

**City of Bremerton**

**Proposed Bremerton Harborside Revenue Development Area**

**Community Economic Revitalization Board – Local Infrastructure Financing Tool  
Attachment 2**

**Estimated Public Investment Project Descriptions and Costs**

The following is a list of capital projects within the proposed Revenue Development Area (RDA) using Local Infrastructure Financing Tool (LIFT) financing that are under consideration by the City of Bremerton at the time of application to the State of Washington Community Economic Revitalization Board (CERB). The project costs are all in 2008 dollars and are based on preliminary estimates that may be revised as the projects move through the public process, approval and final design. The amount of projects that are approved and constructed will depend upon such things as: public input, final design, actual construction costs, additional funding sources and the amount and pace of private investment within the proposed Revenue Development Area. All of the projects are listed by their planning names, which may be changed later, for identification purposes only.

The proposed RDA includes all of the downtown core and waterfront area and is configured to generally match the City of Bremerton’s Downtown Subarea Plan boundaries as adopted on December 19, 2007 - with the exception that areas designated for one and two family neighborhoods will not be included in the proposed revenue development area. RDA boundaries are described in a map which is contained in this packet and labeled *Attachment 1*. Within this proposed revenue development area there are several public and private sector economic development infrastructure projects planned for the future or currently underway. The three specific public projects within this proposed RDA that are anticipated to be included in the final LIFT application are as follows:

**Bremerton Boardwalk Project**

\$24,000,000

This project will construct a 3,200-foot over water boardwalk connecting the existing Louis Mentor Boardwalk in the Harborside District to the City’s popular Evergreen Park. The boardwalk will serve two purposes; it will provide a recreational waterfront experience for residents and visitors and it will provide access for maintenance of an adjacent sewer main on the beach. The project has three components; construction of the boardwalk, replacement of the existing beach sewer line and redevelopment of a former industrial property into a major expansion of the City’s premier park, Evergreen Rotary Park.



*Conceptual Images of Bremerton Boardwalk Project*

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The Bremerton Boardwalk is unique because it combines three innovative projects to maximize resources, provides multimodal pedestrian safety, as well as providing community and economic benefits. This project has received wide support from local government agencies, businesses, private groups, and the general public. The Bremerton Boardwalk was recently ranked #1 in the state by the Recreation & Conservation Funding Board for the Washington Wildlife & Recreation Program (WWRP – Trails) grant. The boardwalk creates a unique waterfront experience for everyone, and provides shoreline access, and a safe pedestrian path that currently does not exist. The boardwalk also provides a primary leg of a planned “Park to Park” Corridor Loop.

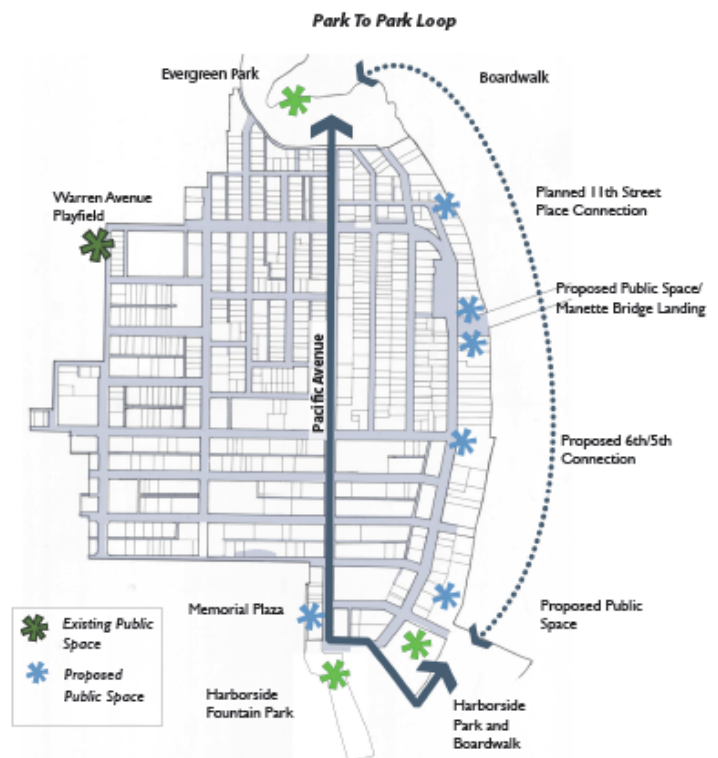
The Bremerton Boardwalk Project is expected to cost a total of \$24 million and the City has assembled approximately \$13 million dollars in funding from a variety of sources - including City of Bremerton resources, State capital grants, and Department of Ecology reimbursement grants related to required environmental remediation. Additional grant applications have already been submitted totaling \$5.3 million and a variety of additional Grants have been identified which will be pursued in the coming year, along with other private support. It is expected that the LIFT designation of this project would provide an additional \$5 million to the funding package.

**Pacific Avenue Improvements** \$ 4,000,000

Pacific Avenue connects the Harborside Fountain Park and downtown area to supporting residential neighborhoods, as well as Evergreen Park. A project on Pacific Avenue from 1<sup>st</sup> to 6<sup>th</sup> Streets is already in progress and expected to get underway in 2008 which includes sidewalk extensions, curb bulb-outs, and Low Impact Development techniques to filter storm water.

The proposed project for LIFT funding is to continue these Pacific Avenue improvements from where the current project leaves off at 6<sup>th</sup> Street and extend it all the way to Evergreen Park.

This project combined with the Bremerton Boardwalk project will complete the downtown loop - as the link forming a “Park to Park” Corridor. Streetscape enhancements will help make this a walkable and pedestrian friendly street. Recently adopted development standards support the enhancement of this street through the introduction of higher intensity mixed-use projects containing active commercial uses on the ground floor. A



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broad array of compatible uses, including retail, eating and drinking establishments, residential, office, cultural, educational, and indoor recreation are encouraged to locate along Pacific Avenue. As the primary pedestrian street – Pacific Avenue is the most significant public walking corridor in the City’s Downtown Sub Area Plan.

The Pacific Avenue Improvement project is expected to cost a total of \$4 million and currently has no funding source. It is expected that the LIFT designation would provide all of the estimated \$4 million to fund this project.

