



# Meeting Agenda

## City Council

City Hall  
601 4th Avenue E  
Olympia, WA 98501

Information: 360.753.8244

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Tuesday, December 5, 2023

6:00 PM

Council Chambers, Online and  
Via Phone

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### Register to Attend:

[https://us02web.zoom.us/webinar/register/WN\\_EfO-Hr6DQu6l39uAgKg0xw](https://us02web.zoom.us/webinar/register/WN_EfO-Hr6DQu6l39uAgKg0xw)

#### 1. ROLL CALL

##### 1.A ANNOUNCEMENTS

##### 1.B APPROVAL OF AGENDA

#### 2. SPECIAL RECOGNITION - NONE

#### 3. PUBLIC COMMENT

*(Estimated Time: 0-30 Minutes) (Sign-up Sheets are provided in the Foyer.)*

*During this portion of the meeting, community members may address the City Council regarding items related to City business, including items on the Agenda. In order for the City Council to maintain impartiality and the appearance of fairness in upcoming matters and to comply with Public Disclosure Law for political campaigns, speakers will not be permitted to make public comments before the Council in these two areas: (1) where the public testimony may implicate a matter on which the City Council will be required to act in a quasi-judicial capacity, or (2) where the speaker promotes or opposes a candidate for public office or a ballot measure.*

*Individual comments are limited to two (2) minutes or less. In order to hear as many people as possible during the 30-minutes set aside for Public Communication, the City Council will refrain from commenting on individual remarks until all public comment has been taken. The City Council will allow for additional public comment to be taken at the end of the meeting for those who signed up at the beginning of the meeting and did not get an opportunity to speak during the allotted 30-minutes.*

#### COUNCIL RESPONSE TO PUBLIC COMMENT (Optional)

#### 4. CONSENT CALENDAR

*(Items of a Routine Nature)*

4.A [23-1056](#) Approval of November 21, 2023 City Council Meeting Minutes

Attachments: [Minutes](#)

#### 4. SECOND READINGS (Ordinances)

4.B [23-1014](#) Approval of an Ordinance Amending OMC 9.16.180 Regarding Pedestrian

Interference

Attachments: [Ordinance](#)

#### 4. FIRST READINGS (Ordinances) - NONE

#### 5. PUBLIC HEARING - NONE

- 5.A [23-1040](#) Public Hearing on the 2023 Engineering Design and Development Standards Update

Attachments: [Link to EDDS Webpage](#)  
[List of 2023 EDDS Topics](#)

#### 6. OTHER BUSINESS

- 6.A [23-1059](#) 2024 Federal Agenda Approach Overview and Approval of the Draft 2024 City of Olympia Federal Agenda

Attachments: [Draft 2024 Federal Agenda](#)

- 6.B [23-1057](#) 2024 Legislative Session Overview and Approval of the Draft 2024 Legislative Agenda

Attachments: [Draft 2024 Legislative Agenda](#)

- 6.C [23-1031](#) Approval of a Resolution Authorizing the City Manager to Negotiate an Interlocal Agreement with Thurston County and Other Affected Local Governments Regarding Annexation of Olympia's Southeast Urban Growth Area

Attachments: [Resolution](#)  
[Supplement to Staff Report](#)  
[SE UGA Annexation Feasibility Analysis \(2019\)](#)  
[Olympia Annexation Feasibility Analysis \(2023\)](#)

#### 7. CONTINUED PUBLIC COMMENT

*(If needed for those who signed up earlier and did not get an opportunity to speak during the allotted 30 minutes)*

#### 8. COUNCIL INTERGOVERNMENTAL/COMMITTEE REPORTS AND REFERRALS

- 8.A [23-1060](#) Consider a Referral to the Land Use & Environment Committee to Conduct a Side-by-Side Comparison of Housing Initiatives in the Cities of Olympia, Tacoma and Bellingham

Attachments: [Referral](#)

#### 9. CITY MANAGER'S REPORT AND REFERRALS

#### 10. ADJOURNMENT

*The City of Olympia is committed to the non-discriminatory treatment of all persons in employment and the delivery of services and resources. If you require accommodation for your attendance at the City Council meeting, please contact the Council's Executive Assistant at 360.753.8244 at least 48 hours in advance of the meeting. For hearing impaired, please contact us by dialing the Washington State Relay Service at 7-1-1 or 1.800.833.6384.*



City Hall  
601 4th Avenue E.  
Olympia, WA 98501  
360-753-8244

## City Council

### Approval of November 21, 2023 City Council Meeting Minutes

**Agenda Date:** 12/5/2023  
**Agenda Item Number:** 4.A  
**File Number:**23-1056

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**Type:** minutes **Version:** 1 **Status:** Consent Calendar

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**Title**

Approval of November 21, 2023 City Council Meeting Minutes



# Meeting Minutes - Draft

## City Council

City Hall  
601 4th Avenue E  
Olympia, WA 98501

Information: 360.753.8244

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**Tuesday, November 21, 2023                      6:00 PM                      Council Chambers, Online and Via  
Phone**

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**Councilmembers will attend via Zoom**

**Register to Attend:**

**[https://us02web.zoom.us/webinar/register/WN\\_XGNU51fCQym9MTd6ccIFIA](https://us02web.zoom.us/webinar/register/WN_XGNU51fCQym9MTd6ccIFIA)**

### **1. ROLL CALL**

**Present:** 5 - Mayor Cheryl Selby, Mayor Pro Tem Clark Gilman, Councilmember Jim Cooper, Councilmember Dani Madrone and Councilmember Lisa Parshley

**Excused:** 2 - Councilmember Yên Huỳnh and Councilmember Dontae Payne

### **1.A ANNOUNCEMENTS - None**

### **1.B APPROVAL OF AGENDA**

**The agenda was approved.**

### **2. SPECIAL RECOGNITION - None**

### **3. PUBLIC COMMENT**

The following people spoke: Maebh Johnson, Kay Nyberg, Helenna Lant, Eva Leach, Kaz Vokoun, Rebekah Ereve, Skye Costelloe, Mike Hubbart, Peter Lewis, Karina Greenlee, Jennica Martinez, Elise Sabel, Peyton Stever, Shade Osuna, Emily Antoon-Walsh, Desiree Toliver and William Jernegan.

### **4. CONSENT CALENDAR**

**4.A** [23-1015](#) Approval of November 14, 2023 City Council Meeting Minutes

**The minutes were adopted.**

**4.B** [23-0995](#) Approval of a Resolution Authorizing an Interlocal Agreement with Washington Consolidated Technology Services for Fire Protection Services

**The resolution was adopted.**

**4.C** [23-0994](#) Approval of a Resolution Authorizing an Interlocal Agreement with the

Washington State Department of Enterprise Services for Fire Protection Services

**The resolution was adopted.**

- 4.D [23-0996](#) Approval of a Resolution Authorizing an Agreement with SafePlace for Subordination of a Community Development Block Grant loan

**The resolution was adopted.**

**4. SECOND READINGS (Ordinances)**

- 4.E [23-0979](#) Approval of an Ordinance Establishing Rental Housing Registry and Inspection Program

**The ordinance was approved on second reading.**

- 4.F [23-0988](#) Approval of an Ordinance Setting 2024 Excess Ad Valorem Tax

**The ordinance was approved on second reading.**

- 4.G [23-0989](#) Approval of an Ordinance Setting 2024 Regular Ad Valorem Tax

**The ordinance was approved on second reading.**

**Approval of the Consent Agenda**

**Councilmember Parshley moved, seconded by Councilmember Cooper, to adopt the Consent Calendar. The motion carried by the following vote:**

**Aye:** 5 - Mayor Selby, Mayor Pro Tem Gilman, Councilmember Cooper, Councilmember Madrone and Councilmember Parshley

**Excused:** 2 - Councilmember Huynh and Councilmember Payne

**4. FIRST READINGS (Ordinances) - None**

**5. PUBLIC HEARING - None**

**6. OTHER BUSINESS**

- 6.A [23-1014](#) Approval of an Ordinance Amending OMC 9.16.180 Regarding Pedestrian Interference

Assistant City Manager Rich Hoey discussed the ordinance amending OMC 9.16.180 to expand the pedestrian interference areas east of the existing "Downtown Commercial Zone" due to a number of complaints about pedestrian interference surrounding facilities that provide shelter and services to unhoused community members.

Deputy Police Chief Shelby Parker provided background information about the Olympia Police Department's implementation of the pedestrian interference ordinance downtown, including an "education first" approach to enforcement.

**Councilmember Parshley moved, seconded by Councilmember Madrone, to approve on first reading, and forward to second reading, an ordinance amending OMC 9.16.180 to expand the pedestrian interference areas east of the existing "Downtown Commercial Zone". The motion carried by the following vote:**

**Aye:** 5 - Mayor Selby, Mayor Pro Tem Gilman, Councilmember Cooper, Councilmember Madrone and Councilmember Parshley

**Excused:** 2 - Councilmember Huynh and Councilmember Payne

**6.B** [23-1017](#) Upcoming Vacant Council Position Recruitment Process Discussion

Strategic Communications Director Kellie Purce Braseth discussed a proposed process, timeline and application for recruiting and filling the soon-to-be vacant Council Position #6.

Councilmembers shared their feedback on the process.

**The discussion was completed.**

**6.C** [23-1016](#) 2024 Preliminary Budget Final Changes

City Manager Jay Burney shared an overview of the 2024 Preliminary Budget final changes.

Councilmembers asked clarifying questions.

**Councilmember Parshley moved, seconded by Councilmember Madrone, to approve the joint recommendation of the Finance Committee and City Manager for the 2024 Operating Budget and direct staff to bring forward final ordinances for Council consideration. The motion carried by the following vote:**

**Aye:** 5 - Mayor Selby, Mayor Pro Tem Gilman, Councilmember Cooper, Councilmember Madrone and Councilmember Parshley

**Excused:** 2 - Councilmember Huynh and Councilmember Payne

**7. CONTINUED PUBLIC COMMENT**

The following people spoke: Walt Jorgensen, Jesse Taylor, Kendra Odom, Nikkole Hughes, Arlo Dolven, and Steven DeLair.

**8. COUNCIL INTERGOVERNMENTAL/COMMITTEE REPORTS AND REFERRALS**

Councilmembers reported on meetings and events attended.

**9. CITY MANAGER'S REPORT AND REFERRALS**

City Manager Burney will ask Assistant City Manager Rich Hoey to draft a letter of support for the Housing Trust Fund Boulevard Road project.

**10. ADJOURNMENT**

The meeting was adjourned at 8:30 p.m.



## City Council

### Approval of an Ordinance Amending OMC 9.16.180 Regarding Pedestrian Interference

**Agenda Date:** 12/5/2023  
**Agenda Item Number:** 4.B  
**File Number:**23-1014

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**Type:** ordinance **Version:** 1 **Status:** 2d Reading-Consent

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#### **Title**

Approval of an Ordinance Amending OMC 9.16.180 Regarding Pedestrian Interference

#### **Recommended Action**

##### **Committee Recommendation:**

Not referred to a committee.

##### **City Manager Recommendation:**

Move to approve on second reading, an ordinance amending OMC 9.16.180 to expand the pedestrian interference areas east of the existing "Downtown Commercial Zone."

#### **Report**

##### **Issue:**

Whether to approve on second reading, an ordinance amending OMC 9.16.180 to expand the pedestrian interference areas east of the existing "Downtown Commercial Zone."

##### **Staff Contact:**

Rich Hoey, Assistant City Manager, 360-753-8227

##### **Presenter(s):**

Rich Hoey, Assistant City Manager  
Shelby Parker, Deputy Police Chief

##### **Background and Analysis:**

Background and analysis have not changed from first to second reading.

OMC 9.16.180 addresses the prohibition on the obstruction of pedestrian and vehicular traffic in the City. Within the "Downtown Commercial Zone," as depicted in Figure 1, the ordinance prohibits a person from sitting or lying on any sidewalk, street, or alley between the hours of 7am and 12am. A person may sit or lie on a sidewalk from midnight to 7am to allow overnight sleeping.

Staff is proposing an expansion of the defined "Downtown Commercial Zone" to extend the zone eastward to Eastside Street and southward along Quince Street to encompass Quince Street Village and other facilities providing shelter and other services to unhoused members of our community. This

expansion would help reduce pedestrian interference surrounding these facilities, including Quince Street Village, Rosie's Place, Salvation Army shelter, and Pear Blossom Place. These facilities are all located on the eastern edge of downtown.

The City has received a number of complaints about pedestrian interference surrounding these facilities. Expanding the boundary of the "Downtown Commercial Zone" will allow the Olympia Police Department to be more responsive to these pedestrian interference issues. Responsiveness to these pedestrian interference concerns will help build and maintain community support for the location of shelter facilities serving the unhoused in our community. These impacts, when unaddressed, can erode community support for new shelter facilities that are desperately needed in our community.

