

**Amended per Resolution No. 3386
August 21, 2024**

Bremerton Eastside Employment Center Economic and Market Analysis Report

City of Bremerton – November 2019 DRAFT

Executive Summary

This Economic and Market Analysis Report is intended to guide City of Bremerton officials in developing a new vision and regulatory environment to support new development in Bremerton's Eastside Employment Center as it prepares for the departure of the Harrison Medical Center from the neighborhood.

The following findings were derived from this research:

- **Strategies for the Center should include a long-term conceptual vision and a clear plan for implementation.** In reviewing the guiding visions and examples of strategies from other contexts, a clear approach appears necessary to provide guidance and eliminate regulatory and planning obstacles to long-term success. The City should pursue a series of development actions to clarify the use of the Harrison Medical Center site, develop and implement and vision for the City's intent for the area, and monitor results and realign strategies as necessary over the longer term.
- **There will be challenges in attracting new technical, scientific, and professional employment to the Eastside Employment Center, especially in the short term.** The Eastside Employment Center will be significantly challenged by the loss of medical service employment, as these jobs will not be easily replaced by another employer. Outside of government employment, there has been only a nominal increase in employment in other sectors, and professional, technical, and scientific industries have even reported declines in local employment. This suggests that while new business attraction and retention campaigns might yield results in the future, natural trends in local business growth are not likely to lead to the substantive demand for new office space in the Center.
- **Military-related uses face restrictions that would limit their ability to be accommodated in the Eastside Employment Center.** For Naval Base Kitsap-Bremerton and the Puget Sound Naval Shipyard, there are recognized space limitations for both government and private-sector contractor activities. However, directives from the Department of Defense limit the use of leased space outside of government facilities for military use. Even in the case of exceptions, leased properties are typically required to comply with anti-terrorism force protection guidelines. For private-sector contractors, office space may not be required directly in Bremerton, especially for uses that do not require a constant physical presence. Although there could be the potential for future military-related uses in the Center, these limitations will complicate any efforts to encourage development in the short term.
- **Short-term redevelopment opportunities will be related to new multifamily residential development with supporting retail uses.** A stronger market case can be made for promoting new multifamily development in the Eastside Employment Center. Available multifamily units in the city tend to be older, with significant pre-war development in the downtown and 1970s–1980s development for housing units elsewhere. Increasing housing quality and availability can help to address expected needs, and appropriate neighborhood retail can be incorporated into mixed-use projects to support new residents and help provide for a complete neighborhood.

The report offers strategic directions to address the transformation of the Eastside Employment Center to address obstacles and identify opportunities, actions, and investments that could occur in the short and long-term to create a durable and vital center.

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1.0 Introduction

1.1. PROJECT BACKGROUND

The Eastside Employment Center, shown in Exhibit 1, is one of seven mixed-use Centers identified in the 2016 Bremerton Comprehensive Plan. Under this designation, this neighborhood is intended as a location for large-scale employment activities with significant commercial space, with supporting residential and commercial amenities. Since 1965, the anchor for this area has been the Harrison Medical Center, which currently provides about 1,200 jobs for the community, as well as key medical services for the region.

In 2017, CHI Franciscan Health announced that the operations of the Harrison Medical Center would be transferred to new facilities in Silverdale. The first phase of this relocation was planned to be completed by 2020, with the final relocation expected in 2023.¹ This represents a significant loss of an employer for this neighborhood and for East Bremerton, as well as the likely loss of the medical services cluster as support businesses that rely on access to the hospital are expected to depart to be closer to the new hospital location.

The City of Bremerton has requested the preparation of a preliminary economic and market analysis of the Eastside Employment Center to highlight the potential for new economic opportunities in this area. This is intended to support the development of a Subarea Plan to guide the neighborhood through this period of transition. In particular, the purpose of this study is to provide an understanding of new options for the Harrison Medical Center site, and present potential strategies to attract new businesses and employment opportunities to the broader neighborhood.

1.2. REPORT OUTLINE

This report includes the following sections:

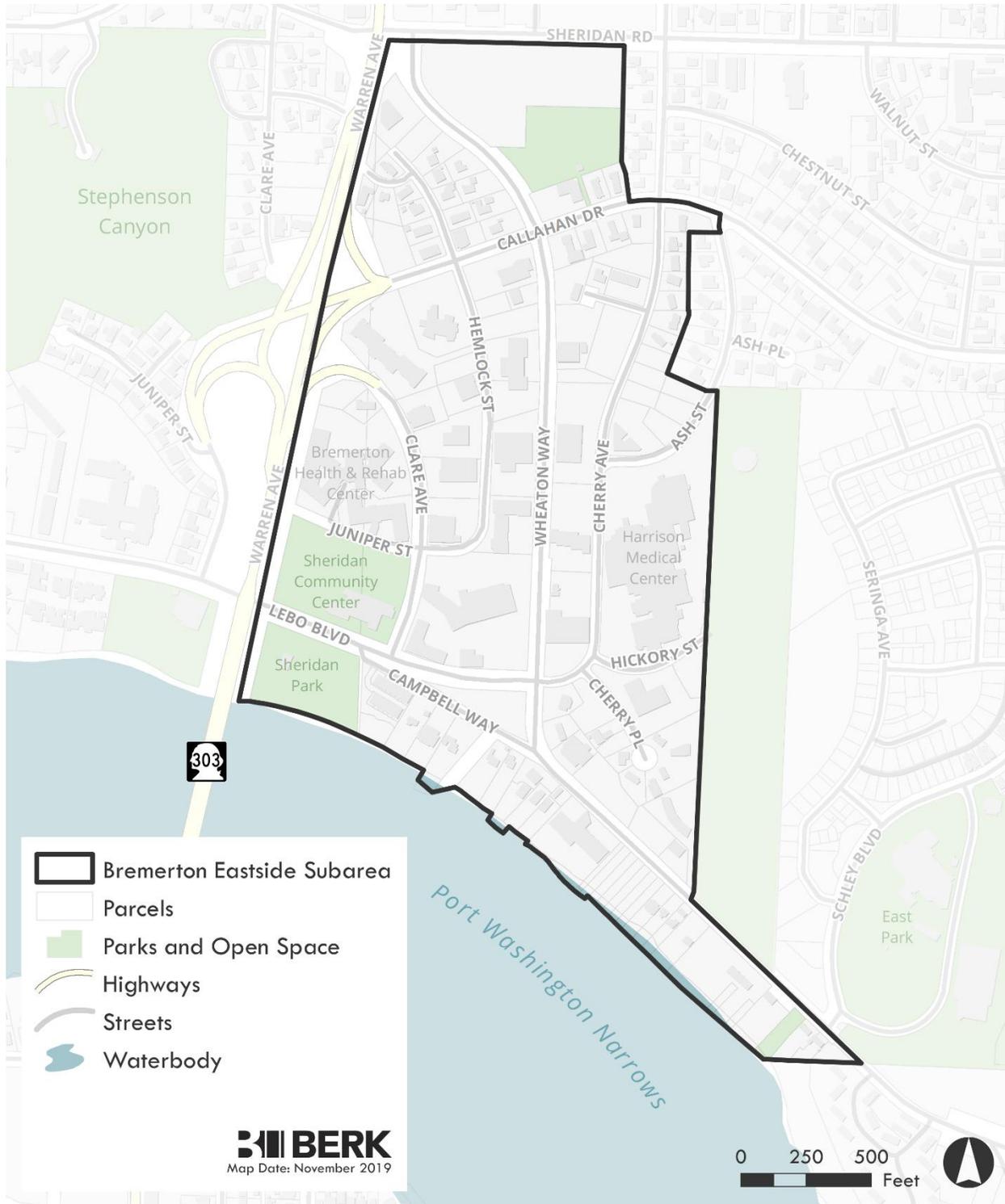
- A **Methods and Resources** section, defining the sources of data and interviews conducted.
- The **Economic and Market Context** section includes a broad description of the Bremerton metro area market, including major economic drivers for the area, key sociodemographic statistics, descriptions of major growth trends, and the expected impacts on the city and regional economy.
- As part of the **Site Analysis**, details about the region, the subarea, and the Harrison Medical Center site are provided. This includes major development considerations, as well as current and potential land entitlements that will impact future development scenarios.
- To provide examples of development options, a section for **Case Studies** outlines categories of development which provide examples of similar opportunities and challenges.

¹ Washington State Department of Health Certificate of Need #1601R, <https://www.doh.wa.gov/Portals/1/Documents/2300/2017/CN1601R.pdf>.

- Based on the information provided, a series of **Initial Strategic Recommendations** are provided. These recommendations are intended to provide a discrete workplan that the City can pursue to promote new development and economic activity in the Eastside Employment Center.
- In the **Conclusion**, an outline of next steps is provided, including additional information that could impact future strategies to encourage development in the Eastside Employment Center.

Additional analysis will be carried out concurrently with the Planned Action Environmental Impact Statement, and findings related to the need for infrastructure improvements and environmental mitigation (if required) will be incorporated into the assessment of the marketability of the site.

Exhibit 1. Overview of the Bremerton Eastside Employment Center.



2.0 Methods and Approach

For this market study, the following data sources and approaches were used:

- **Population and household data.** For the Eastside Employment Center, historical counts of population and households were obtained from Puget Sound Regional Council (PSRC) estimates. Citywide population counts were obtained from the Washington State Office of Financial Management (OFM), with city population projections obtained from the PSRC and the City of Bremerton Comprehensive Plan.
- **Employment data.** Information on employment for the Center and the City of Bremerton were obtained from the PSRC. Aggregations of sector-based employment counts were conducted where data suppression permitted.
- **Real estate market data.** Real estate market data, including information on rents, vacancies, age, locations, and development trends were obtained from CoStar. For the purposes of this analysis, downtown developments were assumed to include all projects within the 98337 zip code, and the City market was assumed to include the “East Bremerton”, “West Bremerton”, and “Central Business District” submarket areas in the Bremerton-Silverdale market.
- **Hotel data.** Information on hotels was obtained from the STR hotel census database. For the purpose of this analysis, hotel properties located in Kitsap County were considered to be a common market area.
- **Property data.** Information on current development, land use, and assessed property values was derived from Kitsap County Land Information System (LIS) data, downloaded in August 2019. This information was used in conjunction with CoStar data on multifamily properties to develop housing unit counts for the study area.
- **GIS data.** GIS data sets for parcel boundaries, building footprints, and other base data were obtained from Kitsap County GIS. Additional data on zoning, land capacity, and other base features were obtained from the City of Bremerton.
- **Interviews.** Interviews were conducted as part of broader information gathering for the project. Interviewees included:
 - Rick Cadwell, The Cadwell Group
 - Mark Goldberg, MBG Co.
 - Lynn Wall, Naval Base Kitsap
- **Additional literature sources.** Several sections include research from sources in the available literature, as well as from current plans and policies, and project and program websites. These sources are referenced with footnotes in the text as applicable.

3.0 Economic and Market Context

3.1. OVERVIEW

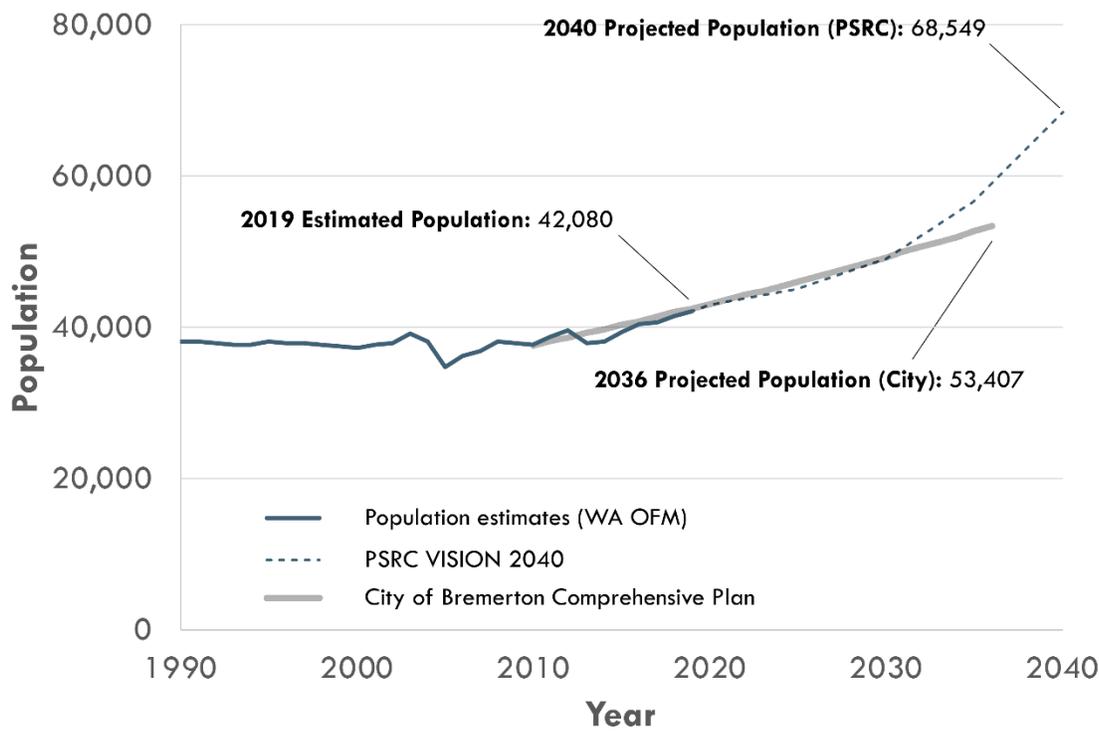
The potential market for new development in the Bremerton Eastside Employment Center will be strongly dependent on current trends in the city and region, as well as long-term planning for Naval Base Kitsap-Bremerton and likely spillover effects in the surrounding community. In this section, broad drivers that would impact market demand are outlined to highlight trends that would influence options for the Eastside. These topics include:

- Population and demographic characteristics.
- Local employment and economic activity.
- Real estate market trends for major land uses (e.g., residential, retail, office, hospitality).
- Naval Base Kitsap and the Puget Sound Naval Shipyard.

3.2. POPULATION AND DEMOGRAPHICS

The historical and projected populations of the City of Bremerton are provided in Exhibit 2. The population of Bremerton in 2019 was estimated to be 42,080. The overall number of residents in the city remained relatively stable from the 1970s to around 2014, with a notable decline in population in 2005. However, since 2015 there has been notable growth, with an average population increase of about 1.7% per year.

Exhibit 2. Population, City of Bremerton, 1990–2040 (projected).



Source: PSRC, 2008; City of Bremerton, 2016; WA OFM, 2019; BERK, 2019

Estimates of population projections from the 2016 Comprehensive Plan suggest that the population will grow at an average of about 1.4% per year to a population of 53,407 by 2036. This would indicate a need to accommodate an additional 11,327 people over the 2019–2036 period, increasing the population by 27%.

Alternate population projections from PSRC’s VISION 2040 suggest that growth in Bremerton will proceed with a higher rate of growth projected forward to 2040. The estimated 2040 population under this scenario would be 68,549, representing an additional 26,469 residents (or 63% of the current population) added between 2019 and 2040. Note that this would represent significant growth in the city, rivalling the population increases seen in the post-war era.

The draft VISION 2050 document from PSRC is currently under review². Under this regional growth strategy, an estimated 33,000 new residents would be added by 2050 to the City of Bremerton and surrounding UGA, which are designated as a “Metropolitan City” according to the regional geography classification. This increase would be about 81% of the 2017 population of the City, and would continue to represent significant population growth in the community.

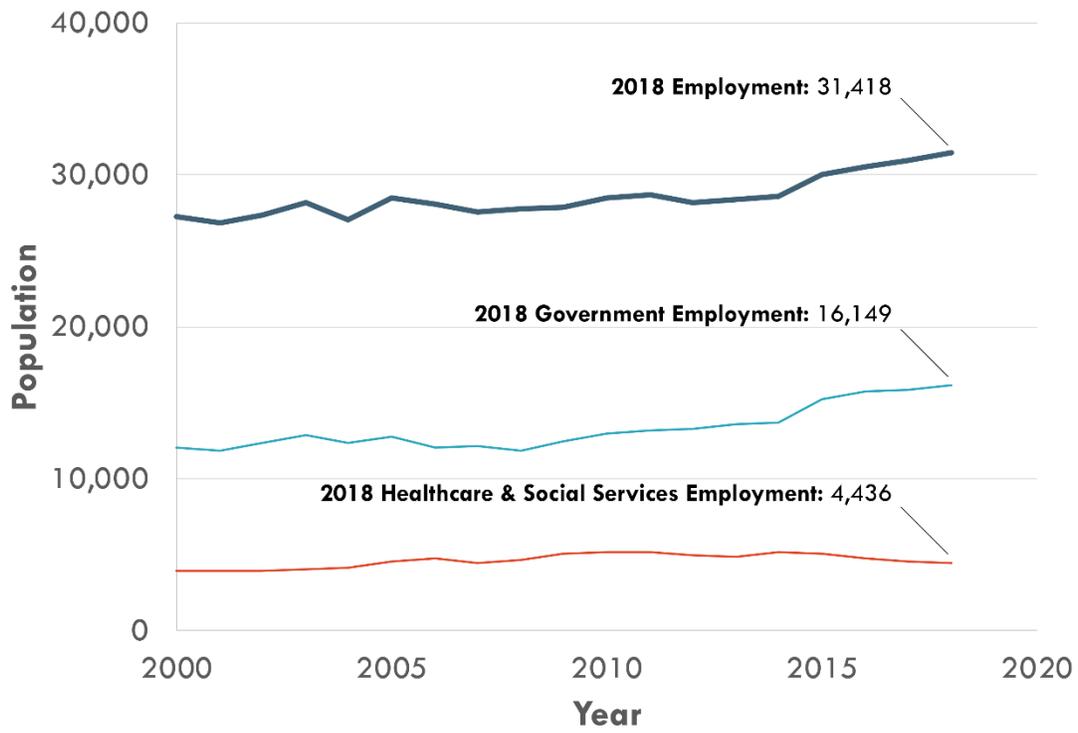
The population of the study area has been relatively constant, with about 430–460 residents located in the Bremerton Eastside Employment Center since 2002. This includes both households in the residential area in the north of the study area, as well as two independent living retirement homes.

3.3. LOCAL EMPLOYMENT AND ECONOMY

Local employment trends since 1990 for the City of Bremerton are provided in Exhibit 3, including total employment and employment in the Government and Healthcare & Social Services sectors. Exhibit 4 provides a breakdown of employment in 2003 and 2018 by 2-digit NAICS sector, highlighting employment by sector, the percent of total city employment in the sector, and the percent of Kitsap County employment in the sector found in the city. Estimates of total employment and employment in Services sectors in the study area are given in Exhibit 5.

² PSRC. (2019) VISION 2050. <https://www.psrc.org/vision>.

Exhibit 3. Employment, City of Bremerton, 2000–2018.