**Parking Garage Facility** \$ 8,000,000

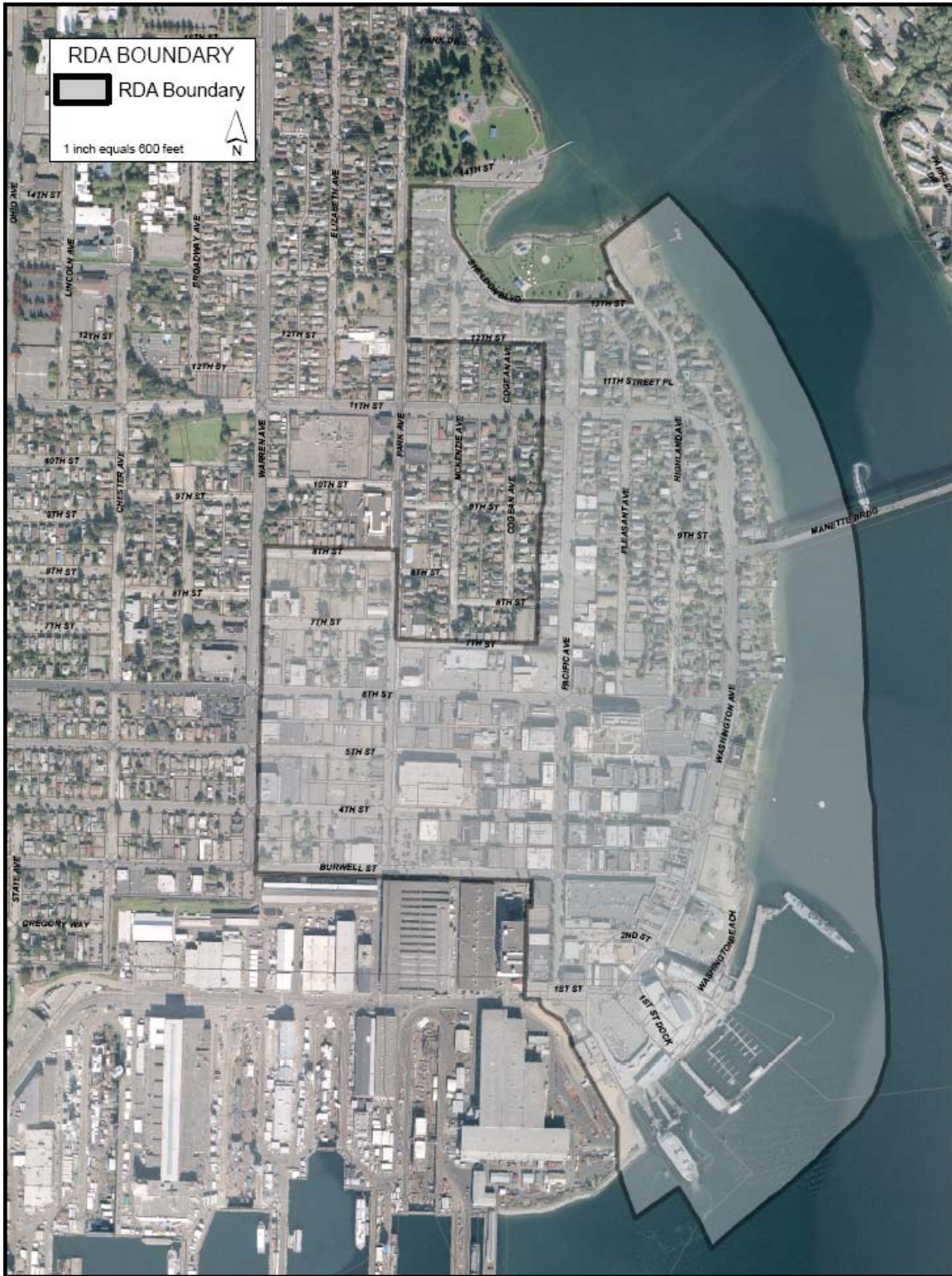
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The City of Bremerton recently adopted a Downtown Subarea Plan and updated its Comprehensive Plan accordingly. The Subarea Plan recognizes intense and persistent demand for downtown long-term parking related to the Puget Sound Naval Shipyard (PSNS) and the Washington State (WS) Ferry and a need to provide parking facilities that encourage “park-once” behaviors for the downtown area – so that people can access multiple shops and destinations without using their cars. It has been determined that an excessive amount of developable land has been used as surface parking throughout the southern area of the Sub Area – created to meet the long term parking needs of the two major users PSNS and WS Ferry.

The Sub Area plan calls for a second large centralized parking structure in downtown to release pressure for surface lots and may also be used for parking “in-lieu of” purposes for new developments. The parking facility will also meet the particular requirements of building and growing a viable Employment District. The location of a new multi-level garage will serve commercial businesses within the Pacific Street Corridor and long-term uses related to the WS Ferries and the PSNS. This project was conceived in the last year and has not yet been through a preliminary design phase nor is it included in the City’s current adopted Capital Improvement Plan. City Council has approved of the conceptual plan by the adoption of the Downtown Sub Area Plan and it will next move forward to project design and is expected to be included in the City’s 6-year Capital Improvement Plan for 2009.

The Parking Garage Facility is expected to cost approximately \$8 million but has not been through a planning and design process to finalize the cost estimates. A parking facility provides revenues from parking fees which can be pledged to support the issuance of revenue bonds for the construction of such facilities. However, the revenues are typically inadequate in total to provide support for the size of debt issuance necessary to construct such a facility – in addition to properly maintaining and operating such a facility. In order to move forward with construction of this needed parking garage facility, a financing package that combines revenue bonds as supported by reasonable and achievable parking fee revenues and a general obligation bond issuance supported by LIFT revenues will be necessary. It is expected that the LIFT designation and net revenues from the facility would provide all of the estimated \$8 million to fund this project.

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# Impact Analysis

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*Bremerton Harborside Revenue Development Area (RDA) Impact Analysis – Excerpt from the ECONorthwest Economic Analysis Study*

The LIFT application process requires applicants to estimate the impact of the RDA on businesses and low-income housing, and to develop a mitigation plan for negatively impacted small businesses and low-income residents (RCW 39.102.080(2)). The LIFT application requires five specific elements in the impact analysis:

- An inventory of existing low-income housing units, businesses, and retail activity within the RDA (RCW 39.102.080(2)(a)).
- A reasonable estimate of the number of low-income housing units and businesses that may be vulnerable to displacement (RCW 39.102.080(2)(b)).
- A reasonable estimate of the projected net job growth and net housing growth in the RDA and compare it to existing jobs and housing (RCW 39.102.080(2)(c)).
- Discussion of the impact of the net housing growth on the current housing price mix (RCW 39.102.080(2)(d)).
- A plan that mitigates negative impacts to vulnerable stakeholders (RCW 39.102.080(2)).

ECONorthwest conducted an impact analysis to determine the impacts of the RDA on low-income residents and small businesses. This chapter describes and summarizes ECONorthwest’s analysis and the City of Bremerton’s mitigation plans. This chapter has two sections:

- **Businesses** contains an inventory of the businesses within the proposed RDA, identifies businesses that are vulnerable to displacement, discusses net job growth, and describes the mitigation plan.
- **Low-income housing** contains an inventory of the low-income housing within the proposed RDA, identifies those that are vulnerable to displacement, discusses housing growth, and describes the mitigation plan.

## BUSINESSES

This section provides an inventory of the businesses within the proposed RDA, identifies those that may be vulnerable to displacement, discusses net job growth, and describes the mitigation plan, as required in Section 206 (2) (a-d) of the LIFT legislation.

