

DATE: April 7, 2025
TO: Colin Poff, Jim Rogers, Heather Cleveland, Kitsap County
FROM: Morgan Shook, Jennifer Cannon, Mackenzie Visser, ECONorthwest
SUBJECT: DRAFT Silverdale Regional Center Market Study

Executive Summary

This project provides an assessment of the economic conditions and market potential of the Silverdale Regional Center to support subarea planning and regional center recertification. ECONorthwest provided a comprehensive analysis of existing conditions, growth trends, and development opportunities to inform future planning decisions and has evaluated the feasibility of various development scenarios and their potential economic impacts.

A key goal is to support the creation of a subarea plan that is consistent with the PSRC *VISION 2050* Guidance for Regional Growth Center Plans. The regional centers are positioned where most of the region's significant business and cultural facilities locate and grow. PSRC has minimum requirements known as "activity units" where each resident or job counts as one activity unit. To be designated as a regional center, Silverdale Regional Center must have at least 18 current activity units per acre and a planned target of 45 activity units per acre.¹ This market study is intended to help Kitsap County meet the activity unit targets.

Community Demographics

As a part of the existing conditions assessment, a community profile was provided to highlight key demographic trends and growth. Key findings include:

Population Growth and Urbanization: Silverdale has experienced steady population growth, likely driven by its appeal as a regional center for housing, employment, and services. This growth reflects broader urbanization trends in Kitsap County, with increasing demand for higher-density housing and proximity to amenities and transit options.

Shifting Demographics: The demographic composition shows a rise in smaller households, including young families and professionals, likely driving demand for multifamily housing and community amenities. At the same time, the area also has a growing share of older adults, aligning with increased demand for healthcare services and senior housing.

Healthcare Demand: Unmet demand for medical and emergency services is a prime concern for the area, with recent medical facility closures, including a hospital closure in Bremerton. In response to regional healthcare needs, the Kitsap Public Health Board

¹ PSRC VISION Consistency Tool for Regional Growth Center Plans: <https://www.psrc.org/media/7012>.

(2023) adopted a "Resolution Declaring High Costs and Insufficient Access to Care are Public Health Crises."² As noted in the interview findings, St. Michael's Hospital St. Michael's Hospital has significantly expanded its physical footprint and clinical offerings by opening a new cancer center, completing the development of a new North Tower (with 74 new inpatient beds to the existing 262, total of 336), and the plans to further develop women's health, cardiovascular, orthopedic, imaging, and urgent care services.

Market Analysis

The key findings from the market analysis (shown below) highlights trends in Silverdale's residential and commercial markets to identify opportunities that align with future growth.

Multifamily: Silverdale's growing multifamily market reflects its increasing appeal as a regional center for housing and employment. Recent trends show a strong focus on multifamily developments, suggesting that Silverdale is becoming a more attractive regional center for living. This aligns with broader patterns of workforce expansion and regional population growth. Additionally, multifamily development points to opportunities for economic activity, as higher-density housing supports local businesses and services.

Retail: With its strategic location within easy driving distance from various population centers, along WA-303 and WA-3 and inclusion of a mix of goods and services and anchor destinations such as the Kitsap Mall and Trails at Silverdale, Silverdale is a retail hub in Kitsap County and the broader Olympic Peninsula. As the region's population grows, there will likely continue to be steady demand for retail development.

Healthcare and Medical Office: Silverdale serves as a regional healthcare center anchored by St. Michael Medical Center, the largest private employer in Kitsap County. The medical center's recent expansions have strengthened its role as a hub for medical services, supporting a growing network of medical offices, including specialty clinics, family care providers, and in-network facilities. With the region's population growth and increasing demand for healthcare and senior care services, Silverdale is well-positioned to attract additional healthcare investments.

Land Use Development Analysis

The key findings from the land use analysis (provided below) describes vacant, underutilized, and publicly owned parcels to identify new development and redevelopment opportunities aligning with Silverdale's growth goals.

