

Chapter 6. Economic Development

6.1 Introduction

The purpose of the Economic Development element is to outline the City's goals and policies for types, intensity, and location of employment, commercial services for residents, and industrial

businesses. This chapter also outlines goals for balancing environmental protection and economic growth, creating connections with the business community, and improving the overall economic state of Port Orchard. In addition, this chapter will briefly discuss employment goals in Port Orchard and the potential benefits of the City as an employment center.

The 2004 Port Orchard Economic Development Plan, which was primarily focused on the downtown area, also established an economic vision for the future of Port Orchard as a whole:

Economic Development Vision

Plan for a vital, sustainable economy with a diversity of jobs and businesses that create a healthy local employment and economic base, supported by an appropriate range of land uses.

- Unify the business community.
- Establish investment priorities.
- Plan for a vital sustainable economy.
- Work in concert with current plans and processes.
- Continually strives to promote, attract, and maintain a diversity of jobs and businesses to create a dynamic, diverse, and vigorous employment and economic base.
- Honor and value Port Orchard's unique maritime past.

This element provides goals and policies to guide development, identify key goals and opportunities, and designate appropriately zoned land for development of primary employment. The comprehensive plan promotes economic development by designating a diverse mix and appropriate range of commercial, office, and residential land uses that, in turn, will provide opportunities for businesses to locate within close proximity to residents and create living wage jobs that contribute to a healthy local economy.

Local economic policy also plays a strong role in balancing the needs of growth and protection of our environment. Areas designated for economic development must have easy access to necessary public facilities such as utilities and highways, yet have a limited impact on environmentally sensitive areas such as streams and wetlands.

6.2 Economic Conditions

6.2.1 Geographic Setting

Port Orchard is well located. It is only a 10 minute ferry ride or 20 minute drive from the county's largest city, Bremerton, and the Naval Base Kitsap . From Bremerton, a one-hour ferry provides a connection to downtown Seattle, the economic and cultural center of the Pacific Northwest. Among cities in Kitsap County it is the closest to international export terminals at the Port of Tacoma. The city is a one-hour drive from the region's main international airport in SeaTac and is also near Bremerton National Airport and the surrounding industrial center.

Port Orchard has taken advantage of its many miles of waterfront. Water-dependent businesses include boat maintenance, sales, and moorage in several public and private marinas.

6.2.2 Population

The City has been steadily growing ever since its incorporation in 1890. As of 2015, Port Orchard's population was 13,510. The Kitsap Regional Coordinating Council's Countywide Planning Policies have allocated the City a share of the region's expected 20 year growth, amounting to an increase of 7,048 people between 2016 and 2036 (8,235 people from 2010-2036). This is not a population growth projection, but rather tells the City how many new residents it must plan for by way of zoning regulations and infrastructure capacity. The County's total allocation is established in Vision 2040 using population estimates derived from the U.S. census.

Year	City Population	
Decennial Census		Average Annual Change
1900	254	—
1910	682	16.9%
1920	1,393	10.4%
1930	1,145	-1.8%
1940	1,566	3.7%
1950	2,320	4.8%
1960	2,778	2.0%
1970	3,904	4.1%
1980	4,787	2.3%
1990	4,984	0.4%
2000	7,693	5.4%
2010	11,157	4.5%
Yearly Estimates		Annual Change
2011	11,440	2.5%
2012	11,780	3.0%
2013	12,870	9.3%
2014	13,150	2.2%
2015	13,510	2.7%

Figure 1 – Port Orchard population

The Kitsap Buildable Lands Report shows Port Orchard has a capacity for 10,358 more people during the planning period, which indicates a net surplus land supply for 2,123 people. Technically, this surplus means the City is not bound to implement any significant changes to its land use and zoning regulations to accommodate its allocated growth. However, it is prudent to begin planning now so that the City grows responsibly and uses its developable land efficiently.

