

HEARTLAND

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CC: Bruce Macintyre, Port of Kingston Commissioner
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FROM: Matt Anderson, Heartland LLC
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DATE: February 10, 2017

RE: Downtown Kingston Port-Owned Properties – Task 1 Baseline Analysis Summary Report

Heartland LLC has been engaged by the Port of Kingston (Port), with the support of a Community Economic Revitalization Board (CERB) grant, to identify and analyze commercial development alternatives for two Port owned properties (Properties) located in downtown Kingston, Washington. The Port of Kingston is a public entity located within Kitsap County, whose mission is to responsibly pursue economic development opportunities and improve the Kingston Port District for its residents and visitors. The success of its mission is measured by the Port's ability to attract, retain, and manage commercial activity within the Port District.

Heartland conducted a thorough review of existing documents pertaining to the Properties and downtown Kingston, the surrounding development patterns and the regulatory environment. The findings from this research conclude Task 1 of the Scope of Work (SOW) and are summarized in the sections below. The information collected, organized, and summarized during this process will inform Heartland's public outreach efforts, alternatives assessment for the Properties, and implementation recommendations.

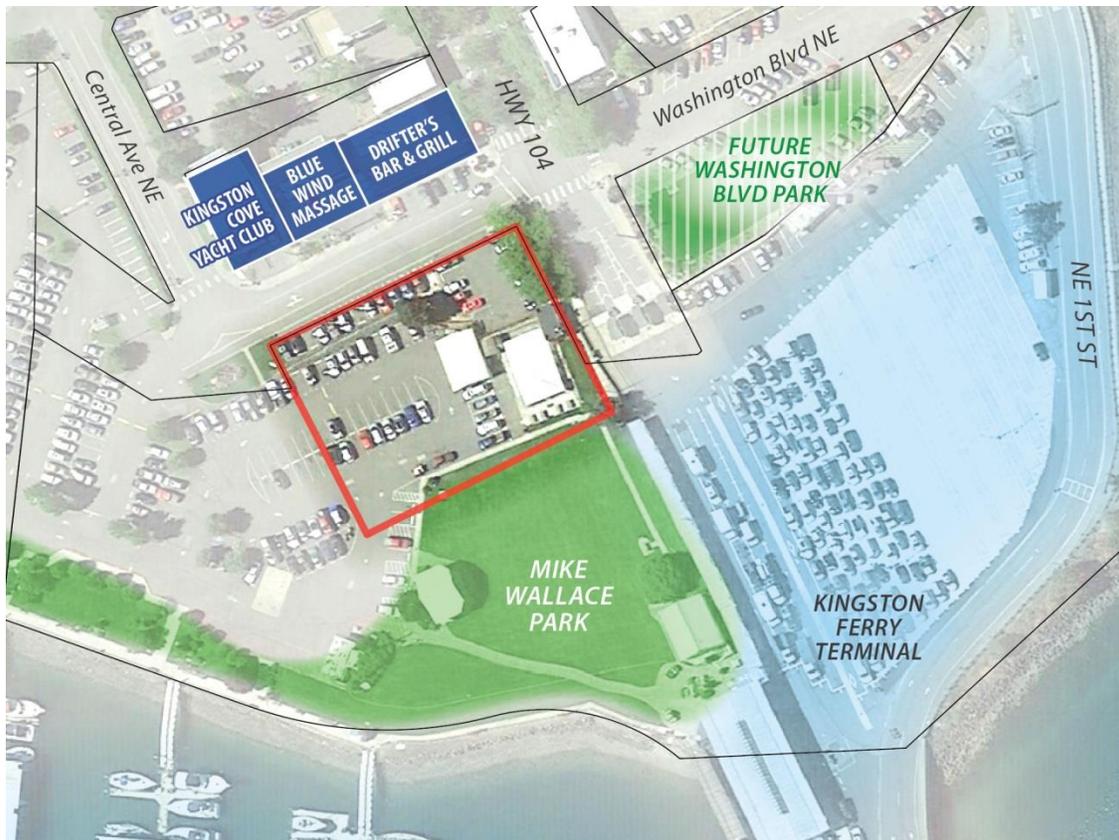
Property Context

The first Port-owned Property is located at 25864 Washington Blvd NE and comprises approximately 0.68 acres. This Property is referred to herein as the Washington Blvd Site and is part of a larger 7.1 acre parcel (Parcel #: [4316-101-001-0006](#)) that is owned by the Port. The Washington Blvd Site lies directly to the north of Mike Wallace Park, which is a community and visitor gathering place that is managed and programed by the Port. On the northern border of the site is Washington Boulevard, which on the north side of the street is lined with three commercial buildings that house the Kingston Cove Yacht Club, a wellness center, and Drifters Pub and Grill. This east/west right of way intersects with NE State Hwy 104. This road is current a one-way street running south into the Kingston to Edmonds ferry terminal lot.

Ferry boat riders that are waiting for the next boat may easily access the Washington Blvd Site and the Mike Wallace Park.