As part of the staff presentation, Deputy Chief Parker will provide background information about the Olympia Police Department's implementation of the pedestrian interference ordinance downtown, including an "education first" approach to enforcement.

**Climate Analysis:**

This policy decision does not have a direct impact on greenhouse gas emissions.

**Equity Analysis:**

This policy will likely disproportionately impact those living outdoors and among the most vulnerable in our community. Under the proposed expanded area, individuals blocking sidewalks during the hours of 7am to midnight would be required to move or be potentially cited.

Community members living or working near shelter facilities would benefit from reduced pedestrian interference near their homes and businesses.

The policy further highlights the need for additional shelter beds in our community, which the City is working hard to address together with partner agencies and organizations. Given the lack of shelter beds, this ordinance allows people to sleep on sidewalks between the hours of midnight and 7am.

**Neighborhood/Community Interests (if known):**

The City has received complaints about pedestrian interference surrounding emergency shelters on the eastern edge of downtown. The City has also conducted outreach with the Executive Directors of the Family Support Center, Catholic Community Services and Community Youth Services regarding this expanded area.

**Financial Impact:**

There is no direct budgetary impact of this decision.

**Options:**

1. Move to approve on second reading, an ordinance amending OMC 9.16.180 to expand the pedestrian interference areas east of the existing "Downtown Commercial Zone." This will allow the Olympia Police Department to be more responsive to complaints of pedestrian interference surrounding shelter facilities on the eastern edge of Olympia's downtown.
2. Do not approve an amendment to OMC 9.16.180.
3. Approve a modified ordinance based on Council direction.

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**Type:** ordinance **Version:** 1 **Status:** 2d Reading-Consent

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**Attachments:**

Ordinance

**AN ORDINANCE OF THE CITY OF OLYMPIA, WASHINGTON, AMENDING OMC 9.16.180 RELATING TO PEDESTRIAN INTERFERENCE AND THE AREA CONSTITUTING THE "DOWNTOWN COMMERCIAL ZONE" TO INCLUDE ADDITIONAL AREAS EAST TO EASTSIDE STREET BETWEEN STATE AVENUE AND PLUM STREET AS DEPICTED IN FIGURE 1**

**WHEREAS**, the name of Olympia Municipal Code (OMC) Title 9 is known as the "Criminal Code;" and

**WHEREAS**, OMC Title 9 contains various chapters relating to crimes and offenses against persons, public peace, drugs, gambling, offenses against property, juveniles, weapons and fireworks, to name but a few; and

**WHEREAS**, OMC 9.16.180 contains a prohibition against obstruction of vehicular and pedestrian traffic; and

**WHEREAS**, pursuant to OMC 9.16.180 a person is prohibited from sitting or lying on any sidewalk, street or alley during daytime hours between the hours of 7:00 a.m. and 12:00 a.m. in the "Downtown Commercial Zone" reflected in Figure 1, however, a person may sit or lie on a sidewalk from midnight to 7:00 a.m. to allow overnight sleeping; and

**WHEREAS**, the City has established a tiny house village near Quince Street Village; and

**WHEREAS**, City staff is proposing an expansion of the defined "Downtown Commercial Zone" to extend the zone eastward to Eastside Street and southward along Quince Street to encompass Quince Street Village; and

**WHEREAS**, the purpose for the expansion of the "Downtown Commercial Zone" is to reduce pedestrian interference surrounding facilities serving houseless individuals on the eastern edge of Olympia's downtown but currently outside the designated "Downtown Commercial Zone." These facilities include Quince Street Village, Rosie's Place, Pear Blossom Place, and the Salvation Army; and

**WHEREAS**, the City has received complaints from a number of property owners and residents surrounding these facilities. Without a revision of the area encompassing the "Downtown Commercial Zone" there is little the City can do to address persons sitting and lying and otherwise obstructing pedestrians on public sidewalks; and

**WHEREAS**, City staff has performed outreach to the directors of Family Support Center, Catholic Community Services, and Community Youth Services regarding proposed revisions to OMC 9.16.180 and the "Downtown Commercial Zone." Expansion of the "Downtown Commercial Zone" will allow the Olympia Police Department to be more responsive to community complaints of pedestrian interference; and

**WHEREAS**, Figure 1 in OMC 9.16.180 Pedestrian Interference should be revised to reflect expanded boundaries of the "Downtown Commercial Zone" to include additional areas east to Eastside Street between State Avenue and Plum Street;

**NOW, THEREFORE, THE OLYMPIA CITY COUNCIL ORDAINS AS FOLLOWS:**

**Section 1. Amendment of OMC 9.16.180.** Section 9.16.180 of the Olympia Municipal Code is hereby amended to read as follows:

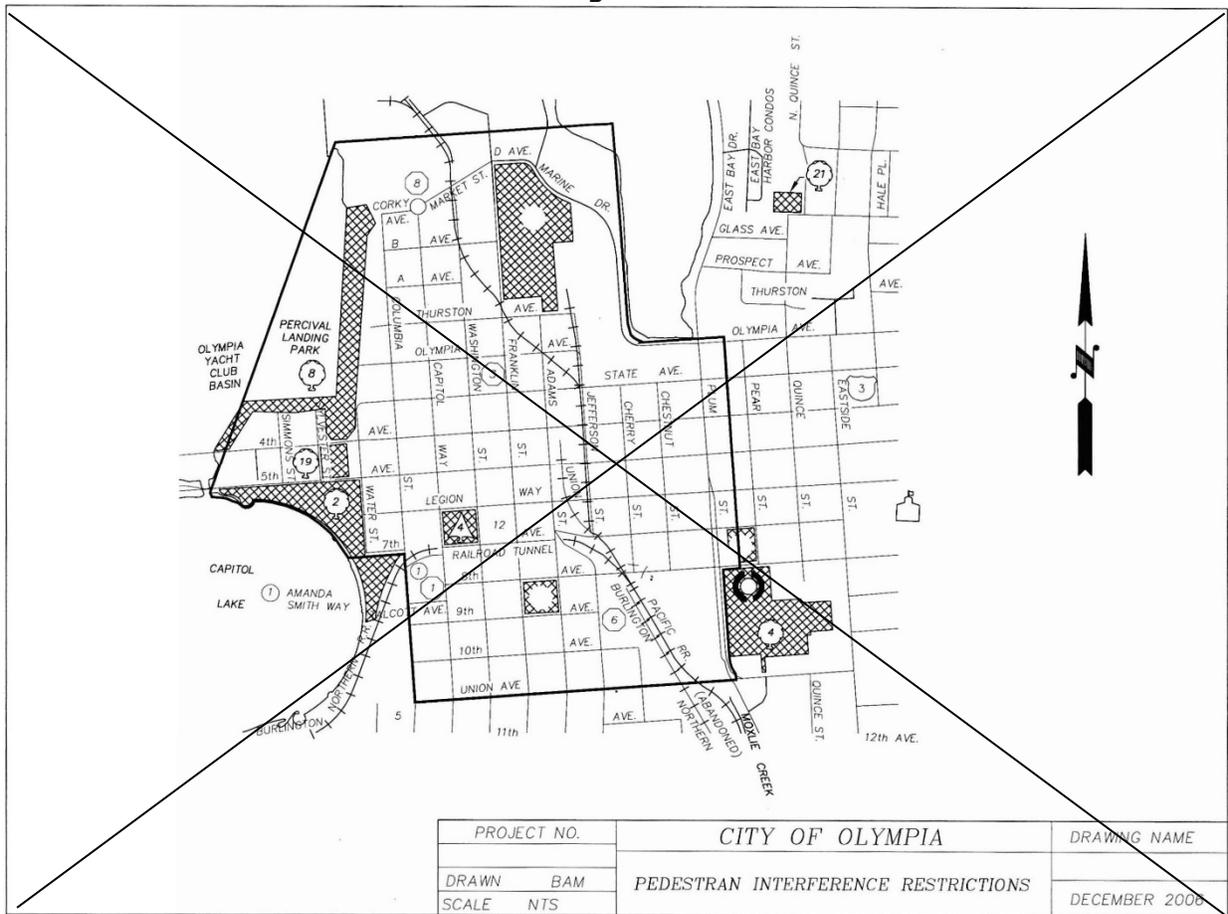
9.16.180 Pedestrian interference

A. A person is guilty of pedestrian interference if, in a public place, the person knowingly obstructs pedestrian or vehicular traffic.

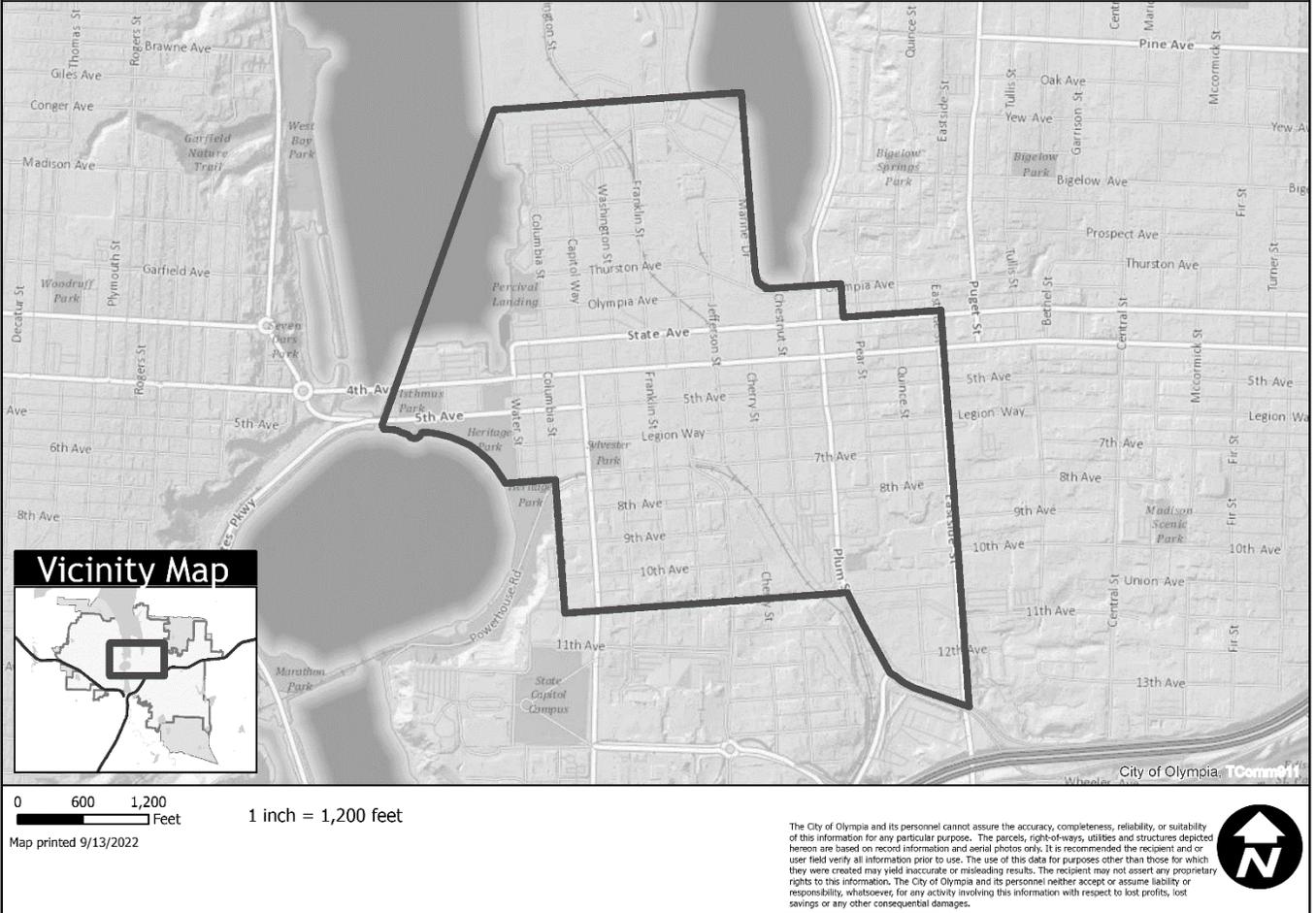
B. The following definitions apply in this section:

1. "Downtown Commercial Zone" means the area depicted in Figure 1, attached hereto and incorporated herein, showing the areas within the City of Olympia in which conduct is prohibited under subsections (B)(2)(b) and (B)(2)(c) of this section.

**Figure 1**



 **Figure 1**



File name and path: \\Galva\PM\Engineering\Survey\Projects\PM\Survey\CUSTOMER SERVICES\Internal\2022\Legal\_Darian Lightfoot\_Ped Interference Restriction Ord\_9-12-2020-1\Ped Interference Ord.mxd

2. "Obstruct pedestrian or vehicular traffic" means to:

- a. In a public place, walk, stand, sit, lie, grasp a person, or place an object in such a manner as to obstruct or impede, or tending to obstruct or impede, the free passage of any person or vehicle, or to require another person or a driver of a vehicle to take action to avoid physical contact; or
- b. at any time vend on any sidewalk, street or alley within the Downtown Commercial Zone as depicted in Figure 1 of this section; or
- c. between the hours of 7 a.m. and 12 a.m., sit or lie on any sidewalk, street or alley within the Downtown Commercial Zone as depicted in Figure 1 of this section. No person shall be cited under this subsection unless the person engages in conduct prohibited by this subsection after having been notified by a law enforcement officer that the conduct violates this subsection.