Another consideration is the population of the South Kitsap Urban Growth Area (UGA), the land around the City that has been designated for eventual annexation into Port Orchard. The Kitsap Countywide Planning Policies show the UGA population in 2010 was 15,044, and the County has allocated it an increase of 6,235 people by 2036. The Buildable Lands Report shows the UGA has a capacity of 6,297 people through the planning period, only slightly more than the UGA's allocation.

If the City were to annex all of its UGA by 2036, it would have to provide infrastructure and services for over 40,000 residents, three times Port Orchard's current population. This has significant implications for the City's economic development policies and its provision of public services. Even if the city doesn't annex these areas, many of the residents living in the UGA work, shop, recreate, and travel in Port Orchard. As such, the city must consider the proximity of these areas and impacts to the city from this population when making decisions.

6.2.3 Employment

As of 2014, the Puget Sound Regional Council reports that Port Orchard hosts 7,336 jobs. This data is derived from the Washington State Employment Security Department. The largest share, at 40.7%, is in services, a broad category that includes jobs in technical and scientific services, health care and social assistance, arts and entertainment, and accommodations and food services. Retail jobs makes up the second largest share at 20.8%. Government jobs rank third at 18.4%, which is attributable to Port Orchard being the county seat. The sector breakdown is shown below in Figure 2.

Current Port Orchard Employment (PSRC 2014)					
NAICS Code	Classification	Sector	Number	Percent	
44, 45	Commercial	Retail	1,523	20.8%	
52, 53		Finance, Insurance, and Real Estate	219	3.0%	
51, 54-56, 61, 62, 71, 72, 81		Services	2,899	39.5%	
Public sector, excluding education		Government	1,353	18.4%	
61		Education	452	6.2%	
11, 21, 23	Industry	Construction and Resources	0	0.0%	
31-33		Manufacturing	88	1.2%	
22, 42, 48, 49		Wholesale Trade, Transportation, and Utilities	74	1.0%	
Total*			7,336	100.0%	
* Total value is greater than sum due to data confidentiality measures					
Port Orchard Allocated Employment Growth (Kitsap BLR 2010-2036)					
NAICS Code	Classification	Sector	Number	Percent	
44, 45	Commercial	Retail	211	6.7%	
52, 53		Finance, Insurance, and Real Estate	2,013	64.3%	
51, 54-56, 61, 62, 71, 72, 81		Services			
Public sector, excluding education		Government	347	11.1%	
61		Education			
11, 21, 23	Industry	Construction and Resources	176	5.6%	
31-33		Manufacturing	250	8.0%	
22, 42, 48, 49		Wholesale Trade, Transportation, and Utilities	135	4.3%	
Total			3,132	100.0%	
2036 Port Orchard Employment Estimate					
NAICS Code	Classification	Sector	Number	Percent	Percent Change
44, 45	Commercial	Retail	1,734	17.8%	14%
52, 53		Finance, Insurance, and Real Estate	5,131	52.7%	65%
51, 54-56, 61, 62, 71, 72, 81		Services			
Public sector, excluding education		Government	2,152	22.1%	19%
61		Education			
11, 21, 23	Industry	Construction and Resources	176	1.8%	#DIV/0!
31-33		Manufacturing	338	3.5%	284%
22, 42, 48, 49		Wholesale Trade, Transportation, and Utilities	209	2.1%	182%
Total			9,740	100.0%	33%

Figure 2 - Port Orchard employment estimates.

Port Orchard has also been allocated a set amount of employment growth by the Kitsap Countywide Planning Policies. As required by the Kitsap Countywide Planning Policies, Appendix B-2, between 2010-2036 the City must plan for an additional 3,132 jobs, with 2,571 of those being commercial jobs and 560 being industrial jobs. An estimate of job growth by sector is shown above in Figure 2 .

Almost two-thirds of the allocated employment growth is based on increased jobs in finance, insurance, real estate, and services. The City must also plan for manufacturing jobs to nearly quadruple, though the actual number is relatively small. Residents have voiced support for enabling light industrial activities in established commercial areas, while there is less support for locating new heavy industrial businesses in Port Orchard. The City should strike a balance between being open to new industries and encouraging them to locate in the Puget Sound Industrial Center-Bremerton, a nearby industrial park within the City of Bremerton.