There is an approximately ten (10) foot grade change between the 13 on-street parking stalls along Washington Boulevard and the remainder of the Property that fronts Mike Wallace Park. The Washington Blvd Site is being operated as a surface parking lot with 55-parking stalls and a three bay storage garage located on the eastern portion of the site. There is also a temporary storage tent on the southwest corner of the Property. The following graphic depicts the Washington Blvd Site and its surrounding uses.

Exhibit 1: Washington Blvd Site Context Map



The second Property, referred to herein as the West Kingston Site is located at 11091 NE West Kingston Road in Kingston and consists of approximately 2.75 acres of land across five parcels. This assemblage is adjacent to Central Ave NE to the west, which is an important access road to the Kingston Marina and to the waterfront. Across the Property there is a grade change of approximately fifty (50) feet from the uplands portion located along NE West Kingston Road down to the shoreline of Appletree Cove creating a gently sloping site. Currently, two of the parcels are being utilized as a surface parking lot that can accommodate 64 vehicles or 32 boat trailers from the nearby Kingston Marina. Two of the parcels are

vacant and support an area commonly referred to as the West Kingston Park, which is not a Kitsap County operated park. The remaining parcel is improved with a vacant residential home. The following graphic depicts the West Kingston Site and its surrounding uses.

Exhibit 2: West Kingston Site Context Map



Regulatory Environment

Kitsap County Comprehensive Plan Update – Vision for Kingston (5/4/16)

The Kingston Urban Growth Area was established in 1998 and encompasses 1,400 acres. The defined areas in Kingston are Old Town, adjacent to the marina and ferry terminal; the Village Green district; and Lindvog Commercial, encompassing the uptown area along State Route 104. The Kitsap County Comprehensive Plan was adopted in 2012 and the Kingston Sub-Area Plan has 59 stated goals with 69 identified policies. The framework is divided into nine sections:

- Build a Sense of Community;
- Enhance Kingston’s Visual Identity as a Community;
- Establish Predictable and Defined Land Use Patterns that Support Kingston’s Community Vision;
- Improve and Encourage Economic Development Opportunities and Downtown Revitalization;
- Create an Integrated System of Parks, Trails and Open Space,
- Improve Port Facilities and the Waterfront;

- Urban Residential, Commercial, and Industrial Land Use;
- Natural Systems; and
- Transportation.

