



AGENDA REPORT

City Council Meeting

TODAY'S DATE: March 26, 2026

MEETING DATE: April 1, 2026

TO: Mayor Grimm, Sandpoint City Council members

FROM: Jason Welker, Planning & Community Development Director and Bill Dean, Deputy Planning & Community Development Director and City Planner

SUBJECT: Planned Rezone of the Existing Commercial B District – Discussion

RECOMMENDATION / REQUESTED ACTION

This is a discussion item only. No formal action is requested at this time. The purpose of this agenda item is to brief Council on staff's planned process to rezone the areas currently mapped as Commercial B so that zoning more closely aligns with the 2024 Comprehensive Plan and to prepare Council for future public hearings and map amendments that will come forward in the months ahead.

STRATEGIC / POLICY CONTEXT

The 2024 Comprehensive Plan is intended to guide Sandpoint's development and growth patterns for the next 20 years and expressly states that the Plan is a roadmap for decision-making and can guide land use regulations, including zoning. The Plan also states that future land use designations are intended to provide guidance for zoning updates and that current zoning may not reflect the land use pattern envisioned by the adopted Plan.

Background

Sandpoint City Code currently describes the Commercial B zone as an area north of downtown where infill development adjacent to existing neighborhoods is anticipated. Under the current code structure, Commercial B sits between Commercial A, which is intended to protect and enhance the character of downtown, and Commercial C, which is described as a lower-intensity commercial area serving adjacent neighborhoods.

Since adoption of the 2024 Comprehensive Plan, staff have been engaged in a broader effort to rewrite the City's commercial zoning districts. That work has included the development of a more refined downtown zoning framework, including the creation of a downtown core and downtown outer core. As part of that broader code modernization effort, staff now intend to move forward with a comprehensive rezone of all land currently mapped as Commercial B.

The expected outcome of this effort is elimination of the Commercial B zoning district from the City's zoning map.