Source: PSRC, 2019; BERK 2019

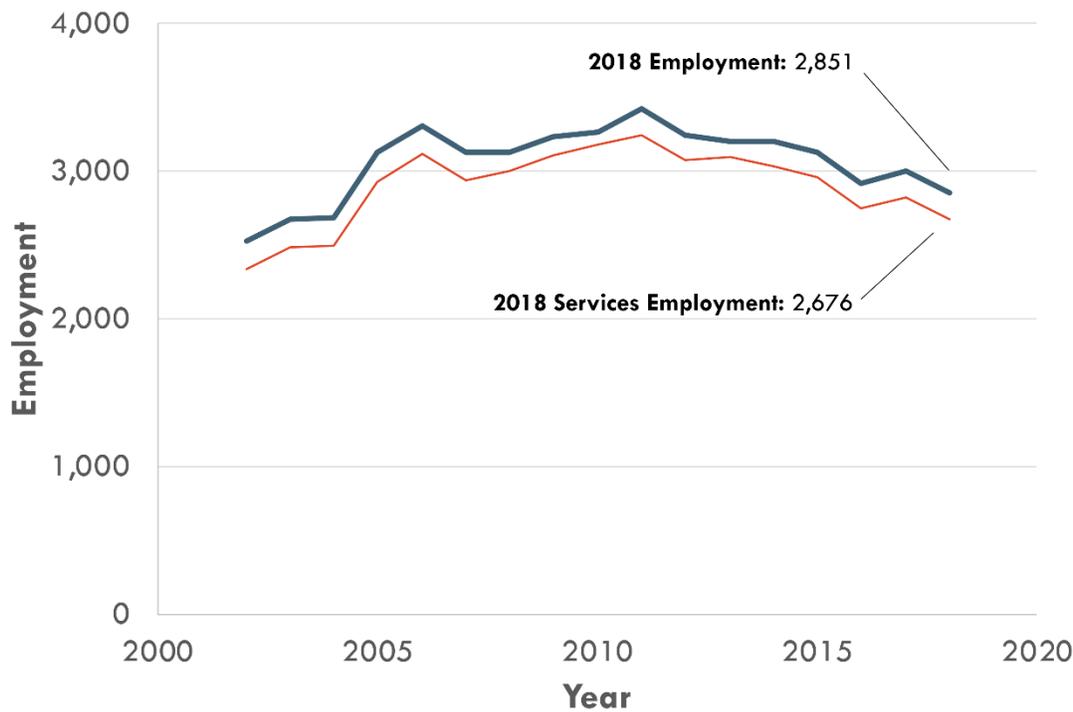
Exhibit 4. Employment by 2-Digit NAICS Sector, City of Bremerton, 2003 and 2018.

NAICS 2-DIGIT SECTOR	2003			2018			CHANGE		
	EMPL.	% TOTAL	% COUNTY	EMPL.	% TOTAL	% COUNTY	EMPL.	% TOTAL	% COUNTY
11 Agriculture, Forestry, Fishing and Hunting	*	*	*	*	*	*	*	*	*
21 Mining	*	*	*	*	*	*	*	*	*
22 Utilities	*	*	*	*	*	*	*	*	*
23 Construction	442	1.6%	12.1%	479	1.5%	11.2%	37	-0.0%	-0.9%
31–33 Manufacturing	144	0.5%	8.9%	1,038	3.3%	39.6%	894	+2.8%	+30.7%
42 Wholesale Trade	291	1.0%	29.0%	293	0.9%	23.6%	2	-0.1%	-5.4%
44–45 Retail Trade	2,059	7.3%	20.2%	1,943	0	17.8%	-116	-1.1%	-2.5%
48 Transportation and Warehousing	229	0.8%	38.6%	149	0.5%	18.6%	-80	-0.3%	-19.9%
49 Transportation and Warehousing	*	*	*	*	*	*	*	*	*
51 Information	328	1.2%	18.8%	216	0.7%	16.5%	-112	-0.5%	-2.3%
52 Finance and Insurance	537	1.9%	26.7%	355	1.1%	21.5%	-182	-0.8%	-5.2%
53 Real Estate and Rental and Leasing	271	1.0%	26.5%	289	0.9%	26.0%	18	-0.0%	-0.5%
54 Professional, Scientific and Technical Services	1,170	4.2%	29.5%	967	3.1%	20.9%	-203	-1.1%	-8.6%
55 Management of Companies and Enterprises	24	0.1%	15.8%	157	0.5%	47.6%	133	+0.4%	+31.8%
56 Admin, Support, and Waste Mgmt./Remediation	1,057	3.8%	51.9%	423	1.3%	19.8%	-634	-2.4%	-32.1%
61 Educational Services	28	0.1%	5.1%	84	0.3%	12.1%	56	+0.2%	+7.0%
62 Health Care and Social Assistance	4,099	14.6%	44.2%	4,436	14.1%	37.0%	337	-0.4%	-7.2%
71 Arts, Entertainment and Recreation	102	0.4%	8.9%	187	0.6%	16.0%	85	+0.2%	+7.1%
72 Accommodation and Food Services	1,450	5.2%	24.6%	1,670	5.3%	20.9%	220	+0.2%	-3.7%
81 Other Services (except Public Administration)	923	3.3%	30.5%	511	1.6%	20.7%	-412	-1.7%	-9.9%
Government	12,890	45.8%	63.3%	16,149	51.4%	62.9%	3,259	+5.6%	-0.4%
Education	1,937	6.9%	27.0%	1,817	5.8%	25.7%	-120	-1.1%	-1.3%
TOTAL	28,144		37.1%	31,418		35.4%	3,274		-1.7%

* Indicates a suppressed field.

Source: PSRC, 2019; BERK 2019

Exhibit 5. Employment, Bremerton Eastside Employment Center, 2002–2018.



Source: PSRC, 2019; BERK 2019

As of 2018, the PSRC has estimated local employment in the City of Bremerton to be 31,418 jobs. Over half of this total is related to government employment, primarily linked with Naval Base Kitsap-Bremerton and associated support businesses. Recent growth in employment has been moderate; since 2010, the average growth rate in jobs has been about 1.4% per year since 2010. This has been outpaced by growth in government employment, however, with an average growth rate of 3.2% per year over this same time period.

The 20-year projections from the 2016 Comprehensive Plan indicate that employment in the city is expected to increase by about 1.9% per year between 2010 and 2036, to 46,949 jobs in 2036. This would represent a total increase of 15,531 jobs, or about 49% of current employment levels. About 80% of this additional employment is expected to be accommodated in major planned centers, including the Puget Sound Industrial Center (PSIC) in Bremerton.

For the study area, PSRC estimates for 2018 employment indicate that there are 2,851 workers, or over 9% of the total workforce in the city. Employment in the area peaked in 2011 with 3,423 workers and has declined at an average of about 2% per year. Service sectors (largely involving healthcare) are the overwhelmingly dominant source of employment in the study area, accounting for 2,676 workers (about 94% of the total employment). This area accounts for about 31% of all employment in service-related sectors across the city.

From the information outlined in Exhibits 3 through 5, there are some characteristics of the local economic market that are important to highlight:

- **Dominance of government employment.** Overall, the Government sector is the largest for employment in the city, with over half of the city's employment (51%) in 2018 accounted for with this sector. This is up from about 46% of all local jobs in 2003. Although other public agencies contribute to this employment, the largest employer is Naval Base Kitsap-Bremerton including and the Puget Sound Naval Shipyard & Intermediate Maintenance Facility. Note that this employment does provide a buffer in the local and regional economy against economic downturns, as federal military spending is more likely to be maintained through tighter economic periods than other government or consumer spending.
- **Importance of healthcare as a sector.** Next to Government employment, the Health Care and Social Services sector employs the next greatest number of workers in the city, with an estimated 4,436 workers (14% of total employment) in 2018. Overall growth in this sector was strong between 2004 and 2011, with an average of about 2.9% growth during this period. Estimated employment in the sector has declined since 2014, however, with a decline from 5,171 employees in 2014 to 4,436 employees in 2018 (an average of about 4% per year). As noted previously, the high concentration of Service sector employment in the study area highlights that this area is a focus of local employment in health care.
- **Slight decentralization of overall employment.** Over the past several years, the share of Kitsap County employment in Bremerton has declined: the city has about 35% of the total employment in the county as of 2018, down from 37% in 2003. There has been a greater drop in the share of total county employment in specific sectors, including Transportation and Warehousing; and Administrative and Support and Waste Management and Remediation services. From available estimates from the PSRC, this seems to be related to a greater amount of employment growth going to other urban areas in the county, including Port Orchard, Bainbridge Island, and Poulsbo.
- **Increase in manufacturing employment.** Although Manufacturing is a relatively small part of the city economy overall, accounting for just 3.3% of total employment, there has been some notable increases in this sector since 2003. This has been related to the annexation of the Puget Sound Industrial Center - Bremerton (PSIC - Bremerton), completed in 2009. Since 2010, employment growth in Manufacturing in the city has increased by an average of about 11% per year, and as of 2018, Bremerton now includes about 40% of all County employment in Manufacturing.
- **General decreases in employment in other sectors.** There are several notable economic sectors that have seen decreases in total employment in the city. These include Retail Trade; Information; Finance and Insurance; Professional, Scientific and Technical Services; Administrative and Support and Waste Management and Remediation Services; and Other Services. Because of this, while Manufacturing and Government employment have significantly increased local employment over this 15-year timeframe, these increases have been partly offset by decreases in employment in other types of businesses.

3.4. REAL ESTATE MARKET AND TRENDS

Examining the Bremerton and regional real estate market can provide insights about the available supply of properties that can accommodate future residential and employment growth. For this area, four distinct types of real estate products would be relevant for consideration in future development:

- Office commercial, including medical office uses.
- Retail commercial.
- Hospitality / hotel.
- Multifamily residential, including seniors housing.

Although other types of real estate such as recreation/amusement, institutional, and flex uses could potentially be incorporated into this neighborhood, these four types include most of the private development that would potentially be compatible with existing and expected development in the study area.

3.4.1. Office Commercial

Exhibit 6 provides the distribution of office commercial real estate in the Bremerton area, with Exhibits 7 and 8 showing historic average rents and vacancies, respectively, for office commercial in the City of Bremerton and downtown Bremerton. Exhibit 9 shows the distribution of all office commercial space in the City by age of construction. Note that for the purposes of this assessment, “downtown Bremerton” is considered to be the area within the 98337 zip code.

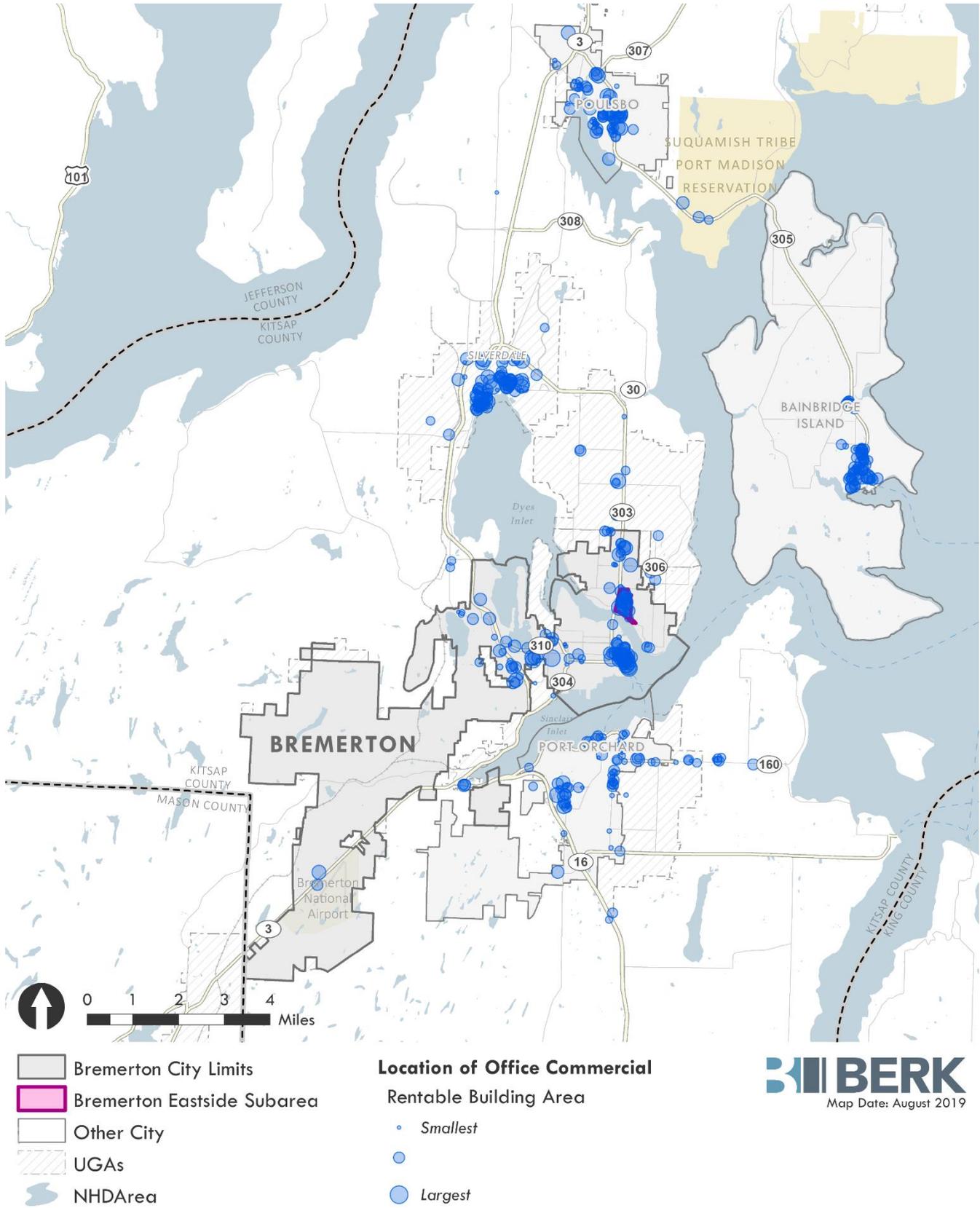
The distribution of office space in the city is focused on the downtown, with about half of all office space in the city clustered in the downtown area. Aside from this cluster, office development is also located close to Highways 3, 304, and 310 west of the downtown, as well as in the study area and to the north along Wheaton Way. Elsewhere in the region, there are significant clusters of office development in Silverdale, Poulsbo, and Bainbridge Island.

Key conclusions about the office market in Bremerton and broader Kitsap County for this study include the following:

- **Office rents in the city are approaching pre-recession levels.** Office rents in 2008 peaked at \$20.30/SF in the downtown, and about \$19.50/SF in the city overall. This fell to a low of about \$17.10/SF downtown and \$16.20 in the city in 2012. However, since 2012 these rents have consistently increased by about 2.2% per year, with rents reaching \$19.80/SF downtown and \$18.80/SF in the city.
- **Vacancy rates in the downtown are significantly higher than in the city overall.** Office vacancy rates in the city overall have declined from a high of 15.7% in the fourth quarter of 2013, to about 7.5% in the second quarter of 2019. Downtown vacancy rates, however, are still high; although office vacancies in the downtown reached a high of 16% in 2013, vacancy rates are at about 14.1% today. This suggests that while vacancy rates overall have returned to pre-recession levels, that office vacancies are still a challenge potentially due to parking challenges, obsolescence, and competition with other locations for office employment.
- **Office development in the city has been minimal.** After 2007, there has been minimal office development in the city, with only one building of about 22,000 SF constructed in 2011. However, over 330,000 SF has been constructed in other communities in the county, with about 100,000 SF each in Silverdale and Port Orchard.
- **Older downtown commercial buildings may complicate business attraction.** From the distribution of the age of office space given in Exhibit 9, there has been a notable amount of recent office

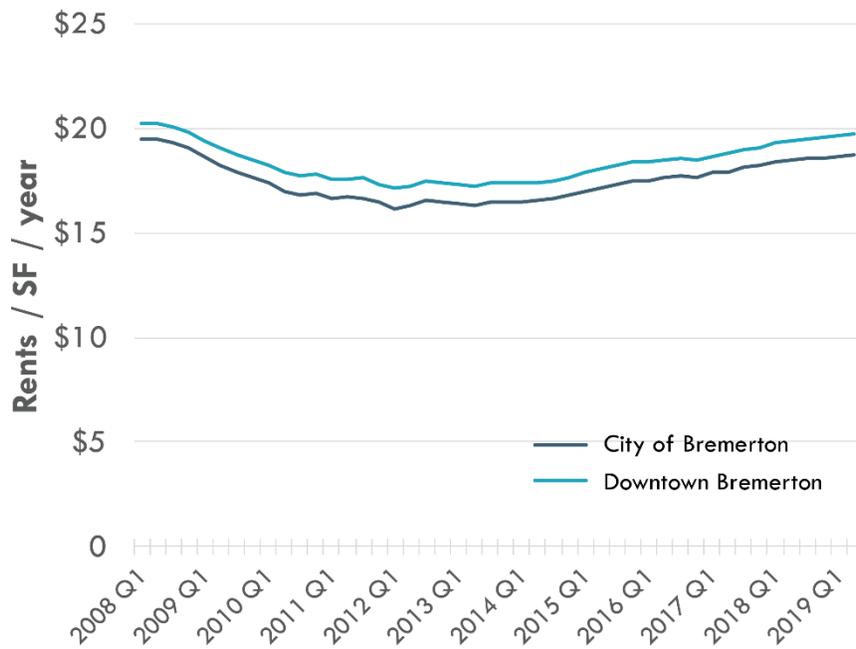
development in the downtown. Over 460,000 SF of office space has been developed or rehabilitated in downtown Bremerton since 2001, which amounts to almost 42% of the existing stock. However, about 21% of office space was developed in 1940 or earlier and has not been rehabilitated; while some of this space is in use, this suggests that there is a significant amount of downtown office space that is older and obsolete. Combined with concerns about parking, this may complicate business attraction and retention efforts in the downtown and suggests that new office growth in the city may require new development and redevelopment.

Exhibit 6. Distribution of Office Commercial Real Estate, Bremerton Area.



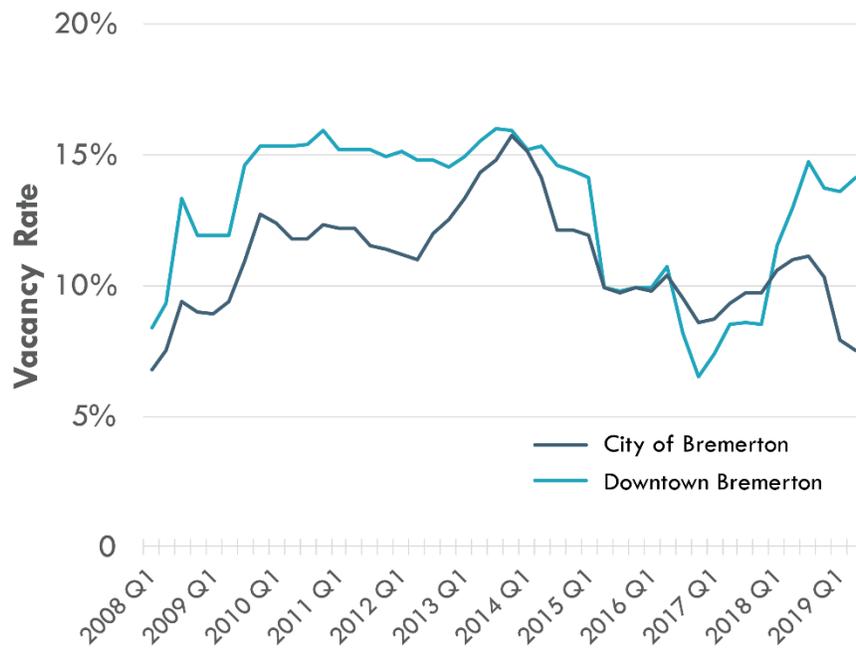
Source: CoStar, 2019; BERK, 2019.