The 2014 Kitsap County Buildable Lands Report found that Port Orchard currently has the capacity for 5,569 additional jobs, which is 2,437 more than the allocation. This indicates Port Orchard has plenty of undeveloped or underutilized land that can support future employment growth.

Jobs capacity is determined by calculating the amount of additional commercial and industrial square footage that can be accommodated within the City. The total developable building area within Port Orchard is over 2.6 million square feet for commercial jobs and nearly 600,000 square feet for industrial jobs. These areas are then divided by the average square feet per employee in Kitsap County to find the total jobs capacity.

6.2.4 Wages

Wage data for Port Orchard is not directly available, but the U.S. Bureau of Labor Statistics does collect data for all of Kitsap County. While this can be generally applied to Port Orchard, it should be noted that these numbers may not account for local differences and that wage and employment conditions change over time. However, many Port Orchard residents work outside of the city in Bremerton and other job centers in the county, including numerous military installations. This data is dated May 2013.

Occupation title	Employment	Employment per 1,000 jobs	Location quotient	Median hourly wage	Mean hourly wage	Annual mean wage
United States Total	132,588,810			\$16.87	\$22.33	\$46,440.00
Washington State Total	2,827,200			\$19.67	\$25.04	\$52,090.00
Kitsap County Total	77,850			\$20.16	\$23.59	\$49,070.00
Management	2,630	33.732	0.68	\$46.42	\$48.07	\$99,980
Business and Financial Operations	3,850	49.423	0.98	\$33.38	\$34.17	\$71,070
Computer and Mathematical	1,490	19.158	0.69	\$36.32	\$37.85	\$78,740
Architecture and Engineering	4,140	53.184	2.96	\$39.54	\$40.05	\$83,310
Life, Physical, and Social Science	1,010	12.976	1.52	\$32.82	\$33.47	\$69,610
Community and Social Service	1,400	17.927	1.25	\$18.21	\$19.89	\$41,370
Legal	430	5.486	0.7	\$23.77	\$30.53	\$63,510
Education, Training, and Library	4,820	61.921	0.98	\$23.78	\$23.96	\$49,840
Arts, Design, Entertainment, Sports, and Media	760	9.806	0.74	\$21.88	\$24.24	\$50,430
Healthcare Practitioners and Technical	4,480	57.522	0.98	\$32.17	\$36.16	\$75,210
Healthcare Support	3,010	38.655	1.31	\$14.70	\$15.81	\$32,890
Protective Service	1,700	21.886	0.89	\$23.88	\$24.82	\$51,630
Food Preparation and Serving Related	7,520	96.629	1.08	\$9.82	\$11.57	\$24,070
Building and Grounds Cleaning and Maintenance	2,330	29.948	0.93	\$13.29	\$14.24	\$29,630
Personal Care and Service	2,230	28.617	0.95	\$11.04	\$13.59	\$28,270
Sales and Related	7,660	98.44	0.93	\$12.80	\$15.78	\$32,830
Office and Administrative Support	11,460	147.245	0.91	\$17.01	\$18.23	\$37,920
Farming, Fishing, and Forestry	100	1.222	0.37	\$13.10	\$14.67	\$30,520
Construction and Extraction	5,080	65.308	1.7	\$27.20	\$27.33	\$56,840
Installation, Maintenance, and Repair	4,730	60.797	1.57	\$27.66	\$27.07	\$56,300
Production	3,440	44.165	0.67	\$24.02	\$23.98	\$49,880
Transportation and Material Moving	3,580	45.955	0.68	\$17.67	\$17.77	\$36,960

Figure 3 – May 2013 countywide wage data (http://www.bls.gov/oes/current/oes_14740.htm#00-0000).

The county has higher than average concentrations of those working in: architecture and engineering; life, physical, and social sciences; community and social service; healthcare support; food service; construction and extraction; and installation, maintenance, and repair.