Vacant land: The Silverdale Urban Growth Area (UGA) has roughly 2,100 acres of vacant land. Of this land, the most promising development opportunity is likely within the 80 acres of vacant land within the Regional Center zone. Although some of these parcels may

² <https://www.kitsappublichealth.org/ch/healthcare>



currently be allocated for parking, they often are rarely used and could potentially be redeveloped into denser or mixed-use infill development adjacent to existing retail.

Underutilized land: Silverdale has roughly 278 acres of underutilized land, where the land is more valuable than its current structures. Like vacant land, the most promising development opportunities are likely within the roughly 82 acres of underutilized land in the Commercial and Regional Center zones. Some parcels are larger, ranging from 5 to 12 acres, and could be an opportunity for larger mixed-use projects.

Older commercial infrastructure: Silverdale also has several older buildings. In general, Silverdale's larger buildings tend to be older, including some big-box stores. These properties face challenges from evolving retail dynamics but are located in high-visibility areas with redevelopment potential, either through adaptive reuse or tear-down and reconstruction.

Strategic Public Land Redevelopment: There are approximately 191 publicly owned acres in Silverdale out of 735 acres. Key development opportunities are Kitsap County-owned land zoned Urban Residential near WA-303, and parcels owned by the Port of Silverdale near the Old Town and waterfront.

DEVELOPMENT OPPORTUNITIES AND CHALLENGES

The following opportunities and challenges were largely based on the stakeholder engagement findings for the market study. This consisted of a series of interviews with developers, affordable housing providers, hospital representatives, the Kitsap Economic Development Alliance, the Kitsap Builders Association, and more.

Opportunities

- ◆ Silverdale's prime residential market is multi-family and the demand is primarily for multi-family.
- ◆ Several Silverdale neighborhoods were deemed to have redevelopment potential by interviewees including: Old Town (ferry oriented development), near Strawberry Creek, near old school, near hospital facilities, Silverdale Way, and more.
- ◆ The Silverdale UGA could be eligible to adopt a new Multifamily Property Tax Exemption Program (MFTE) if state law is updated to allow the County to adopt a new program to incentivize mixed income multi-unit development.
- ◆ There are opportunities to build the smaller scale multi-unit developments at around 3 stories (keeping with wood frame structures, no higher than five to six stories).
- ◆ Several projects in Bremerton provide adaptive reuse examples (B Flats, C Square) and several big box store closures could become adaptive reuse opportunities.
- ◆ The St. Michael's hospital expansion increases the demand for workforce housing and seasonal housing (traveling nurses/doctors for 3 months at a time).



- ◆ Since relocating to a consolidated campus in Silverdale in December 2020, St. Michael’s Hospital has significantly expanded its physical footprint and clinical offerings. The hospital recently opened a new cancer center with expanded oncology services and has plans to further develop women’s health, cardiovascular, orthopedic, imaging, and urgent care services. The upcoming completion of the North Tower in December will add 74 new inpatient beds to the existing 262, reflecting a response to anticipated population growth and increased service demand.
- ◆ St. Michael’s Hospital is establishing itself as a teaching hospital, having introduced new residency programs in surgery, cardiovascular care, and family practice. This effort is part of a broader strategy to cultivate medical talent locally and encourage specialists to build long-term practices within Kitsap County.
- ◆ The hospital serves a large geographic area, with a growing number of patients coming from Mason and Jefferson Counties. Notably, approximately 40% of patients in the cardiovascular program originate from these counties. These visits often bring accompanying family members who contribute to the local economy by staying in hotels and dining in the area. Programs like the structural heart service line have seen year-over-year growth of up to 40%, underscoring sustained demand.
- ◆ Investments in the arts, entertainment, and retail sectors have strong potential to enhance Silverdale's appeal. There are also opportunities to revitalize the waterfront area—including the park, boat launch, and nearby restaurants—which could support broader community development goals and help attract residents and talent.
- ◆ Adding a Kitsap Transit Center directly across from the hospital has improved accessibility for staff and patients. There is also growing interest in foot and fast ferry options, which could expand the hospital’s labor shed and patient access.
- ◆ St. Michael’s Hospital is recognized for the quality of its cardiovascular and oncology programs. It is one of only two hospitals in Washington to earn the Pathway to Excellence nursing designation, and its emergency department ranks among the five busiest in the state. The hospital also has a strong record of community engagement, offering charity care and partnering with local nonprofit organizations. Many hospital staff live in the community, reducing reliance on long-distance commuting.