3. Affirmative Defenses. It is an affirmative defense under subsections (B)(2)(b) and (B)(2)(c) of this section, that the defendant must prove by a preponderance of the evidence, that the defendant was:

- (i) Sitting or lying down on a publicly owned sidewalk or alley due to a medical emergency;
- (ii) Utilizing, as the result of a disability, a wheelchair, walker, or similar device to move about on the publicly owned sidewalk or alley;
- (iii) Operating or patronizing a commercial establishment conducted on any sidewalk, street or alley pursuant to a street use permit;
- (iv) Vending, sitting or lying down on any sidewalk, street or alley within any portion of the Downtown Commercial Zone where such conduct is approved by the City as part of participation in or attendance at a parade, festival, rally, or demonstration; provided, however, that this defense shall not be available to a defendant refusing to obey a reasonable request or order by a police officer to move to prevent obstruction of a public street, alley, sidewalk or building or entrance or doorway into or out of a building open to the public, or to maintain public safety by dispersing those gathered in dangerous proximity to a fire or hazard;
- (v) Sitting on a chair or bench supplied by a public agency or by the abutting private property owner or lessee for that purpose, pursuant to a temporary street use or other applicable permit or authorization if required;
- (vi) Sitting or standing on a publicly owned sidewalk within a bus stop zone while waiting for public or private transportation; or
- (vii) Waiting in a line to purchase tickets to or attend a performance or public event, or to gain entry to a business adjacent to the publicly owned sidewalk or alley.

Provided, however, that nothing in any of these affirmative defenses shall be construed to permit any conduct which is prohibited by OMC [9.16.180\(b\)\(2\)\(a\)](#).

4. "Public place" means an area generally visible to public view and includes alleys, bridges, buildings, driveways, parking lots, parks, plazas, sidewalks, and streets open to the general public including places that serve food or drink or provide entertainment, in the doorways and entrances to buildings or dwellings and the grounds enclosing them.

5. "Sit or Lie" means to sit or lie directly upon a sidewalk, street, or alley, or to sit or lie down upon any blanket, sleeping bag, bedroll, tarpaulin, cardboard, or any other similar object placed upon the sidewalk, street or alley.

6. "Vend" means to offer for sale, whether orally or through the use of written or printed media, any item of value to another person.

**Section 2. Corrections.** The City Clerk and codifiers of this Ordinance are authorized to make necessary corrections to this Ordinance, including the correction of scrivener/clerical errors, references, ordinance numbering, section/subsection numbers and any references thereto.

**Section 3. Severability.** If any provision of this Ordinance or its application to any person or circumstance is held invalid, the remainder of the Ordinance or application of the provisions to other persons or circumstances shall remain unaffected.

**Section 4. Ratification.** Any act consistent with the authority and prior to the effective date of this Ordinance is hereby ratified and affirmed.

**Section 5. Effective Date.** This Ordinance shall take effect thirty (30) days after passage and publication, as provided by law.

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MAYOR

**ATTEST:**

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CITY CLERK

**APPROVED AS TO FORM:**

Mark Barber  

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CITY ATTORNEY

**PASSED:**

**APPROVED:**

**PUBLISHED:**



## City Council

### Public Hearing on the 2023 Engineering Design and Development Standards Update

**Agenda Date:** 12/5/2023  
**Agenda Item Number:** 5.A  
**File Number:** 23-1040

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**Type:** public hearing **Version:** 1 **Status:** Public Hearing

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#### **Title**

Public Hearing on the 2023 Engineering Design and Development Standards Update

#### **Recommended Action**

##### **Committee Recommendation:**

The Land Use and Environment Committee recommends holding a public hearing on the 2023 Engineering Design and Development Standards (EDDS) Update. After hearing public testimony, close the public hearing and move to direct staff to return to Council with a proposed ordinance adopting the updated EDDS.

##### **City Manager Recommendation:**

Hold a public hearing on the 2023 EDDS Update. After hearing public testimony, close the public hearing and move to direct staff to return to Council with a proposed ordinance adopting the updated EDDS.

#### **Report**

##### **Issue:**

Whether to hold a public hearing on the 2023 EDDS Update and move to direct staff to return to Council with a proposed ordinance adopting the updated EDDS.

##### **Staff Contact:**

Stephen Sperr, P.E., Assistant City Engineer, Public Works Engineering, 360.753.8739

##### **Presenter(s):**

Stephen Sperr, P.E., Assistant City Engineer

##### **Background and Analysis:**

The Engineering Design and Development Standards (EDDS) guide the design and construction of transportation, drinking water, reclaimed water, sewer, stormwater, and solid waste collection systems. They are also the technical interpretation of the City's Comprehensive Plan and various utility master plans. The City Engineer is responsible for approving and administering the EDDS.

On August 24, staff briefed the Land Use and Environment Committee on proposed topics to address in this year's update to the EDDS. That briefing included an overview of the EDDS and highlights of

the proposed changes, as well as a discussion of four substantive changes.

Since that briefing, staff has continued to develop draft language and drawing changes to support this year's topics. Staff are also reaching out to interested parties by contacting them directly and by providing the entire list of issues being addressed on the City's website. Staff are incorporating their comments into the proposed text and drawing changes.

Before the public hearing, staff will provide the full Council with a short presentation on the 2023 EDDS changes being considered.

**Climate Analysis:**

Several of the substantive changes support the City's Climate Mitigation Strategies. One of these, Frontage Improvement Thresholds, reduces the scope and cost of required frontage improvements for change of use, remodels, and tenant improvements for smaller projects. This encourages reuse of existing, developed properties, supporting urban density and reducing urban sprawl.

Another substantive change, Protected Bike Lanes, established standards for separated and enhanced bike lanes that further encourage the use of bicycles and related, non-motorized modes of transportation. This will increase the efficiency of the transportation system and reduce greenhouse gases, as community members are more likely to use bicycles instead of motorized vehicles.

Clarifying the standards associated with school walking routes should also support a reduction in motorized vehicle use.

**Equity Analysis:**

The proposed changes do not focus on a particular area in the City, nor any particular group. However, several of the substantive changes, such as Frontage Improvement Thresholds and Protected Bike Lanes (mentioned above) are anticipated to have a positive impact on those groups in our community that are economically disadvantaged. Changes to Frontage Improvement Thresholds are more likely to benefit small and new businesses by reducing initial costs to set up a "storefront".

**Neighborhood/Community Interests (if known):**

Updated EDDS will ensure utility and transportation systems, as well as solid waste improvements constructed meet the most current standards. Updates will also continue to move us closer to the City's Comprehensive Plan Action Plan goal of providing sustainable infrastructure.

To date, the City has received no substantive comments. More information will be provided about discussions with stakeholders during the presentation.

**Financial Impact:**

Most of the proposed changes should not result in notable increases to the costs of private development or public work projects. However, changes to thresholds for frontage improvements and private streets in mobile home parks should end up costing less to owners and developers.

**Options:**

1. Hold a public hearing on the 2023 EDDS Update. After hearing public testimony, close the public hearing and direct staff to return to Council with a proposed ordinance adopting the

updated EDDS.

2. Hold a public hearing on the 2023 EDDS Update. After hearing public testimony, close the public hearing and direct staff to incorporate specific changes to the 2023 EDDS. The first reading of a proposed ordinance adopting the updated EDDS may be delayed.
3. Do not hold a public hearing and delay updating the EDDS until a later date. This option will result in potential conflicts in attempting to ensure that development impacts within the right-of-way are consistently addressed.

**Attachments:**

Link to EDDS Webpage

List of 2023 EDDS Topics

# Engineering Design & Development Standards



## What are the EDDS?

The [Engineering Design and Development Standards \(EDDS\)](#) are the technical standards used by the City and private developers to design and construct drinking water, reclaimed water, sewer, transportation, stormwater, and solid waste collection systems. The 2021 EDDS update was adopted by City Council and became effective February 9, 2022.

[View current & previous EDDS](#)

[EDDS Deviation Form](#)

The EDDS are usually updated annually after a public hearing and upon City Council approval. The topics, draft chapter and drawing changes for the 2023 update are available below.

## Request an update or revision

To submit a revision request:

- [Fill out this form](#)
- Submit it to Mark Russell, City Engineer, at [mrussel@ci.olympia.wa.us](mailto:mrussel@ci.olympia.wa.us)
- Your request will be recorded and considered for the next update.

**Search for file name:**

RESET

2023 EDDS edits ▾





## 2023 EDDS Topics - as of November 13, 2023

EDDS #	Topic	Requested Change and Why	Location in EDDS, OMC, etc.
<b>SUBSTANTIVE CHANGES</b>			
1	Frontage Improvement Thresholds	Look at scale and proportionality; relationship to Comp Plan Policy PT15.1.	2.020, 2.040, 2.070, 3.110
2	Private Streets in Manufactured Home Parks	Look at internal circulation vs. required through street; establish standards.	Chapter 2
3	Protected Bike Lanes	Revise existing street standards to allow for and at times require enhanced/protected bike lanes.	Chapter 4
4	Solid Waste Changes	Changes to Chapter 8, consistent with the City's latest Waste Resources Plan.	Chapter 8
<b>OTHER CHANGES</b>			
1	Reference Transportation Docs	Reference additional Transportation documents: WSDOT's Local Agency Agreement and Intercity Transit's Transit Bus Stop Guidelines.	1.070 and 4H.060
2	"Underdeveloped" Parcels	Clarify definition to include parcels with one or two houses on them that can be further developed to meet the zoned density range, and the requirement for future street stubouts larger adjacent properties.	2.020 and 2.040.B3d
3	ADUs and Streetside Improvements	Add ADUs to the list of housing types exempt from streetside improvements.	2.040.A1
4	Sidewalk Fee-In-Lieu	Clarify that these fees go towards City's Sidewalk Construction Program.	2.040.A2
5	Streets and Alley Design	Reference WSDOT's Design Manual for Street for Street and Alley Design.	2.040.B1
6	Streets in large school and park developments	Clarify language for pathway/trail requirements when streets are not required.	2.040.b3e
7	School Walking Routes	Clarify when offsite improvements are needed towards a nearby school even if the school district indicates that currently or in near future students are bussed to another school.	2.040.B18
8	Urban Trails Plan	Drop reference to the obsolete Urban Trails Plan, which is no longer relevant.	2.04
9	TIAs	Change "Traffic Impact Analysis" to "Transportation Impact Analysis"; see also TIA Guidelines changes below.	CH2, 2.020, other locations
10	Add Reference Documents	Add references to the Transportation Master Plan and Street Safety Plan.	Ch3, 3.010
11	LID Details	Update reference numbers for Chapter 5 LID detail drawings on Standard Street Drawings.	Chapters 4 and 5
12	Transportation Master Plan	Add language saying the City Engineer can require improvements identified in the Transportation Master Plan but not specifically called out in the EDDS (primarily street crossing, enhanced bike lanes and roundabouts).	4A
13	Wider Lane Widths	Move language about increasing travel lane width, and the criteria to determine where wider lane width is needed, from Section 4A.010 to Table 2.	4A.010, Table 2
14	Street Grade Information	Move street grade information from 4B.020.B to Table 2.	4B.020, Table 2
15	East Downtown Streetscape	Modify elements to reflect newer safety-focused designs.	4B.095, Table 6
16	Clear Sight Triangle	Clarify language, including consideration of area with existing development.	4B.150, OMC 18.40.060
17	Bikeways	Remove reference to obsolete 2009 Bicycle Master Plan; update Section.	4D