The average hourly wage in the county is \$23.59, and the average annual wage is \$49,070, both of which are lower than the averages across Washington State but higher than the national averages. The highest paying jobs include those who work in: management; architecture and engineering; computers and mathematics; and healthcare.

With this 2016 Comprehensive Plan update, Port Orchard is adopting a living wage target, defined as an hourly wage that can comfortably pay for the costs of living. Living wages vary between places and may be lower, equal, or higher than local or state minimum wages. The living wage calculator developed at the Massachusetts Institute of Technology defines the following living wages for Kitsap County.

Hourly Wages	1 Adult	1 Adult 1 Child	1 Adult 2 Children	1 Adult 3 Children	2 Adults (One Working)	2 Adults (One Working) 1 Child
Living Wage	\$9.87	\$22.37	\$26.53	\$33.93	\$16.62	\$20.40
Poverty Wage	\$5.00	\$7.00	\$9.00	\$11.00	\$7.00	\$9.00
Minimum Wage	\$9.32	\$9.32	\$9.32	\$9.32	\$9.32	\$9.32
Hourly Wages	2 Adults (One Working) 2 Children	2 Adults (One Working) 3 Children	2 Adults	2 Adults 1 Child	2 Adults 2 Children	2 Adults 3 Children
Living Wage	\$22.99	\$26.45	\$8.31	\$12.31	\$14.62	\$17.37
Poverty Wage	\$11.00	\$13.00	\$3.00	\$4.00	\$5.00	\$6.00
Minimum Wage	\$9.32	\$9.32	\$9.32	\$9.32	\$9.32	\$9.32

Figure 4 – 2015 living wage estimates (<http://livingwage.mit.edu/counties/53035>)

6.2.5 Businesses

Port Orchard has a variety of businesses that serve residents from throughout the greater South Kitsap region. Most shopping and service areas are characterized by large and recognized chains. Key commercial areas include the Bethel corridor, Mile Hill, and the Sedgwick/SR-16 corridor, where national retailers and grocery stores make up a large part of the city's tax base.

Port Orchard is also home to several business clusters. There are a number of healthcare facilities along the Tremont corridor that include medical centers and assisted living facilities. Located in the industrial park are manufacturers of building furnishings, electronics, and aerospace parts. The Kitsap County campus above downtown has a large concentration of government jobs, which attracts private firms specializing in engineering, land development and law.

There are also a variety of small businesses. Many residents take pride in that fact nearly all of the businesses on the core stretch of Bay Street are small and locally based. They include restaurants and eateries, a movie theatre, antique shops, bail bondsmen and a number of boutiques. Port Orchard also has many self-employed residents in home businesses.

6.2.6 Tax Structure

The City operates on an annual budget of \$35-40 million (\$38.8 million as of 2015). The budget is divided into multiple accounts that have dedicated funding sources, and each must have balanced revenues and expenditures each year. Much of the budget pays for Port Orchard's streets, water system, sewer system, and stormwater system, which are vitally important to maintaining quality of life and the local economy. The "Current Expense" fund is perhaps the most visible to the public, as this fund is supported by property and sales taxes and primarily pays for the operations of each City department.

