standard would not apply to properties within the Shopfront Overlay. See Exhibit E for a land utilization map of C-1 zoning district.

3.5 Proposed Amendment: The amendment is drafted to allow for flexibility of uses on the first floor of a structure in the C-1 zoning district but would require the first floor to be constructed at commercial building and fire code standards and would require parking at the commercial ratio requirements. This is because the commercial standards (both building, fire and parking) are a higher requirement than residential.

The following is the substantive portion proposed amendment to PMC 18.80.080.J Mixed Use Structure; see Exhibit A for the full proposed amendment.

3. New mixed-use structures shall have the following standards:
 - a. Residential units must be located above allowed commercial uses (residences may not be located at street/ground level or below). However, uses accessory to the residential, such as lobby, fitness center, storage, community room and other accepted uses, may be located on the first floor (street level), and shall generally be located behind the street level commercial uses. Number of residential units shall be limited by the mixed-use structure's required development standards (lot coverage, height, parking and setbacks) for the underlying zoning district.
 - i. Within the C-1 zoning district, but outside of the shopfront overlay, residential units may be allowed on the first floor; provided that the first floor shall be constructed to commercial building and fire code standards and parking required at the applicable commercial ratio, to accommodate flexibility of use as both residential or commercial, as the market supports.

4.0 KEY CONCERNS

During the 2018 Commercial Code Update, two key concerns were raised during the public workshops and hearings regarding residential uses in the commercial zoning district: traffic and parking.

Traffic

The City of Poulsbo Engineering Department prepared a technical memorandum summarizing the traffic conditions within the C-1 zoning district as it relates to Level of Service (LOS). This memo is included as Exhibit G. The memo evaluates the current Level of Service standard for Downtown Poulsbo intersections and roadway segments. The source documents reviewed are the 2016 Transportation Comprehensive Plan, the 2010 Traffic Count Report prepared by David Evans and Associates, Vanaheimr Mixed Use Project Traffic Impact Analysis (12/17/18) and Old City Hall Mixed Use Project Impact Analysis (5/23/17). (Both the project TIAs have been reviewed and confirmed by the City's Transportation Consultant Parametrix).

The City prepares a citywide Comprehensive Transportation Plan every six years, which includes the city traffic model calibrated to traffic flows and forecasts future traffic to determine deficiencies in the transportation system that will then be programmed into the City's Capital Improvement Plan. The City then requires development projects to prepare a Traffic Impact Analysis (TIA) to confirm that the minimum level of service remains intact with the development. This requirement is set forth in PMC 14.04, and allows the City to remain current in its Level of Service in between updates to the Comprehensive Transportation Plan.

The Technical Memorandum evaluates the capacity of the roadway segments by Average Daily Trips (ADT), and intersection delays in the downtown. A Level of Service (LOS) is assigned to each roadway segment or intersection based upon a graduate scale (which is defined in the technical memorandum) with LOS A the best and LOS F as the worst. All roadway segments in the downtown (Hostmark, Fjord Drive, Front Street, Jensen Way, and 3rd Avenue) all operate within a LOS A or B at this time.

Further, the two mixed use development project TIAs evaluated downtown intersections LOS, compared the pre-project LOS for the intersections and the 5-year forecast LOS with project. Again, all intersections remain at LOS A or B pre project and post project.

The City's adopted LOS is E. Therefore, the roadway segments and intersections are currently well above the City's adopted LOS and remain well above as projected in the TIAs. Any future development proposals within the C-1 zoning district are required to prepare a TIA to ensure LOS meets or exceeds E. Further, the next Comprehensive Transportation Plan update is scheduled for 2022-2023.

Finally, the Technical Memorandum compares trips generated by commercial uses and residential uses as defined by the 10th ITE Trip Generation Manual. By comparing the trip rate for multifamily dwelling units and commercial spaces per 1000 square feet, based on the ITE Manual, it can be determined that residential development will produce less traffic in the same footprint, than commercial uses.

Based upon the City of Poulsbo Engineering Department's Technical Memorandum, the current Level of Service for roadway segments and intersections within Downtown Poulsbo is primarily at A or B. Future traffic has been accounted for by two Traffic Impact Analyses completed for proposed mixed use buildings in downtown. The results of the TIA analysis (both have been reviewed and confirmed by City Transportation Consultant Parametrix), state that pre and post project traffic volume and delay will not decrease the current LOS. The City's adopted LOS is E, thereby indicating there is sufficient capacity. Finally, according to the ITE Trip Generation Manual, residential uses generate less trips than commercial uses.