EDDS #	Topic	Requested Change and Why	Location in EDDS, OMC, etc.
18	Table 1 Changes	(1) Clarify parameters of some street names, changes to some street names, number of required lanes: (2) Clarify/combine headers to reflect Comp Plan street classification: (3) Remove Log Cabin connection east of Boulevard & Hoffman south of Morse Merryman, consistent with Comp Plan Amendment; (4) Clarify Footnote 1 regarding number of lanes: (5) Clarify and corollate Footnote 2 about new streets to applicable streets in Table 1.	Table 1
19	Table 2 Changes	(1) Remove columns for obsolete street classifications and merge cells as applicable; (2) Integrate LID street types into Table 2.	Table 2
20	Table 3 Changes	Delete design speeds and Transit pull outs.	Table 3
21	Bikeways	Update language about bicycle facilities; integrate enhanced bike lanes.	4D.020
22	Streetlight Poles	Add clarifying language.	4F.020, 4F.030
23	Minimum Corner Clearance	(1) Clarify minimum corner clearance distance for signals and stop signs; (2) Update Figure 4 with labels.	4I.060, Tables 19 and 20, Figure 4
24	Sidewalk Cafes	Establish standards drawings.	Drawing
25	Compact Roundabouts	Establish standard drawings.	Drawing
26	Street Trees	Clarify minimum height above sidewalk, streets and on-street parking stalls.	4H.100
27	Tracer Wire & Locate Tape Detail	Add a stand-alone tracer wire and locate tape Standard Drawing	Chapter 5
28	Tapping Contractors	Add additional approved Tapping Contractor	Ch6
29	Fire Service Line	Updated language in 6.106	6.106
30	Disinfecting Watermains	Consider revisions to the disinfection process, incorporating AWWA C651 standard and Water Utility Operations goals. Add sampling requirement for every 1200 feet and at each end of pipe.	6.190
31	2-inch Blow-off Assembly	Reinstate 2015 version of standard plan 6-10.	Drawing 6-10
32	Maintenance Holes	(1) Require hinged MH lids in roadways and composite, lockable lids off roadways/under water; (2) Allow use of composite MHs in certain areas; (3) Require epoxy patching of MHs if or water test fails.	Ch7, 7A.070
33	Video Inspections of Sewer Service Lines	Consider requiring video inspection of every side sewer in a development; may not be clear if this is already required.	7A.070(B)
34	Location of Sewer Taps	Clarify minimum distance from a bell/joint a sewer tap may be locations - 12-18".	7B.080
35	Side Sewers	(1) Remove requirement for separate side sewer for ADU in a different building on the same parcel; (2) Clarify if we require a sewer main or can use a side sewer for multiple duplexes on one site; remove redundant language.	7B.080
36	Sch 80 pipe for STEP systems	Require schedule 80 pipe - schedule 40 is not durable enough.	Ch7, Drawing 7-20A
37	Maintenance Hole Lining	Require all MHs within 400' of the termination (discharge) MH for STEP, grinder and LS force mains be lined, rather than just the first 2.	7C.085, 7F.040
38	Orenco Drawings	Reference or include Orenco residential STEP drawings EDW-FS-S-9 and EDW-WD-S-47?	7E.090
39	Water for Commercial STEP Sites	Require a water service with hose bib (freezeless yard hydrant) for cleaning and maintenance needs. Confirm if a water meter and backflow prevention device is also needed, and who will pay for it.	7E.095
40	Fiberglass STEP Tanks	Consider requiring fiberglass residential STEP tanks to prevent root intrusion.	7E.060

EDDS #	Topic	Requested Change and Why	Location in EDDS, OMC, etc.
41	Generators for Grinder Pumps	Clarify whether a generator is required for sewer connections that use grinder pumps, since it says that the owner pays for power to such a generator.	7F.010
42	Backflow Prevention	A reduced-pressure (RP) backflow prevention device may be required on water services for locations with grinder pumps, per DOH interpretation of regs.	7F, Ch6
43	ARV Assemblies	Make revisions to standard drawing. Consider a smaller vault and lid than currently required. Also, vent cowl may release odors; include carbon canister in lid. Maybe make it more like STEP air release (7-8).	Drawing 7-8A
44	Concrete pad for Commercial STEP	Revise the pad size to match the cabinet sizes with a 1 foot border.	Drawing 7-20
45	Heat-Shrink Wrappers for STEP	Require heat shrink connections instead of wire nuts	Drawing 7-25



## City Council

# 2024 Federal Agenda Approach Overview and Approval of the Draft 2024 City of Olympia Federal Agenda

**Agenda Date:** 12/5/2023  
**Agenda Item Number:** 6.A  
**File Number:**23-1059

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**Type:** decision **Version:** 1 **Status:** Other Business

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### Title

2024 Federal Agenda Approach Overview and Approval of the Draft 2024 City of Olympia Federal Agenda

### Recommended Action

#### Committee Recommendation:

Not referred to a committee.

#### City Manager Recommendation:

Receive an introduction to City's Federal Lobbyists, Rick Desimone and Liz Fortunato of the Desimone Group, an overview of the approach and content of the 2024 Federal agenda and move to approve the draft 2024 City of Olympia Federal Agenda.

### Report

#### Issue:

Whether to receive an introduction to City's Federal Lobbyists, Rick Desimone and Liz Fortunato of the Desimone Group, an overview of the approach and content of the 2024 Federal agenda and move to approve the draft 2024 City of Olympia Federal Agenda.

#### Staff Contact:

Susan Grisham, Legislative Liaison, 360.753.8244

#### Presenter(s):

Susan Grisham, Legislative Liaison  
Rick Desimone, Desimone Consulting Group  
Liz Fortunato, Desimone Consulting Group

#### Background and Analysis:

The City contracts with Desimone Group to represent the City as our Federal lobbyist. Rick Desimone and Liz Fortunato will introduce themselves and provide an overview of their approach to Federal lobbying for the City.

Staff will also present a draft of Olympia's 2024 Federal Agenda for consideration.

**Climate Analysis:**

The City of Olympia's 2024 Federal Agenda includes information regarding the need for federal support related to the City's overall climate change objectives.

**Equity Analysis:**

The City of Olympia's 2024 Federal Agenda includes supporting issues that affect marginalized members of our community to include homelessness and affordable housing, support of mental health and behavioral health resources.

**Neighborhood/Community Interests (if known):**

There are no specific community concerns regarding this item, however many of the items support the needs and interests of Olympia community members.

**Financial Impact:**

Presentation of this item does not have a specific financial impact.

**Options:**

1. Approve the draft 2024 Federal Agenda with no modifications.
2. Provide feedback on the draft 2024 Federal Agenda and approve with modifications.
3. Do not provide feedback or approve the draft 2024 Federal Agenda.

**Attachments:**

Draft 2024 Federal Agenda



# 2024 Federal Agenda

## Deschutes Estuary Restoration Funding

The City of Olympia's 2024 Federal Agenda will engage federal elected officials and government representatives on issues of priority, including securing federal funding that warrants Congressional or other Federal government engagement.

The City is prioritizing policies which:

- Address climate change
- Develop cultural resources
- Support economic and infrastructure development
- Create solutions for housing and homelessness
- Contribute to the City's public safety goals

## Climate Change Response

The City is committed to addressing climate change and will promote efforts related to ongoing work on Olympia's Regional Climate Mitigation Planning and Sea Level Rise Adaptation Planning.

Specifically, the City is the lead coordinating entity for the submission of a nearly \$75 million grant application for the National Oceanic and Atmospheric Administration's (NOAA) Climate Resilience Regional Challenge. Working with other stakeholders including the Squaxin Island Tribe, the Port of Olympia (Port), the Washington State Department of Enterprise

Services (DES), and LOTT Clean Water Alliance (LOTT), the City will organize and manage the grant application to restore the Deschutes Estuary and Build Community Resilience in the South Puget Sound.

This valuable and sustainable work will respond to the longstanding issues related to the clean-up of Capitol Lake and the restoration of the Deschutes Estuary, addresses sea level rise in Budd Inlet to minimize flooding, protects critical infrastructure and assets, and supports and protects coastal ecosystems necessary to help restore salmon and other native species. The comprehensive plan involves design and permitting, construction, estuary and shoreline restoration, landscaping, property acquisition and feasibility studies.

The City will seek federal support for overall climate change objectives that support Olympia's long-standing goals and planning and will specifically engage federal elected officials and representatives regarding the NOAA grant application.

## Developing Cultural Resources

Following on the success of the passage of *Inspire Olympia!* the City has already collected \$3 million to support arts, science and cultural heritage programming. Funding from the additional 0.1% sales tax will also be utilized to develop and support cultural resources including redevelopment of the Armory into a Creative Campus as envisioned by Olympia's citizens.

## Olympia City Council

Cheryl Selby, Mayor  
Clark Gilman, Mayor Pro Tem  
Jim Cooper  
Yến Huỳnh  
Dani Madrone  
Lisa Parshley  
Dontae Payne

## Contact City Council

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Rich Hoey, Asst. City Manager  
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The City continues the planning and evaluation process to convert the Armory into a Creative Campus and additional efforts, including pursuing federal resources, to support the facility's development are underway and will continue as further analysis and planning are completed.

### **Economic Development and Infrastructure**

As part of *Olympia Strong*, the City's federal engagement will focus on education and workforce pathways, housing and sense of security, infrastructure, business enterprise resources, and the City's Brownfield Initiative. With Thurston County's approval as an Economic Development District, more opportunities at the federal level for funding can also be recognized.

The City will engage federal elected official and representatives regarding the shared Economic Development and Housing & Homelessness departments' vision for parking and low-income housing. Working with federal officials, Olympia will seek to establish the resources necessary for planning and design work and eventual construction of a downtown parking structure to repurpose the City's surface parking lots for low-income housing development. The project presents a unique approach and opportunity to solve two challenges in the downtown core, meets climate change and equity goals, and focuses development to a denser setting with public transportation access.

### **Housing & Homelessness**

As Olympia works to support dignity for every member of the community, housed and unhoused, by connecting people to resources, housing initiatives and supporting community partners, federal engagement will include requests for additional resources to support these objectives. Following on the data, purpose and goals established in the One Community Plan, Olympia will share with federal elected officials and representatives the City's challenges, approaches, successes and experiences as a means to help advance and share best practices regarding housing and homelessness policies.

Specifically, the City of Olympia recently submitted a PRO Housing grant to the U.S. Department of Housing and

Urban Development. The City was able to secure support for this grant from Members of Congress. The City will continue to monitor federal funding opportunities and seek support for additional resources and advocate for the aforementioned combined project with the Economic Development department.

### **Public Safety**

The Olympia Police Department provides services, builds partnerships, and enhances public safety to strengthen community trust and improve quality of life for current and future generations, using teamwork, accountability, compassion and integrity to support a safe and vibrant community for all. The City will pursue federal funding support in advancement of its public safety objectives.

### **Overall Approach to Federal Engagement**

The City of Olympia works collectively and collaboratively among staff and departments to:

- Develop strategies to meet the City's federal government affairs objectives.
- Coordinate materials, including background information, written correspondence and the like for presentation to federal officials.
- Provide guidance and support the engagement of federal policymakers including Congressional members and their staff as well as the Administration regarding policy related to the City's interests.
- Coordinate, identify, and work with stakeholders to advocate for agreed upon policy objectives and strategies to achieve success.
- Identify areas of mutual interest between the City and targeted external stakeholders that will help develop and execute strategies to capitalize on those areas of mutual interest where they are beneficial.



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## City Council

# 2024 Legislative Session Overview and Approval of the Draft 2024 Legislative Agenda

**Agenda Date:** 12/5/2023  
**Agenda Item Number:** 6.B  
**File Number:** 23-1057

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**Type:** decision **Version:** 1 **Status:** Other Business

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### Title

2024 Legislative Session Overview and Approval of the Draft 2024 Legislative Agenda

### Recommended Action

#### Committee Recommendation:

Not referred to a committee.

#### City Manager Recommendation:

Receive a briefing on the 2024 Legislative session. Receive an overview of the proposed 2024 Legislative agenda and move to approve the draft 2024 City of Olympia legislative agenda.

### Report

#### Issue:

Whether to receive a briefing on the 2024 Legislative session and an overview of the proposed 2024 Legislative agenda and move to approve the draft 2024 City of Olympia legislative agenda.

#### Staff Contact:

Susan Grisham, Legislative Liaison, 360.753.8244

#### Presenter(s):

Susan Grisham, Legislative Liaison  
Debora Mungia, Capitol Consulting

#### Background and Analysis:

The City contracts with Debora Mungia with Capitol Consulting to represent the City as our lobbyist. Ms. Mungia, will provide Council with an overview of the upcoming 2021 Legislative session, including how the session will be conducted in the midst of a pandemic, items of importance for Cities, and expectations for actions during the session.

Staff will also present a draft of Olympia's Legislative Agenda for consideration and adoption.

#### Climate Analysis:

The City of Olympia's 2024 Legislative Priorities included supporting legislative action related to

climate change and statewide climate justice initiatives.

**Equity Analysis:**

The City of Olympia's 2024 Legislative Priorities included supporting legislative action related to issues that affect marginalized members of our community to include state resources to address homelessness and affordable housing and support of mental health and behavioral health resources.

**Neighborhood/Community Interests (if known):**

There are no specific community concerns regarding this item, however many of the items support the needs and interests of Olympia community members.

**Financial Impact:**

This item does not have a financial impact.

**Options:**

1. Approve the draft legislative agenda with no modifications.
2. Provide feedback on the draft legislative agenda and approve with modifications.
3. Do not provide feedback or approve the draft 2024 legislative agenda.