Exhibit 7. Rent per Square Foot, Office Commercial, City of Bremerton and Downtown, 2008–2019.



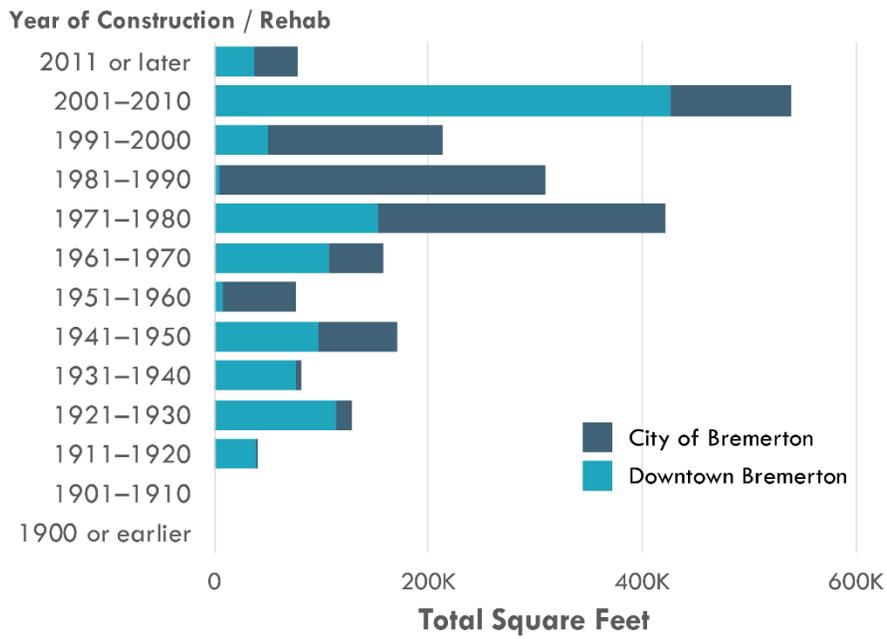
Source: CoStar, 2019; BERK, 2019.

Exhibit 8. Vacancy, Office Commercial, City of Bremerton and Downtown, 2008–2019.



Source: CoStar, 2019; BERK, 2019.

Exhibit 9. Building Age, Office Commercial, City of Bremerton and Downtown.



Source: CoStar, 2019; BERK, 2019.

3.4.2. Retail Commercial

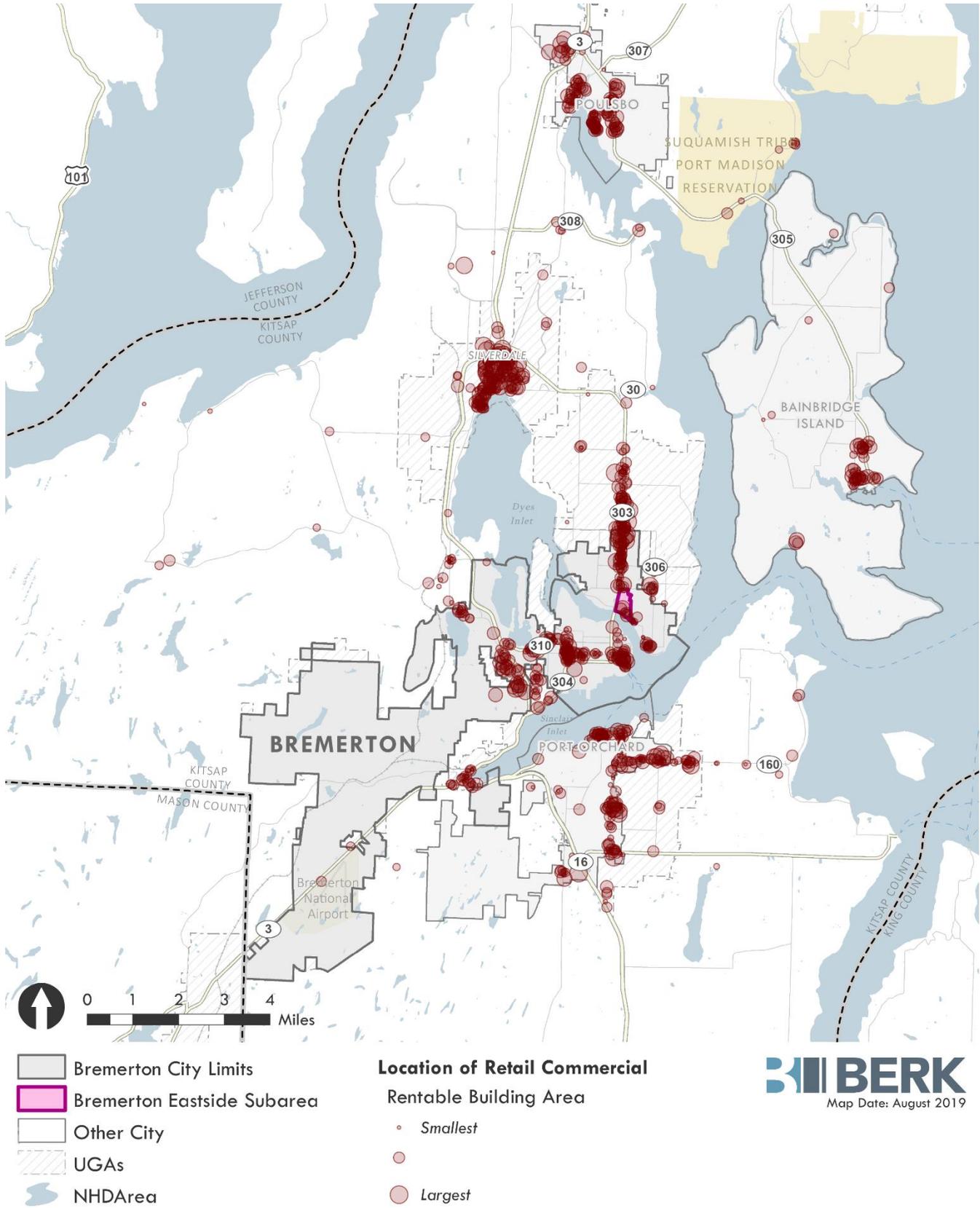
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The distribution of retail space in the city is distributed across the city, located in the downtown, along Kitsap Way and Highways 3 and 310 to the west, and north of the study area along Wheaton Way/WA-303. Silverdale is also a major retail center, with retail locations in centers and corridors located in other cities in the county.

Key conclusions about the retail market in Bremerton and broader Kitsap County for this study include the following:

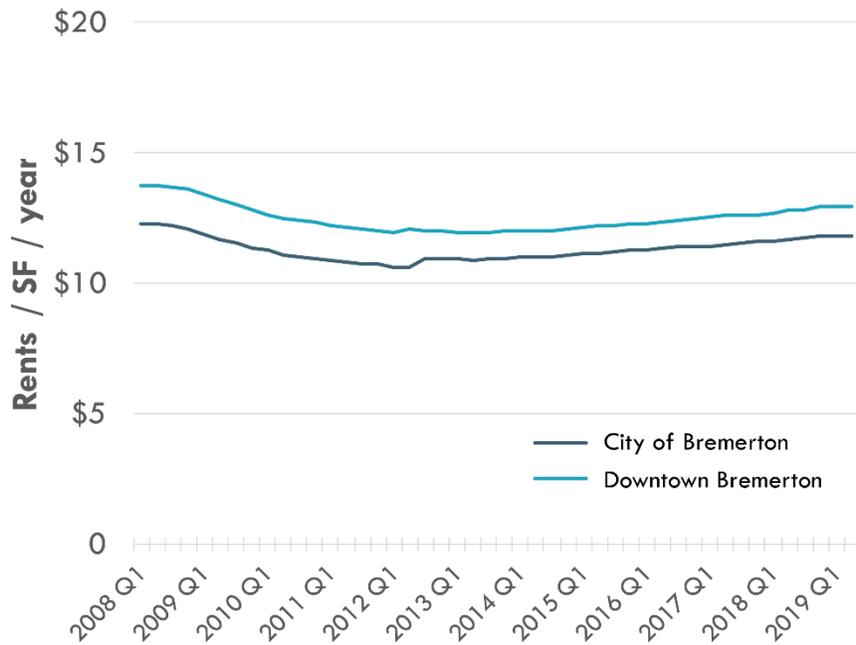
- **Retail vacancy rates in the City of Bremerton are low after peaking after the recession.** Retail vacancy rates both in the downtown and the city peaked in 2013 as a result of the recession. These higher vacancy rates have been reduced to historically low levels in recent years, with downtown retail vacancy falling to below 2% in 2015, and vacancy rates citywide declining significantly since 2017. This has not been accompanied by construction of new retail space in the city since the recession, and there has even been some conversion of previous retail and office space to residential use.
- **Rents for retail spaces are recovering but are not yet at pre-recession levels.** Prior to the recession, retail rents peaked at about \$12.30/sf citywide, and \$13.80/sf downtown in 2007–2008. While rents have risen since bottoming out in 2012, they have still not recovered from their peak: downtown rents are currently at about \$13/sf, and citywide rents are about \$11.80/sf. This suggests that to date there has not been enough retail demand in the city to spur additional development, but if trends continue there will be a need for additional space, especially if the local population grows further.
- **Retail within the study area would be challenged to compete with highway-oriented commercial along WA-303.** At present, there is minimal retail in the study area, which is mainly oriented to supporting the office uses in the neighborhood. There is significant retail and restaurant development along WA-303 to the north of the study area stretching into Kitsap County, which highlights the role of WA-303 as a major route that can provide traffic for retail businesses. However, access into the neighborhood from WA-303 is challenging, and potential retail development sites would have limited visibility from the highway, making new highway-oriented retail a greater challenge in this location, and likely limit its extent.
- **There may be a potential for retail as part of new mixed-use development.** Lower vacancy rates and slowly rising rents may suggest that demand for new retail spaces may increase in the future, especially as population growth continues. Integrating these spaces into new mixed-use communities may be a way of managing these demands through infill and building more complete neighborhoods.

Exhibit 10. Distribution of Retail Commercial Real Estate, Bremerton Area.



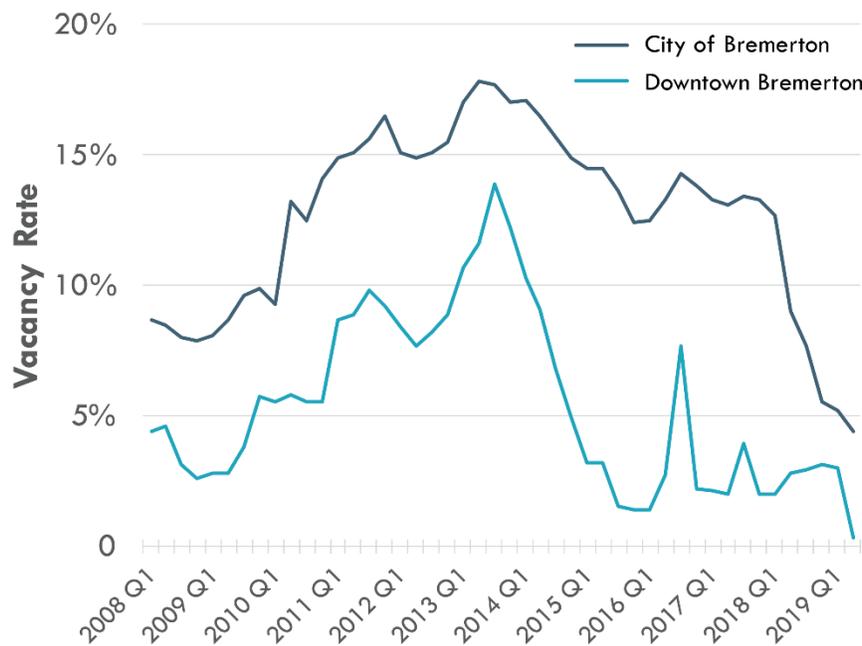
Source: CoStar, 2019; BERK, 2019.

Exhibit 11. Rent per Square Foot, Retail Commercial, City of Bremerton and Downtown, 2008–2019.



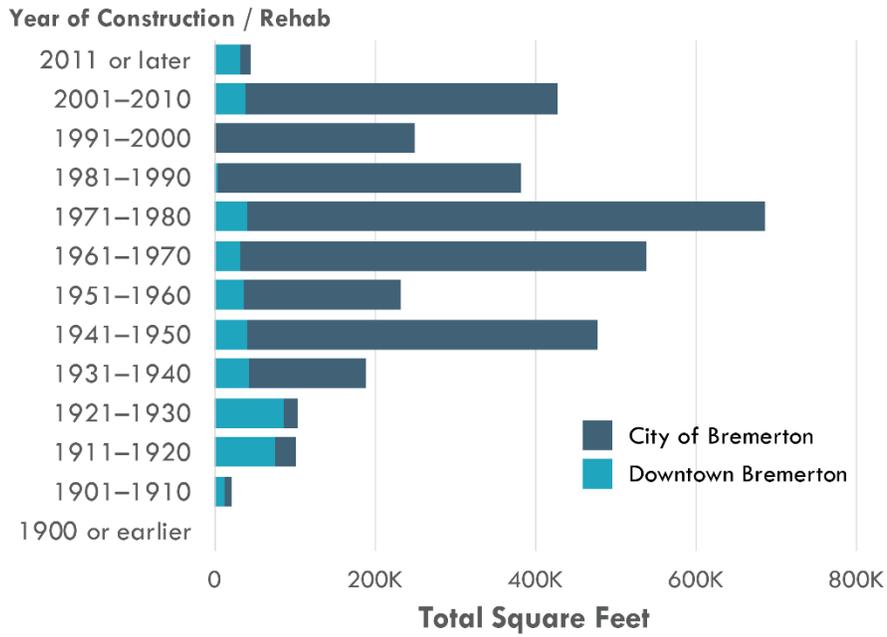
Source: CoStar, 2019; BERK, 2019.

Exhibit 12. Vacancy, Retail Commercial, City of Bremerton and Downtown, 2008–2019.



Source: CoStar, 2019; BERK, 2019.

Exhibit 13. Building Age, Retail Commercial, City of Bremerton and Downtown.



Source: CoStar, 2019; BERK, 2019.

3.4.3. Hospitality / Hotel

Exhibit 14 provides the distribution of accommodations across the Bremerton area within Kitsap County, symbolized by hotel quality and number of rooms. Additional exhibits present key performance statistics for the Kitsap County hotel industry, including:

- Supply and demand in room-nights in Exhibit 15.
- Average room rates and revenue per available room (adjusted for inflation) in Exhibit 16.
- Total revenue adjusted for inflation in Exhibit 17.

This information is based on a hotel census provided by STR, which covers about 79% of the total supply of hotel rooms in the County.

Key conclusions about the hospitality market in Bremerton and broader Kitsap County for this study include the following:

- **The local market generally has a supply of rooms that can meet current demand for accommodations.** Examining monthly averages for occupancy rates, it seems that even during summer peak months (July/August), there has been the capacity to meet demand. Occupancy rates typically average 85% during this period, with an average of 95–96% occupancy on Saturdays during July and August 2018. As shown in Exhibit 15, however, yearly average occupancy rates are around 70% and there has not been a substantive increase in hotel demand since 2016, suggesting that there is sufficient local supply to meet demand.
- **Local room rates have not suggested a tightening supply.** In addition to stable occupancy, room rates at hotels in the county have been generally constant over time considering inflation. This indicates that while the local market may tighten somewhat on summer weekends, there has been no general shortage that would lead to prices increasing at a rate faster than inflation.
- **Competition from new hotel development in downtown Bremerton would be challenging for new accommodation options in the study area.** Marina Square, under development by Sound West Group, will include a 122-room hotel in a large waterfront development slated to include a restaurant and apartments.³ This hotel, managed under the Cambria luxury brand of Choice Hotels, will present an additional high-end option to add to the upper-midscale offerings downtown, and increase the number of rooms in the downtown by about 50%. This additional supply would pose a challenge to attempts to locate higher-end accommodations in the study area without new demand.
- **Regional hotel development may also pose a challenge to expanding accommodation offerings.** In addition to new development in the downtown, development in the regional market may also present competitive challenges. It has been noted that the Seattle hotel market has added significant new capacity, increasing the number of rooms by 21% from 2016 to 2018, and potentially adding

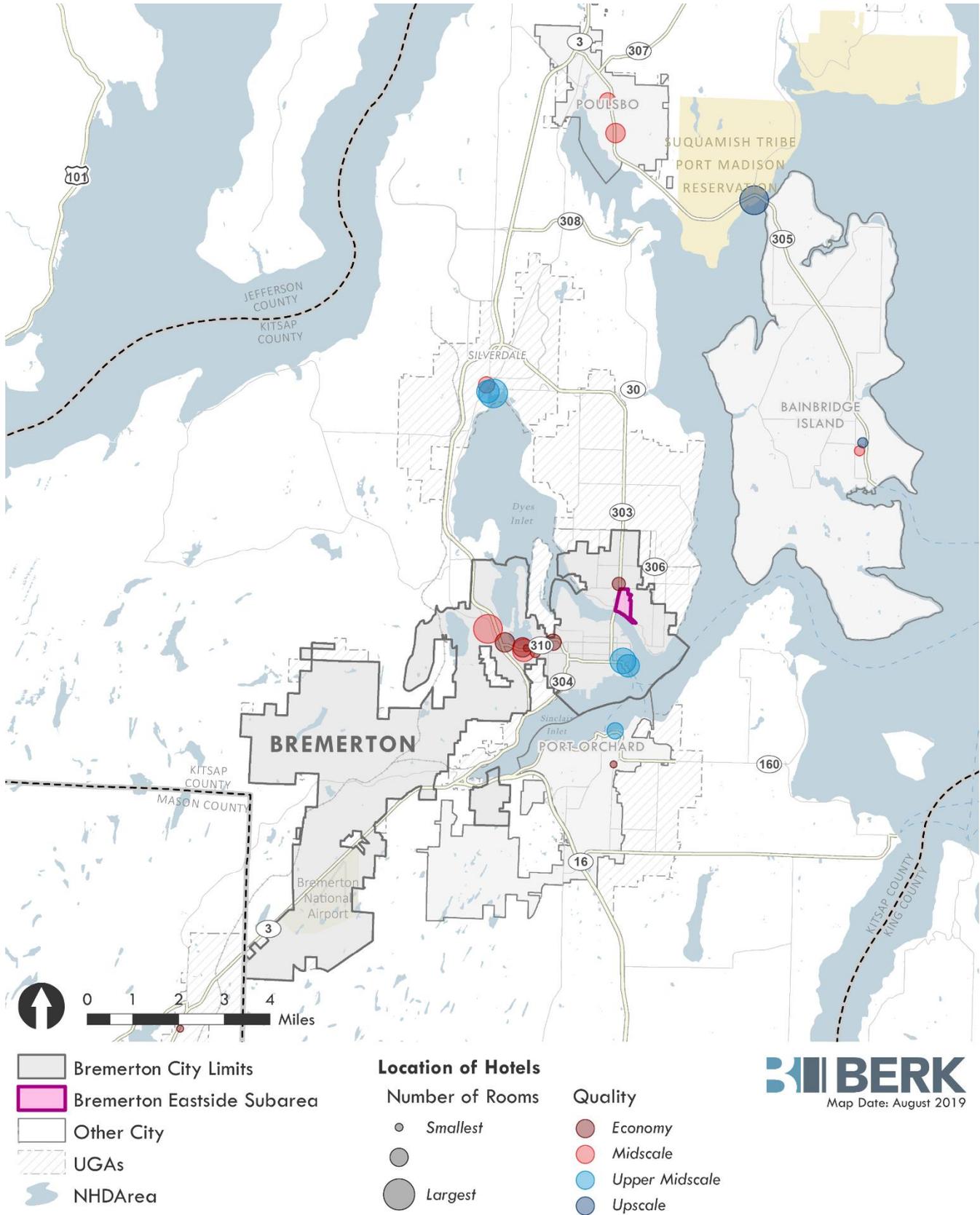
³ Minnick, B. 2017. "Bremerton complex will combine 120-room hotel and 120 apartments." *Daily Journal of Commerce*, December 18, 2017. <https://www.djc.com/news/re/12106879.html>.

another 2,000 rooms (an additional 14%) from 2019 to 2021.⁴ If regional hotel production begins to outstrip demand, price drops in the Seattle market may draw visitors to that market, and away from options in Bremerton.