## INVENTORY

To develop an inventory of existing businesses within the proposed RDA and to be consistent with the data requirements of the LIFT application process, ECONorthwest used covered employment data provided by the Washington State Employment Security

Department (ESD). ESD staff used Geographic Information Systems (GIS) data to identify businesses within the proposed boundaries of the RDA, and provided information on the number of businesses, number of employees, and total payroll by two-digit North American Industrial Classification System (NAICS) codes. In total, ESD data shows that there are 135 firms (non-sole proprietors) in the RDA.

ESD covered employment data does not include sole proprietors. As a result, ECONorthwest augmented ESD data with information obtained from the Washington Department of Revenue's (DOR) Business and Occupation (B&O) tax database. DOR provided counts of sole-proprietors by two-digit NAICS codes for the immediate Bremerton area, as delineated by zip code 98337. Geographically, this zip code is larger than the RDA. As a result, ECONorthwest used ESD data on the number of businesses, by industry sector, within the two areas to calculate an RDA-to-zip code ratio, and then applied this ratio to the number of sole proprietors identified by DOR in the 98337 zip code. In total, using DOR data, ECONorthwest estimates that there are approximately 234 sole proprietors in the RDA.

Table 1 shows the number of businesses by industrial classification. Industry classes are identical to those requested as part of the LIFT application process. In total, there are 369 businesses (non-sole proprietors and sole proprietors) in the RDA. The business types in the proposed RDA with the greatest number of individual firms are: Professional, Scientific, and Technical Services (85 firms); Retail Trade (75); Other Services (69); Accommodation and Food Services (31); and Administration, Support, and Waste Management and Remediation Services (25). These five categories account for approximately 77 percent of the total number of firms in the RDA.<sup>1</sup>

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<sup>1</sup> ESD data shows that there are five firms in other sectors (identified with "NA") whose data cannot be released due to confidentiality concerns.

**Table 1: Businesses In the RDA, by Aggregate Industry Sector, Second Quarter 2007**

Sector	Number of Firms	% of Total
Construction	NA	NA
Manufacturing	NA	NA
Retail Trade	75	20%
Transportation and Warehouse	NA	NA
Information	14	4%
Finance and Insurance	18	5%
Real Estate and Rental and Leasing	10	3%
Professional, Scientific, and Technical Services	85	23%
Management of Companies and Enterprises	NA	NA
Admin, Support and Waste Mgmt and Remediation	25	7%
Education Services	13	4%
Health Services	14	4%
Arts, Entertainment, and Recreation	10	3%
Accomodation and Food Services	31	8%
Other Services	69	19%
Not classified due to confidentiality	5	1%
Total	369	100%

Sources:

1. Covered employment data provided by the Washington State Employment Security Department using Geographic Information System (GIS) data to identify firms within the proposed boundaries of the RDA.
2. Data for sole proprietors from the Washington Department of Revenue Business and Occupation tax database.

The 2008 LIFT application process requires applicants to use ESD data as the basis for describing employment and wages in the RDA and the surrounding economy; forecasting job growth, by sector, between 2009 and 2014; and comparing wages and evaluating employee benefits, by sector, for permanent jobs created in the RDA. In some cases, as noted above and elsewhere in this report, ESD data had to be augmented with data from other sources. In these cases, CERB staff instructed ECONorthwest to fully document this additional data and our assumptions.

## VULNERABILITY

(RCW 39.102.080(2)(b)) of the LIFT application requires that applying jurisdictions establish “a reasonable estimate of the number of small businesses and other commercial activity that may be vulnerable to displacement within the revenue development area.” This section identifies the small businesses within the proposed RDA and identifies businesses directly affected by infrastructure improvements.

The LIFT application requires the impact analysis to use the Revised Code of Washington (RCW) 19.85.020 definition of a small business. RCW 19.85.020 defines a small business as a business entity, including a sole proprietorship, corporation, partnership, or other legal entity, that is owned and operated independently from all other businesses, and that has fifty or fewer employees.

ESD summarized the information about firm size from the list of firms located within the RDA for ECONorthwest. DOR provided counts of sole proprietors. Table 2 shows the results of that analysis. The table shows that of the 369 firms located within the proposed RDA, 358 (97 percent) are considered small business entities. Most of the businesses are very small, with fewer than 25 employees, and approximately 63 percent are sole proprietors.

**Table 2: Firms in the RDA, by Number of Employees, 2<sup>nd</sup> Quarter 2007**

Number of Employees	Number of Businesses	Percent
<b>50 and Over</b>	<b>11</b>	<b>3%</b>
<b>Under 50</b>	<b>358</b>	<b>97%</b>
26 - 50	4	1%
<b>Under 25</b>	<b>354</b>	<b>96%</b>
11 - 25	21	6%
6 - 10	19	5%
0 - 5	80	22%
Sole Proprietor	234	63%
<b>Total All</b>	<b>369</b>	<b>100%</b>

Sources:

1. Covered employment data provided by the Washington State Employment Security Department using Geographic Information System (GIS) data to identify firms within the proposed boundaries of the RDA.
2. Data for sole proprietors from the Washington Department of Revenue Business and Occupation tax database.

Although there are a large number of small businesses within the RDA, their vulnerability to displacement due to infrastructure improvements funded using LIFT authority depends on their location and their individual characteristics. Given the current industry mix (predominantly services and retail) and forecast industry growth, ECONorthwest expects most businesses to benefit from the public, and subsequent private, development in the RDA.

Per the requirements of the LIFT application (RCW 39.102.080(2)(b)), this task is to create “a reasonable estimate of the number of small businesses and other commercial activity that may be vulnerable to displacement within the revenue development area.” The LIFT application does not define “displacement,” so ECONorthwest assumed that “displaced” businesses will be either forced to relocate because public or private improvements occur on the site of their business, or will eventually be forced to relocate because their business will be priced out of its current location.

ECONorthwest determined that businesses in the RDA could experience three main levels of vulnerability as planned infrastructure improvements and the redevelopment of downtown Bremerton are implemented. This section describes our methodology for determining how vulnerable a business is to displacement.

## **IMMEDIATE AND PERMANENT DISPLACEMENT**

The businesses facing *immediate and permanent displacement* are those that will be displaced because of public infrastructure projects or subsequent private development in the RDA. These businesses will be displaced because of road or other types of construction, and may need assistance in order to relocate.

ECONorthwest and the City of Bremerton expect that no (zero) businesses will be displaced as a result of the three proposed public projects. The Bremerton Boardwalk is an over-water boardwalk that will not displace any businesses. The proposed centralized parking structure in downtown Bremerton is an underground, multi-level structure that will not displace any businesses. In fact, the City anticipates that the pad and airspace above the parking structure will be sold and developed. The proposed Pacific Avenue Improvement project will enhance pedestrian traffic north of 6<sup>th</sup> Street all the way to Evergreen Park. As such, it will complement the Boardwalk project and create a pedestrian-friendly loop between Harborside Park and Evergreen Park. The proposed Pacific Avenue Improvement project will not displace any businesses.