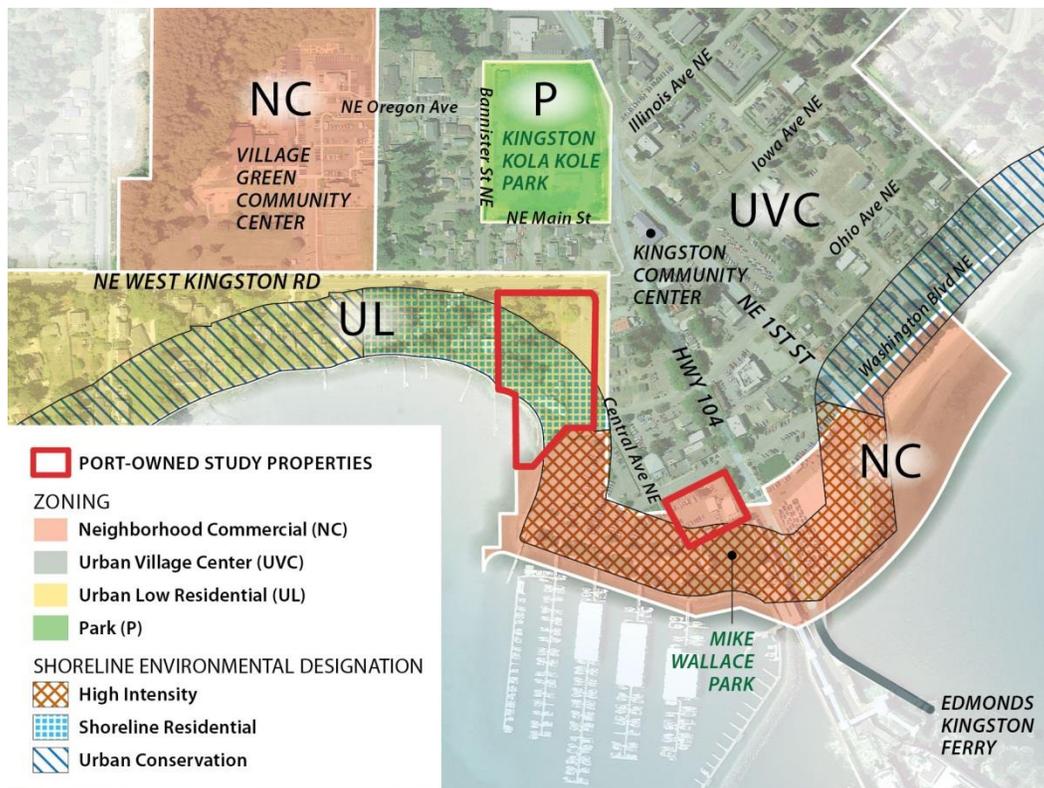
Each alternative that will be evaluated for the Properties will include a Comprehensive Plan filter to ensure it addressed the goals of policies of the plan.

The update makes note of the fact that over a quarter of Kingston’s population is over the age of 60 years old. The updated plan comments on how important of a partner Kitsap County is to Kingston in achieving its goals of local economic vitality and development. Specifically, transportation infrastructure, improved street aesthetics and parking facilities are ways in which Kingston aims to collaborate with the county and in a broader sense, the local S’Kallam and Suquamish tribes.

Zoning

Land use in downtown Kingston is affected by three zoning designations specified under the Kitsap County Land Use Code. They are the Neighborhood Commercial (NC) zone, the Urban Low Residential Zone (UL) and the Urban Village Center (UVC) zone. The West Kingston Sites are located within the UL zone and the Washington Blvd Site is located in the NC zone as seen in Exhibit 3. The zoning regulations for the UVC zone have been included in the zoning table (Exhibit 4) included below in order to provide relevant context as the UVC zone borders both of the Properties.

Exhibit 3: Regulatory Context Map



Washington Blvd Site Zoning

The Washington Blvd Site is zoned NC which permits general commercial and recreational uses, while only allowing for limited residential and industrial uses. The specific provisions of the NC zone summarized in the bullets below as well as in Exhibit 4, which compares density and height and massing requirements in each of the downtown zones:

- **Residential Uses**—NC zone permits single-family, duplexes, and multifamily dwellings. Vacation rental, congregate care facility, home business and hotels are conditional uses.
- **Commercial and Business Uses**—NC zone permits auto-related businesses, art and craft stores, day care center, professional services, restaurants and drinks, laundry services, personal services, general offices and retails that are less than 4,000 sf. General offices and retails that are between 4,000-9,999 sf, nursery, private parking facilities, pet shop and animal hospitals require administrative conditional use permits.
- **Recreational/Cultural Uses**—NC zone only permits parks and open space. Civic or social clubs, marinas, indoor theaters, museums and recreational facilities need to receive administrative conditional use permits. Amusement centers, carnival and recreational vehicle camping parks are permitted conditionally.
- **Institutional Uses**—Government and public structures and public utility facilities are allowed in NC zone with administrative conditional use permits. Worship places and school are also allowed on a conditional basis.
- **Industrial Uses**—NC zone only allows cemeteries and self-storage on a conditional basis.
- **Resource Land Uses**—NC zone permits agricultural uses, forestry and temporary food product selling stands.