- **Accommodations for long-term stays may be in greater demand during modernization projects for the Puget Sound Naval Shipyard.** Although current hotel statistics do not suggest a tightening market, there may be additional demand resulting from temporary workers employed for the ongoing modernization work with the Puget Sound Naval Shipyard. The needs for accommodation and approaches to meet this demand are not clear and will depend on the characteristics of the project. However, the City should look to coordinate with Naval Base Kitsap, contractors, and local providers to ensure that these workers can be accommodated, especially during high periods of demand in July/August.

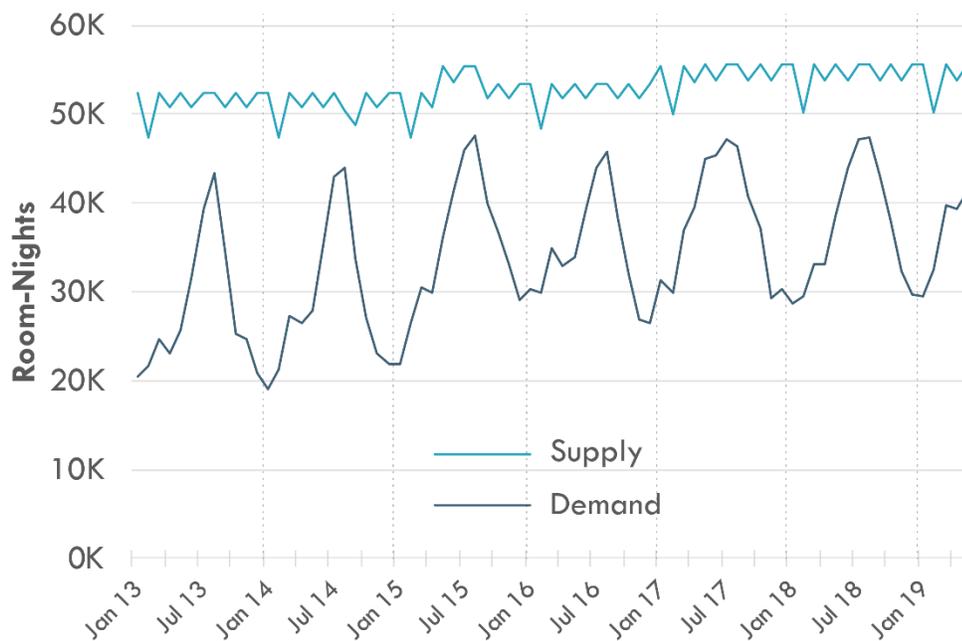
⁴ Roberts, P. (2018) "As Seattle area keeps building hotels, there soon may be too much room at the inn." *Seattle Times*, November 2, 2018. <https://www.seattletimes.com/business/as-seattle-area-keeps-building-hotels-there-soon-may-be-too-much-room-at-the-inn/>

Exhibit 14. Distribution of Hotels and Other Accommodations, Bremerton Area.



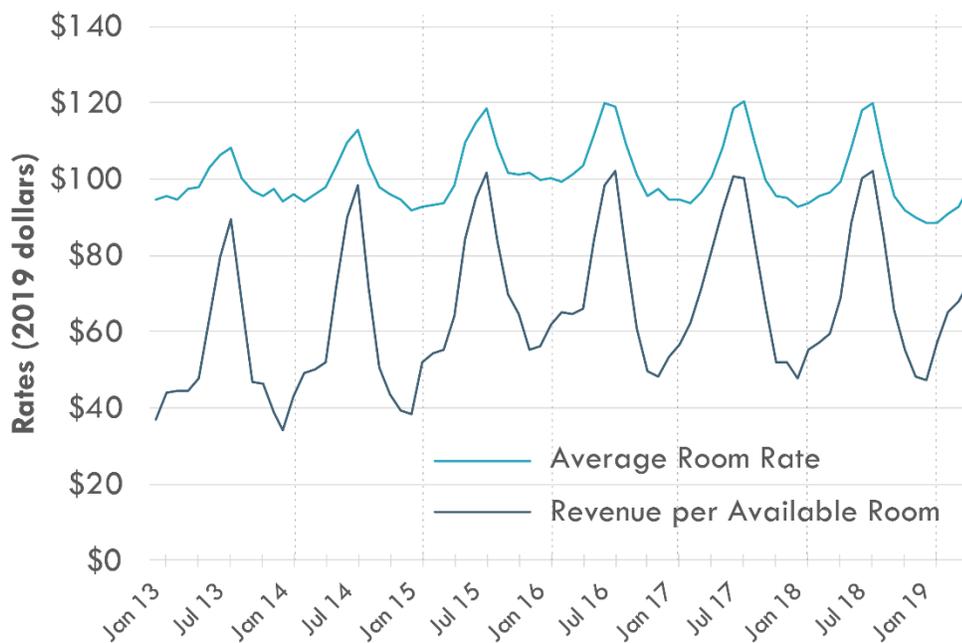
Source: STR, 2019; BERK, 2019.

Exhibit 15. Supply and Demand for Accommodations by Month, Kitsap County, 2013–2019.



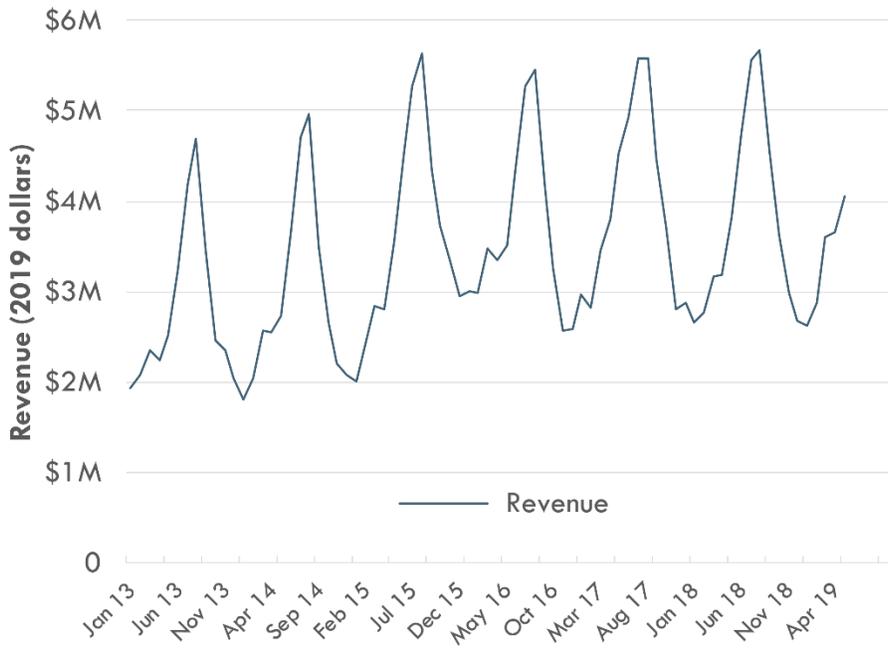
Source: STR, 2019; BERK, 2019.

Exhibit 16. Census Average Room Rates and Revenue per Available Room by Month, Kitsap County, 2013–2019.



Source: STR, 2019; BERK, 2019.

Exhibit 17. Census Hotels Total Revenue by Month, Kitsap County, 2013–2019.



Source: STR, 2019; BERK, 2019.

3.4.4. Multifamily Residential

For the residential market in the Bremerton area, the distribution of multifamily residential units is shown in Exhibit 18. Multifamily rents citywide are provided in Exhibit 19, with rents in the downtown presented in Exhibit 20. Exhibit 21 provides vacancy rates since 2008, and Exhibit 22 shows the distribution of the age of units across the market.

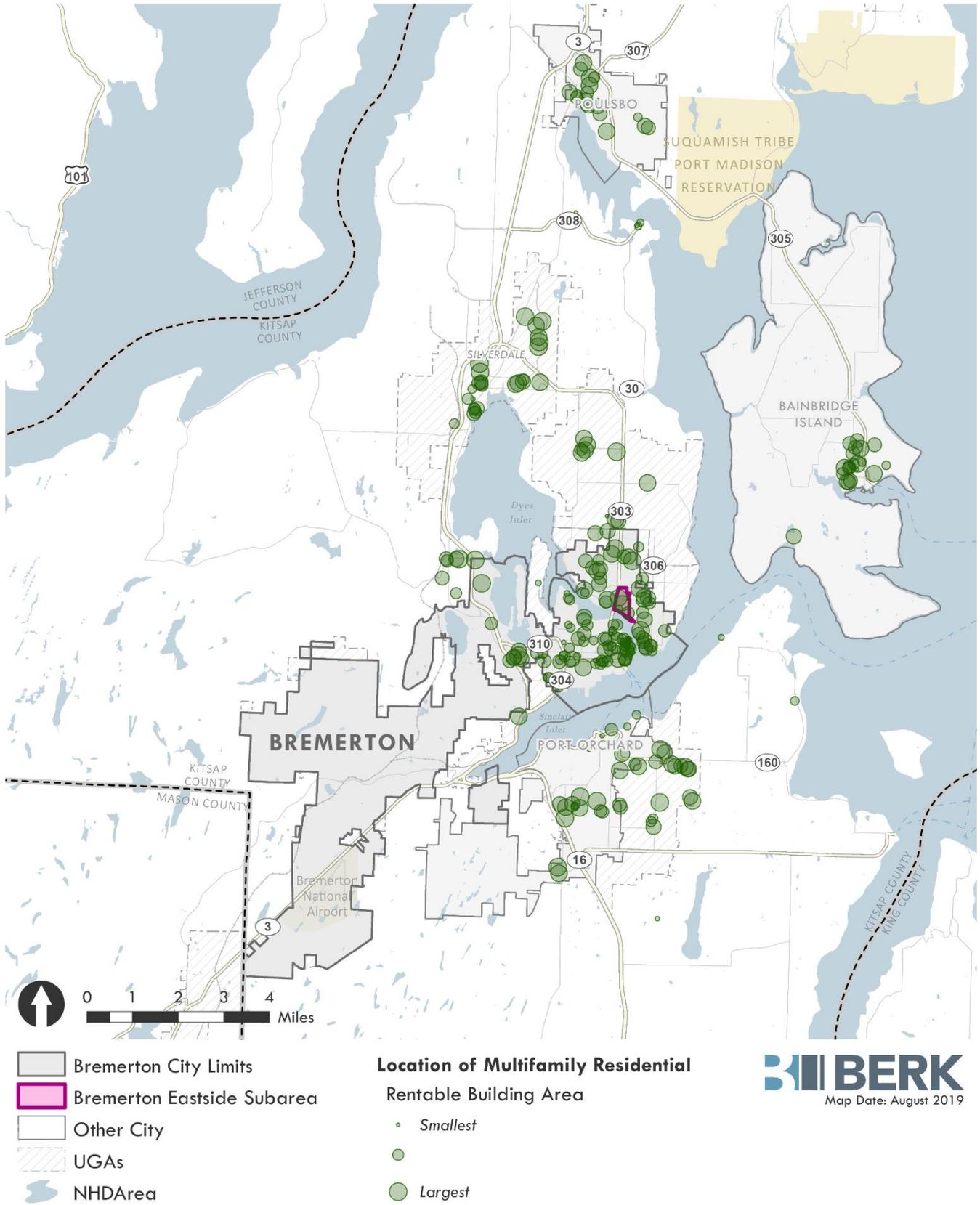
The City of Bremerton has the largest stock of multifamily residential development in the area. Some development is provided in the area in major centers, such as Port Orchard, Silverdale, Poulsbo, and Bainbridge Island/Winslow, but most of the development in the county is centered on Bremerton. Unlike other types of real estate, rents decreased and vacancies increased quickly during the last recession, with rents reaching a minimum in 2009–2010, and recovering to pre-recession levels by 2014–2015. Vacancy rates started to drop from a peak of 7–8% in 2012 and are now at about 3–4%.

The age of units as shown in Exhibit 22 demonstrates that a significant amount of multifamily development in the downtown consists of older buildings, with over half built in 1940 or earlier and not rehabilitated. In the remainder of the city, more than half of the residential units were built in 1980 or earlier. There has been recent development, however; since 2011, there have been about 183 new units built in the downtown, with an additional 382 units built in other parts of the city.

Key conclusions about the multifamily residential market in Bremerton and broader Kitsap County for this study include the following:

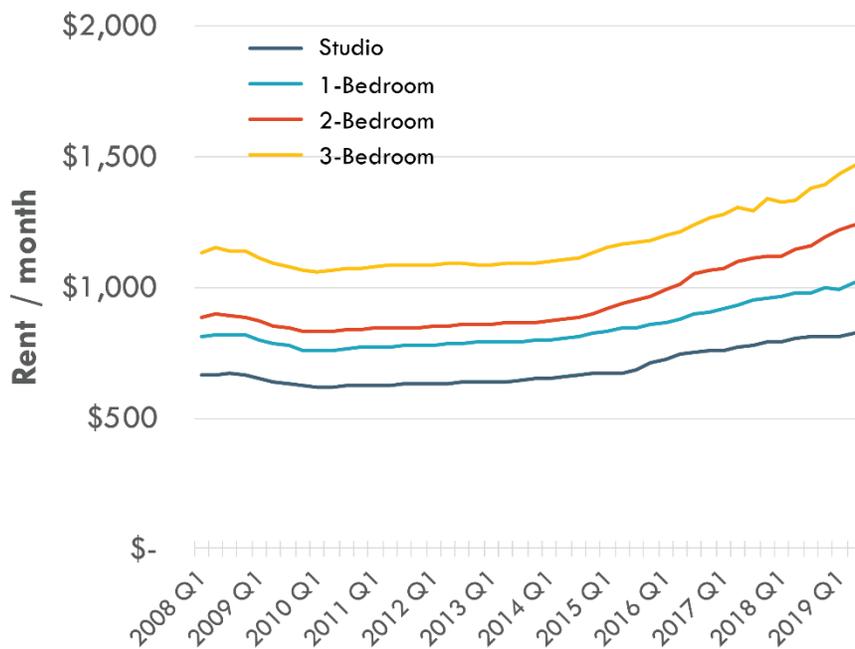
- **Steady increases in multifamily rents and declines in vacancy rates suggest a tightening market.** Since 2014, rents have increased by 4–6% per year outside of the downtown, and 5–7% within the downtown. Together with declining vacancy rates that are now at about 3–4%, this suggests that demand for multifamily housing in the Bremerton market is increasing relative to supply, and that new development maybe required to keep pace with future expected growth.
- **Downtown multifamily housing redevelopment could potentially compete with future efforts in the study area.** Multifamily housing units in the downtown are older, and efforts at revitalization have focused in part on bringing people back into the downtown and building a mixed-use community. While there is significant population growth expected for the city, efforts to bring multifamily and mixed-use development into the study area through future initiatives may compete with downtown efforts.
- **Senior-oriented housing may also be an option for the study area.** The study area currently includes the Canterbury Manor and Claremont Senior Living senior communities, and the Bremerton Health and Rehabilitation nursing home. Demand for a range of seniors housing options is expected to increase over time and developing a supportive neighborhood that can provide services to help meet the needs of a growing senior population.

Exhibit 18. Distribution of Multifamily Residential Real Estate, Bremerton Area.



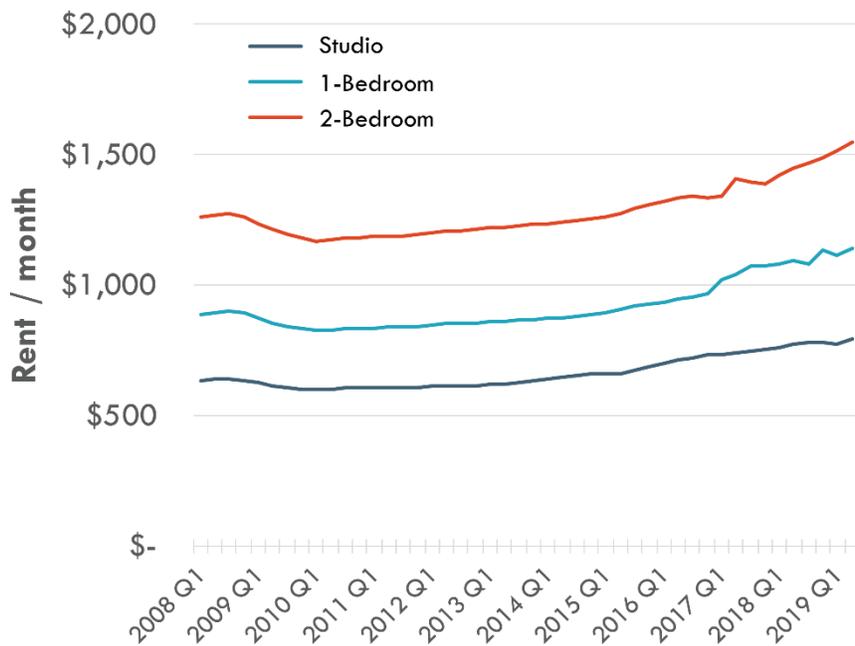
Source: CoStar, 2019; BERK, 2019.

Exhibit 19. Monthly Rent by Number of Bedrooms, Multifamily, City of Bremerton, 2008–2019.