The City of Bremerton's three proposed infrastructure projects are not expected to displace any businesses. In fact, the projects are expected to enhance commercial activity and encourage private sector development in the RDA. Interviews with private developers in late 2007 showed unanimous support for the Bremerton Boardwalk project. The private redevelopment of the former Penney's Building will benefit from additional parking capacity and foot traffic in the RDA, as well as additional tourism spending attributed to the Boardwalk.<sup>2</sup> The success of two proposed high-density residential infill development projects (currently in the schematic design stage) is strongly linked to the completion of the Bremerton Boardwalk. According to on-site surveys conducted by the City of Bremerton, this latter private development will displace one business in the Professional Services sector. This business is included as immediately vulnerable to permanent displacement because, based on interviews with the developer,<sup>3</sup> the causal link between the Bremerton Boardwalk and the private development is so strong.

## **NO RISK OF BEING POTENTIALLY VULNERABLE TO DISPLACEMENT**

The infrastructure projects may benefit certain industry sectors. As such, there are businesses that are at *no risk of being potentially vulnerable to displacement* because of infrastructure improvements within the RDA or unrelated factors. To estimate the number of businesses at *no risk* of being potentially vulnerable to displacement, ECONorthwest identified businesses in the retail, professional services, real estate, arts and entertainment, accommodations and food services, and finance and insurance sectors. These types of businesses typically benefit from improvements associated with downtown revitalization.

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<sup>2</sup> According to Ron Sher, Metrovation Project Manager of the Penney's redevelopment, "The boardwalk will be a natural venue for community events, tourism, and recreation activity. The increased activity and attraction will help bring restaurants, retail, and other businesses to downtown, creating new jobs and fostering economic vitality."

<sup>3</sup> October 2007 interviews with Mark Goldberg, Chairman, The M.S. Cavoad Co., Incorporated.

Although the City is actively targeting health care businesses and the senior population near downtown is expected to continue its growth, ECONorthwest did not include health care businesses in this category because Bremerton's medical district is across the Manette Bridge in East Bremerton.

There are approximately 267 businesses in this category, which represents about 72 percent of all businesses within the RDA. This figure includes some sole proprietors that are included in the low risk subcategory described below.

### **Low Risk of Being Potentially Vulnerable to Displacement**

With a significant number of retail and service sector firms, ECONorthwest and the City of Bremerton expect that most businesses in the RDA will benefit from infrastructure improvements. As discussed in the previous section, we have identified and classified 267 firms as facing no risk of being potentially vulnerable to displacement. This total includes 175 sole proprietors.

In order to impart the most conservative estimate of vulnerability, ECONorthwest believes it is useful to look at a subcategory of firms that may face a *low risk of being potentially vulnerable to displacement*. To do so, ECONorthwest identified businesses operated by sole proprietors that are outside of sectors (retail, arts, entertainment, and recreation, and food services) that will likely benefit from redevelopment. This subcategory includes 97 sole proprietors. Although ECONorthwest assumes that these sole proprietors are in sectors that will benefit from redevelopment (hence, they have been also classified as facing no risk of being potentially vulnerable to displacement), they are outside of sectors that will almost certainly benefit from redevelopment within the RDA. These service sectors are information; finance and insurance; real estate and rentals; professional, scientific, and technical; and administration and support, and waste management and remediation. It's important to emphasize that these firms represent a subcategory of firms within the no risk category.

### **MODERATE RISK OF BEING POTENTIALLY VULNERABLE TO DISPLACEMENT**

Some businesses may face a *moderate risk of being potentially vulnerable to displacement* because of infrastructure improvements within the RDA or unrelated factors. These businesses are at risk of displacement because of competitive market pressures from a redeveloped downtown, and may need assistance in order to relocate.

The only remaining types of businesses were businesses in sectors that ECONorthwest could not *assume* would benefit from downtown revitalization (although it is likely that most would), including: education and health services, other services, and businesses not classified due to confidentiality constraints. ECONorthwest identified 101 businesses as being at a *moderate risk* of being potentially vulnerable to displacement. Many of these remaining businesses will *not* be vulnerable to displacement. However, existing data does not allow ECONorthwest to more precisely identify the specific types of firms. ECONorthwest, therefore, conservatively assumes these remaining businesses are at moderate risk.

Lacking firm-level data, ECONorthwest conservatively assumes that these businesses will be at moderate risk. However, it is likely that most businesses will benefit from the redevelopment in the proposed RDA. Better streetscapes, more pedestrian and vehicle traffic, additional parking capacity, and more downtown residents will positively impact the majority of these businesses classified as having a moderate risk of displacement. If, because of market pressures, these businesses require relocation, the City of Bremerton has a range of services to help businesses relocate or reopen, as detailed in the mitigation section.

Table 3 summarizes the businesses that may be at risk of displacement in the RDA over the twenty-five-year lifespan of the LIFT authority. This table shows the estimated risk of displacement for *all* business, not only small businesses, in order to comply with Section 206 (2) (b) which requires an estimate of “small businesses *and other commercial activity*” that would be at risk of displacement due to infrastructure improvements and associated redevelopment in the RDA.

**Table 3: Businesses in the RDA and Their Vulnerability to Displacement**

Risk of Displacement	Number	Percent
<b>None</b>	267	72.4%
None/Low	97	26.3%
<b>Moderate</b>	101	27.3%
<b>Immediate</b>	1	0.3%

Source: ECONorthwest.

Within the twenty-five year lifespan of the RDA, gradual turnover of businesses will occur independently of the creation of the RDA. The City of Bremerton has a variety of strategies to help businesses remain competitive as downtown Bremerton experiences revitalization. Mitigation strategies are described in the mitigation section below.

## GROWTH

There are two types of jobs that will be created in the proposed RDA between 2009 and 2039: temporary construction jobs and permanent jobs occupying the newly developed and redeveloped office and retail spaces.

ECONorthwest used the IMPLAN<sup>4</sup> model to project the amount of direct, temporary construction jobs that would be created by the construction spending in the proposed RDA

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4 IMPLAN (for IMPact Analysis for PLANning) is a computer software program used to conduct the input/output analysis. IMPLAN was developed by the Forest Service of the US Department of Agriculture in cooperation with the Federal Emergency Management Agency and the Bureau of Land Management of the US Department of the Interior to assist federal agencies in their land and resource management planning. US government agencies, other public agencies, and private firms including ECONorthwest have applied the model to a wide variety of public and private sector projects. For construction projects, the primary effects are those directly related to construction spending. They include the jobs and income earned by the workers building the roads and buildings. Secondary effects are those indirectly generated by the construction project. They include the indirect jobs and wages earned by workers in industries supplying the construction project, such as equipment rentals and supplies. They also include the induced jobs and wages earned by workers servicing the direct and indirect workers, such as clothing retailers and grocery stores. For this analysis, ECONorthwest reported only the primary jobs. It is likely that many of the secondary effects will take place outside of the

between 2009 and 2039. (ECONorthwest’s estimate of total construction spending in the proposed RDA is detailed in Chapter 2, Market Analysis.)