Challenges

- ◆ New development projects along the waterfront face building height restrictions.
- ◆ The existing minimum parking requirements can be challenging. Developer interviewees discussed how multi-family projects become too challenged to advance due to parking requirements, citing a need to customize parking to different sites.
- ◆ The development impact fees are high and delays in the permit approval and lack of flexibility in the appeals process are both additional challenges.



- ◆ Silverdale is more expensive to develop than in Downtown Bellevue and the financing varies depending on the location. Lenders will give you a strike with the comparison developments in the area because they are older builds and that makes projects limited and this can result in smaller loans.
- ◆ Silverdale is challenging to develop based on access issues with workforce. If the workforce that is hired has exceeds a certain travel time, they won't do the project.
- ◆ Silverdale faces significant capacity challenges due to the limited availability of buildable land. The county needs to implement policy changes to allow housing in vacant commercial spaces. Regrettably, promising projects that could help address affordable housing or workforce needs are either halted or become prohibitively expensive due to excessive regulatory requirements. Current redevelopment requirements prevent even small projects from moving forward.
- ◆ The county should consider ways to revise stormwater management requirements to make them easier to meet, lower fees for affordable housing developments, streamline variance procedures for efficiency and success, and maintain skilled, supportive staff at the Department of Community Development (DCD) to support increased capacity in Silverdale. Infill redevelopment has lots of challenges and costs added to projects.
- ◆ For adaptive reuse, developers will use the skeleton to create new uses such as converting an old Sears building to a live/work development project. Adaptive reuse tends to cost more than building on vacant land except for developments with structurally sound framing.
- ◆ Housing availability, especially for temporary and contract medical staff, has become a significant constraint, and the hospital has lost staff contracts due to the unavailability of short-term or affordable housing. On-call staff are required to live within 30 minutes of the hospital, but finding housing within that radius at a reasonable cost is increasingly difficult.
- ◆ As demand for outpatient services continues to rise—particularly in primary care and obstetrics—existing campus space is becoming insufficient. Additional land acquisition will likely be necessary to continue growing these programs. Current partnerships, such as in gastrointestinal care, are already facing space-related capacity limitations.
- ◆ The lack of onsite childcare is a barrier for many employees, especially working parents. Other systems, such as Multicare, offer childcare on-site, providing a potential model for replication.
- ◆ Residents and staff have noted a lack of family-oriented recreational and entertainment options in Silverdale. Activities such as bowling, roller skating, indoor play areas, and movie theaters have diminished over time. This presents challenges for staff retention and recruitment, particularly for families considering relocation.



- ◆ To support expanding service lines and partnerships, the hospital is actively researching additional real estate for administrative and outpatient space. Current facilities are reaching capacity, which limits further programmatic growth.

Recent Transit Improvements and Future Plans

- ◆ The **new circulator Routes 265 and 266** provide connecting service to almost all areas of employment, services, and housing in the Silverdale Regional Center. The Route 266 operates every service half hour and was designed to be upgraded to every 15 minutes. These two routes offer bidirectional services replacing former loop routes which required passengers to ride longer to reach a destination. The new routes offer increased seating capacity as a result of the more frequent direct service. The routes operate later into the evening than the prior services.
- ◆ The **new Transit Center** offers increased bus operating capacity, closer proximity to housing, jobs and services than the old Transfer Station. The new Transit Center improves access for those with disabilities by providing a fully accessible waiting area for passengers. The close proximity to housing options and the hospital provides increased opportunity to use Kitsap Transit.
- ◆ Kitsap Transit currently has a RFP out to study a **new ferry route** connecting Silverdale to Bremerton. The study will focus on the feasibility of a new route. There are no current efforts to plan for transit-oriented development at this point. However, two recent applications for apartments off of Bucklin Hill Rd have been conditioned to include free transit passes for residents with reduced parking ratios. The projects have not been constructed to date.
- ◆ Kitsap Transit's Long Range Transit Plan calls for **service frequency and span of service increases**. However, there is not a funding mechanism yet to pay for such expansions of service. One area in need of transit service is the west side of Silverdale by Anderson Hill Road and Dickey pit.