**Attachments:**

Draft 2024 Legislative Agenda



# 2024 Legislative Priorities



## TAX REFORM

### Revise the Arbitrary Property Tax Cap

- Revise the property tax cap to tie it to inflation, up to 3%, and population growth factors so local elected officials can adjust the local property tax rate to better serve their communities.
- Fix the structural deficit in the city revenue and expenditure model created by the current 1% cap, resulting in a reliance on regressive revenues and artificially restricting the use of property taxes to fund basic services like police, fire, streets, and community amenities like parks.

### Address Regressive Revenue Options

- Efforts to review and revise both state and local tax structures to provide less regressive revenue options to Making the Washington State tax code more fair, adequate, stable, and transparent.
- Changes to the state tax structure that would not negatively impact cities' revenue flexibility to address community needs.

## HOUSING AND COMMUNITY LIVABILITY

### Address Issues of Financial Stability

- Create programs to address the cost of rent, food and childcare as outlined in the Evergreen Basic Income Pilot Program.

### Resources to Address Homelessness

- Continued State support for the operation and management of permanent supportive housing sites.
- Continued State support for the Rights-of-Way Safety Initiative to include city owned Rights-of-Way.

### Resources to Support Affordable Housing

- The creation of new tools, incentives, revenues and resources to increase affordable housing supply, including an approach to transit-oriented development density increases that:
  - Address affordable housing needs.
  - Reflects existing and future community transportation modes.
  - Maintains consistency with local community development needs and promotes multi-modal access to services.
  - Removes barriers to condominium development and ownership.
- State leadership and support for renter/tenant protections, including rent stabilization and tenant screening.
- State resources for moderate and low-income community members to achieve housing stability and pathways to homeownership.
- Support for State funding to South Puget Sound Habitat for Humanity to close the funding gap for the Boulevard Road affordable home ownership project.

## Olympia City Council

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Yến Huỳnh  
Dani Madrone  
Lisa Parshley  
Dontae Payne

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## CLIMATE

### Further Legislative Action Related to Climate Change and Statewide Climate Justice Initiatives

- The use of Climate Commitment Act (CCA) funding for statewide and community based programs that substantially reduce greenhouse gas emissions, with an emphasis on hard-to-decarbonize sectors, as well as low- and moderate-income residents, multifamily housing, and small businesses.
- Actions by the State Legislature to prohibit the extension of new natural gas service and require gas companies to plan for decarbonization and electrification
- Establish a statewide Navigator program (HB 1391) to provide information and resources to help businesses and residents access clean energy incentives and find qualified contractors for energy upgrades and retrofits.
- Establish a statewide home energy assessment and disclosure program that provides a common framework and licensing program for residential energy assessments and disclosures.
- Actions by the State Legislature to reduce waste and develop a circular economy.

### Expand Mental Health and Behavioral Health Resources

- Create greater access to community based mental health and behavioral health resources, to include substance use disorder treatment and dual diagnosis treatment facilities.
- Increased funding to help expand crisis response, co-responder programs, diversion and other programs that provide options beyond law enforcement to assist individuals experiencing behavioral health challenges.
- Increased support to improve workforce and staffing at community treatment centers and to expand treatment facilities; including education funding for professionals to enter the mental health and behavioral health fields.
- Help for families to get family members, who are not minors, into psychiatric care.

### Further Legislative Action to Reduce Gun Violence

- Further State leadership to put safeguards in place to prevent gun violence in public spaces and schools, expanding the prohibition of open carry to all publicly owned facilities.

## PUBLIC HEALTH & SAFETY

### Further Support Regarding Public Safety Reforms

- Direct funding to offset cities' costs for implementing the new Blake/drug possession law—including staffing, law enforcement assisted diversion, co-responder teams, therapeutic courts, and diversion programs.

## OTHER ISSUES OF IMPORTANCE TO OLYMPIA

- Abatement and remediation of housing that were once sites of methamphetamine labs.
- Continued protections related to reproductive and gender affirming healthcare.



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## City Council

# Approval of a Resolution Authorizing the City Manager to Negotiate an Interlocal Agreement with Thurston County and Other Affected Local Governments Regarding Annexation of Olympia's Southeast Urban Growth Area

**Agenda Date:** 12/5/2023  
**Agenda Item Number:** 6.C  
**File Number:**23-1031

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**Type:** resolution **Version:** 1 **Status:** Other Business

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### Title

Approval of a Resolution Authorizing the City Manager to Negotiate an Interlocal Agreement with Thurston County and Other Affected Local Governments Regarding Annexation of Olympia's Southeast Urban Growth Area

### Recommended Action

#### Committee Recommendation:

Not referred to a committee.

#### City Manager Recommendation:

Move to approve a Resolution authorizing the City Manager to negotiate an Interlocal Agreement with Thurston County and other affected local governments regarding annexation of Olympia's Southeast Urban Growth Area.

### Report

#### Issue:

Whether to approve a Resolution authorizing the City Manager to negotiate an Interlocal Agreement with Thurston County and other affected local governments regarding annexation of Olympia's Southeast Urban Growth Area.

#### Staff Contact:

Tim Smith, Deputy Director, Community Planning and Development Department, 360.570.3915

#### Presenter(s):

Tim Smith, Deputy Director, Community Planning and Development Department

#### Background and Analysis:

The State Growth Management Act (RCW 36.70A - GMA) requires that UGAs be developed at urban densities with urban levels of services such as sewer, water, roads, police, fire and parks. These services are best provided by cities and the GMA assumes that unincorporated UGAs will be

annexed over time.

The City studied the feasibility of annexing the southeast portion of its UGA in 2019. A feasibility report was delivered through a contract with Local Planning Solutions. This report profiled the proposed annexation area and provided a high-level analysis of potential annexation phases and impacts.

At a September 2021 meeting, the Council's Land Use and Environment Committee (LUEC) directed staff to proceed with a more detailed annexation fiscal analysis with a focus on General Fund impacts over a twenty-year planning horizon. The City selected ECONorthwest to prepare the analysis in Spring 2022.

The Annexation Feasibility Analysis was completed in January 2023 and a preliminary draft was presented to the LUEC. The analysis was subsequently finalized based on LUEC guidance and then presented to the City's Finance Committee at their regular meeting on May 17, 2023. The Finance Committee requested that longer term financial projections be provided to the City Council. Staff provided this information to the Council at a September 19<sup>th</sup> Study Session.

Staff also provided information on an alternative method of annexation for code cities that allows for annexation of unincorporated areas within a UGA using a jointly approved Interlocal Agreement (ILA) with the County. The ILA may also include special districts such as fire districts within the annexation area. A public hearing must be held by the City and County, either separately or jointly before the ILA is executed. After the public hearing, the City must adopt an ordinance to finalize the annexation.

A primary benefit for using an ILA for annexation is that it allows cities to impose a credit against the State sales and use tax. State law was amended in 2023 (HB 1425) to allow for Olympia to consider use of the annexation sales and use tax credit option. In the past, the sales and use tax credit option was limited to cities within a county with a population of at least 600,000.

At the conclusion of the September 19<sup>th</sup> Study Session, Council directed staff to bring forward a resolution authorizing the City Manager to negotiate an Interlocal Agreement with Thurston County and other affected local governments regarding annexation of Olympia's Southeast Urban Growth Area.

### **Climate Analysis:**

An annexation of the SE Urban Growth Area would result in a higher level of urban services to the annexed area that will encourage infill and urban densities (key climate mitigation strategies). This would be accomplished in part through the City's permitting processes and application of its development standards for zoning, engineering/road design, urban forestry, shoreline, and building codes that in many cases differ from County regulations.

### **Equity Analysis:**

The annexation area has higher employment rates, median household income and percentage that have healthcare coverage compared to other areas of the City according to census data. This is consistent with the Thurston County Stormwater Equity Index that assigns a burden level to specific geographic areas of the City using factors such as education, homeownership rate, poverty rate, unemployment rate, percent of residents using SNAP/food stamps, proximity to services and livability scores. Areas within the SE UGA are assigned as either average, limited or decreased burden levels.

Residents of the SE UGA would no longer pay County road taxes after annexation. However, property taxes would increase in the area. For example, property taxes are estimated to increase by approximately \$115 to \$143 per year for a \$500,000 single family home. Utility rates would likely increase over time as discussed in the feasibility analyses. In exchange, however, a higher level of service delivery would be provided to that area and benefit those community members. Police, fire and medical response, and improved road and stormwater system maintenance are examples of services that would be enhanced over current levels. City housing and climate mitigation programs and regulations would also become available to community members in the annexation area. The City's Transportation Master plan would be implemented over time making alternative modes of transportation more accessible.

Community members within existing Olympia City limits would benefit from increased revenues generated by the Olympia Metropolitan Park District, Transportation Benefit District and the City's Impact Fee program as a result of annexation.

**Neighborhood/Community Interests (if known):**

Annexation proceedings generate substantial agency and community member interest. For any annexation proceeding, the City would follow a process that ensures all interested parties are well-informed and have an opportunity to participate.

**Financial Impact:**

For information on financial impacts of an annexation of the SE UGA, please see the feasibility analysis and supplement to the staff report.

**Options:**

1. Approve Resolution.
2. Do not approve Resolution.
3. Defer decision to a future meeting.

**Attachments:**

Resolution  
Supplement to Staff Report  
Olympia Annexation Feasibility Analysis (2023)  
SE UGA Annexation Feasibility Analysis (2019)

RESOLUTION NO. \_\_\_\_\_

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OLYMPIA, WASHINGTON, AUTHORIZING THE CITY MANAGER TO INITIATE NEGOTIATIONS OF AN INTERLOCAL AGREEMENT WITH THURSTON COUNTY AND OTHER AFFECTED GOVERNING AUTHORITIES REGARDING ANNEXATION OF OLYMPIA'S SOUTHEAST URBAN GROWTH AREA**

**WHEREAS**, the City Council wishes to initiate an annexation through the Interlocal Cooperation Act subject to an interlocal agreement with Thurston County and other affected governing authorities pursuant to RCW 35A.14.296, of the area generally shown in Exhibit A, attached hereto and incorporated by reference as though fully set forth; and

**WHEREAS**, RCW 39.34.010 permits local governmental units to make the most efficient use of their powers by enabling them to cooperate with other localities on a basis of mutual advantage and thereby to provide services and facilities in a manner and pursuant to forms of governmental organization that will accord best with geographic, economic, population and other factors influencing the needs and development of local communities; and

**WHEREAS**, pursuant to RCW 39.34.080, each party is authorized to contract with any one or more other public agencies to perform any governmental service, activity, or undertaking which each public agency entering into the contract is authorized by law to perform: provided, that such contract shall be authorized by the governing body of each party to the contract and shall set forth its purposes, powers, rights, objectives and responsibilities of the contracting parties; and

**WHEREAS**, the City of Olympia studied the feasibility of annexing the southeast portion of its UGA in 2019. A feasibility report was delivered through a contract with Local Planning Solutions. This report profiled the proposed annexation area and provided a high-level analysis of potential annexation phases and impacts; and

**WHEREAS**, the City contracted with ECONorthwest in 2022, to prepare a more detailed annexation fiscal analysis with a focus on General Fund impacts over a twenty-year planning horizon. The fiscal analysis was presented to the City Council for discussion at a Council Study Session on September 19, 2023; and

**WHEREAS**, the City Council also discussed at the September 19, 2023 study session the State of Washington Second Substitute House Bill 1425 that amended RCW 35.13.470 and RCW 82.14.415 that authorizes the City of Olympia to impose a sales and use tax credit when annexing unincorporated territory pursuant to an interlocal agreement;

**NOW, THEREFORE, THE OLYMPIA CITY COUNCIL DOES HEREBY RESOLVE** and declares its intent to authorize the City Manager to initiate negotiations with Thurston County and other affected governing authorities for annexation of the area generally described in the attached Exhibit A through the Interlocal Cooperation Act subject to an interlocal agreement, pursuant to RCW 35A.14.296.