West Kingston Site Zoning

The West Kingston Site is zoned Urban Low Residential (UL) which permits most residential uses and resource land uses, while allowing commercial, recreational, institutional and industrial uses on a conditional basis. The specific provisions of the UL zone are as follow and are highlighted in Exhibit 4:

- **Residential Uses**—UL zone permits accessory living, low density dwelling units and home businesses; it also allows multifamily, congregate care facility, vacation rental and mobile homes on a conditional basis.
- **Commercial and Business Uses**—UL zone only permits conference center, day-care center, kennels, temporary offices and temporary model homes.
- **Recreational/Art Uses**—UL zone only permits parks and open space and public recreational facilities. It also allows civic and social club, golf courses, marinas, private recreational facilities and vehicle camping parks conditionally.

- **Institutional Uses**—UL zone only grants administrative conditional use permit for government/public structures and allows for worship places, school and public utility facilities on a conditional basis.
- **Industrial Uses**—UL zone only allows cemeteries and self-storage conditionally.
- **Resource Land Uses**—UL zone permits agriculture uses, forestry and temporary agriculture product selling stands.

Exhibit 4: Density Regulation Comparison Table

Zoning Regulations	NC	UL	UVC
Min. Density (per acre)	10	5	10
Max. Density (per acre)	30	9	30
Min. Lots Size (sf)	-	2,400	-
Max. Lots Size (sf)	-	9,000	-
Max Height (feet)	35	35	45
Max Impervious Lot Coverage	85%	85%	85%
Front Setback (feet)	20 for garage or carport, 10 for habitable area	20	-
Side Setback	5*	10	-
Rear Setback	10**	10	-

*If on an alley, 10 feet for a garage or carport opening directly on the alley, or 5 feet in all other instances

**If on an alley, 20 feet for a garage or carport opening directly onto the alley

Shoreline Master Plan

As enacted by the State of Washington in 2003, the properties in Kingston are also affected by the Shoreline Master Plan (SMP). The goals of this program are to protect shoreline-based natural resources, promote public access and to encourage water-dependent uses. The jurisdiction of this regulation applies to properties located within 200 feet of the shoreline edge (ordinary high water mark) which does affect portions of both Port-owned Properties.

Portions of the Port-owned Properties are located within the “High Intensity” shoreline environment designation as part of the SMP as depicted in Exhibit 3. As this exhibit illustrates, the majority of the West Kingston Site is within the High Intensity shoreline environment designation and beholden to the land uses listed below. The Washington Blvd Site only has a small corner of the Property within the shoreline environment and therefore its lands uses are regulated by the NC zoning code.

The High Intensity shoreline designation provides for high-intensity water-oriented commercial, transportation, and industrial uses while protecting existing ecological functions and restoring ecological functions in areas that have been previously degraded. Land uses permitted under the “High Intensity” designation are as follow:

- **Permitted Uses**
 - Ecological Restoration
 - Boating facilities
 - Water-Oriented Commercial
 - Ecological Restoration
 - Class IV – General Forest Practices
 - Water-Oriented Industrial Uses
 - Mooring Structures and Activities
 - Recreation and public access
 - Residential Uses
 - Transportation
 - Utilities

- **Conditional Uses**
 - Commercial Geoduck
 - General Barrier Structures
 - Marinas
 - Dredging & Dredge Disposal
 - Flood Hazard Reduction Measures
 - Mining
 - Hard Shoreline Stabilization

- **Prohibited Uses**
 - Agriculture
 - Non-Water-Oriented Commercial
 - Commercial Forestry
 - Non-Water-Oriented Industrial

Property Relevant Documentation

As part of the Task 1 analysis, Heartland reviewed reports, correspondence and studies pertaining to the greater Kingston area that were provided by the Port of Kingston. The focus of this work was to summarize the considerations that each of these documents highlighted which may stand to affect the Port-owned Properties.