Development Feasibility Results

The feasibility of six development types were tested including: mixed-use apartments, adaptive reuse commercial development, mid-rise apartments, low-rise apartments, medical office, and townhomes.

Residential Development Key Findings

- » **Townhomes and surface-parked three-story multifamily apartments are the most feasible residential development types tested under current conditions.** These product types are cost-effective to build using wood-frame construction and avoid the higher costs of structured parking or elevators associated with higher development. These are also proven development types already in the market, reducing risk and financing barriers. Without



additional incentives, these development types will likely continue to be prevalent in the area.

- » **Reducing minimum parking requirements could increase development feasibility.** Parking is one of the most significant cost drivers for multifamily development. Requiring two parking stalls per unit often necessitates structured or podium parking to fit within the lot, which can add up to \$50,000 or more per stall. In the analysis, reducing the parking ratio for taller multifamily apartments (above three stories) to one stall per unit indicated that those development types could be feasible in the market. Lowering the parking ratio—particularly near transit or the hospital—could help incentivize denser development.
- » **Two of Silverdale’s strongest areas for multifamily development—near the hospital and near Old Town—have a base height limit of 45 feet that may limit development potential.** While these areas have strong demand for housing, especially for healthcare workers, existing zoning height limits constrain the ability to build five- or six-story buildings, which can be more efficient than four-story. In our analysis, six-story development was slightly more feasible than four-story (although less than three-story). In conjunction with other incentives, strategic height limit increases in these areas could enable additional units.
- » **Both the 8-year and 12-year MFTE programs would increase feasibility for multifamily construction.** A previously MFTE study completed by ECONorthwest showed that a new MFTE program would increase development feasibility substantially in Silverdale. That analysis found that the 8-year MFTE program helps with general feasibility, and using Washington state affordability thresholds for the MFTE program (20% of units at 115% AMI), the 12-year MFTE program increased feasibility slightly more than the 8-year program. Using a deeper affordability threshold (80% AMI) for the 12-year program increased development feasibility, but not as much as the 8-year program. Given the need for residential development in the Regional Center, the MFTE program would be a valuable incentive for denser development where applied.

Commercial Development Key Findings

- » **Adaptive reuse is challenging but possible under certain conditions.** While adaptive reuse can be a valuable tool for revitalizing aging commercial areas, it is generally not financially feasible in Silverdale under current conditions. Many of Silverdale’s older retail buildings—such as big-box stores near Kitsap Mall—are large, auto-oriented, and structurally designed for single-use retail. Converting these structures to residential, live/work, or medical office uses often requires extensive upgrades to building systems, compliance with modern fire and life safety codes, seismic retrofits, and reconfiguring internal layouts. However, redevelopment potential improves significantly when the building is in sound structural condition, when redevelopment can proceed without extensive demolition, the future use could achieve higher-than-average rents, or when the land is publicly owned or heavily discounted.



- » **Medical office development will likely continue.** Silverdale’s role as a regional healthcare hub, anchored by the St. Michael Medical Center, creates steady demand for medical office space. As the hospital expands and more outpatient and specialty services are added, new development or redevelopment for medical use is likely to remain viable.
- » **Horizontal mixed-use development is more likely than vertical mixed-use.** Silverdale’s current land use pattern—dominated by large parcels, surface parking, and auto-oriented retail—makes vertical mixed-use development currently challenging to deliver. In dense urban environments, vertically stacked uses can generate sufficient revenue to offset ground-floor commercial space’s higher construction and design costs. However, the mixed-use building was substantially less feasible than the same apartment building in our analysis, suggesting vertical mixed-use development is unlikely in current conditions. However, horizontal mixed-use development could be a strategy to activate the Regional Center and build toward a more walkable, vibrant urban environment that could eventually support vertical mixed-use. This approach allows residential and commercial uses to be co-located on the same site or block—often around shared parking, plazas, or open spaces—without the structural complexity and added construction costs of vertical integration. With ample large parcels and surface parking areas in the Regional Center, particularly around Silverdale Way and near Kitsap Mall, the physical conditions are more suited for this form of development. Infilling existing commercial spaces with housing could help create a pedestrian-friendly feel, support day-to-day amenities near housing, and lay the groundwork for denser mixed-use development over time.