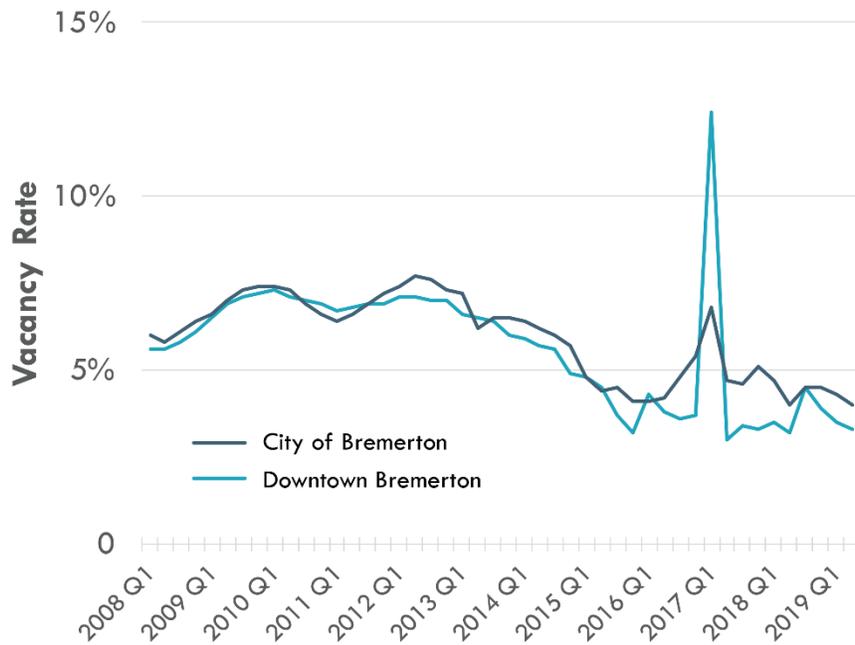
Source: CoStar, 2019; BERK, 2019.

Exhibit 20. Monthly Rent by Number of Bedrooms, Multifamily, Downtown Bremerton, 2008–2019.



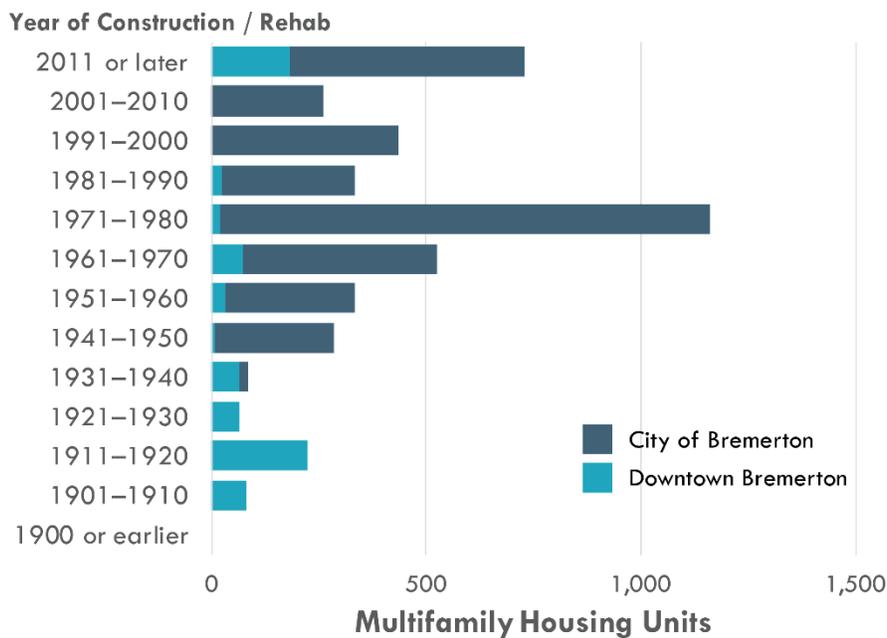
Source: CoStar, 2019; BERK, 2019.

Exhibit 21. Vacancy Rates, Multifamily Residential, City of Bremerton and Downtown.



Source: CoStar, 2019; BERK, 2019.

Exhibit 22. Building Age, Multifamily Housing, City of Bremerton and Downtown¹.



¹ Data excludes The Landings.

Source: CoStar, 2019; BERK, 2019.

3.5. NAVAL BASE KITSAP AND THE PUGET SOUND NAVAL SHIPYARD

Naval Base Kitsap is the third-largest US Navy installation in the US and the Pacific Northwest's largest Naval shore facility. It consists of a group of installations in Bangor, Bremerton, Jackson Park, Keyport, and Manchester.⁵

In Bremerton, the primary facility for Naval Base Kitsap is the Puget Sound Naval Shipyard and Intermediate Maintenance Facility (PSNS & IMF). The PSNS facility in Bremerton was established as a naval station in 1891⁶ and Naval Base Kitsap-Bremerton overall currently takes up about 400 acres of land within the city.⁷ This facility provides full maintenance and inactivation services for the Navy for surface ships and submarines, and relies on six drydocks and their adjacent piers adjacent to downtown Bremerton. In addition, the Navy also operates Naval Hospital Bremerton in the city, which is a primary and urgent care facility with 36 inpatient beds, located in northwest Bremerton, as well as military housing through a public/private partnership with Hunt Military Communities.

A broader study of the impacts of Navy Region Northwest (NRNW), including Naval Air Station Whidbey Island and Naval Station Everett in addition to Naval Base Kitsap, highlights the role that military expenditures play in the region. Overall in FY 2017, the contribution of NRNW to the regional economy amounted to \$10.7 billion, with 46,015 direct military and civilian employees, and an additional 32,534 jobs provided through indirect and induced demand.⁸ The contribution of Naval Base Kitsap to this impact is significant, with a total of \$4.0 billion contributed to the regional economy, as well as 31,585 military/civilian direct employees and 13,947 jobs stimulated from indirect and induced demand.⁹

Relevant characteristics of Naval Base Kitsap as related to long-term economic development include the following:

- **Military activities related to Naval Base Kitsap-Bremerton and PSNS are a significant source of stable employment in the city.** As noted previously, military activities in Bremerton are represented by the high number of government employees in the city, with over half of local employment represented in the government sector. Although this is a high level of specialization in a single sector, this has presented a source of jobs that has been more resistant to economic downturns.
- **The use of leased off-site space by Naval Base Kitsap-Bremerton is restricted, although there are space constraints on the base.** Under Department of Defense policy, there are significant restrictions on the use of leasehold space for activities off-base. When possible, military activities

⁵ Naval Base Kitsap. https://www.cnic.navy.mil/regions/cnrnw/installations/navbase_kitsap.html

⁶ PSNS & IMF History. <https://www.navsea.navy.mil/Home/Shipyards/PSNS-IMF/History/>.

⁷ Kitsap County 2015 Joint Land Use Study Naval Base Kitsap and Naval Magazine Indian Island. http://compplan.kitsapgov.com/Documents/KIJLUS_Full.pdf.

⁸ Navy Region Northwest Operations and Economic Contributions Fact Sheet. https://www.cnic.navy.mil/content/dam/cnic/cnrnw/pdfs/EIA/NRNW_Economic_Impact_Fact_Sheet.pdf

⁹ Naval Base Kitsap Operations and Economic Contributions Fact Sheet. https://www.cnic.navy.mil/content/cnic/cnic_hq/regions/cnrnw/installations/navbase_kitsap/about/jcr_content/par1/pdfdo_wload/file.res/K%3a%5cPAO%5cINTERNAL%5cFactsheets%5cNB_Kitsap_1-Pager.pdf

should be located in government-owned facilities, preferably on military installations, and separate leaseholds are discouraged. For uses that are not located on government property, suitable facilities will attempt to meet anti-terrorism standards for force protection, which may require new construction or significant upgrades to existing space.¹⁰ Despite these limitations, however, there have been space constraints with the current facility, and as PSNS is modernized through a 20-year, \$21 billion plan covering all four major public shipyards, additional space may be required for ongoing activities.

- **The office and facility needs of contractors may be fulfilled on-base or in other locations.** Operations at Naval Base Kitsap-Bremerton require private contractors for key functions and expertise. Assessments conducted for NRNW about the distribution of private-sector employees of contractors has been challenging given a lack of data. However, research on the economic impacts of these installations has suggested that many of the technical and professional workers may not live or work in Bremerton. Contracts are often awarded on a performance basis nationwide, and even for contractors with local operations, employees may be sited on Naval Base Kitsap-Bremerton or in the Seattle area. While there could be the potential for attracting defense contractors to the city in the future, this would require a long-term effort and investment in building local quality of life to attract professional and technical workers.

3.6. IMPLICATIONS FOR FUTURE DEVELOPMENT

From the assessment of the broader market, there are several important considerations for future development in the Bremerton Eastside Employment Center:

- **The relocation of the Harrison Medical Center will result in losses in employment to the second-largest sector in the city.** At present, healthcare and social services account for about 14% of the total employment in the city. The closure of Harrison Medical Center Bremerton and relocation of medical facilities to the Silverdale campus will result in losses of not only the employees of the medical center, but also the auxiliary medical office spaces and supporting commercial uses surrounding the hospital.
- **The most significant growth in the city has been with government employment, but there are limitations with accommodating these uses in the Center.** Government workers constitute the largest proportion of employment in the city, representing over half of total employment in Bremerton and an overwhelming amount of employment growth. However, despite space constraints on the Naval Base Kitsap-Bremerton facilities, security requirements have limited the amount of office space and other real estate that can be used off-base. This limits the ability for the private market to take advantage of growth opportunities in these activities. Attracting private contractors to local office space may be possible, but this would involve long-term investment in attracting professional and technical workers.

¹⁰ Department of Defense Instruction No. 4165.70. Real Property Management. April 6, 2005, incorporating Change 1, August 31, 2018. <https://www.esd.whs.mil/Portals/54/Documents/DD/issuances/dodi/416570p.pdf>.

- **Historical trends alone do not suggest that growth in other sectors could support new office commercial uses in the Center.** While manufacturing employment has seen notable increases over the past decade, office and retail uses have not experienced substantive growth. In fact, excluding government and manufacturing employment, employment in other sectors has gone down over the past 15 years. While this would not necessarily exclude additional office uses from the Eastside Employment Center, new office development would likely need to build a market for the neighborhood through coordinated development planning and business attraction strategies.
- **Planning for future uses in the Center will also need to consider efforts to accommodate growth in other neighborhoods.** Efforts to encourage new development in the Eastside Employment Center should also consider the City's work to encourage redevelopment in downtown Bremerton that accommodates new retail, office, residential, and hospitality uses. Differentiation in the market between downtown and the Center will be necessary to ensure that both areas do not compete and attempt to address the same type of demand.

4.0 Site Analysis

4.1. OVERVIEW

The development of a strategy for the Eastside Employment Center requires an examination of two distinct elements in the neighborhood:

- Opportunities for growth and development/redevelopment in the area overall, and
- The reuse or redevelopment of the Harrison Medical Center site.

Given the significant role of the Harrison Medical Center as a major employment hub and the focus of the local cluster, long-term opportunities in this area will depend on both successfully finding a new tenant for this site and encouraging growth of support services and associated commercial and residential development nearby.

4.2. EASTSIDE EMPLOYMENT CENTER

4.2.1. Overview

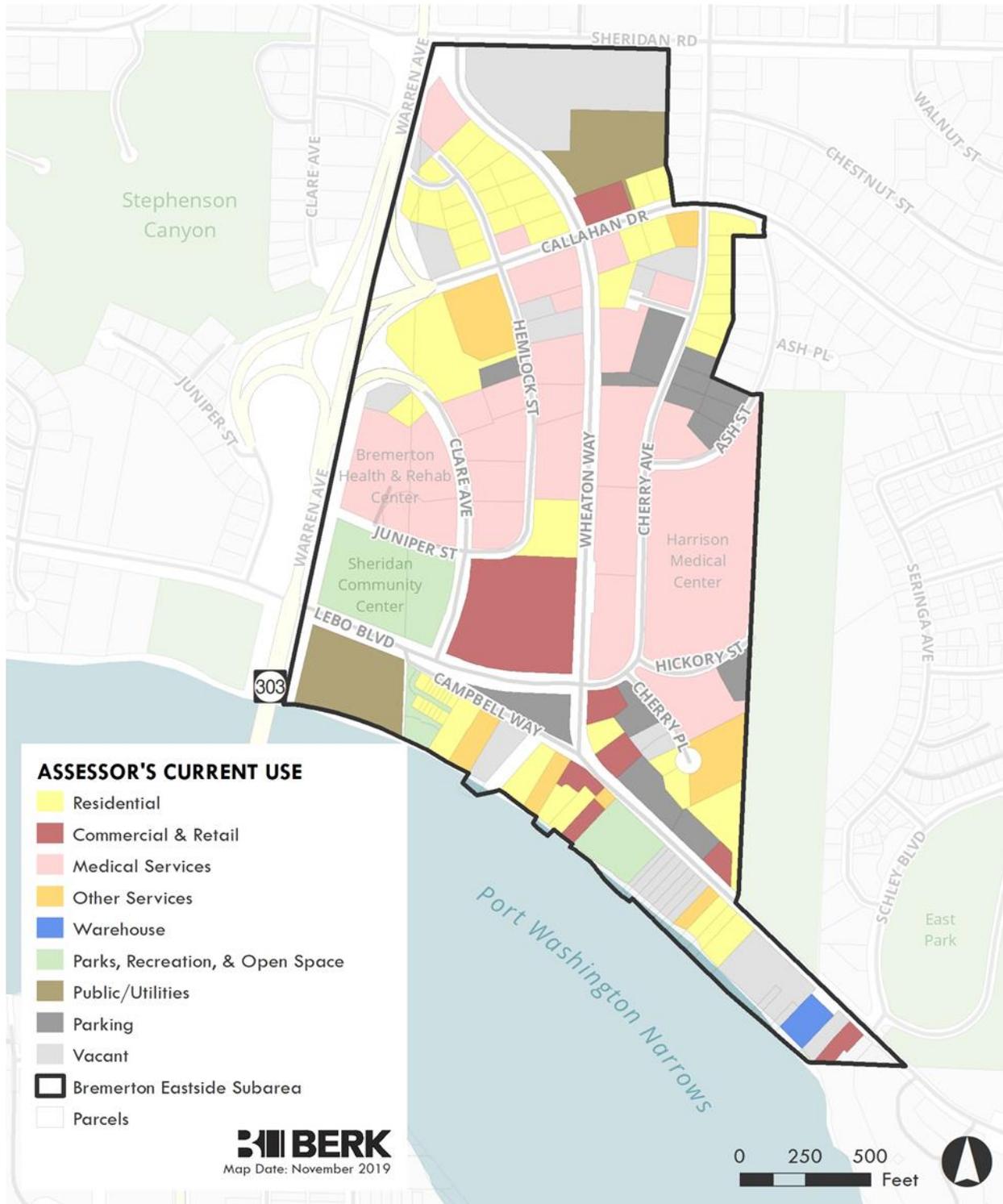
The Eastside Employment Center, shown previously in Exhibit 1, is located in the Sheridan Park / East Bremerton area, north of downtown Bremerton. The Center is generally bounded by WA-303/Warren Ave to the west, Sheridan Road to the north, the Port Washington Narrows to the south, and the Madrona Trails green space to the east.

The study area is approximately 104 gross acres in size and contains a variety of uses that include single-family residential, apartments (including seniors housing), commercial office, and medical uses. The site is anchored by the Harrison Medical Center, which at over 261,000 square feet is the largest building by floor area in Bremerton. Less than 15% of the land area includes no development, but there are opportunities for redevelopment in the area, especially with the Harrison Medical Center after the relocation of the hospital to Silverdale.

Key characteristics of the Eastside Employment Center are provided in the following Exhibits:

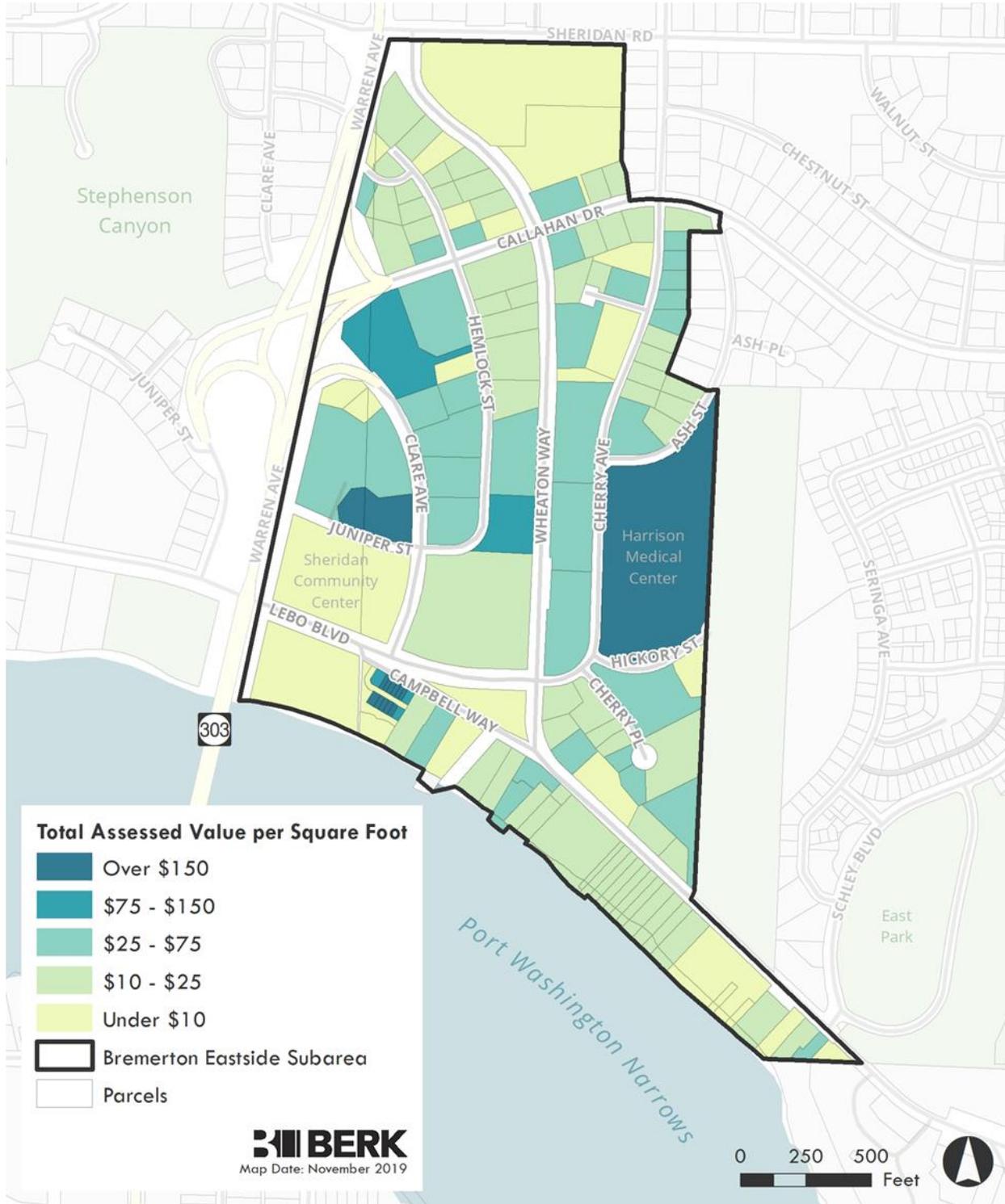
- Exhibit 23 provides current land uses in the Center from County Assessor records.
- Exhibit 24 details the total assessed value per square foot of parcel area.
- Exhibit 25 presents the zoning and land use regulation for the Center and surrounding areas.