**PASSED BY THE OLYMPIA CITY COUNCIL** this \_\_\_\_\_ day of \_\_\_\_\_ 2023.

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

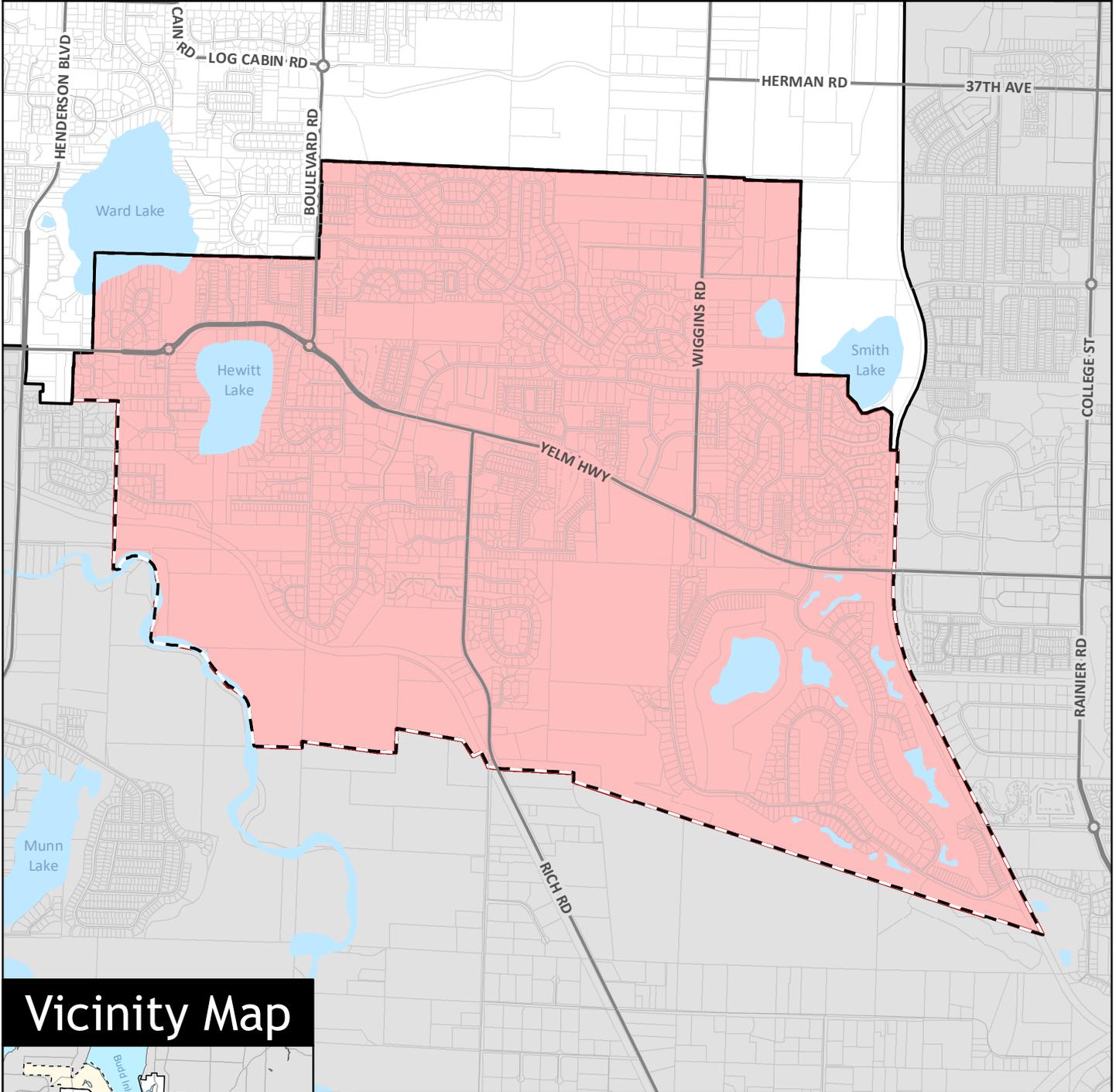
APPROVED AS TO FORM:

Mark Barber  
CITY ATTORNEY

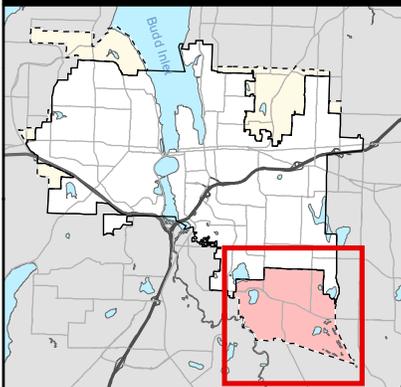


# SE UGA Annexation Area

# EXHIBIT A



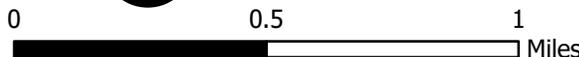
## Vicinity Map



- City Limits
- SE UGA
- Thurston County
- Parcels



1 inch = 2,000 feet



This map is intended for 8.5x11" portrait printing.

The City of Olympia and its personnel cannot assure the accuracy, completeness, reliability, or suitability of this information for any particular purpose. The parcels, right-of-ways, utilities and structures depicted herein are based on record information and aerial photos only. It is recommended the recipient and/or user field verify all information prior to use. The use of this data for purposes other than those for which they were created may yield inaccurate or misleading results. The recipient may not assert any proprietary rights to this information. The City of Olympia and its personnel neither accept or assume liability or responsibility, whatsoever, for any activity involving this information with respect to lost profits, lost savings or any other consequential damages.

# Supplement to Staff Report

## City Council Study Session – September 19, 2023

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### 1. Methods of Annexation

*Petition Method.* The most common method of annexation for code cities is the Petition Method. Annexations of this type require a petition with signatures of property owners representing 60 percent of the assessed value of an area proposed for annexation. The City currently has Annexation Commitments (also referred to as Waivers of Protest) for more than 60 percent of the assessed value for the SE Urban Growth Area (UGA). Annexation Commitments are recorded documents that property owners sign in exchange for receiving utility service at City rates to a property located in the unincorporated Olympia UGA. Under this commitment, the City has power-of-attorney to sign an annexation petition on behalf of the property owner. Upon City Council acceptance of a petition to annex, the City Council will hold a public hearing on the proposed annexation. A decision to approve the annexation petition would move to the Thurston County Boundary Review Board (BRB) for approval. Once the BRB approval is obtained, the City Council may adopt an ordinance. Council decisions on annexations using the petition method are not appealable.

*Interlocal Agreement.* The State Legislature established an alternative method of annexation for code cities that allows for annexation of unincorporated areas within a UGA using a jointly approved Interlocal Agreement (ILA) with the County. The ILA may also include special districts such as fire districts within the annexation area. A public hearing must be held by the City and County, either separately or jointly before the ILA is executed. After the public hearing, the City must adopt an ordinance to finalize the annexation.

A primary benefit for using an ILA for annexation is that it allows cities to impose a credit against the State sales and use tax. State law was amended in 2023 (HB 1425) to allow for Olympia to consider use of the annexation sales and use tax credit option. In the past, the sales and use tax credit option was limited to cities within a county with a population of at least 600,000.

The annexation sales and use tax credit is a credit on the current State sales tax rate of 6.5% and does not impact the overall City rate of 9.5%. The credit “shifts” a maximum of 0.1% of sales tax revenue collections from the State to the City. Estimated 2023 sales tax collections for 0.1% is \$3.1M. This credit amount would fill the gap for several years between General Fund revenues and expenses illustrated in Exhibit 1 in the Executive Summary for the 2023 Feasibility Analysis. The City would then have some time to evaluate other revenue streams to cover projected long-term costs. There are caveats to the use of this revenue:

- revenue from the sales tax credit must be used in the annexation area;
- the duration of the credit is 10 years from when first imposed;
- the earliest the sales tax credit becomes effective is July 1 of the fiscal year following the year of annexation;

- the credit is available to fill the gap between City expenditures in the annexation area less earned revenue from the annexation to a maximum of the 0.1% credit; and
  - the City must report annually to the Department of Revenue the City's true and actual costs to provide municipal services to the annexation area.
2. Fire Service. Both the 2019 and 2023 analyses provide in depth discussions about the impacts of extending City fire services to the annexation area. The area is currently served by both Fire Districts #3 (Lacey) and #6 (East Olympia). The 2023 Feasibility Analysis assumes the Olympia Fire Department will take on responsibilities for fire service north of Yelm Highway upon annexation and contract with Fire District #6 to service the area south of Yelm Highway until 2029. This would coincide with the construction of a new fire station in the annexation area to ensure response times are maintained. This is not a firm date and would be established as part of an ILA process discussed above. The impacts to the City and Fire District #6 could be mitigated by entering into an ILA that would allow for a gradual transfer of responsibilities, as well as lessen the immediate fiscal impact to both jurisdictions. Fire District #3 could also be included in the ILA but the district has not expressed interest at this time, likely because the overall revenue impact of an annexation to the District is minimal.

The need for a new fire station in the annexation area is identified as a capital cost in the 2023 Feasibility Analysis. The analysis does not identify any off-setting revenues such as a voter-approved bond.

3. General Summary of Annexation Costs and Benefits to the City

The 2019 and 2023 analyses identify the financial costs. The 2023 analysis has more detailed information specific to costs over time with a focus on the City's General Fund. Costs would increase over time due to the substantial increase in population and square mileage and the costs primarily associated with expanded fire and police services, and streets and roads maintenance. The analysis also identifies the need for a one-time capital cost for a new fire station.

Impacts to the two City-provided utilities, stormwater and solid waste are also identified. The stormwater utility will incur one-time capital costs and ongoing service costs. The utility is largely supported by user fees that would need to be adjusted over time. The City also applies a 50% surcharge to water and sewer customers in the UGA that do not sign an Annexation Commitment. This surcharge would be removed at the time of annexation.

The solid waste utility will also incur one-time capital costs and ongoing costs to service the area. The utility is also primarily funded by user fees and would need to be adjusted over time. In accordance with State law, the City would take over solid waste service ten years after annexation.

Several benefits to annexation include the following:

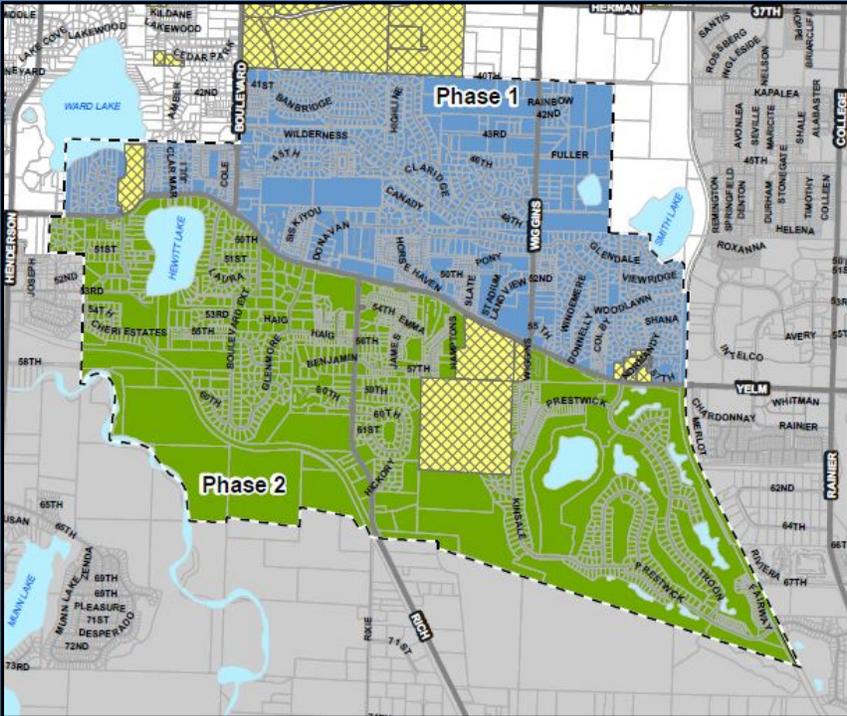
- Olympia Metropolitan Park District (OMPD) would apply to the annexation area. The OMPD is a junior property taxing district with special taxing authority for the management, control, improvement, maintenance, and acquisition of parks, pathways, boulevards, recreational facilities, programs, and services.
- Olympia has a Transportation Benefit District (TBD) that charges \$40 for every registered vehicle in the City that would be expanded to include the annexation area. The purpose of the TBD is to fund preservation and construction of the City's road system.
- Real estate excise tax (REET) and impact fee revenues would increase with the annexation. The City would start collecting transportation and park impact fees for new development in the annexation area. Impact fees are intended for use to address transportation and park needs resulting from impacts of growth. The City currently relies on the State Environmental Policy Act (SEPA) to request SEPA mitigation fees for only certain SEPA eligible new development projects under permitting by Thurston County.
- Annexation would ensure new development in the annexation area meets current City zoning regulations. The County and cities within Thurston County agreed in the mid-1990s that zoning and development regulations adopted by cities would be implemented by the County in the UGAs to ensure new development occurred at urban densities, consist with requirements of the State Growth Management Act. Since that time, regulations in the County have not been consistently updated to incorporate code amendments made by Olympia. There is currently an estimated 10-year backlog. Examples of Olympia code changes not yet adopted by Thurston County include updated signage, parking, design review and street/road standards, and zoning changes to encourage more housing options and infill.
- Annexation would allow community members in the annexation area to be eligible for programs currently offered only within current Olympia City limits including housing and climate mitigation programs. One example is Energize Olympia, a heat pump group purchase campaign supported by a partnership between the City, South Puget Sound Habitat for Humanity, and Spark Northwest.



# SOUTHEAST URBAN GROWTH AREA ANNEXATION FEASIBILITY ANALYSIS DRAFT

NOVEMBER  
2019

NOTE: FIRE SERVICES SECTION UPDATED MAY 2020



## Who is this report for?

This report is directed toward several audiences. It is intended to assist the City's elected officials, executive and department managers, and staff. It is also hoped that members of the general public will find the information useful, either as a source of information regarding the details of the specific study areas, or as a general explanation of the factors that the City takes into account when deciding whether or not to annex.