- **Roger Brooks Survey (12/19/13)**

This survey was a collaboration between the Greater Kingston Economic Council and the Port of Kingston aimed at assessing how local residents view downtown Kingston and to determine ways in which it might be improved. Seven strategic questions were presented and feedback was received from 173 individuals within the community. Of the responses 64% listed Port-

related functions as Kingston's greatest downtown assets. These functions included parks, the marina and the beach/waterfront. Traffic on SR 104 was identified as the biggest area of improvement for Kingston by 84% of respondents. The need for a downtown park, more parking and restaurant choices were also mentioned as high priorities. The need for a downtown hotel, as identified within the Port of Kingston Master Plan, was agreed upon by only 4.5% of those surveyed.

Relevance to the Port-owned Properties:

The Brooks survey provides an insight into the community sentiment regarding various key considerations within Kingston that affect the Port-owned properties. These sentiments could influence future uses across the sites, as well as how to improve the surrounding public infrastructure and allocate future investment.

• **Kingston - Hotel Development Findings (5/22/15)**

This study was conducted by HVS Consulting and Valuation Services with the intent of understanding the feasibility of a hotel development in downtown Kingston. The conclusion of the study was that a hotel development is not viable in the near-term given the current contributing factors within Kingston. Specifically, the study highlighted the following market challenges that a hotel development in Kingston would face:

- **New Supply** – the local casinos operated by the S’Klallam and Squamish Tribes have recently expanded or are in the process of expanding both their hospitality and their meeting space areas.
- **Private Rental Pool** – many of the beachfront homes throughout the community are second homes which are pooled as private rentals through platforms such as AirB&B or VRBO (Vacation Rental by Owner). The study comments that these rentals provide competition for a hotel development and the variable nature of their supply make it difficult to quantify their direct impact.
- **Seasonality** – due to the local weather patterns, the months of June through early September demonstrate healthy demand for hotel rooms, while the remaining months of the year show very little demand.
- **Diminished Ferry Ridership** – the Washington State Department of Transportation (WSDOT) who operates the Kingston Ferry, has observed a significant decline in ferry ridership since a peak in 1999. Presumably, this is due to greater web-based connectivity and a decrease in the need to physically commute to urban centers for work.
- **Military Per-Diem** – due to the military presence on the Kitsap Peninsula, hotel rates reflects an amount that is in line with the per-diem amount that military personnel receive when they are off-base. HVS assumes that without this phenomenon, hotel rates throughout all of Kitsap County would be higher.
- **Supporting Amenities** – the study found that the local market is “generally deficient” in regards to the surrounding amenities that a hotel development relies on for its guests.

There are currently a handful of shops and restaurants, but their hours are limited or seasonal in nature. Also, the study noticed that ferry riders quickly move through downtown Kingston and that a redesign of the flow of ferry traffic could help in capturing more visitors downtown.

- **Community Misalignment** – the HVS study articulated a perceived “lack of community pride and cohesion” within Kingston. The effect of this attitude they determined was a stunting of growth, business development and expansion. They also observed a lack of well-trained individuals to help a hotel development execute properly on its business operations.

Over a longer-term horizon, the HVS study acknowledged that Kingston could continue to grow towards a future downtown hospitality presence. This could come in the form of a boutique waterfront property with a meeting space, a restaurant with a small complimentary inn or a bed and breakfast with five to ten units.

Relevance to the Port-owned Properties:

The HVS study conceptually underwrote a future hospitality development within downtown Kingston and concluded that it is likely not a viable option. Heartland will consider these conclusions while performing our own market analysis specifically on behalf of the Port-owned properties. A key consideration will be that the passenger ferry was not enacted at the time of the HVS Hotel Study and could potentially provide more support for a hotel development on one of the sites.