Exhibit 23. Current Land Use, Bremerton Eastside Employment Center.



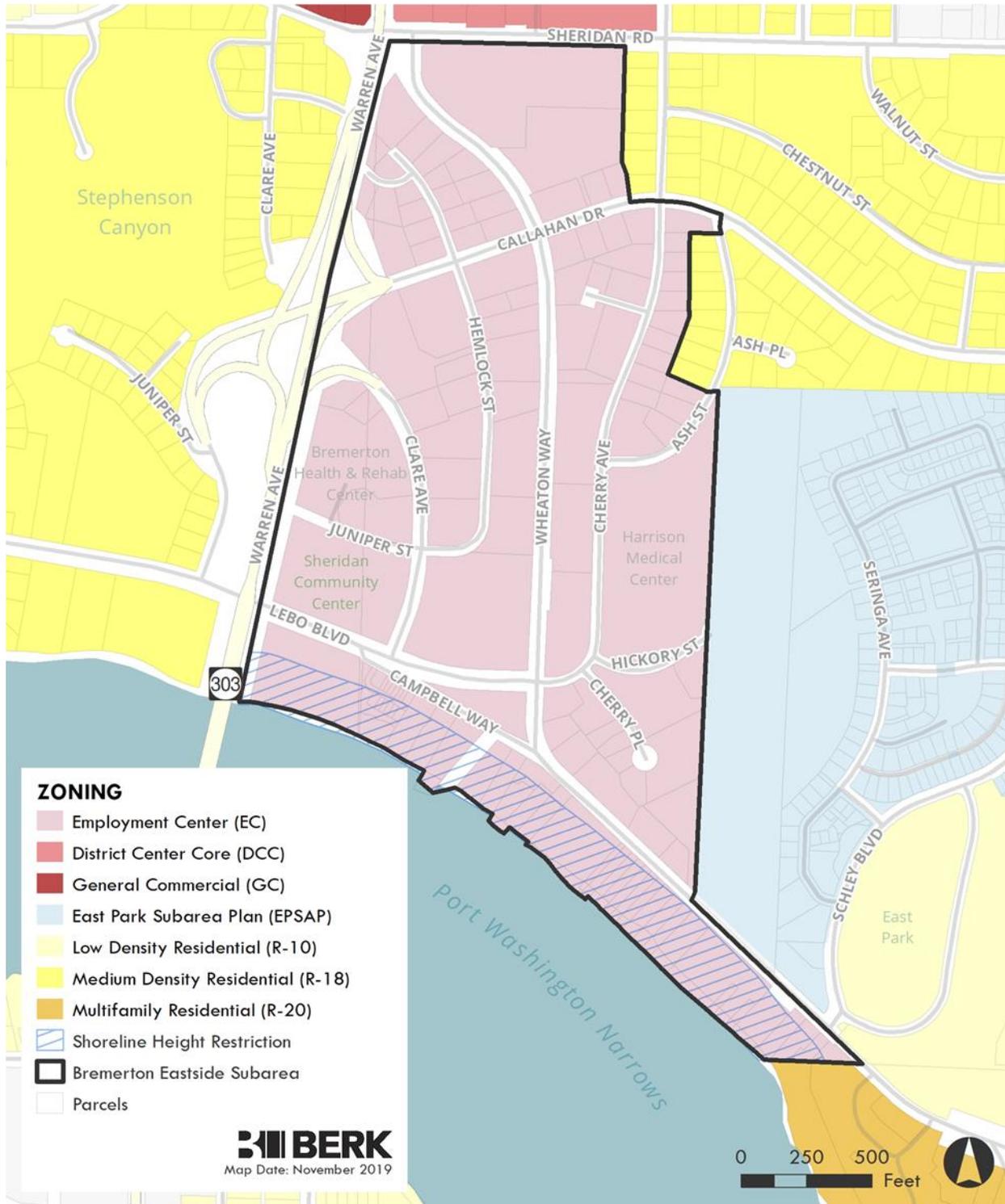
Source: Kitsap County Assessor, 2019; BERK, 2019.

Exhibit 24. Total Assessed Value Per Square Foot, Bremerton Eastside Employment Center.



Source: Kitsap County Assessor, 2019; BERK, 2019.

Exhibit 25. Zoning, Bremerton Eastside Employment Center and Area.



Source: City of Bremerton, 2019; BERK, 2019.

4.2.2. Land Uses and Redevelopment

Current land uses in the Eastside Employment Center are provided in Exhibit 23 above. A summary of the land uses according to County Assessor data is provided in Exhibit 26, and a description of the total building area and dwellings located in the study area is provided in Exhibit 27.

Exhibit 26. Land Uses in the Bremerton Eastside Employment Center, by Area.

PARCEL USE	TOTAL ACRES
651 - Medical/dental offices	16.0
910 - Undeveloped land	11.2
653 - Hospitals	7.4
111 - Single family residence	6.5
460 - Parking	5.6
592 - Community center	4.3
656 - Convalescent centers	4.0
121 - Duplex	3.9
760 - Parks	3.7
137 - Multifamily residential (50+ units)	3.0
690 - Misc. services	2.7
670 - Governmental services	2.7
483 - Water systems	2.5
691 - Churches	1.5
740 - Recreational	1.4
590 - Other retail trade	1.0
134 - Multifamily residential (20 -29 units)	0.8
911 - Common area	0.6
500 - Commercial Condo	0.5
637 - General warehouse	0.5
580 - Restaurants	0.4
183 - Sheds and garages	0.3
591 - Neighborhood center	0.3
543 - Convenience store (w/o gas pumps)	0.2

Source: Kitsap County Assessor, 2019; BERK, 2019.

Exhibit 27. Building Uses in the Bremerton Eastside Employment Center, by Square Footage or Housing Units.

BUILDING USE	SF	HOUSING UNITS
Apartments	-	92
Bowling Alley	18,888	-
Car Wash, Self-Serve	1,752	-
Church	10,781	-
Community Center	19,552	-
Community Shopping Center	10,678	-
Convalescent Hospital	40,727	-
Convenience Market	2,221	-
Duplex	-	26
General Retail	18,011	-
Hospital	261,462	-
Light Utility Storage	2,100	-
Medical Office	213,914	-
Multiple Res-Assisted Living	-	76
Office	43,264	-
Restaurant	14,497	-
School Classrooms	17,171	-
Senior Care Facility	-	95
Single family	-	43
TOTAL	675,018	332

Source: Kitsap County Assessor, 2019; BERK, 2019.

Currently, the Bremerton Eastside Employment Center incorporates a range of uses. Overall, it is dominated by medical services, which are distributed primarily in the center of the study area. The largest of these developments is the Harrison Medical Center, with over 261,000 square feet of building area. Other medical office uses are also present in surrounding buildings, however, with an additional 214,000 square feet in the neighborhood. There is also a significant amount of surface parking located to support these uses.

With respect to residential uses, single- and multifamily housing is located throughout the study area. The north of the study area primarily contains single-family and duplex housing, and two multifamily seniors housing (Claremont Senior Living and Canterbury Manor) and one convalescent nursing care facility (Bremerton Health and Rehabilitation Center) located in the western central part of the area. There are also a notable number of single-family attached and detached houses located along the waterfront.

Regarding available open space, Sheridan Park and Sheridan Community Center are found in the southwest corner of the study area. The park is linked with additional space on the other side of the WA-303 bridge.

The review of assessed value per square foot provided in Exhibit 24 highlights that there are some vacant sites for new development. The largest vacant space available for development is located on the northern edge of the study area, along Sheridan Road. This 5.1-acre site is currently owned by CHI Franciscan and had been considered for future expansions prior to the decision to move the Harrison Medical Center facilities to Silverdale. There are also smaller individual vacant parcels located throughout the area.

However, although there are a few locations for new infill development, growth in the study area will likely be accommodated through redevelopment of existing sites. A significant amount of the residential, office, and retail properties in the area is older and obsolete, and the valuation provided for sites and their potential development capacity suggests that these locations would be ideal for new, more intensive uses.

4.2.3. Zoning

Zoning in the study area and surrounding locations is presented in Exhibit 25. The **Employment Center (EC)** zone applies to the entire subject area and provides for a wide range of flexibility in the potential uses that can be included on the site. The Bremerton Municipal Code (BMC) describes the intent of the EC zone as an area to:

“...offer a well-planned and designed environment where a potentially large employee population is offered the option to live near places of employment. The EC zone provides for integration of employment activities with housing and commercial activities scaled to serve the employee population at the center, thereby reducing home-to-workplace commute trips. Employment centers create large numbers of jobs in uses to include office and services”.
(BMC 20.92.010)

The following uses are permitted outright in the EC zone (BMC 20.92.020):

- (a) Co-location of wireless communications facilities per BMC 20.46.140;
- (b) Community facility;
- (c) Day care facility;
- (d) General office and business services;
- (e) Finance, insurance and real estate;
- (f) General retail;
- (g) Hospitals;
- (h) Hotels and lodging places;
- (i) Medical offices and clinics;
- (j) Outdoor athletic fields;
- (k) Parks, playgrounds and open space;

- (l) Personal service;
- (m) Physical fitness and health clubs;
- (n) Public administration;
- (o) Residential uses of all types except group residential facility - Class II
- (p) Restaurants and drinking places;
- (q) Schools and education uses;
- (r) Transportation facility;
- (s) Veterinary clinic;
- (t) Worship and religious facility.

Light industrial/manufacturing may also be included in the area as a conditional or accessory use, and mini-storage may be permitted as an accessory use with limitations on the gross floor area.

Development standards given in the code for the EC zone include the following:

- Minimum residential densities of fifteen (15) dwelling units/acre.
- Zero front/side/rear setbacks, except where visual screens or front garage setbacks.
- Maximum building coverage of 65%, with up to 85% coverage allowed for:
 - Projects of two or more stories (+10% coverage).
 - Mixed-use projects (+10%).
 - Projects with at least 50% of parking underground or in structure (+20%).
- Height limits of 80 feet for residential uses (and mixed-use projects that are primarily residential), and 60 feet for non-residential uses.

As shown in Exhibit 25, zones surrounding the study area include the following:

- **East Park** is located adjacent to the study area to the southeast, and through a Subarea Plan adopted in 2006, an integrated residential neighborhood has been designed that incorporates low-, medium-, and high-density housing formats. This area is also anchored by the Bremerton Ice Center and Bremerton Family YMCA.
- **Medium-Density Residential (R-18)** zones are located to the east and west of the study area, which are intended “to accommodate single-family housing and existing medium density-type development and encourage redevelopment opportunities by permitting a wider variety of housing types.” (BMC 20.78.010)
- A **District Center Core (DCC)** zone is located to the north of the study area, which is intended to “provide a mixed-use ‘town center’ to support the surrounding neighborhoods and general public”. (BMC 20.70.010) Intended uses in this area include “a variety of services including commercial and residential development that demonstrates planning and design to create a pedestrian friendly community while still accommodating a certain level of regional auto-dependent uses.” Overall, this zone anchors a corridor of highway-oriented retail commercial uses extending north along Wheaton

Way (WA-303) into Kitsap County. Development of new mixed-use projects along Wheaton Way has been limited, however.

4.2.4. Shoreline Master Program

Bremerton's Shoreline Master Program was enacted in 2013 with the intent to “protect and restore shoreline resources and ecological functions, increase public access to the shoreline, promote economic development, and accommodate water dependent uses.” Given the importance of the interface with the water to the city, areas close to the shoreline are managed through the Program to achieve these policy goals.

Within the study area, two designations are applied to areas within 200 feet of the ordinary high-water mark of the shoreline:

- The **Commercial** designation is intended to accommodate high-intensity business districts, light industry, and other commercial operations, while protecting the ecological functions of shoreline. A major priority for this area is preserving visual and physical public access to the shoreline and uses should be dependent or related to the water. Acceptable uses under this designation are broad, and include residential, transportation, commercial, and hospitality uses.
- The **Aquatic Conservancy** designation applies to sensitive areas around water bodies to prevent degradation and severe alteration. Uses and activities are significantly restricted, with only low-intensity uses preferred. In the study area, this designation applies to the steep slopes along the shoreline that are sensitive to impacts from development.

For the areas along the shoreline in the study area, there are additional restrictions to bulk and massing requirements:

- A buffer of 50 feet (or 20% of lot depth, whichever is less) from the ordinary high-water mark of the shoreline is required, which will be maintained as natural beach or vegetation areas.
- Buildings have an additional 15-foot setback from this buffer, subject to modification.
- Public access is required to water frontage, with some exceptions for environmental impacts, security, and undue impacts to use of the site.
- Maximum building heights are 35 feet, but can be increased to the underlying district height through a Conditional Use Permit as long as upland views are not substantially blocked, greater height is required as an essential element of the use, compensating elements are included to enhance public access, and no net loss of habitat function is demonstrated.

Overall, while the uses on sites under the shoreline jurisdiction are not significantly impacted, this increased regulation presents some additional limitations on heights and site configuration.

4.3. HARRISON MEDICAL CENTER SITE

4.3.1. Site Description and Overview

The Harrison Medical Center, shown in Exhibit 28, is a 253-bed hospital located on a 7.3-acre site in the Bremerton Eastside Employment Center. The original facility on this site was completed in 1965 for \$3.2

million, and originally included 150 beds. It replaced earlier facilities in downtown and West Bremerton, and it was developed based on broad citizen support through the Elks Temple.

Expansion of the facility has occurred in stages throughout the lifetime of this facility. This has included:

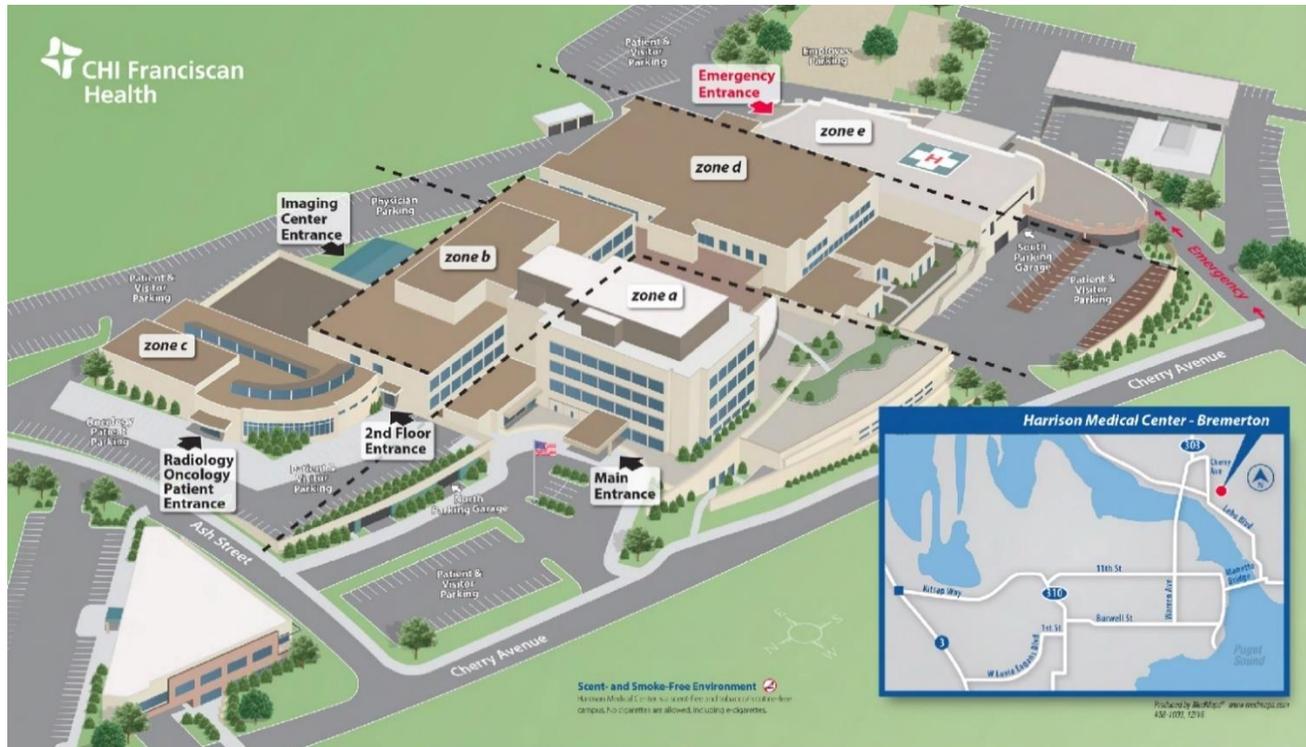
- A West Wing expansion to increase capacity to 210 beds, completed in 1971.
- The addition of a surgical suite and a South Wing expansion to include radiology, nuclear medicine, lab, emergency services, and intensive care, completed in 1978–1979.
- Expansion of the emergency services department to include 33 additional beds and a rooftop helipad, completed in 2004.

Services currently available at the Center include a level III trauma center, 24-hour emergency services, imaging and radiology, cancer care, surgical services, and primary care. In addition to the East Bremerton campus, Harrison Medical Center has also opened branch campuses in Silverdale, Port Orchard, Bainbridge Island and Belfair.

As part of the Vision 2020 strategic plan released in 2014, Harrison Medical Center announced that it would work to consolidate its facilities at an expanded facility on the Silverdale campus. This decision was related to the age and obsolescence of the East Bremerton facility, as rehabilitation costs would exceed \$130 million and the site design limits future potential expansion. The need to cut costs and a reduction in inpatient admissions have also contributed to the decision to consolidate.

The new Silverdale flagship hospital expansion is under construction at the north end of the existing campus and is slated to open in late 2020 at a cost of more than \$530 million. This new 500,000 sf addition will include expanded critical, acute care, and surgical services, and increase the capacity of the facility to 336 licensed beds. Existing care beds will be transferred from the East Bremerton campus to Silverdale in two phases. After the transfer of these facilities is complete, CHI Franciscan will work to open a 26,000-sf clinic at a former QFC supermarket facility in West Bremerton in the summer of 2020, which will provide outpatient care and support a family medicine residency program.

Exhibit 28. Harrison Medical Center Site Layout.



Source: CHI Franciscan, 2016.

4.3.2. Redevelopment Scenarios

A key question for the Harrison Medical Center site is if it should be developed as an adaptive reuse project (fully or partially) or demolish some or all the building as part of a new construction project. These redevelopment scenarios have advantages and disadvantages, depending on many factors such as condition of the building and the desired redevelopment plans being two main considerations. In general, to the extent that these two issues can be addressed, the reuse of existing buildings is seen as a better and more sustainable development action, especially when buildings have unique architecture or holds community historical significance. However, adaptive reuse projects sometimes present insurmountable challenges in terms of excessive renovation costs and other times they require additional effort to overcome, with each case being situation dependent.