Because this report is intended for a variety of users, some information may be of more interest to one reviewer than another. There is a level of detail regarding costs, revenues, etc. on a department-by-department basis that may be of more use to staff and managers within those departments than what is necessary for a decision maker, for whom the included summaries may be of more use.

## Introduction

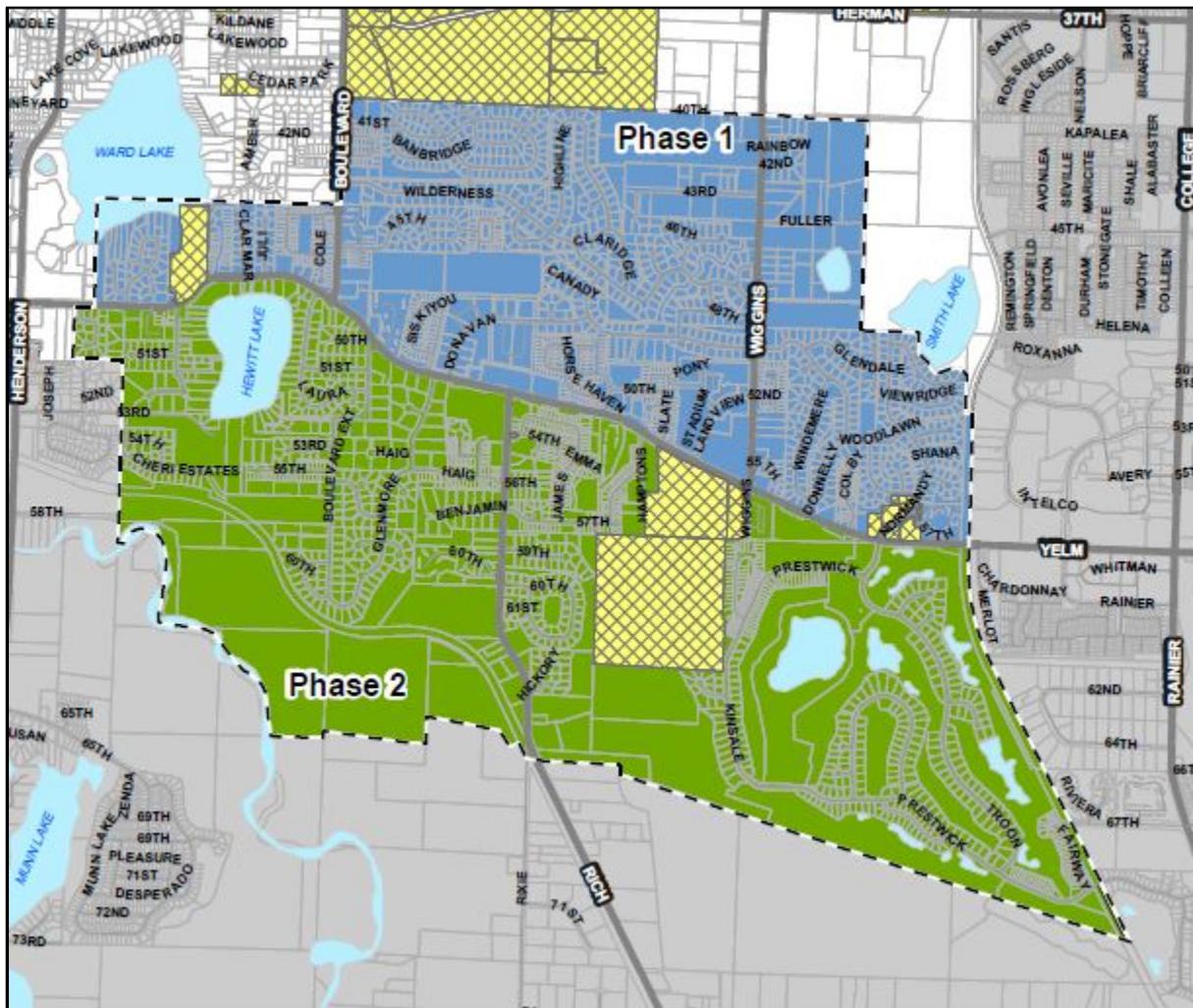
Under the State Growth Management Act (GMA), cities and counties work together to establish areas that the cities are expected to annex to accommodate future growth, and these areas are referred to as Urban Growth Areas (UGAs). Using population projections developed by the State Office of Management and Budget, jurisdictions use their best planning judgment to establish a UGA boundary sufficient to meet a 20-year growth projection. A key element for accommodating growth is to develop a strategy for providing an urban level of service so that the annexed population will have public sewer and water, and that roads will be developed to urban standards. For this reason, UGAs are the only areas outside a city's jurisdiction where the city has the authority to provide sewer and water. Often, cities and counties partner on large projects within their UGAs, such as road projects. This results in a unique situation where both the City of Olympia and Thurston County staff have detailed information regarding the UGA, even though it is still within the County's jurisdiction.

The City of Olympia has an annexation program that has resulted in the elimination of all the County islands within its jurisdiction. The City does an annual evaluation of whether circumstances are in favor of annexing any more of its UGA. Determining whether the timing is right to complete an annexation requires a careful examination of several factors, such as:

- Adding more land and people to the city can impact emergency services. Existing levels of service for police and fire protection could be negatively impacted unless the city is prepared to add more staff and equipment.
- City department such as Public Works may be impacted by the need to maintain more miles of roadway, sidewalks, stormwater facilities, etc.
- The annexation area may have existing infrastructure needs – such as a bridge replacement – that could bring significant costs to the annexing city.
- The annexation area may be deficient in the number of parks, playgrounds, or open space that could require the annexing city to develop facilities or acquire land to meet its own level of service standards.
- The existing tax base for the annexation area may not supply the revenues necessary to offset the costs required for the annexing city to meet its standard levels of service.

- The residents within a potential annexation area may not be supportive of annexation. Of the many types of annexation processes that are provided by statute, many can be overturned by referendum if enough residents object. Because of the cost to the City of completing an annexation, it is important to factor in whether the annexation can be reversed through referendum.
- The affected County may object to the annexation, particularly for areas where there have been recent expenditures on improvements to an area, or areas the County stands to lose significant tax revenues. Similarly, fire districts can lose tax revenues that support their overall operations. Counties and fire districts have the ability to influence the approval or outcome of an annexation by “invoking jurisdiction” through the local Boundary Review Board. Early coordination and communication with the County and fire district (and any other special district that has the potential to be affected) is important.

### The Study Areas



The starting point for this study is Olympia’s Southeast Urban Growth Area (SE UGA). This is a large area of over 2.5 square miles and population of nearly 7,000 residents. Early in the study it was decided, in addition to studying the SE UGA as a whole, that smaller divisions within the UGA would be analyzed to explore whether future annexation of the area should be incremental.

Because there are numerous possibilities for dissecting the SE UGA into smaller study areas, some criteria were used as guidelines:

- Any potential study area should be safe from being overturned by referendum if annexed. The City of Olympia’s strategic approach to annexation has always been to annex only those areas where there are sufficient existing petitions from the residents within the area to be annexed to ensure that the annexation cannot be reversed. The City’s method for obtaining these petitions has typically been a requirement to complete a “waiver of protest” to annexation in exchange for the extension of City utilities (water and/or sewer). Typically, as growth occurs in the UGAs, especially through land subdivision, waivers of protest are collected. These are the functional equivalent of a direct petition of the property owner. When the number of “petitions” exceeds the threshold of 60% of a potential annexation area, the City has eliminated the risk of having the action overturned by referendum.
- The study area should have a “logical boundary.” The annexation statute requires that any proposed annexation area not create islands or peninsulas. Generally speaking, the area should extend the City’s boundaries in a manner that does not have the services of neighboring jurisdictions crossing over each other’s boundaries to reach their service areas.
- Each time a City annexes territory there are costs. Annexations are involved processes that require a great deal of outreach and communication with residents, businesses, neighboring jurisdictions and state agencies. Developing Fact Sheets, maintaining a web site, holding public meetings and hearings require staff time and public resources, so from this perspective there is an incentive to annexing the largest logical territory to reduce repeated annexation costs.

Following the criteria above, it was decided to primarily analyze two annexation options. First, the information regarding the infrastructure and services for the entire SE UGA have been obtained to evaluate the benefits and costs of annexing the entire area. The second scenario is a phased approach that would be accomplished by annexing the area of the SE UGA that is north of Yelm Highway first (Phase 1), to be followed by the area south of Yelm Highway (Phase 2) at a later date. Throughout this study, information is provided for the North, South and Total Study Area to provide a basis to evaluate and compare the costs and revenues of annexation as well as the impacts to emergency services.<sup>1</sup>

Although data and information are provided for the South study area, it should not be assumed that the South study area could be annexed independently from the North study area. The annexation statutes

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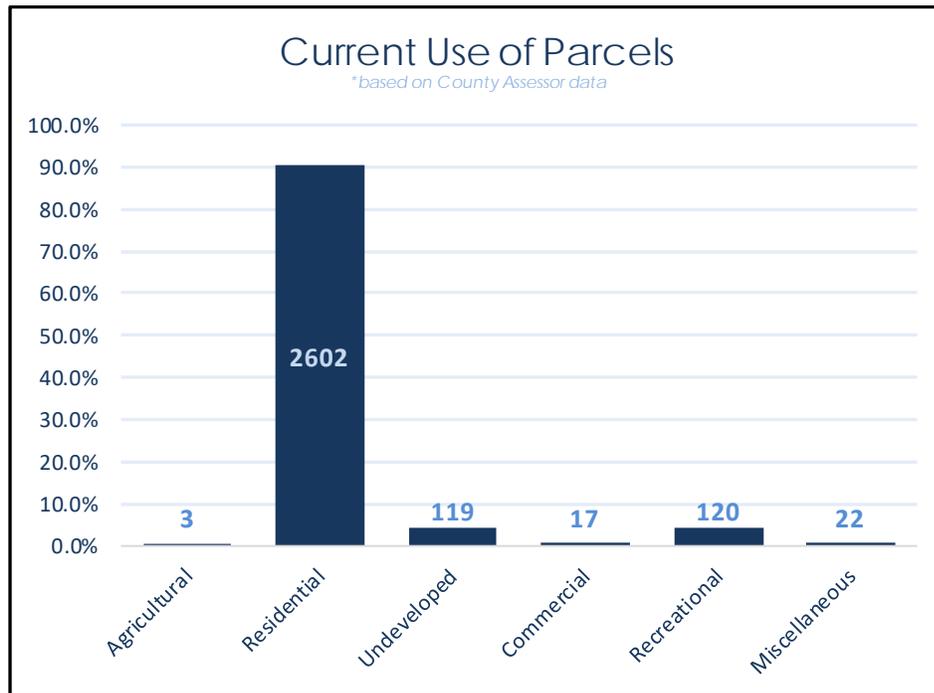
<sup>1</sup> **NOTE:** In response to direction from the City’s Land Use & Environment Committee and Executive Management, an abbreviated analysis of another scenario is provided as an appendix to this study. This is the northeast portion of the North study area, located in the vicinity of Ward Lake and the Newcastle subdivision.

would not allow the North study area to be skipped over in favor of the South study area, as that would create a County island. The only way the South study area could be annexed would be if it were annexed as a “Phase 2,” following annexation of the North study area, or if the entire SE UGA (both North and South study areas combined) were annexed simultaneously.

**Study Area Profile**

The SE UGA is almost entirely residential, and the types of residences are almost entirely single-family homes. There are 51 residential subdivisions. There is a wide range in the age of the developments, ranging from Sten Village, which was platted in 1968, to the Ridge at Ward Lake, which was completed in 2018. Those subdivisions that were platted decades ago, particularly before the era of Growth Management, continue to be served by septic systems, with many also on private wells or community water systems.

Of the nearly 2,900 parcels in the total study area, approximately 2,350 are single family residential. There are five condominium developments that have 193 “parcels,” combined. There are 11 apartments of 5 or more units, and 49 multi-family (either duplex or four-plex) units. Notably, there is only one parcel categorized as Industrial, and only 17 parcels that are categorized as Commercial. The remainder of the parcels in the SE UGA are a mix of vacant land, recreation, open space, etc.



The average assessed value of single-family residences in the SE UGA is \$355,000, which is indicative of well-established neighborhoods. The Indian Summer development, located in the South study area, has 226 residences with an average assessed value of approximately \$560,000, bringing the overall assessed values of the South study area up:

**Average Assessed Values**

North	South	Total Study Area
\$316,171	\$398,431	\$355,227

From the standpoint of tax revenues, future development potential with the study area is limited by the fact that this is primarily a residential area. The opportunity to realize higher assessed values related to commercial properties, sales tax, Business & Occupation tax, business licensing, etc. does not exist on a significant level. And of the nearly 2,900 parcels in the study area, only 148 – or 5 percent - are vacant land, and certainly not all of this land will be developable due to the presence of critical areas, etc. Therefore, the potential increased overall assessed value due to residential or multi-family buildout is also limited.

