

City of Poulsbo

Planning & Economic Development



To: Planning Commission
From: Nikole Coleman, AICP, Senior Planner
Date: April 2, 2024
RE: C-3/SR 305 Potential Code Amendments

State Route (SR) 305 is a highway that connects the Bainbridge Island Ferry Terminal to SR3 in Poulsbo and serves as a vital corridor for residents, businesses, and visitors. The highway provides connections to other major arterials, including SR307 and Viking Way NW, and runs through a commercial hub. In 2021, the highway saw a range of approximately 22,000 to 37,000 average daily counts of traffic, and with the projected growth in Poulsbo's population and job sectors, commerce and traffic will increase.

On September 13, 2023, the Poulsbo City Council passed [Ordinance 2023-13](#) approving a 12-month development moratorium for vacant properties and properties not improved with permanent structures located within the SR305 Corridor zoned C-3/SR305 Corridor. The moratorium was enacted in interest to update the zone's current code and expanding development options for residential development within the area. A moratorium is a pause on some new development, land use, and construction applications in order for a city to consider new and/or revised development and zoning regulations. The State of Washington grants Cities the authority to adopt a moratorium under RCW 36.70A.390. There were multiple reasons for passing the moratorium, however, the principal purpose is the desire by the City Council to open up more residential capacity in this part of the city.

As you know, the city has received a population and employment allocation as well as a housing target for the 2024 Comprehensive Plan update. Consistent with the growth alternatives outlined in the State Environmental Policy Act (SEPA) Environmental Impact Statement (EIS) [scoping process](#) for the Comprehensive Plan Update, the city has allocated approximately 800 population (or 383 housing units) to the SR305 Corridor in two (2) of the land use and growth alternatives. Without the additional planned growth for the SR305 Corridor, the city would be unable to meet the required growth allocations and targets.

A [Market Analysis and Feasibility Study](#) was done in June of 2023 by Leland Consulting Group (LCG) for the SR305 corridor. The study found that most of the demand in the study area is for housing. The retail market is active in existing buildings but with less demand for new developments, and office demand has dropped significantly because of the COVID-19 pandemic. In addition, since much of the study area is steeply sloped and the area contains streams, wetlands, erodible and hydric soils, and geohazard areas, the city should consider the following regulatory changes to encourage development in the study area:

- Reducing minimum **front yard setback** to 0' to enable development that fronts directly onto the sidewalk, as in historic parts of downtown Poulsbo.
- Allowing/encouraging **shared parking** ratios between housing and commercial space in the same building.
- Allowing **lower parking levels** in locations where residents could feasibly walk to transit, downtown, and other destinations. Most of the study area is within a quarter mile of SR305 and therefore should meet these criteria.
- Allowing garden apartments, single family housing, and **middle housing** (e.g., townhomes) in the east and west hillside areas.
- Allow **more height** and require significantly **less ground floor commercial space**.
- Offer the 8-year Multifamily Tax Exemption (**MFTE**) to spur multifamily development.

At the April 9, 2024, Planning Commission meeting, staff will provide an overview of potential code amendments with the intent of receiving feedback. The amendments will be focused on three items - height increases within specific areas, minor reductions in parking requirements, and strategic revisions to permitted uses.