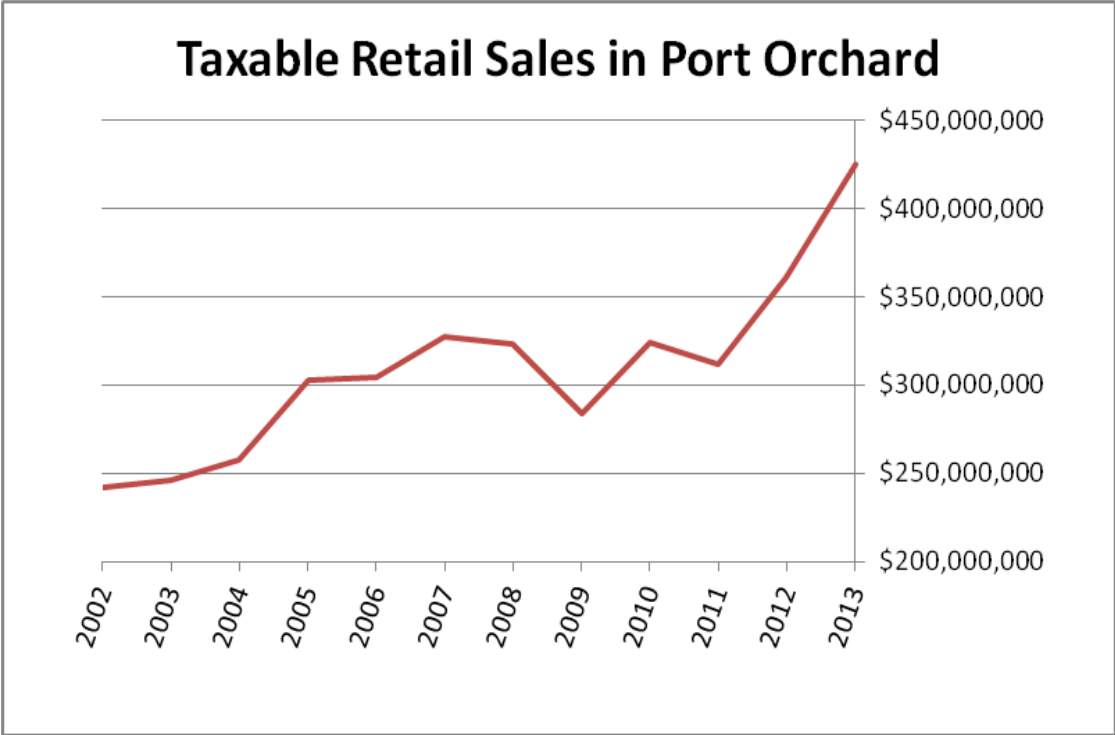


Figure 5

The sales tax rate in Port Orchard is 8.7% and breaks down as follows:

- State: 6.5%
- City of Port Orchard: .84%
- Criminal Justice: .10%
- Kitsap County: .15%
- Kitsap Transit: .80%
- County Jail Expansion .10%
- Emergency Communications .10%
- KC Mental Health Treatment Services .10%
- State Administration Fee .01%

Taxable retail sales indicate consumer spending in Port Orchard is rapidly increasing from the depressed activity that characterized the 2008 economic recession. Part of the increase in sales activity is also attributable to annexations of commercial areas over the last decade, especially the Bethel corridor in 2012.

As of 2015 the City’s annual property tax is 1.72 cents per \$1,000 of assessed value. Other property taxes levied by a number of other local governments combine for a total rate of 11.63 cents per \$1,000 of assessed value. For a residential property assessed at the area’s median value of \$201,260, the rate is equivalent to \$2,342 per year.

6.3 Challenges

VISION 2040 calls on local governments to address the obstacles and special needs related to economically disadvantaged populations. Within the City, this would include addressing the needs of residents whose income is below the living wage estimates shown in Figure 4.

The City is committed to improving the economic conditions of its residents by providing opportunities for living-wage businesses to locate and grow within the City, by supporting educational and vocational training opportunities, by promoting efficient land use with housing, jobs and mass transit in proximity to each other, and by encouraging development and maintenance of affordable, adequate housing options to serve a variety of household types. Emphasis is placed on providing these services within designated local centers where a need for revitalization, infill development, and/or improvements to transportation facilities have been identified.

6.4 Public Input

A survey conducted in mid-2014 collected public input on strategies and projects that Port Orchard may pursue to foster economic development over the next 20 years. The results of the survey were used to update this element, evaluate existing goals and policies, and put forward new goals and policies. The survey also provided more detailed feedback on the centers strategy laid out in the land use element, input on some short term capital projects, and the marketing and shopping environment of Port Orchard.