Parking

On-site parking will be required for all new and redeveloped projects in the C-1 zoning district. The commercial parking ratio for the C-1 zoning district is 1 space per 300 square feet. This is a conservative parking requirement. Unlike other Western Washington jurisdictions, Poulsbo has not decreased nor waived its parking requirements. The residential parking requirement (for floors 2 and above) is 1 space per studio/1 bedroom, 2 spaces per two bedrooms or greater, and guest parking is required for one space per four dwelling units (the code allows for the commercial parking spaces may meet this requirement if the peak hours of operation do not overlap).

An example of how this would work with a flexible use option:

Three story (under 35' height) mixed use building. Each floor is 3000 square feet and floors 2 and 3 each have four units each of two bedrooms. The parking requirement is as such:

- Floor 1: 1 space per 300 gross square feet = 10 parking spaces
- Floor 2: 4 units at 2 bedrooms = 8 parking spaces
- Floor 3: 4 units at 2 bedrooms = 8 parking spaces
- Guest parking = additional 2+ parking spaces

Therefore, any new or redeveloped structure in the C-1 zoning district, will be parked according to the City's adopted parking standards and will meet the needs of the structure without reliance on the downtown Poulsbo public parking lots or on-street parking.

The City conducted a downtown parking study in 2008 and refreshed with updated data in 2012. There are several strategies that were recommended but not yet implemented, including: enforcement of the public parking lots time limits; permit parking program for employee/long-term parking; and paid parking and enforcement for public parking lots.

5.0 REVIEW CRITERIA | PMC CHAPTER 18.210

Amendments to the text of this title or zoning amendments to the city's zoning map shall be applied for and processed according to the provisions of Title 19.

In order to grant a zoning code text amendment, the following findings must be made:

1. The amendment is consistent with the comprehensive plan; and
2. The amendment supports and/or enhances the public health, safety or welfare; and
3. The amendment is not contrary to the best interest of the citizens and property owners of the city of Poulsbo.

Staff Conclusion: The proposed amendment is consistent with the comprehensive plan, as there are many policies (LU-3.1, LU-3.3, LU-3.9, CC-5.9, HS-1.1, HS-3.6, ED-6.5) that support mixed use within the City's commercial zoning districts; the amendment will require compliance with adopted International Building Code and Fire Code standards that ensure the public health, safety and welfare; and the amendment is not contrary to best interest of citizen and property owners as the

City's development standards ensure that adopted transportation Level of Service standards remain intact and parking requirements will ensure all necessary parking is provided on-site and will not have an impact on publicly owned parking areas.

6.0 ATTORNEY GENERAL'S UNCONSTITUTIONAL TAKINGS MEMO

Pursuant to Comprehensive Plan Policy PI-2.4, City staff members are familiar with Washington State Attorney General's "warning signals" for unconstitutional takings of private property. Staff has reviewed the Attorney General's Advisory Memorandum: Avoiding Unconstitutional Takings in the context of the proposed amendment and has consulted with the City Attorney regarding the warning signals. Staff and the City Attorney are comfortable that the draft ordinance does not result in any unconstitutional taking.

7.0 STAFF CONCLUSION AND RECOMMENDATION

The Poulsbo Planning and Economic Development staff respectfully recommends the Planning Commission offer a recommendation of approval to the City Council for the proposed C-1 Downtown Limited Zoning Amendments (Flexible Use).

8.0 PLANNING COMMISSION PUBLIC HEARING, JULY 23, 2019

A public hearing has been scheduled for 7:00 on July 23, 2019 for the Planning Commission to receive public comments on the proposed C-1 Downtown Limited Zoning Amendments (Flexible Use).

PROPOSED MOTION:

MOVE to recommend (approval) (approval with modifications) to the Poulsbo City Council the C-1 Downtown Limited Zoning Amendments (Flexible Use) as identified as Exhibit A; and direct the Planning and Economic Development Director to prepare findings of fact in support of this decision for the Planning Commission Chair's signature.

9.0 EXHIBITS

- A. Draft/Proposed C-1 Downtown Limited Zoning Amendments (Flexible Use)
- B. Public Participation Plan
- C. Notice of Application with Optional DNS, with Notice of Planning Commission Public Hearing
- D. SEPA Threshold Determination DNS with commented checklist
- E. Map of C-1 Zoning District Land Utilization
- F. Public Comment Received
 - 1. Mike Brown, Sound West Group
 - 2. Gary Lindsey
- G. Technical Memo on Downtown Traffic from City Engineering Department 7/16/19