One of the main advantages to site redevelopment is that this area provides large parcels of developable and redevelopable land close to the downtown. The 7.3-acre Harrison Medical Center site, as well as the additional 5.1-acre vacant parcel owned by the Center at the north edge of the study area, present the largest tracts of land available for development close to the downtown. There is also a combined 31.6 acres of vacant land close to East Towne Center under District Core Center zoning which could be developed in the future but is located close to highway-oriented commercial development and would be more difficult to link with the downtown and waterfront.

There are several challenges to the reuse of the site and building, which will impact the feasibility of future projects:

- **Competitive considerations.** CHI Franciscan is intending to prevent the use of the site as a hospital in the future to prevent competition. This will likely be included as a condition in the sale; while it will

not prevent the facility to potentially be used for similar uses (e.g., mental health treatment, addiction recovery), it precludes a new hospital provider coming into the Bremerton market.

- **Expensive rehabilitation/reuse costs.** Preliminary assessments conducted as part of strategic planning by Harrison Medical Center indicated that a full renovation of the hospital would cost upwards of \$130 million. This would be an excessive cost to recondition the current facility, and new construction may be more cost-effective depending on the final use.
- **Partial demolition would be challenging.** The Harrison Medical Center facility includes several expansions that have been built since the original building was completed in 1965. Although demolition of older portions of the facility and rehabilitation of newer expansions could be an option in some cases, the utility and physical plant for the hospital is based on the original facility. A partial demolition of the facility would therefore require realigning and installing new systems, which would present significant costs.

Notwithstanding the need for additional information about the potential costs related to likely renovation costs (other than for a full hospital use), development can occur in one of three scenarios:

- **Full adaptive reuse**, which would completely renovate the building for a new use, such as hotel/hospitality or office space.
- **Partial adaptive reuse**, which involves rehabilitating the building for a related use, such as addiction recovery or mental health services.
- **New development** on the site that would require demolition of the existing building and construction on the resulting vacant lot.

Ultimately, the magnitude of negative encumbrances in the context of the seller or prospective buyer's tolerance regarding the cost of remedies will determine whether the site remains an option for an adaptive reuse (full or partial) or will be discarded in favor of new development opportunities.

4.4. IMPLICATIONS FOR FUTURE DEVELOPMENT

The conditions in the neighborhood and on the Harrison Medical Center site will have several implications for future efforts to encourage growth and development in the neighborhood. These include the following:

- **The final disposition of the Harrison Medical Center may significantly change long-term planning in the Eastside Employment Center.** CHI Franciscan has not yet made public its long-term strategy for the use and/or disposition of the current hospital facility. Therefore, it is currently unclear whether the site will continue to be used for activities related to medical uses (e.g., mental health or addiction recovery), repurposed for office or similar types of uses, or razed and redeveloped for any type of use. Planning for the area should remain flexible to consider different potential end uses until CHI Franciscan provides clarity about any future transfer of the site.
- **Relocation of the Harrison Medical Center will result in a longer decline in the medical office uses in the area.** The relocation of the Harrison Medical Center will also mean that the external medical offices associated with the hospital will likely relocate as well. Some uses may remain, such as the hyperbaric medicine facilities and uses linked with seniors housing and nursing care. However, as new medical office facilities become available in Silverdale, vacancies in these secondary facilities in the Eastside will increase.

- **There are available sites in the Eastside Employment Center for new development, infill, reuse, and redevelopment opportunities.** New growth in the Center will likely be accommodated through a combination of redevelopment and new development on available sites. This ranges from new development on the 5.1-acre CHI Franciscan site at the north edge of the study area, to specific redevelopment opportunities with residential and office properties, to long-term disposal of the Harrison Medical Center site. Although some existing development such as the seniors housing and nursing care facilities in the area are more likely to be maintained, this neighborhood would appear to be poised for significant redevelopment.
- **Current zoning in the area provides significant flexibility with future development.** Under the concept in the Comprehensive Plan and the zoning from the Bremerton Municipal Code, there is a wide range of possible uses that could be accommodated in the area, including residential, retail, office, and institutional activities. This provides significant flexibility for future land use concepts, both in relation to the reuse of the Harrison Medical Center site and for overall redevelopment in the neighborhood.

5.0 In-Depth Review and Case Studies

5.1. OVERVIEW

Guiding future redevelopment activities in the Eastside Employment Center will require a consistent vision that is both achievable and sufficiently aspirational. To supplement information about local supply and demand, reviews of special topics are described here to provide information, inspiration, and identification of the critical development actions, opportunities and challenges that may affect the pursuit of a neighborhood concept for this area.

For this research, we have included three distinct topics for a more in-depth review:

- **Hospital adaptive reuse and redevelopment projects**, which highlight projects in other locations that have rehabilitated and repurposed older hospitals for other uses.
- **Seniors housing facilities**, which represents a distinct type of multifamily housing that is currently located in the Eastside Employment Center and could be expanded.
- **Large redevelopment projects**, with a focus on the redevelopment of downtown Bothell as an examination of the steps necessary to coordinate between a City and developers with a neighborhood-scale effort.

5.2. HOSPITAL REUSE PROJECTS

One potential avenue for redevelopment would be to reuse the existing Harrison Medical Center facility, either with minor remodeling for reuse for medical-related activities, or with more significant rehabilitation in other uses. Many of these rehabilitations are focused on reuse for residential uses, although some commercial components have been included as part of mixed-use redevelopment projects.

5.2.1. Ontario, Canada Case Studies (2010)

A study in Ontario, Canada provided four case studies of former hospital sites in Ontario Canada to assess how adaptive reuse was applied for surplus hospital facilities.¹¹ These sites included:

- Sault Area Hospital in Sault Ste. Marie, which was redeveloped into 99 condominiums in a two-phase project.
- St. Catharine's General Hospital in St. Catharine's, which was the subject of a proposal for 250 rental housing units, office space, and a health and wellness center.
- St. Joseph's Hospital in Sudbury, which has a redevelopment plan for 125 condominium units in the existing structure, with an additional 85 units in a new building next to the refurbished building.

¹¹ Zandvliet, S. Adaptive Reuse of Former Hospital Sites in Ontario: Lessons Learned from the Planning Process. MA Thesis. <https://digital.library.ryerson.ca/islandora/object/RULA%3A5130>

- St. Joseph’s Hospital in Peterborough, which was to be redeveloped as a seniors apartment complex with up to 228 apartment units and a commercial space with a clinic, office, personal services, retail, post office, and bank.

It is important to note that in these case studies, full rehabilitation and reuse of existing buildings was not typically achieved. Many of the projects incorporated the demolition of buildings or portions of buildings that were obsolete and would be challenging to upgrade. New construction was also integrated into these projects as needed, often to replace aging buildings that were slated for demolition.

Lessons identified within the case studies revealed the following:

- **Lesson 1: Plan in advance.** Proactive planning was necessary for each of these cities when dealing with hospital closures. Supporting policies for site reuse as well as early public engagement on new site uses are essential in gaining local support for new projects and reducing the amount of time a site is abandoned.
- **Lesson 2: Provide flexible zoning requirements.** Many hospitals are grandfathered into current zoning codes and are not necessarily compliant with existing requirements for parking, open space, setbacks, and other requirements. Providing flexibility in zoning can ensure that variances are not required when remodeling existing buildings for new uses.
- **Lesson 3: Consult and keep the public informed.** As mentioned, early public consultation is essential to the success of adaptive reuse projects. Regular engagement and dissemination of project information can be essential to success, as hospital reuse is typically a large-scale undertaking with the potential for significant neighborhood impacts.
- **Lesson 4: Provide incentives.** Larger-scale projects with adaptive reuse can be subject to different types of risk. Project elements such as remediation of environmental contamination and uncertainty about the condition and quality of building components can have a wide variance in costs, which can make these types of projects less desirable. As it is not in the interest of cities to keep these facilities sitting idle for long periods of time, extending incentives that make up for some of this risk can help move these projects forward.

5.2.2. Brooks Hospital (Dunkirk, NY)

In May 2019, Brooks-TLC Hospital System, Inc issued an Expression of Interest (EOI) to developers interested in an adaptive reuse and redevelopment project on the site of its acute care hospital with 127,363 sf on about five acres in Dunkirk, NY. The original facility, dating to 1940, with its additions, is also slated to be redeveloped after the hospital is moved to a new facility in 2021. The location of the hospital close to the downtown provides an opportunity for a reuse / redevelopment project that would be able to build off the available market in the city.

Although the selection of a developer for the site has not been announced, the process used provides some guidance for the future redevelopment of the site. This process would not necessarily be managed by the City for the Harrison Medical Center but could involve the City as a key partner.

Important elements of this process include the following:

- **Use of an Expression of Interest to solicit development concepts from interested parties.** The hospital decided to rely on an EOI to identify a developer or development team that would be

interested in redeveloping/reusing the site and facilities. This approach provides the opportunity for the hospital board to solicit concepts for the site use, to ensure that the sale of the site is not necessarily just to the highest bidder, but also to confirm that the final use will be compatible with the downtown and support the community. This also allowed the hospital to create a list of identified for-profit and not-for-profit developers with a proven track record for successful community projects.

- **Development of an initial guiding concept for the site.** The hospital board, looking to dispose of the site, determined that there was a significant opportunity with the Brooks site given its proximity to the downtown, the state of the local market, and the ability for the site to be reused for a mixed-use concept that could incorporate residential, retail, and office space. This would also align with local efforts for downtown revitalization and could support the “Innovation Neighborhood” concept for the local area.
- **Use of a citizen’s advisory committee.** To guide the process, the Hospital created a “Citizen’s Advisory Committee” to interface with the community and provide recommendations for final actions. This group has assisted with ongoing public engagement and helped to develop the EOI for use with the process. It has also been tasked with reviewing the responses from the released EOI, providing guidance about the final disposition of the site to the Hospital Board, and implementing a master plan for the redevelopment. The use of a citizen’s committee such as this can help to keep the community engaged in the process and ensure there is a sense that stakeholders have a role in making the decision.
- **Coordination of incentives for development.** While the Hospital is unable to provide additional funding for community uses included in the project, there is an effort to bring together potential sources of local, county, state, and federal funding to bring affordable housing and other public benefits onto the site.

5.3. SENIOR HOUSING AND INTERGENERATIONAL COMMUNITIES

One possible approach to development in the Center may be with seniors housing. Senior housing properties are in high demand as the number of Baby Boomers entering retirement is growing daily. This “Silver Tsunami” will result in major demographic shifts: by 2029, seniors over 65 will represent 20% of the US population, and by 2056 will be larger than the population under 18.¹² The demands for new housing formats that cater to seniors will continue to increase and will require increased investments in accessibility and services.

Senior housing facilities can take different formats based on the level of care and services provided:

- **Senior apartments / communities** are designed like other multifamily housing projects, but may include additional accessibility improvements, amenities, and common areas catering to older

¹² CBRE. (2018) Senior Market Housing Insight, 2018 Year in Review. <https://www.cbre.us/-/media/cbre/countryunitedstates/media/files/services/senior-housing/shmi-q4-2018.pdf>

residents. Many of these facilities may be open to residents 55 years of age or older. Some of these communities may be “continuing care” communities that provide healthcare services on-site.

- **Independent living facilities** are comparable to senior apartments but include a commercial kitchen and a restaurant-style dining area, as well as other common area amenities and services such as housekeeping and transportation.
- **Assisted living facilities** provide a greater level of care than independent living facilities, with personal assistance with regular tasks and more of a focus on common area amenities.
- **Memory care facilities** are specialized assisted living facilities that also provide structured environments, behavioral and memory care services, and controlled access for residents with memory loss, dementia, or Alzheimer’s disease.
- **Nursing homes** have living spaces that are focused on common amenities and provide assisted living services and 24-hour medical care by on-site staff.

Within and across these classifications, there is a wide variety of characteristics included in seniors housing. Many communities offer a wide variety of amenities and services, including golf courses, pools, entertainment, laundry service, housekeeping, meals, and transportation.

Typically, local zoning ordinances provide a significant reduction in parking requirements, which can provide an incentive to develop such housing. Note that under BMC 20.48.060(i), the City of Bremerton has reduced parking requirements for senior housing complexes with one parking space required per dwelling, and provisions for “access to alternative transportation such as public transit or on-site shuttle services to access daily goods and services”.

Beyond these base formats, there have also been efforts to build intergenerational communities that include broader age ranges to build flourishing communities.¹³ These can take multiple forms, but there are some successful examples that could serve as a beneficial model for future efforts:

- **Judson Manor** in Cleveland, OH instituted a partnership with the Cleveland Institute of Music (CIM) in 2010 where graduate-level CIM students would live rent-free in the continuing care retirement community close to the campus.¹⁴ As part of this Artist-in-Residence program, the students would be required to provide cultural programming for the retirement community, including regular solo recitals, art therapy, and concerts. This model has also integrated Judson properties with opportunities for lifelong learning and cultural events offered by other area universities as well.¹⁵
- **The Village at Penn State** (State College, PA) is a seniors housing community that provides opportunities for residents to participate in the campus community at Pennsylvania State University.

¹³ See the summary in Morgenroth, L, Hanley, M. (2015) “On Campus and in the Community: How Higher Education Can Inform Seniors Housing Models”, *Seniors Housing & Care Journal*, 23(1), 70-75. Also see Henkin, N.Z., Patterson, T. (2017) *Intergenerational Programming in Senior Housing: From Promise to Practice*. LeadingAge.

https://leadingage.org/sites/default/files/Intergenerational_Programming_in_Senior_Housing_Full_Report.pdf

¹⁴ Judson Manor | Intergenerational Programs. <https://www.judsonsmartliving.org/judson-manor/intergenerational-programs/>

¹⁵ University Partnership | Judson Senior Living. <https://www.judsonsmartliving.org/cwru/>.

Residents can attend classes for free on a space-available basis, enjoy free or reduced rates for campus facilities and events, and can volunteer as mentors or project assistants.¹⁶

- **Hebrew SeniorLife** (Roslindale, MA) incorporates a range of intergenerational programs into each of its senior living communities in the Boston area, which provides both education and service opportunities for residents. These activities engage students from the community with residents, and include music, art, and dance programs; discussion groups; Russian language education; computer education classes; and shared meals.¹⁷

These programs relying heavily on participating agencies, including the senior communities and typically local educational institutions and community organizations. However, new development projects can be guided by a vision for an intergenerational community to provide a supportive environment to promote these connections. Providing for indoor and outdoor meeting spaces, supporting safe and accessible pedestrian environments, and encouraging public facilities such as community gardens can help to build an environment that supports these linkages.

5.4. LARGE REDEVELOPMENT PROJECTS

The coordination of redevelopment in the Eastside Employment Center will be a larger undertaking, and while the redevelopment/reuse of the Harrison Medical Center is envisioned as a catalytic project, it is likely that multiple projects from other landowners will contribute to a transitioning of the neighborhood.

There are examples of larger projects that have involved the development of a common vision for an area and long-term coordination by a City or developer to ensure that this vision is realized. Two examples from the area include:

- The redevelopment of downtown Bothell.
- The development of Southport on Lake Washington in Renton.

5.4.1. Downtown Bothell

In 2005, the City of Bothell started a process to determine the future of their downtown. As part of this work, the City sought to leverage private-sector investment and development as part of a planning partnership to redevelop the downtown area and create an attractive community in an area that had experienced a decline since the 1970s.¹⁸

As part of initial efforts, the City Council appointed a Downtown Stakeholders Resource Group and a Downtown Visionary Committee, consisting of residents, businesses, community organizations, property owners, and developers, as well as City staff. These groups provided guidance and coordinated public input with the development of a community vision.

¹⁶ University Connections | The Village at Penn State. <https://www.retireatpennstate.org/senior-living-state-college-pa>.

¹⁷ Intergenerational Programming – Hebrew SeniorLife, for All Seniors of All Backgrounds. <https://www.hebrewseniorlife.org/multigen>

¹⁸ Wallace, D.G. (2011) “Vision, Leadership, Commitment, Flexibility, and Experience, A Model Public-Private Partnership.” *Retail Property Insights*, 18(1).

Exhibit 29. Vision of potential future development in downtown Bothell.



Source: City of Bothell, 2009.

This community vision statement for the downtown, developed as part of the overall Subarea Plan, read as follows:

“It is the intention of the City of Bothell and the purpose of this Plan to provide a policy framework to positively affect the evolution of the downtown and its environments, to reverse the forces of disinvestment in its historic center, to fully restore and heighten the vitality, character and civic beauty of the district, thereby reviving and enhancing its iconic image and function as the real heart of the city.”¹⁹

¹⁹ City of Bothell. (2009) Downtown Subarea Plan and Regulations. <https://www.bothellwa.gov/323/Downtown-Subarea-Plan-Regulations>.

Market studies were coordinated by the City to evaluate potential demand in the downtown and impacts to the community. These studies identified the needs for:

- Over 2,700 new residential units.
- About 250,000 sf of new office space.
- About 400,000 sf of new retail space.

Additionally, new capital investment was estimated at more than \$668 million, which would lead to over 8,000 temporary and 1,600 permanent jobs, and a direct impact of over \$220 million.

One of the key elements of success with this project was the role of the City in coordinating development projects. As this initiative began as the economy started to enter a recession, the City recognized that there was still a long-term need for residential and commercial development in the downtown. When the City was challenged to solicit a developer for the project as a whole, it adjusted strategies and served instead as the master developer for the project, shouldering private sector risk to shepherd the project during an economically challenging period.

Major approaches that the City pursued to support this project included the following:

- **Regular evaluation of the return on investment.** To ensure that the project was financially feasible and achieved major policy and planning goals in a cost-effective way, the City established goals and outcomes for the downtown, and relied on business principles and market assessments to inform development stages. This allowed for a sound, flexible approach that could be adjusted to consider changes in market conditions.
- **Directed investment in infrastructure and property.** After the vision and framework for the project were agreed upon, the City invested considerable resources in land acquisition, infrastructure development, and public facilities construction. This included efforts to relocate 32 businesses and demolishing 30 buildings to realign development patterns in the area. The City also performed a multimillion-dollar environmental clean-up of the downtown to ready it for development.
- **Consistent engagement with the public and stakeholders.** Engagement through the Downtown Stakeholders Resource Group and Downtown Visionary Committee, as well as through regular public meetings, allowed for a wide range of input to be incorporated into ongoing planning. Additionally, this work signaled to stakeholders that the City was committed to the project, and willing to work with interested parties to provide a predictable process.
- **Development of catalytic projects.** In addition to the private development imagined for the site, the City worked to develop a new City Hall campus in the downtown to spur interest and activity. This project featured a 60,000 sf City Hall building developed to LEED Gold standard²⁰, a grand plaza for community events, structured parking, and retail and office space. This was done under a public-private development approach utilizing a build-to-suit, lease to own delivery method financed with

²⁰ Bothell City Hall | US Green Building Council. (2016) <https://www.usgbc.org/projects/bothell-city-hall>

63-20 tax exempt debt. Additionally, the Anderson School Site was redeveloped as a McMenamins brewpub and hotel to anchor the retail/restaurant offerings in the downtown.