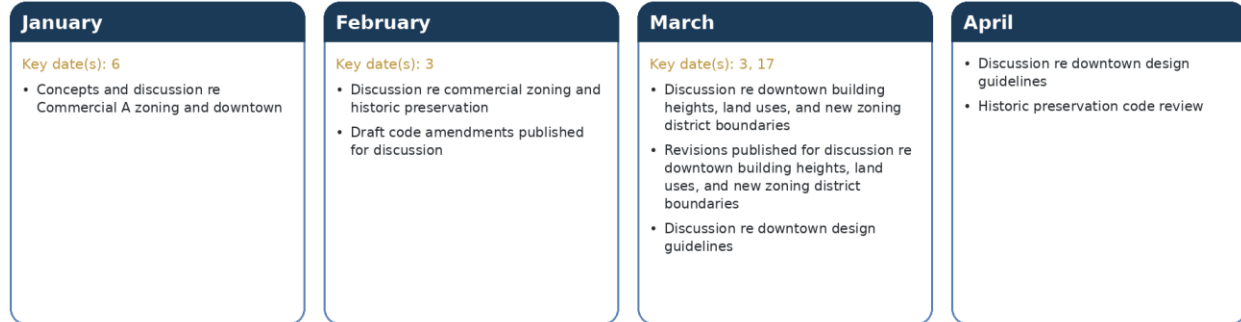


Figure 1: Sandpoint's Commercial B zoning district

Commercial Zoning Code Update Timeline

January–September 2026

Phase 1: Downtown zoning, design, and historic preservation



Phase 2: Citywide commercial districts, administrative code, and hearings

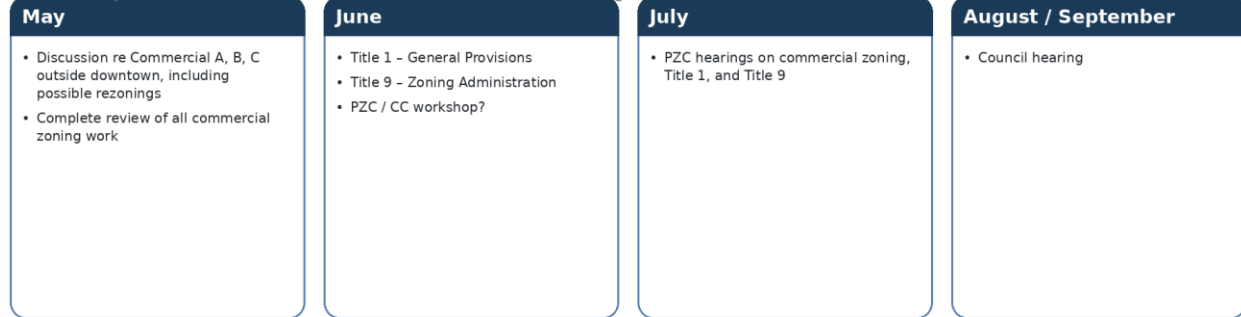


Figure 2: Anticipated timeline for completion of the City’s commercial zoning code update, including downtown code revisions, consideration of areas outside downtown, related Title 1 and Title 9 amendments, and public hearings.

Why staff is bringing this discussion now

Staff believe this work is timely for several reasons.

First, the Comprehensive Plan’s future land use map indicates that much of the land currently zoned Commercial B is better suited for Mixed Use Corridor and medium density residential development patterns than for continued reliance on the existing Commercial B district. The Plan notes that the future land use map is not a zoning map, but is intended to guide zoning updates and implementation decisions.

Second, there is immediate market interest in housing development in the Commercial B area, particularly north of Super 1 Foods. Staff are aware of properties for sale and development concepts that seek to provide missing middle housing forms, including small-lot detached homes, attached townhouses, and multifamily housing. Under current Commercial B regulations, residential uses are generally limited to upper floors, which prevents many of these housing types from being developed in a straightforward manner.

Third, this is an appropriate point in the City’s code modernization effort to address the areas outside the downtown core that are no longer best served by the existing Commercial B structure. Staff believe that as downtown zoning is being refined to strengthen a true commercial core and outer core, it is appropriate to simultaneously reclassify adjacent areas into zoning districts that better reflect the Comprehensive Plan’s land use vision and current housing needs.

Proposed direction

Staff intend to prepare a package of zoning map amendments for the entire area currently zoned Commercial B. Most of that area is expected to be rezoned to **Mixed-Use Residential (MUR)**.

Title 9 describes MUR as a commercial zoning classification that permits, rather than mandates, a vertical mix of low-intensity commercial and residential uses within the same building, and states that the district is intended to accommodate a development pattern often found along village main streets and in neighborhood commercial areas of older cities.

A key distinction between current Commercial B zoning and MUR is that MUR allows ground-floor residential, whereas Commercial B generally limits residential to upper floors. That distinction is significant because it enables housing types that are more responsive to current local demand and to the Comprehensive Plan’s housing objectives.

Staff do not anticipate applying MUR uniformly across the entire existing Commercial B area. Instead, staff expect a more tailored map amendment approach, including:

- **Most of the existing Commercial B area:** likely rezoned to MUR.
- **Portions along the Highway 200 / Highway 2 corridor on 5th Avenue north of Larch Street:** likely considered for zoning that more closely reflects either today’s Commercial A or Commercial C function, though the names and final structure of those districts may change as the commercial code rewrite proceeds.
- **Southeasternmost portion of the existing Commercial B area along Sand Creek, where several single-family homes exist:** likely considered for rezoning to a residential district consistent with existing land use and the residential zoning pattern immediately to the south. Staff may also evaluate whether any limited multifamily designation is appropriate in select locations, depending on parcel context and Comprehensive Plan consistency.

Discussion of Comprehensive Plan consistency

Staff believe the planned rezone is strongly supported by the 2024 Comprehensive Plan.