- **Kingston Complete Streets (May - 2016)**

This study was conducted by the Kingston Community and Kitsap County with the goal of establishing a design approach that facilitates the creation of inclusive transportation networks that evaluate all streets, sidewalks and pathways as part of a broader safe, accessible and efficient system within the Urban Village Center (UVC). The focus of the study was narrowed on five components of consideration; complete streets, transportation, urban design, storm water and economic development. This framework resulted in a “Project Summary Matrix” of 20 actionable projects throughout the UVC that each has integrated components of the five key considerations in their selection. These projects range from improving the visibility of local trail systems, to expanding sidewalks through residential areas, to addressing storm water drainage systems with the Port of Kingston. The recommendations are broad in nature and in scale, each of which was drafted with a recommended design standard, statement of purpose, project description, estimated cost and a priority ranking. Specifically, there were three projects that positively affected the Washington Blvd Site:

- A shoreline trail system aimed at tying together the surrounding street system, strategic viewpoints, and providing beach access;

- Redevelopment of Washington Blvd by establishing the arterial as a convertible street to create a cohesive streetscape with the planned redevelopment of the Port of Kingston Park; and
- Improvements along SR 104 facilitated by WSDOT to improve the development of non-motorized facilities to improve safety for pedestrians.

The specific project-based recommendations were the result of a thorough public outreach and stakeholder engagement process.

Relevance to the Port-owned Properties:

The implementation of the high priority projects in the Complete Streets study will have a significant impact on both Port-owned properties due to resulting recommendations to improve the streetscape and overall pedestrian experience of downtown Kingston. The Washington Blvd Site will benefit from many of the recommendations as there is the potential to connect the site with a broader network of trails, improve pedestrian safety and potentially reconfigure SR 104 and redevelop Washington Blvd with construction to commence in 2018. There are also recommended projects that are taking place on Central Ave NE and NE West Kingston Rd which run on the east and north edges of the West Kingston Site. The stated goal of these projects is to better connect the downtown's existing infrastructure and to help make downtown Kingston a more livable place. These initiatives, if completed, will be accretive towards value across the Port-owned sites.

Surrounding Development Support & Headwinds

In order to better understand the potential for the Port-owned Properties, Heartland researched the surrounding development activity to identify both positive and negative factors affecting the Port-owned properties.

- The most significant development project in Kingston is the community of Arborwood, which is currently being proposed by the Olympic Property Group (OPG) across 361 acres of property owned by Pope Resources. This single project, located 1.5 miles from downtown Kingston, would add 765 residential units including 88 higher density townhomes. The project would also include a 20,000 square foot retail area to support the larger community. OPG has announced that they will begin to clear the development site as part of Phase 1 of the development later this year. Local residents remain apprehensive about the project and have expressed concern over impacts regarding traffic, groundwater and sewer. When completed these new households will demand commercial and recreational offerings. Commercial businesses in Downtown Kingston are positioned to benefit from this added population.
- On November 11th of 2016, the voters of Kitsap County approved a ballot measure to establish a passenger-only ferry connection between Kingston and downtown Seattle. This measure was

approved by a 3/10th of a 1 percent sales tax increase and narrowly passed with 51.7% of the vote. With a dock to dock time of approximately 20 minutes, this new mode of transportation has the potential to be catalytic for Kingston. The ferry will provide an opportunity for individuals and families to live in the more affordable Kingston while still having the ability to access jobs and opportunities for higher education in Seattle. The Port-owned properties are well positioned to benefit from this new transportation option which is scheduled to begin operation in 2018.

- On November 25th of 2016, the Port Gamble S’Klallam Tribe opened The Point Hotel located eight miles from Kingston. The four-story, 94-room boutique hotel is located adjacent to the existing casino and will offer an additional hospitality option for those visiting the greater Kingston area.
- Towards the beginning of 2017, the Swedish Medical group decided to close a medical practice that they had acquired a little over a year prior. The facility was located on the Barber Cut Off Road under a mile from the downtown. Members of the community have expressed concern over their ongoing ability to access quality healthcare and the requirement to travel to either Edmonds or Bainbridge to access another Swedish Medical facility.
- In 2018, major improvements are planned for the Washington Blvd corridor, include the development of the Washington Blvd Park and improvements in circulation near the Ferry Terminal and throughout downtown.

Next Steps

This Summary Report satisfies Task 1 of the SOW, Heartland has gained a firm understanding of the surrounding context affecting the two Port-owned Properties. The unique opportunities and challenges facing the Properties have been carefully examined to better inform the subsequent Market Assessment and Alternatives Feasibility Analysis as part of Task 2.