- **Coordination of highway realignment with state agencies.** The City worked with the Washington State Department of Transportation on the largest capital investment in the City's history – a \$60M infrastructure project called the Crossroads in the downtown that was supported through a pilot Local Infrastructure Financing Tool (LIFT) program offered by the State. This project involved the relocation of Highway 522, which was completed in the summer of 2014 and provided for improved circulation that supported the pedestrian nature of the downtown.
- **Evaluated development processes to identify efficiencies.** As part of ongoing efforts to streamline the development process, the City worked to evaluate costs and other barriers to entry in the market, including existing city processes and other development-related regulations and ordinances. Changes were made to these frameworks to allow for faster approvals, predictable standards and processes, and lower costs for development.

Through these efforts, over \$350 million in private investment was in the development pipeline or under construction as of early 2016, and development in downtown Bothell has continued today.

5.4.2. Southport on Lake Washington (Renton)

Southport on Lake Washington is a \$590 million mixed-use campus development located on a 17.1-acre site at the southern point of Lake Washington in Renton, adjacent to The Landing mixed-use retail/residential development, the Boeing Renton plant, and Gene Coulon Memorial Beach Park. The site was once occupied by a large steam plant and electric power station.

The City zoned it for commercial office and residential uses with flexible standards, and then established the second planned action ordinance in the state in 1999 and master site plan standards. After demolition in about the year 2000, the site was developed over a 20-year period, more quickly with residential and retail uses and hotel and office over a longer-term period.

Built by Seco Development, this project includes a 347-room Hyatt Regency hotel, 712,752 sf of Class A office space in three towers oriented to larger technology users, on-site retail and restaurants, and 2,121 structured parking spaces. The Bristol Apartments are located on this campus, which were constructed in 2002 and 2009, and include 383 luxury apartments and 24,000 square feet of retail space.²¹

Other important characteristics of this location include the following:

- **Future water taxi routes.** Seco Development is currently developing a water taxi service in partnership with state and county transportation officials. This proposed water taxi service would link the Southport development with South Lake Union, bypassing traffic congestion in the area and providing linkages to the major tech hub in Seattle in about 50 minutes. Route planning and the manufacturing of boats for the service is ongoing now, and depending on planning and coordination,

²¹ Southport on Lake Washington. <https://southport.life/>

this may begin as early as 2020. This service could expand to include Bellevue, Kirkland, and the University of Washington, depending on demand.²²

Exhibit 30. Southport Office Campus.



Source: Seco Development, 2019.

- **Transit connections.** In addition to the private water taxi service, the City of Renton is exploring the potential for a future branch transit center, which would be sited next to the development. This would provide additional multimodal connections that would support commuting traffic to the campus.
- **Opportunities for additional, staged development.** The Southport site includes space to accommodate an additional 5 million sf of Class A office space in six additional office towers of up to 18 stories. This is envisioned to be developed in stages over time, partly as a means of proving the local market for high-end office space. Additional underutilized and surplus industrial land in the surrounding area may also be options for future development.
- **Affordability.** The key value proposition for office development in this area is through competition with higher-priced options in the Class A office market. Presently, the office space provided in Southport has a significant price advantage over comparable office space in Seattle and Bellevue, with lower-priced housing options located in the community as well. Presenting higher-end lifestyle

²² Levy, N. (2018) "Developer plans to launch water taxis to connect Seattle region's tech hubs by 2020." Geekwire, November 1, 2018. <https://www.geekwire.com/2018/developer-plans-launch-water-taxis-connect-seattle-regions-tech-hubs-2020/>.

options in this area that are attractive to technology firms at a lower price point has been established as a strategy for this project.

The experience with Southport suggests the following lessons for large, multistage mixed-use developments:

- **Planned, staged development can help to prove a market for a large development over time.** The final buildout of the Southport development contains a significant amount of office space, which would overwhelm the office market in South King County. Developing a staged approach, especially in cases where the market for this development is not clear, can allow the market to be proven and mitigate the risks to the developer.
- **Integrating a mix of uses can help to build the market for office space.** The Southport campus and surrounding area incorporated a significant amount of higher-end residential and retail space before the office space was developed. An integrated, multistage approach to neighborhood development can help to build the retail, services, and infrastructure to support office and residential uses, and integrating office development into an area with existing residential mixed-use can help the neighborhood evolve over time into a live-work community.
- **Providing high-quality, lower-cost office space may compete in a tight regional market.** One strategy being pursued with the Southport development is to provide Class A office space at a lower cost outside of the Seattle and Bellevue CBDs. This is in response to trends where many tech businesses have been priced out from office space in these areas and may look to relocate to a high-amenity area in the region with lower rents.
- **Developing transportation options can be a key distinguishing factor for developments.** Another long-term strategy for Southport is with the planned water taxi service linking with South Lake Union. Transportation constraints in South King County required a creative solution for accessibility to the tech hubs in the region, and this may be a distinguishing characteristic that can allow this development to compete in the regional market.

5.5. IMPLICATIONS FOR FUTURE DEVELOPMENT

The examination of other projects with similar characteristics to the Eastside Employment Center suggest several conclusions to keep in mind for future planning:

- **Developing an overall vision and a staged implementation plan will be important to guide redevelopment.** Across the projects reviewed, a key element of success is a vision provided for the future of the neighborhood. In addition to supporting efforts to brand the neighborhood and market the area for private investment, it can provide a framework for the City to ensure that investments will provide a reasonable return to the public on investments made in the Center.
- **Ongoing public/stakeholder participation and engagement is essential.** As demonstrated in multiple projects, the role of continuing engagement with stakeholders and the public at large can also be a critical component of success. In addition to addressing concerns with ongoing implementation efforts early, maintaining energy and community support can keep the momentum with the vision and promote the Center as an exciting location for new investment. This can also be a way to ensure that planning for the future of the Harrison Medical Center by CHI Franciscan considers the needs and perspectives of the community.

- **Creative solutions to needs in the neighborhood can presents ways of highlighting this area for future investment.** Providing for a vision that is aspirational can also be a means to promote an area for new investment. While the Center may not be well-suited for a water taxi, encouraging innovative approaches to expanding transit service in the neighborhood, providing public space accessible for a range of age cohorts, and reusing existing building stock can help to reduce costs, improve local amenities, and provide for a higher quality local environment.
- **Incentives play an important role in redevelopment projects.** There were several case studies that identified incentives as a major factor in the feasibility of projects. This can include not only efforts by the City to provide additional financial incentives directly to developers, but also encouraging local developers with qualifying projects to apply for regional, state, and federal support, and to look to these sources to support public investment in facilities and infrastructure.

6.0 Initial Strategic Recommendations

6.1. RECOMMENDED STRATEGIC DIRECTION

Based on the assessment and review conducted in this study, there are several key strategic recommendations regarding a direction with the Eastside Employment Center:

- **Disposition of the hospital site.** A major factor in the development of the neighborhood will be the disposition of the Harrison Medical Center site. Whether the site is fully or partially reused, or the building is demolished, and the site is redeveloped, the size and potential intensity of activities on this property will present auxiliary demand for other uses in the neighborhood and shape the need for other supporting infrastructure.
- **Office development.** New office development, either as standalone development or a part of a small business park or campus, will be unlikely given current vacancy rates, a lack of recent development, and historic employment trends. Incorporating large-scale office development as part of a vision will not likely be feasible at this time. If local office demand does increase, however, the Center may be competitive with Downtown Bremerton because of greater access to parking as well as younger and cheaper real estate stock.
- **Military-related development.** Military-related development, either by government agencies or private-sector contractors, is possible but unlikely. While there are space limitations on current installations, security restrictions will be a significant concern and will constrain the use of property. Although space could be marketed to private-sector contractors, the need for local space is unclear as many of these businesses do not need to be located locally. Even if development is sited locally, it would need to compete with locations in downtown (which would be more accessible to Naval Base Kitsap-Bremerton) and in PSIC-Bremerton (which would allow land uses that may conflict with nearby residential uses).
- **Retail commercial development.** While there will likely be some demand for retail development from an increasing population, competition from highway-oriented retail along WA-303 will be challenging, especially given access limitations into the Center. Smaller-scale retail could be incorporated as part of residential growth in the neighborhood but should be incorporated at a scale consistent with local needs.
- **Multifamily development.** Multifamily development will likely be a primary consideration for new development, and some developers have been pursuing new projects in this neighborhood. The stock of available multifamily housing does tend to skew older, with most units in the city built or refurbished before 1980. Although there has been some notable recent development, including in the downtown, it will be necessary to provide additional higher quality housing options to meet ongoing demands for growth and help to attract and retain local talent.
- **Seniors housing and intergenerational communities.** Given the location of two seniors housing projects and associated medical uses, there is the potential to encourage further seniors-oriented housing and services in this neighborhood. Additional planning would be necessary to provide supporting infrastructure to meet the needs of an older community, but consistent planning for an aging population can help to ensure that this growing segment of the population will receive

necessary services. This could even work to support an intergenerational neighborhood that would provide housing for a range of different age cohorts and lifestyles.

- **Long-term transitioning of uses.** Long-term strategies will be necessary for the City to provide support for the transition of uses in the Center. Although some developers are intending to site multifamily development projects in the Center, coordinating supporting infrastructure and managing the Harrison Medical Center site will require City oversight.

6.2. DEVELOPMENT ACTIONS

The following action strategies have been identified to supplement the subarea planning process as the City examines its approaches to spurring new activity in the Eastside Employment Center. These development actions are expected to be iterative through the process, especially as the City works with stakeholders and partners to implement planning for the area and should become more specific and detailed as the vision and goals of the area are refined. Note that Actions 1 through 3 are related specifically to the Harrison Medical Center site and can be pursued immediately.

6.2.1. Action 1: Continue Dialogue with CHI Franciscan

The City should pursue ongoing dialogue with the Harrison Medical Center regarding the types of redevelopment opportunities that will be considered on its property, to ensure that future development and use of the site are consistent with the City's vision. Through these discussions the City and CHI Franciscan should identify a process to evaluate any future purchase and development proposal during the subarea planning process while the vision, land uses, and regulations are under development. This would be replaced by requirements under the Subarea Plan upon its approval by the City.

Through dialogues and potential agreements, the City and CHI Franciscan should identify the interests of both the Harrison Medical Center and the City and attempt to outline a mutual understanding and agreed upon outcomes for the future of the neighborhood. This could include actions by the City to jointly market, conduct, or financially support a Request for Proposal (RFP) process to identify specific purchasers and developers to create a catalytic project for the neighborhood, provided such vision meets the requirements of CHI Franciscan.

6.2.2. Action 2: Continue Dialogue with Naval Base Kitsap Bremerton

As noted previously, government employment related to Naval Base Kitsap-Bremerton and PSNS has grown significantly, and while there are limitations on the use of leased property by the military outside of an installation, space constraints may require the use of space off-base. Similarly, future space constraints might provide some demand for private contractors. Although current needs do not suggest that there is an immediate need, ongoing dialogue should be maintained with the military to capitalize on any opportunities for off-base uses that would be suitable for the Eastside Employment Center or specifically the Harrison Medical Center site.

6.2.3. Action 3: Identify Potential Opportunities for Commercial Business Attraction

From employment and commercial real estate statistics, ongoing demands for office space for professional, scientific, and technical industries appears to be nominal, with little development activity in the local market. Therefore, obtaining office tenants for the Harrison Medical Center site and surrounding

properties will be challenging based on these market conditions, and even attracting other smaller employers to the Eastside Employment Center may be a difficult task.

Because of these conditions, possible efforts to build demand for new and existing office commercial space would require more proactive approaches by the City to create market opportunities. This could include the following:

- Identifying companies with “C-suite officers” that live in Bremerton to highlight marketing opportunities for satellite offices, with access to improved amenities, high quality of life, and lower cost of living as detailed in the Subarea Plan.
- Identifying other businesses with a regional presence that would be interested in siting new offices in locations with improved affordability and high quality of life.
- Working with property owners and venture capital investors on opportunities for business incubators, accelerators, and coworking spaces that can support smaller businesses with growth potential to locate in the neighborhood.

These efforts should build upon existing work by the City with economic development and incorporate the vision and concepts from the subarea planning process into marketing to showcase a clear direction for the neighborhood to potential partners. A focus of this work should be on highlighting major competitive advantages, including housing affordability, neighborhood amenities, transportation accessibility, and quality of life, and can tie into marketing efforts (see Action 5).

6.2.4. Action 4: Pursue a Flexible Collection of Uses

In developing a consistent vision for the neighborhood and the Harrison Medical Center site, planning should be flexible and allow for the collection of multiple uses in the neighborhood that complement each other. Although certain development types such as multifamily residential and residential/retail mixed-use would be likely candidates for new projects in this neighborhood, the availability of significant space for redevelopment could permit collections of uses driven by developers and investors.

Potential uses that could be pursued for the neighborhood include but are not limited to:

- Hospitality
- Entertainment
- Professional office
- Office coworking spaces
- Skilled nursing care
- Multifamily residential (rental and owner-occupied)
- Assisted living
- Intergenerational housing
- Education & dorm living
- Business incubators
- Civic center

- Wellness center
- Medical facility and/or clinic

Providing opportunities for new development in the neighborhood that can incorporate multiple and complementary uses can help to support the Eastside Employment Center as an active and complete live-work community.

6.2.5. Action 5: Develop a Neighborhood Narrative

A critical component of marketing for the Eastside Employment Center is to develop a compelling story and brand to attract capital investment. This can help to market the Center by creating excitement about what is happening in the area and encouraging local pride in a developing neighborhood as it grows.

In addition to the work done as part of the subarea planning process, the City can also promote the story of the neighborhood in other ways:

- Maintain a consistent story and brand for the Eastside Employment Center that can help to distinguish the neighborhood as a distinct community. The final plan for the neighborhood should be used to summarize the vision and goals for the community in future engagement with stakeholders.
- Keep the community informed about the continuing narrative, with a focus on how the City is building upon the vision and subarea plan to achieve positive results. Ongoing successes with neighborhood investment, both public and private, can be highlighted through marketing materials, regular updates on the City website, and public meetings.
- Coordinate outreach to current and potential developers and investors through regular forums. These events can highlight ongoing business opportunities and generate an atmosphere of excitement and enthusiasm about continuing efforts.

6.2.6. Action 6: Promote Projects that Fit the Vision

Developing a clear and compelling vision for the Eastside Employment Center will require individual project plans that can successfully contribute to this shared effort. Developments should be encouraged for the area that are not only financially feasible, but also build towards a common community vision for the neighborhood, and increase the appeal to current and future stakeholders. Encouraging successful, interconnected projects can enhance economic value and improve the political and social capital necessary for realizing the vision and improving satisfaction with the neighborhood.

To this end, the City and stakeholders should be given opportunities for feedback about how well a development will contribute to the vision for the neighborhood. This may include the following:

- Committing resources to design and permit review to ensure a streamlined but complete entitlement and review process through the construction phase.
- Coordinating with developers to promote site designs that complement the overall vision and goals for the neighborhood and align with surrounding development and uses.
- Supporting ongoing dialogue between the developer and the public to ensure that the community can contribute their feedback on major projects.

6.2.7. Action 7: Explore Incentives for New Development

In addition to providing support through the review process, the City should also weigh the benefits of providing financial and tax incentives to attract the desired development into the neighborhood. This may be explored as part of the development of the Subarea Plan, and could include:

- Planned Action EIS (included as part of the Subarea Plan)
- Fee waivers construction and permitting fees
- Reduce stormwater facilities impact fee
- Reduces business & occupation tax for larger businesses
- New Market Tax Credits
- Multi-family tax exemptions (promotion of existing program)

6.2.8. Action 8: Prioritize Infrastructure Investments for the Area

This area of Bremerton is currently served by City infrastructure. Encouraging redevelopment in the Eastside Employment Center, however, may also require additional infrastructure to support new uses. Depending on use, this may include improvements to water, wastewater, and stormwater systems, as well as changes to circulation, transportation accessibility, and transit services.

A critical component of the success of development will be on placing a priority on these projects to stimulate private sector interest in the neighborhood. Required improvements identified through the subarea planning process should be fast-tracked where possible to promote the interest of private investment in realizing the vision for this area.

6.2.9. Action 9: Provide Funding Support for Implementation

As part of municipal budgets, the City should ensure that sufficient funds are allocated to cover the strategies and actions necessary to implement the Plan. Expenditure items associated with implementation may include:

- Marketing/business recruitment materials/expenses to communicate opportunity and attractiveness.
- Staff resources to streamline permit and design reviews.
- Fee waivers for development incentives in the neighborhood.
- Additional funding support for infrastructure and other physical improvements in the neighborhood.

6.2.10. Action 10: Measure Accomplishments from the Plan

The old adage of “what gets measured gets done” can apply to execution of subarea planning and implementation, and long-term monitoring and review will be related to the ongoing efforts to keep the public and stakeholders informed about ongoing progress with the neighborhood as defined in Action 5. To ensure that implementation is proceeding as planned, a review of progress under the planning goals included in the Subarea Plan will be incorporated into other planning and policy review processes in the City where practical. This includes the city/county Buildable Lands Review and reviews for revisions to the Comprehensive Plan. Where possible, a simple scorecard will be made available to the public to demonstrate the achievements of the Subarea Plan since its approval. This can ensure that all

stakeholders in the process are aware of this progress, and that changes can be made as necessary if goals are not being achieved.

7.0 Conclusion

The report offers strategic directions to address the transformation of the Eastside Employment Center to address obstacles and identify opportunities, actions, and investments that could occur in the short and long-term to create a durable and vital Center. Although this work is not intended to provide final recommendations for the form and nature of new development, redevelopment, and infill projects in this neighborhood, it does highlight areas of interest to be covered in strategic planning.

Major findings include the following:

- **Strategies for the Center should include a long-term conceptual vision and a clear plan for implementation.** The examples from the case studies highlight that a clear vision and approach can help to provide guidance for ongoing development activity, eliminate regulatory and planning obstacles to long-term success, and promote the neighborhood to attract new residents and businesses. The City should work to present actions that clarify the use of the Harrison Medical Center site, develop and implement a vision for the City's intent for the area, and monitor results and realign strategies as necessary over the longer term.
- **There will be challenges in attracting new technical, scientific, and professional employment to the Eastside Employment Center, especially in the short term.** The Eastside Employment Center will be significantly challenged by the loss of medical service employment, but outside of government employment, there has been only a nominal increase in employment in other sectors. New business attraction and retention campaigns could yield results, but future planning should be flexible in expectations that significant office uses will shift to the Center to replace these medical uses.
- **Military-related uses face restrictions that would limit their ability to be accommodated in the Eastside Employment Center.** Although Naval Base Kitsap-Bremerton is a strong source of employment in the City, Department of Defense policies significantly restrict the use of leased space off-base for military activities. Additionally, private-sector contractors may not be reliant on local office space for operations. Although this does not eliminate the potential for new military-related uses in the Center, the best approach will likely involve an ongoing, long-term dialogue with military officials to take advantage of evolving needs.
- **Short-term redevelopment opportunities will be related to new multifamily residential development with supporting retail uses.** A strong market case can be made for promoting new multifamily development in the Eastside Employment Center, including seniors and intergenerational options for housing. The long-term development of housing options in this neighborhood can help improve the quality of housing in the city, and support efforts to attract and retain talent for local businesses. Encouraging seniors and intergenerational housing can also prepare for long-term needs with these housing types.