6.5 Goals and Policies

This plan addresses Economic Development in several categories, each with associated goals and policies which provide the primary foundation for this Economic Development element, supporting both the overall vision of the Comprehensive Plan and the needs and desires of the community.

Goal I. Support a diversified economy that provides primary living wage jobs for residents, supported by adequate land for a range of employment uses, and which encourages accomplishment of local economic development goals.

- | | |
|-------------|---|
| Policy ED-1 | The City shall maintain an adequate inventory of land to accommodate targeted employment growth. |
| Policy ED-2 | The City shall enable the establishment of new businesses and the expansion of existing businesses through fair, consistent, and timely permitting processes. |
| Policy ED-3 | Encourage new economic development opportunities that utilize regional infrastructure, including highway, rail, aviation, and marine links between Port Orchard, the Puget Sound Industrial Center-Bremerton, the Port of Tacoma, Naval Base Kitsap and the greater region. |

Policy ED-4 Promote business opportunities that utilize and attract the availability of a highly skilled workforce and geographic proximity to military facilities.

Policy ED-5 Promote business opportunities that provide on-the-job training, educational opportunities, and other means of assistance for disadvantaged populations to achieve living-wage employment.

Goal 2. Encourage new commercial development to occur within designated centers of activity near housing, multi-modal transportation connections, and urban services.

Policy ED-6 The City shall encourage residential and commercial growth in mixed-use local centers where job opportunities and a diverse mix of retail and office activities are concentrated.

Policy ED-7 The City shall prioritize economic development and redevelopment in local centers.

Policy ED-8 The City shall review its Overlay district regulations to streamline permitting and facilitate new development.

Policy ED-9 The City shall encourage the continuation and marketing efforts of downtown events and holiday festivals.

Policy ED-10 The City shall implement a citywide wayfinding system that directs residents and visitors to civic and commercial centers of local importance.

Goal 3. Encourage growth and diversification that maximizes employment and improves the opportunity for residents to both work and live in Port Orchard.

Policy ED-11 The City shall implement long-term economic policies that support the needs of employers while meeting diversification and employment objectives and improving the City’s tax base.

Policy ED-12 The City should improve economic competitiveness by developing incentives for business growth, expansion, and relocation, and by utilizing tools such as tax incentives and modernization and streamlining of development regulations.

Policy ED-13 The City shall strive to ensure its future employment allocation is met with primary jobs, which produce goods or services principally sold to clients outside of the City, to support the creation of secondary jobs, which produce goods or services principally sold to clients within the City.

Policy ED-14 Attract a variety of retailers, services, and light industry to provide diverse shopping and service opportunities.

Goal 4. Promote and support a healthy, diverse economy that provides for a strong and diverse tax base, maintains an industrial base, and encourages the retention, attraction, and expansion of business in Port Orchard.

- Policy ED-15 Recognize the arts as a contribution to the economic diversity of Port Orchard. Prefer local, qualified artists for public art commissions.
- Policy ED-16 Recognize and encourage tourism as a growing contribution to the economic diversity of Port Orchard.
- Policy ED-17 Encourage small business enterprises and cottage industries.
- Policy ED-18 The City shall allow traditional home occupations as permitted by local regulations, including live-work units.
- Policy ED-19 Maintain Port Orchard as a unique and significant waterfront destination with recreational and retail opportunities for tourists and residents.
- Policy ED-20 The City shall study the need and feasibility of designating a limited number of waterfront properties for future light industrial development. Such designations shall be consistent with the goals and policies of the Shoreline Master Program.
- Policy ED-21 The City shall support the full utilization and build out of industrially zoned properties in the Port Orchard Industrial Park. Explore streamlined permitting processes for future development.

Goal 5. Increase residents’ ability to enjoy a high quality of life and access to healthy living opportunities, such as locally produced food, nearby grocery stores, parks and open space, and safe streets for walking and bicycling.