Table 4 shows construction spending by type of construction and the associated construction jobs between 2009 and 2039, in five-year increments. For example, between 2010 and 2014, ECONorthwest estimates that \$82.1 million in construction spending in the RDA will generate approximately 614 construction jobs. Over the course of 30 years, ECONorthwest estimates that approximately \$265.2 million in construction spending will occur in the RDA. This spending will generate approximately 2,260 construction jobs over this time period.

**Table 4: Jobs Generated by Construction Spending in the RDA, 2009-2039**

Years	Single Family	Multi-Family	Office	Retail/Service	Infrastructure	Total
<b>Construction Spending</b>						
2009	\$0	\$548,900	\$734,200	\$283,200	\$0	\$1,566,300
2010-2014	\$389,600	\$7,975,900	\$11,898,900	\$12,843,900	\$49,000,000	\$82,108,300
2015-2019	\$389,600	\$7,975,900	\$10,282,400	\$5,829,300	\$0	\$24,477,200
2020-2024	\$964,800	\$13,550,500	\$12,237,800	\$8,640,200	\$0	\$35,393,300
2025-2029	\$964,800	\$13,550,500	\$12,237,800	\$8,640,200	\$0	\$35,393,300
2030-2034	\$1,150,400	\$17,409,700	\$15,035,000	\$9,517,500	\$0	\$43,112,600
2035-2039	\$1,150,400	\$17,409,700	\$15,035,000	\$9,517,500	\$0	\$43,112,600
Total	\$5,009,600	\$78,421,100	\$77,461,100	\$55,271,800	\$49,000,000	\$265,163,600
<b>Construction Jobs</b>						
2009	0	5	7	3	0	14
2010-2014	2	66	114	123	309	614
2015-2019	2	66	98	56	0	222
2020-2024	6	112	117	83	0	318
2025-2029	6	112	117	83	0	318
2030-2034	7	144	144	91	0	386
2035-2039	7	144	144	91	0	386
Total	32	648	740	528	309	2,257

Source: Construction jobs calculated by ECONorthwest using IMPLAN.  
Notes: Job impacts are temporary, and exist only during the construction process. The jobs include full-time and part-time jobs.

It’s important to note that these construction impacts are temporary and exist only during the construction process. The jobs include full-time and part-time jobs.

ECONorthwest then projected the number of new permanent jobs that would occupy the redeveloped and newly developed space in the proposed RDA using data from CERB and Portland Metro’s 1999 “Employment Density Study”.<sup>5</sup> As required in the LIFT application, ECONorthwest projected job growth in the RDA between 2009 and 2014

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proposed RDA boundary, and it is inappropriate to include those jobs as new jobs in the RDA. Using the input-output model, ECONorthwest estimated the number of construction jobs created for every \$1 million of construction spending, for four types of new construction: single-family residential, multi-family residential, commercial, and roads. For more information, see Chapter 3, Employment Analysis.

<sup>5</sup> CERB staff provided sales per square foot and employees per dollar of sales for three sectors: retail trade, accommodations and food services, and other services. To augment their data, ECONorthwest reviewed the 1999 Technical Report “Employment Density Study” from Portland Metro and employment densities calculated by the Energy Information Administration and the Southern California Association of Governments. The analysis in the Metro report provides data by industrial sector in the Portland metropolitan region. ECONorthwest determined the Metro report provided more comparable data for more industrial sectors, and we relied on that report to estimate jobs in the proposed RDA. “1999 Employment Density Study and ZELDA (Zonal Employment Land Demand Analysis model) Frequently Asked Questions”. Presented to Metro Growth Management Committee. April 6, 1999, Portland, Oregon. For more information, see Chapter 3: Employment Analysis.

using ESD employment growth forecasts, by industry sector, for Kitsap County. To extend this employment forecast to 2039, ECONorthwest used job projections provided by the Puget Sound Regional Council for two TAZ (#884 and 893) that closely approximate the RDA. (ECONorthwest’s methodology for this conversion is detailed in Chapter 3: Employment Analysis.) Table 5 shows the number of permanent jobs created in the RDA, by NAICS code, in five-year increments.

**Table 5: Cumulative Permanent Jobs Generated in the RDA, by NAICS, 2009-2039**

Industry Sector	2009	2014	2019	2024	2029	2034	2039
Retail trade	1	16	31	72	113	156	198
Information	1	40	64	97	129	170	210
Finance and insurance	2	32	62	123	184	259	334
Real estate and rental and leasing	0	3	5	11	16	23	29
Professional and technical services	4	59	114	163	211	271	331
Management of companies and enterprises	0	0	0	0	0	0	0
Administrative and waste services	1	12	22	32	41	53	64
Educational services	1	9	17	23	30	37	45
Health care and social assistance	2	23	44	61	77	97	117
Arts, entertainment, and recreation	0	3	6	11	17	23	30
Accommodation and food services	1	29	45	67	89	116	143
Other services, except public administration	1	119	156	176	196	221	247
Total	14	345	567	835	1,104	1,426	1,748

Sources: Generic RDA employment growth estimated by ECONorthwest using ESD employment growth forecasts, by sector, for Kitsap County (2009-2014) and PSRC growth forecasts, by sector, for TAZ #884 and #893 (2020-2040). Employment growth associated with proposed public RDA projects estimated by ECONorthwest using a specially-constructed IMPLAN model of the RDA.

ECONorthwest estimates that redevelopment in the proposed RDA will generate 1,748 permanent jobs by 2039. According to the Washington State ESD and DOR, there are currently 2,321 employees (covered employment and sole proprietors) in the RDA. This increase represents a 75 percent increase over 30 years, or 1.8 percent average annual growth rate over this time period.

## MITIGATION

The goal of revitalization is to create new opportunities that help Bremerton businesses thrive. Revitalization brings more people in close proximity and improves access to retailers and service-providers, thus creating a more vibrant and active community.