Growth Scenarios Analysis

Based on the existing conditions in the Silverdale Regional Center and considering the Comprehensive Plan updates, the area has 17.3 activity units per acre. The planned growth estimates approximately 46.2 activity units per acre by 2044. This includes a split of 21% residents and 79% employees. The following draft growth scenarios examine variations on the planned growth estimates based on different employment and housing growth considerations such as the recently finished hospital expansion, the adoption of the Multifamily Tax Exemption Program (MFTE), a more even split between housing and employment, and the addition of a new foot ferry and ferry-oriented development in the Old Town area (providing a connection between Silverdale and Bremerton).

DRAFT 2044 GROWTH SCENARIOS, PLANNED FUTURE GROWTH:

- ♦ **Scenario 1:** More residential growth, MFTE and accounts for newly finished hospital expansion (assumes 40% residents and 60% employees, newly finished hospital expansion with 74 new beds, MFTE adoption)
- ♦ **Scenario 2:** Additional hospital and workforce housing expansion, MFTE (assumes 45% residents and 55% employees, additional hospital expansion, more workforce housing, MFTE adoption)



- ◆ **Scenario 3:** Highest residential growth, hospital/workforce housing expansion, Old Town ferry related growth, MFTE (assumes 50% residents & 50% employees, assumes all the above including the full hospital expansion, MFTE adoption plus more residential growth in Old Town)

The changes in the activity units are expected to increase for these growth scenarios and will be estimated as a last step for this project. The Regional Center will need to intentionally promote both residential and employment growth to meet the PSRC activity unit target.

Draft Recommendations

Policy and Planning Related Recommendations

- ◆ Consider raising the base height limit in Neighborhood Commercial to 65 feet. Consider differentiating the Old Town “main street” and waterfront areas from the rest of the Neighborhood Commercial (NC) zone.
- ◆ Adopt MFTE program in Regional Center (after state law changes).
- ◆ Continue the permitting improvement process to reduce delays and simplify the development permitting process.
 - Consider waiving, reducing, or reimbursing impact fees for certain projects.
 - Add subarea plan goals focused on streamlining redevelopment requirements.
 - Consider updating permitting processes to shorten timelines and evaluate appeals – continue permitting process improvements underway.
- ◆ Promote transit oriented development (ferry) and consider adding an overlay for growth areas (parking, redevelopment, etc.).
- ◆ Identify potential infrastructure improvements and investments to support mixed-use and other forms of increased housing capacity including opportunities to enhance walkability, provide stormwater infrastructure, support public art and community amenities and branding, and place-making enhancements in the community.
- ◆ Identify ways to incentivize adaptive reuse development and redevelopment particularly in opportunity areas.

Vision and Goal Related Updates

- ◆ Work with the hospital and other key stakeholder groups to fortify partnerships and advance key development opportunities.
- ◆ Promote increased integration of housing to increase the economic stability of the Center. This includes greater housing capacity focusing on mixed-use, workforce housing, multi-family housing, middle housing development.



- ◆ The vision should support medical related development, using the recent hospital expansions as a catalyst for continued growth (infill, redevelopment, etc.).
- ◆ The vision should support adaptive reuse development opportunities particularly considering the aging of many commercial buildings and the business closures.
- ◆ The vision should recognize the need to invest in creating more 3rd places, entertainment, restaurants, and childcare facilities.
- ◆ The vision should recognize transit-oriented development opportunities particularly near the new transit center and in the Old Town neighborhood nearby the proposed new foot ferry providing a connection between Silverdale and Bremerton.

DRAFT