- Policy ED-22 The City shall ensure its land use code permits urban agriculture and community gardens.
- Policy ED-23 Encourage the continuation and expansion of the Port Orchard Farmer’s Market into a year-round event, and identify other sites around the City that could be used for additional farmer’s markets.
- Policy ED-24 Support the local food economy and its capacity to grow, process, and distribute food within Port Orchard and through the South Kitsap area, and encourage local restaurants and food retailers to buy and sell local products.
- Policy ED-25 The City shall ensure that local mixed use centers allow for neighborhood scale grocery stores and restaurants to ensure that the City’s residents have access to healthy food options.

Policy ED-26 The City shall prioritize pedestrian, bicycle and transit facility improvements that connect grocery stores, healthcare facilities, and general commercial centers with surrounding residential areas.

Goal 6. Provide a diverse mix and appropriate range of commercial, industrial, and business park uses within Port Orchard and South Kitsap area that will provide living wage jobs.

Policy ED-27 The City shall, through changes to the land use code, encourage mixed use developments within centers of local importance that will enhance the visual, economic, and environmental quality of these areas and improve the transition between commercial and residential districts.

Policy ED-28 The City shall require pedestrian orientation for non-residential uses and office or residential uses above ground floor retail uses within centers of local importance.

Policy ED-29 The City shall encourage the redevelopment of strip commercial areas through changes to the land use code, landscaping code, and signage code.

Goal 7. Balance business and industrial development with environmental protection and continue to maintain and enhance the quality of life in Port Orchard as growth occurs.

Policy ED-30 The City shall encourage new heavy industrial uses to locate in the Puget Sound Industrial Center-Bremerton.

Policy ED-31 The City shall encourage the use of “green” materials and techniques in all types of construction by adopting the US Green Building Council Leadership in Energy and Environmental Design (LEED) standard for public projects.

Policy ED-32 The City shall remove barriers that prevent innovative low-impact development strategies. Allow for multiple uses of landscaping and reduction in impervious surface areas, such as bioswales, porous paving, and vegetated roofs.

Policy ED-33 The City should encourage solid waste reduction by both residents and businesses.

Goal 8. Coordinate economic expansion so that it is concurrent with capital facilities, multi-modal transportation networks, and urban services, especially within centers of local importance.

Policy ED-34 Encourage the full utilization and development of designated commercial and industrial areas. Promote revitalization and redevelopment within existing

developed areas to take advantage of investments in existing buildings and infrastructure.

Policy ED-35 Reduce long-term and commuter parking on the City’s downtown waterfront.

Policy ED-36 Support increased Kitsap Transit bus and foot ferry service during evenings and weekends year-round.

Policy ED-37 Encourage the provision of high-speed Internet service citywide, including deployment of fiber optic infrastructure and wireless internet, and require that new development and redevelopment allow fiber optic cable to locate in utility corridors and easements where feasible.

Policy ED-38 Encourage and incentivize the undergrounding of utilities where feasible.

Goal 9. Foster and facilitate partnerships and cooperation among government, private corporations, and nonprofit entities to promote the economic development goals and policies of Port Orchard.

Policy ED-39 As appropriate, work with other jurisdictions and agencies such as state and federal agencies, tribes, the Port of Bremerton, the cities, the Kitsap Economic Development Alliance (KEDA), Port Orchard Chamber of Commerce, and the Kitsap County Public Utilities Districts, in marketing and developing the City of Port Orchard.

Policy ED-40 The City shall, in collaboration with the Port of Bremerton and the City of Bremerton, study supporting the development of Puget Sound Industrial Center-Bremerton with sewer service to be provided by the City of Port Orchard.

Goal 10. Attract and encourage expansion of educational and medical institutions to assure a highly skilled work force.

Policy ED-41 Encourage the maintenance and expansion of public and private schools- within Port Orchard to serve a growing population.

Policy ED-42 Encourage the development of higher education institutions within Port Orchard to provide vocational, technical, and postsecondary programs.

Policy ED-43 Encourage the development and expansion of medical institutions that serve a growing local and regional population while utilizing and attracting a highly skilled workforce.