The City of Bremerton has adopted a Sub Area Plan for downtown Bremerton that expresses the vision for business development and retention. The Sub Area Plan supports the City’s revitalization of the downtown area—the proposed projects in the RDA to be funded by the LIFT authority are identified and called for in the City’s adopted Sub Area Plan. In addition to the development strategy and plan, the City has identified services and business assistance opportunities to support downtown businesses in many ways. The following programs represent several of those services and opportunities that the City has provided or identified which can provide mitigation for businesses impacted by the City’s revitalization program:

- **Technical Advisory Services and Gap Financing.** The City of Bremerton’s Community Development Block Grant (CDBG) program provides both financial support to small businesses through local agencies, and also plays a strategic role as a member of the Kitsap Business Development Consortium, through which the City furthers the economic development goals of the CDBG Consolidated Plan.
- **Small Business Development Center.** Co-located with the WSU Extension Office, the Small Business Development Center (SBDC) was formed to provide business assistance to start-up and existing businesses in the Kitsap Region. The SBDC is led by Olympic College, in partnership with the City of Bremerton, City of Poulsbo, Kitsap County, Kitsap Peninsula Business Journal, Port of Bremerton, WA State Small Business Development Centers (SBDC) . The Development Center staff meet with interested business owners to assess their business operation and develop plans for improving their profitability, successfully seeking and obtaining financing, as well as assisting them in improving administrative functions or to receive greater technological support.
- **Special Tax Incentives and Financing Opportunities.** An array of tax incentives and financing opportunities are available to businesses within or relocating to downtown Bremerton and specifically within the proposed Revenue Development Area.
  - **Property Tax Abatement for Multi-Family Housing.** With the exception of the immediate shoreline area in downtown Bremerton, construction or renovation of buildings into condominiums and apartment buildings within the adopted Downtown Sub Area Plan boundaries, which includes all of the RDA, may be eligible for 8- or 12-years of exemption from City property taxes. (The longer exemption period of 12 years is provided to projects that include at least 20 percent affordable housing units). Information and applications for exemption may be obtained from the City of Bremerton’s Community Development Department.
  - **New Markets Tax Credits.** Businesses developing, buying, or remodeling in five downtown Bremerton census tracts can get equity or below-market loans through the federal New Markets Tax Credit program. Investors in these projects can get 30 percent tax credits over seven years. Information on the program and detailed maps of the census tracts eligible for New Markets Tax Credits can be found at [www.kitsapnmtc.org](http://www.kitsapnmtc.org). Additional information is also available from the City of Bremerton’s Community Development Department.
  - **Community Empowerment Zone (CEZ).** Manufacturing operations, certain computer-related services, commercial testing labs, and research/development labs can qualify for state sales tax deferrals, and state Business and Occupation Tax credits. To qualify for the incentives, the company must hire a CEZ resident for every \$750,000 in investments. This zone is located in the heart of Bremerton’s Harborside District, extending from Chester Avenue to the ferry dock. Information can be obtained from

the Department of Revenue Special Projects Coordinator at the Department of Revenue, (360) 570-3243, or from the City of Bremerton’s Community Development Department.

- **HUBZone.** Qualified businesses in HUBZones get preference when they compete for federal contracts. This is only available for Small Business Administration (SBA)-certified small businesses. The definitions of a small business by SBA is broad, and varies by industry. Bremerton’s HUBZones are located in two areas throughout Bremerton – downtown by the waterfront in the Harborside District, and in West Bremerton near Highway 3. To qualify for this program a business must be located in the HUBZone; be owned and controlled by US citizens; and have 35 percent of its employees reside in any HUBZone. Information on this incentive program can be obtained from the Seattle Office of SBA at (206) 553-7342.
- **Customized Workforce Training Program.** The Customized Workforce Training Program offers incentives for workforce development training that’s offered through Olympic College. The revolving loan fund covers up-front training costs and provides a 50 percent Business and Occupation Tax credit to expanding or relocating businesses. Information can be obtained by contacting the Director of this program at [customertraining@oc.ctc.edu](mailto:customertraining@oc.ctc.edu) or by calling (360) 475-7786.

## LOW-INCOME HOUSING

This section provides an inventory of the low-income housing within the proposed RDA, identifies parcels and units that are vulnerable to displacement, discusses net housing growth, and describes the City’s mitigation plan, as required in Section 206 (2) (a-d) of the LIFT legislation.

## INVENTORY

To develop an inventory of low-income housing within the proposed RDA, ECONorthwest obtained an inventory of all housing in the proposed RDA from the Kitsap County Assessor’s Office. Table 6 shows the types of residential properties within the RDA identified by current use.

**Table 6: Inventory of Residential Parcels and Units in the RDA (identified by current use), 2008**

Type of Unit	Number of Parcels	Number of Units
<b>Single Family</b>	162	162
<b>Condominiums</b>	11	144
<b>Multi-Family</b>		
Duplex	26	52
Triplex	8	24
4-plex	12	48
Apartment	30	357
<b>Total Multi-Family</b>	<b>76</b>	<b>481</b>
<b>Total All</b>	<b>249</b>	<b>787</b>

Source: Kitsap County Assessor Extracts, summarized by ECONorthwest.

An analysis of current use shows that there are 249 parcels with approximately 787 units of housing within the RDA. These housing parcels have a total assessed value of approximately \$124.3 million.<sup>6</sup> There are 162 single-family parcels, 46 multiplex parcels (duplex, triplex, and 4-plex), 30 apartment complexes, and eleven (to be consolidated to two) condominium parcels.

To determine the number of low-income housing units, ECONorthwest first defined “low-income” for Bremerton, and then identified the housing units that serve this population. The LIFT application, Section 102 (14), describes the methodology by which ECONorthwest is required to identify “low income” housing. It states,

“Low-income housing means residential housing for low-income persons or families who lack the means which is necessary to enable them, without financial assistance, to live in decent, safe, and sanitary dwellings, without overcrowding. For the purposes of this subsection, “low income” means income that does not exceed eighty percent of the median family income for the standard metropolitan statistical area in which the revenue development area is located.”

The standard statistical area used by the Department of Housing and Urban Development (HUD) to determine income levels for Bremerton is Kitsap County. Low-income residents would be those families whose incomes do not exceed 80 percent of the median family income for the area, adjusted for family size, in accordance with the US

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<sup>6</sup> The housing inventory includes two new residential developments along Bremerton’s waterfront. The 400’s Condominiums consist of 66 units on (formerly) 7 parcels. These parcels have been consolidated, but that information has not been updated in Kitsap County Assessor’s data. The KCCHA Harborside Condominiums consist of 78 units on (formerly) 4 parcels. Again, Kitsap County Assessor’s data has not yet consolidated these parcels into one parcel. In both cases, these new residential developments have not been assessed. Therefore, ECONorthwest used construction cost estimates as a proxy for assessed value.

Housing Act of 1937. “Low-income” is a federally designated term and reflects median family incomes for the surrounding statistical area.

According to HUD, “low-income housing” is “affordable” for families if expenditures for housing do not exceed 30 percent of a household’s annual income. Table 7 shows the median income and maximum monthly housing cost that a family at 80 percent of the median income in Kitsap County—the applicable statistical area—could be expected to afford.

**Table 7: Median Income and Affordable Housing Definitions, Kitsap County, 2007**

	Family size (persons)			
	1	2	3	4
Median income	\$48,900	\$55,900	\$62,900	\$69,900
80% median income	\$39,120	\$44,720	\$50,320	\$55,920
Max monthly housing cost	Studio	1-bedroom	2-bedroom	3-bedroom
	\$978	\$1,118	\$1,258	\$1,398

Source: HUD FY 2008 Median Family Income Documentation System for Kitsap County with adjustments for family size based on HUD Notice PDR-2007-02, p.3.