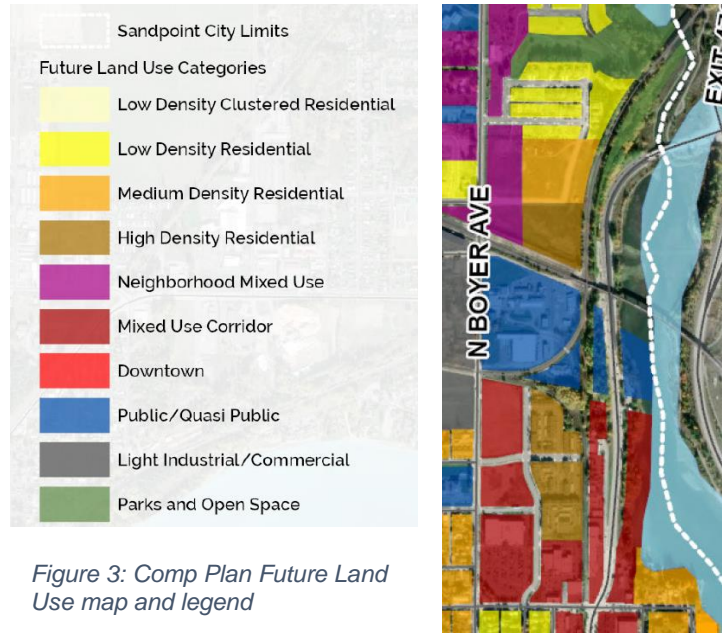
The Plan states that the future land use framework is meant to identify the vision for a mix of land uses needed to accommodate growth and that it should be used to guide zoning updates. It further explains that Sandpoint’s future land use designations should support efficient and sustainable land use patterns, housing choices, multimodal connections, compatibility between uses, and integration with existing and planned infrastructure.

The Housing and Neighborhoods chapter provides particularly strong support for this effort. The Plan calls for “a variety of quality housing types” serving a broad spectrum of household types and age groups, and specifically directs the City to pursue detached homes, duplexes, townhouses, stacked flats, cottage communities, and other housing types as appropriate. It also calls for attached housing in and around downtown, integration of smaller infill units, and removal of barriers that impede workforce housing.

The Plan also acknowledges that Sandpoint’s housing costs have risen sharply and that a significant share of households are cost-burdened, with little vacancy in subsidized and low-income housing.

In addition, the Plan projects substantial population growth through 2040 and estimates demand for roughly 2,500 new housing units between 2020 and 2040 if average household size remains stable.

The Jobs and Economic Development chapter reinforces the same direction. It states that continued economic development and downtown revitalization are essential, but also notes that workforce



housing is increasingly difficult to find within city limits and that the Plan encourages a mix of housing types both to meet resident needs and to support retail and service provision in the City's core. It further calls for an adequate supply of appropriately zoned land for commercial uses while encouraging appropriate businesses in neighborhood mixed-use areas.

Taken together, these policies support a land use pattern in which the downtown core is strengthened as the City's principal commercial center, while adjacent transition areas allow more mixed-use and residential intensity than is currently possible under Commercial B.

Staff analysis

Staff believe the existing Commercial B district no longer cleanly reflects either the adopted Comprehensive Plan or present development needs in this area.

While Commercial B was historically intended to accommodate infill development adjacent to neighborhoods, its restriction on ground-floor residential now functions as a barrier to the kinds of missing middle and workforce-oriented housing forms the Comprehensive Plan encourages. That mismatch is especially important in areas north of Larch Street and north of Super 1 Foods, where the market is signaling demand for residentially led mixed-use and medium-density neighborhood development, not additional conventional commercial-only frontage.

At the same time, staff do not believe the City needs to preserve all current Commercial B acreage for future commercial use. Staff's broader downtown zoning work is focused on strengthening an economically viable downtown core and outer core. In that context, maintaining excess commercial zoning in peripheral areas may dilute the City's long-term commercial objectives while preventing housing production in places the Comprehensive Plan identifies for mixed-use and medium-density growth. This is also consistent with the Plan's recognition that growth should be directed into efficient land use patterns within the City and supported by infrastructure.

Public process and next steps

Following Council discussion, staff intends to proceed with the following steps:

1. Prepare a draft rezone concept map for all land currently zoned Commercial B.
2. Coordinate review of that draft with the Planning and Zoning Commission.
3. Conduct outreach with affected property owners and the public.
4. Refine the map based on parcel conditions, existing land use, access, adjacent zoning, and Comprehensive Plan consistency.
5. Return with formal zoning map amendments and any related code amendments for public hearing before the Planning and Zoning Commission and City Council.

Because this is a discussion item, staff are not seeking Council approval tonight. Rather, staff is seeking feedback on the overall direction and on the proposed approach of replacing the current Commercial B district with a combination of MUR, residential zoning in selected areas, and revised commercial designations where corridor conditions warrant.

Fiscal impact

No immediate fiscal impact is associated with tonight's discussion item. Future implementation will involve normal staff time associated with public outreach, map preparation, Planning and Zoning Commission review, and public hearing processes.