ECONorthwest identified the number of apartments and single-family houses that serve the low-income population using separate methodologies.

To identify the number of apartment units affordable to low-income residents, ECONorthwest surveyed apartment complexes located in the RDA. There are 30 apartment complexes in the RDA. ECONorthwest conducted telephone interviews with apartment managers to determine the number of units and rental rates. The survey generated information for 45 percent of the units in the RDA. Table 8 shows that the average monthly rent for studio apartment is \$494, the average monthly rent for one-bedroom apartment is \$552, and the average monthly rent for two-bedroom apartments is \$576.

**Table 8: Apartment rental rates in proposed RDA, 2008**

Type of unit	Percent of survey	Rent Range		Average Rent
		Low	High	
Studio	34%	\$400	\$600	\$494
1-bedroom	49%	\$509	\$750	\$552
2-bedroom	16%	\$575	\$850	\$576

Source: City of Bremerton and ECONorthwest.

From this rental rate survey, ECONorthwest determined that 100 percent of the apartment units surveyed have rental rates below the maximum monthly housing cost that characterizes affordable housing for low-income residents in Bremerton. Based on the condition of the remaining units that ECONorthwest was unable to survey for rental rate information, it is likely that their rental rates are similar to the units included in the survey.

As a result, ECONorthwest estimates that 100 percent of the apartment units in the RDA meet the criteria of low-income housing and are affordable to low-income residents.

For single-family homes, duplexes, triplexes, and some four-plexes, ECONorthwest cannot estimate rental rates with available data. For owner-occupied properties, ECONorthwest does not have access to mortgage terms. To obtain information about the affordability of these units to low-income residents in Bremerton, a survey of each property and each occupant would be needed in order to determine household size, income, and percent of income spent on housing costs (mortgage or rent and utilities) every month. ECONorthwest was able to use other forms of approximation to develop estimates for these 208 parcels, as well as the 144 condominium units.

In order to complete the impact analysis as described in the LIFT application and RCW guidelines, ECONorthwest assumed that any unit, for which no information was available, *could potentially be in a range consistent with other neighboring properties and be affordable to low-income residents*, and therefore ECONorthwest classified all 249 residential parcels and 787 housing units as unknown or low-income housing *as defined by the LIFT application guidelines, to assume a conservative approximation*. Not all housing classified as low-income/ unknown will be vulnerable to displacement because of redevelopment in the proposed RDA. Vulnerability to displacement will be discussed in the following section.

In practical terms, the value and sale price of owner-occupied properties in Bremerton and in the proposed RDA is considerable, and although ECONorthwest is *required* by the LIFT application to classify properties such as owner-occupied single-family homes and condominiums as “low-income/ unknown,” it is likely that these properties are not affordable to low-income residents. A survey of single-family homes sold between November 2007 and March 2008 in the immediate area (zip code 98337) showed that prices for these homes ranged from \$105,280 to \$375,000, with an average sale price of \$200,000. Households able to purchase homes at these prices would probably not be considered “low income” under the RCW definitions.<sup>7</sup>

## **VULNERABILITY**

ECONorthwest conducted a vulnerability analysis to determine whether low-income residential properties are likely to be vulnerable to displacement because of infrastructure improvements and redevelopment in the RDA.

The vulnerability analysis is based on the ratio of value of improvements (buildings) to land. An improvement-to-land ratio can be used as an indicator of the likelihood that a parcel will redevelop. The lower the value of improvements relative to the value of land, the more underutilized it is and the easier it is to redevelop (change). Not all, or even a majority, of parcels that meet any arbitrary threshold for being classified as “vulnerable”

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<sup>7</sup> Sale price survey conducted on [www.zillow.com](http://www.zillow.com) in May 2008. The survey only included recent sales within the immediate area (zip code 98337), not estimated values for properties currently not on the market.

will redevelop during a typical planning period of twenty-five to thirty years. Redevelopment depends on market factors, public policy, idiosyncratic decisions of property owners as well as the visions, aptitude for risk and financial capabilities of developers.

At the extreme, vacant land has no improvement value, and thus has no obstacles to redevelop: its ratio is 0. For developed residential property in good condition, the improvement-to-land ratio is 2 to 4. In this analysis, we consider an improvement-to-land ratio of 1.0 to be an indicator of vulnerability to change: ratios less than one indicate more vulnerability.

After calculating this ratio, we incorporated the homeownership status of the parcel into the analysis: if the property is owner-occupied, it is likely that the owner will experience positive impacts from redevelopment, infrastructure improvements, and associated changes. Infrastructure improvements and redevelopment in the RDA are likely to raise property values throughout the RDA, and are likely to have a positive impact on the value of owner-occupied properties such as single-family homes and condominiums. *These properties are considered not vulnerable to displacement.* Some of these owner-occupied units may be in excellent condition; others, because of deferred maintenance, may be in poor condition. Those units in worse condition are more likely to be redeveloped. Those owners will be able to sell the units and relocate with that revenue.

In addition to the land-to-improvement ratio and the ownership status, ECONorthwest also considered the street appearance of properties in the RDA. City staff conducted a visual survey of properties and concluded that “In general, there is a uniformity of condition and deferred maintenance in the residential areas of downtown that supports the conclusions you have come to from your economic analysis approach and we did not note any additional items that should be factored in to the calculations.” Thus, the visual survey did not add to the count of vulnerable residential properties.

Table 9 shows the number and percentage of vulnerable residential parcels in the RDA. The table shows that there are fifty parcels in the RDA that ECONorthwest considers vulnerable to displacement because of pressures from the market during redevelopment. This includes three of the thirty apartment parcels. It also includes two duplex parcels, one triplex parcel and twelve single-family parcels because these parcels have low land-to-improvement ratios and are *not* owner-occupied. This does not mean that these parcels will be redeveloped within the twenty-five year period of LIFT authority, but it does mean that they are *more likely than other residential parcels* to experience redevelopment during that time.

**Table 9: Vulnerability of Residential Properties in the RDA, 2008**

Type of Unit	Number of Parcels	Vulnerable Parcels	Percent of Type
<b>Single Family</b>	162	12	7%
<b>Condominiums</b>	11	0	0%
<b>Multi-Family</b>			
Duplex	26	2	8%
Triplex	8	1	13%
4-plex	12	0	0%
Apartment	30	3	10%
<b>Total Multi-Family</b>	<b>76</b>	<b>6</b>	<b>8%</b>
<b>Total All</b>	<b>249</b>	<b>18</b>	<b>7%</b>

Source: Kitsap County Assessor's data, summarized by ECONorthwest.

Table 10 shows the number of units in the parcels identified as vulnerable in Table 9. Table 10 shows 31 units, or 4 percent of the residential units in the RDA, are considered vulnerable to market pressures from redevelopment. This does not mean that other units will not experience redevelopment during the period of LIFT authority; it does mean that these units are *more likely* to be affected by redevelopment than other units.

**Table 10: Number of Units in Vulnerable Residential Properties in the RDA, 2008**

Type of Unit	Number of Vulnerable Units
<b>Single Family</b>	12
<b>Condominiums</b>	0
<b>Multi-Family</b>	
Duplex	4
Triplex	3
4-plex	0
Apartment	12
<b>Total Multi-Family Units</b>	<b>19</b>
<b>Total All Units</b>	<b>31</b>
<b>Percent Vulnerable</b>	<b>4%</b>

Source: Kitsap County Assessor's data, summarized by ECONorthwest.

## GROWTH

ECONorthwest used PSRC single family and multi-family household growth forecasts (2009 to 2040) for two TAZ (#884 and 893) that closely overlap the proposed RDA. After discussions with Bremerton Community Development Planning staff, ECONorthwest assumed that the RDA would capture 25 percent of the expected growth in single-family households and 100 percent of the expected growth in multi-family households in the two TAZ. Thus, between 2009 and 2039, ECONorthwest assumes the RDA will add 491 new housing units. The projected cumulative number of new housing units developed in the RDA is shown in Table 11.

**Table 11: Projected Cumulative Development of New Housing Units in the RDA, 2009-2039**

Type of Housing	2009	2014	2019	2024	2029	2034	2039
Single Family	0	3	5	12	18	26	34
Multi-family							
Apartments	1	17	34	61	89	124	160
Condominiums	1	22	43	79	114	160	206
Townhomes	1	10	19	35	51	71	91
Total Multi-family	3	50	96	175	254	356	457
Total All	3	52	101	187	272	382	491

Source: ECONorthwest.

Currently, multi-family *units* (not buildings or parcels) make up about 61 percent of all housing units within the RDA, and single-family units make up the remaining 39 percent. Because of the trends in multi-family housing discussed in the residential market conditions, ECONorthwest believes that the current mix of housing units will continue to change towards more multi-family housing. That is, high-density housing of various types will dominate the housing mix in downtown Bremerton as it redevelops. According to Bremerton Community Development Planning staff, and in accordance with the national trends that ECONorthwest has observed in various research projects, the growth in demand for multi-family housing will be strongly oriented towards condominiums, and less so towards apartments and townhouses. ECONorthwest assumes that the projected growth in multi-family housing units in the redeveloped RDA will be:

- 45 percent condominium units
- 35 percent apartment units
- 20 percent townhouses

According to Bremerton Community Development Planning staff, it is likely that very few detached single-family homes will be constructed in the RDA over the next thirty years. Indeed, only 34 (or 7 percent) of the estimated 491 new residential units in the RDA over the next thirty years are expected to be single-family units.

Currently, the RDA has 787 family units. ECONorthwest estimates that new housing development in the proposed RDA will increase by 62 percent (almost 500 units) by 2039. The construction of condominiums, apartments, and townhouses for residents of high and moderate to low income levels will create a greater diversity and supply of housing options in Bremerton. Despite the increase in demand, the analysis suggests that new housing will have a positive impact on the current housing price mix because it will increase diversity of housing options at all price ranges and meet, rather than exceed, projected demand. The impact on the value (and sale price) of existing single-family homes, condominiums, and townhouses would be positive. Increased development would raise property values throughout the downtown area, increasing the value of their investments and allowing owners to sell at higher prices when or if they decide to sell their properties.

The impact to apartments will be different, but also generally positive. The number of apartments in downtown Bremerton will increase, with new units being more upscale than current apartment units. By charging higher prices for these higher-end units, they will not directly compete with the existing apartments. It is probable that some existing lower-end

apartments will be redeveloped and, although the quality of downtown housing will improve, this may cause affordable housing options to decrease without City-sponsored affordable housing preservation.

## MITIGATION

This section describes the City's plan to mitigate negative impacts to low-income households described in the preceding paragraphs.

Although no housing units face immediate and permanent displacement as a result of the infrastructure improvements in the RDA, as the area experiences redevelopment it is likely that some of the existing housing units will be redeveloped. The analysis shows that most of the housing in the RDA is assumed to be "low-income" but determined to be not vulnerable to displacement. Approximately 19 units, or 4 percent of the total affordable multi-family units are estimated to be vulnerable to displacement. Although the economic analysis has not confirmed the number of affordable single-family units, it has identified approximately 12 single-family units that are vulnerable to displacement. This represents 7 percent of the total single-family housing units in the RDA.

The City of Bremerton recognizes the importance of having an adequate supply of quality low-income housing in the downtown area. City leaders are most concerned with the displacement of people without means to find suitable housing, primarily those renting low-income apartments. The City has set a goal and taken steps to improve the mix of housing options to support the City's diverse needs and have set up partnerships and programs to provide assistance to those who may be negatively impacted by the redevelopment of downtown Bremerton.

The City of Bremerton has met with various housing agencies to develop strategies for mitigating these impacts. Partners in the City planning include the Kitsap Consolidated Housing Authority (renewal agent), Bremerton Housing Authority, Habitat for Humanity, and the City's own Community Development Block Grant program.

The following programs represent several of those services and opportunities that the City has provided or which is provided through community partners - which can provide mitigation for housing impacts from the City's revitalization program:

- **Kitsap Consolidated Housing Authority (KCCHA).** The City, in partnership with KCCHA, has made available new market tax credits provided by IRS regulation to preserve low-income options.
- **Bremerton Housing Authority (BHA).** The Bremerton Housing Authority works to identify, acquire and redevelop low-income properties and provides financial and technical assistance to low-income citizens requiring aid. BHA seeks to provide permanent affordable options and high quality management.
- **Zoning tools.** The City of Bremerton has adopted a Sub Area Plan for downtown Bremerton and approved related zoning regulations. This plan and zoning

encourages a diversity of housing options for low-income citizens, increases opportunities for non-motorized transportation, and encourages growth of employment generating businesses within the downtown area to support and improve the quality of life in Bremerton's downtown.

- **City of Bremerton Community Development Block Grant.** The City of Bremerton Community Development HOME Grant program identifies and allocates project funds to be used for the preservation and development of low-income rental housing. Grants are available through a competitive process and information and application forms may be obtained from the City of Bremerton's Department of Community Development CDBG staff or can also be found at the City's website –<http://www.ci.bremerton.wa.us/display.php?id=788>
- **Property Tax Abatement for Multi-Family Housing.** With the exception of the immediate shoreline area in downtown Bremerton, construction or renovation of buildings into condominiums and apartment buildings within the adopted Downtown Sub Area Plan boundaries (which includes all of the revenue development area) may be eligible for 8 to 12-years of exemption from City property taxes. With the longer exemption period of 12 years being provided to projects that include at least 20 percent affordable units. Information and application for exemption may be obtained from the City of Bremerton's Community Development Department.