The total assessed value of the study area is slightly over \$970 million. At Olympia’s current levy rate, the revenues from property taxes would be approximately \$2.6 million annually. Annexation of the study area would also result in over \$500 thousand in additional property tax revenues to the recently established Olympia Metropolitan Parks District.<sup>2</sup> This represents a 13% increase in the City’s current total property tax revenues:

**General Profile of Study Areas**

	North	South	Total Study Area
<b>Population</b>	3,632	3,151	6,783
<b>Dwelling Units</b>	1,752	1,276	3,028
<b>Parcels</b>	1,550	1,334	2,884
<b>Acres</b>	603	1,041	1,644
<b>Assessed Valuation</b>	\$484,407,440	\$485,630,190	\$970,037,630
<b>Property Tax Assessment</b>	\$1,299,836	\$1,303,162	\$2,602,988
<b>Oly Metro Parks Assessment</b>	\$262,835	\$263,507	\$526,342
<b>Total Assessment<sup>3</sup></b>	<b>\$1,562,671</b>	<b>\$1,566,669</b>	<b>\$3,129,340</b>

City of Olympia 2019 Assessment: \$19,370,780

Oly Metro Parks 2019 Assessment: \$3,922,756

**Percent increase tax revenues by study area:**

	North	South	Total Study Area
<b>City of Olympia</b>	6.7	6.7	13.4
<b>Metro Parks</b>	6.7	6.7	13.4

<sup>2</sup> See the Parks, Arts and Recreation section for more discussion of this.

<sup>3</sup> The assessment is derived from applying Olympia’s current annual levy rate of \$2.72/\$1,000 of assessed valuation and the Olympia Metro Park District’s annual levy rate of \$.55/\$1,000 of assessed valuation to the total assessed valuation of each study area. NOTE: The assessed valuation of tax-exempt properties owned by the City of Olympia and the Olympia School District, which totaled \$6,526,400, were subtracted from the total assessed values before applying the levy rate.

<b>Total</b>	6.7	6.7	13.4
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**Population and Area Upon Annexation and Percent Increase**

	<b>City of Olympia 2019</b>	<b>North</b>	<b>South</b>	<b>Total Study Area</b>
<b>Population</b>	52,490	56,122 – 7%	55,641 – 6%	59,273 – 13%
<b>Dwelling Units</b>	23,213	24,965 – 8%	24,489 – 5%	26,241 – 13%
<b>Square Miles</b>	20.1	21.0 – 5%	21.7 – 8%	22.7 – 14%
<b>Acres</b>	12,863	13,465 – 5%	13,904 – 8%	14,507 – 13%

**Vacant Land**

	<b>North</b>	<b>South</b>	<b>Total Study Area</b>
<b>Parcels</b>	65	83	148
<b>Acres</b>	55	216	271
<b>Assessed Value</b>	\$2,683,200	\$8,124,800	\$10,808,000

## Emergency Services

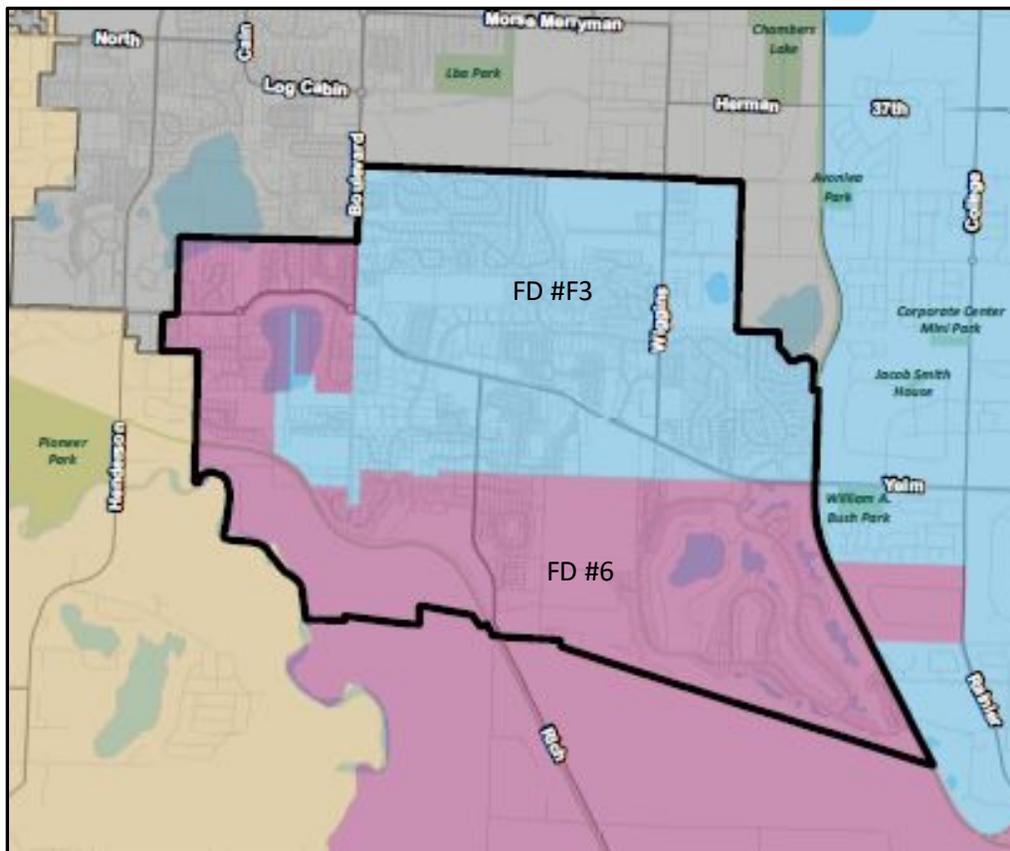
### Fire Districts

All of the potential annexation areas being reviewed in this study are currently being served by Fire Protection Districts. Upon annexation – or shortly thereafter - the City of Olympia’s Fire Department would become the service provider.

The transfer of fire protection and emergency services to the city has the potential to impact both the city and the fire district. First, the loss of territory to the affected fire district also means a loss of property tax revenue. Very large annexations could result in a significant enough loss of revenue that Fire District staffing and operations could be negatively impacted.

The areas being analyzed for this study have two fire districts which would see some degree of impact as a result of annexation. In the Southeast UGA Study area, Lacey Fire Districts #3 and East Olympia Fire District #6 would see a reduction in service area.

### SE UGA Annexation Study Area: Fire District Boundaries



The three main potential impacts to the affected fire districts are 1) loss of property tax revenue, 2) loss of assets through a required transfer to the annexing city, and 3) a loss/transfer of personnel. Impacts

have been evaluated by considering the entire SE UGA, as well as the areas north (Phase 1) and south (Phase 2) of Yelm HW separately. While the property tax revenues for Fire District #3 are included here, the analysis will focus on Fire District #6. This is because the impacts to Fire District #3 are expected to be minimal, which is borne out by the projected revenue impacts. A meeting with Fire District #3 was also held, during which the District stated it had no concerns about a future annexation of the SE UGA.

- Revenue Impacts

The property tax revenue impacts to Fire Districts #3 and #6 are displayed in the table below. One factor in this revenue summary that is important to understand is that any fire district revenues derived from special levies is not affected by annexation:

**RCW 35A.14.500**

**Outstanding indebtedness not affected.**

When any portion of a fire protection district is annexed by or incorporated into a code city, any outstanding indebtedness, bonded or otherwise, shall remain an obligation of the taxable property annexed or incorporated as if the annexation or incorporation had not occurred.

Fire District #6’s levy rate is currently \$1.65 per \$1,000 of assessed property values. Of this rate, \$1.41 is the regular rate and \$.24 is the excess – or special – levy. Fire District #3 receives \$1.59 per \$1,000, with a regular rate of \$1.47 and an excess rate of \$.12. Calculated impacts to the Districts are based on the loss of the regular levy rate. The revenue impacts are contextualized by showing what the revenue losses represent relative to each Fire District’s total annual property tax revenues. Total revenues were obtained from data obtained from the Thurston County Assessor’s Office.<sup>4</sup> Total revenues for tax year 2019 are estimated to be \$2,543,158 for Fire District #6 and \$17,537,280 for Fire District #3. The following tables provide a summary for the SE UGA as a whole as well as if the UGA were annexed in phases. The percent reduction to the district’s overall property tax revenue is highlighted as a key indicator of the impact of an annexation on the district:

**Fire District #3 Property Tax Summary**

Study Area	Parcels/Dwelling Units	Assessed Value	Property Tax Revenue	Property Tax Revenue Loss	Percent Reduction of District’s Property Tax Revenue	Continuing Excess Levy Revenue
Phase 1- North	1,358/1,564	\$428,928,540	\$681,997	\$630,526	<b>3.6%</b>	\$51,471
Phase 2- South	514	\$168,606,600	\$268,085	\$247,852	<b>1.4%</b>	\$20,233
SE UGA	1,872	\$597,535,140	\$950,062	\$878,378	<b>5%</b>	\$71,704

Based on: 2019 Total Levy of \$17,537,280

<sup>4</sup> Summary of Taxing District Levies and Increases from Tax Years 2016 to 2019.

2019 Regular Levy Rate of \$1.47/\$1,000  
 2019 Excess Levy Rate of \$.12/\$1,000

**Fire District #6 Property Tax Summary**

Study Area	Parcels/Dwelling Units	Assessed Value	Property Tax Revenue	Property Tax Revenue Loss	Percent Reduction of District's Property Tax Revenue	Continuing Excess Levy Revenue
Phase 1-North	192/188	\$55,478,900	\$91,540	\$78,225	<b>3.1%</b>	\$13,315
Phase 2-South	820/761	\$317,023,590	\$523,088	\$447,003	<b>17.6%</b>	\$76,085
SE UGA	1,012	\$372,502,490	\$614,628	\$525,228	<b>20.7%</b>	\$89,400

Based on: 2019 Total Levy of \$2,543,158  
 2019 Regular Levy Rate of \$1.41/\$1,000  
 2019 Excess Levy Rate of \$.24/\$1,000

The best indicator for predicting the impact of an annexation on the affected fire district is to calculate the expected loss of property tax revenues as a percentage of the fire district's total revenues. At a 2019 levy total of \$17,537,280, annexation of the entire SE UGA would result in a relatively minor reduction of 5% to Fire District #3. In a discussion with the Fire District regarding potential annexation of the SE UGA, the Fire District did not express a concern that this loss of revenue would have a significant impact that would require a reduction in staff or the ability to maintain its current service levels. The Fire District expressed a willingness to work with the City of Olympia to accomplish a transition of services following annexation. One idea that emerged from the discussion with Fire District #3 was that future annexation could also be an opportunity to adjust service boundaries between the districts and the City of Olympia.

Early in the deliberations by the City of Olympia's Land Use and Environment Committee, when the discussions of whether to complete an annexation feasibility study were underway, Fire District #6 expressed concerns about the impacts that annexation of the entire SE UGA would have. In a letter dated January 2, 2018, Fire Chief Warren Petersen noted that a large portion of the SE UGA falls within Fire District #6. Citing the potential impacts to the District, the letter requested that an incremental approach be considered. Among a couple options that were suggested, one was to use Yelm Highway as a boundary to phase any future annexations. This was reiterated during a kickoff/information gathering meeting in the early stages of this report. The concerns of the Fire District have been taken into consideration, and this study has adopted the Fire District's suggestion to use Yelm Highway as the boundary to evaluate a phased approach as one annexation scenario.

Based on an expected impact of nearly 21% to Fire District #6's overall revenues, the concerns that annexation of the entire SE UGA are well-founded. Were the City to only annex Phase 1, north of Yelm Highway, the impact would be relatively small at 3.1%. However, since the area within Phase 2

represents over 17% of Fire District #6's total regular property tax revenues, any annexation of Phase 2 will likely require some form of mitigation to assist in the transition from the Fire District to the City.

- Impacts to Assets

In certain situations, the annexation statute requires a transfer of assets from the entity being annexed. The annexation of the SE UGA would trigger the requirements for a transfer of assets because this area exceeds 5 percent of Fire District #6's territory. When more than 5, but less than 60 percent of the area of a fire district is annexed to a city, the fire district is allowed to retain its assets, but must pay the city a percentage of the value of its total assets equal to the percentage of the value of the real property that has been annexed into the city.

For Fire District #6, annexation of the entire SE UGA, or a future annexation of the territory south of the UGA, will result in the requirement for a payment to the city. This payment can be in the form of cash, properties, or contracts for services, and will be discussed in more detail below.

- Impacts to Personnel

The annexation statute has anticipated this potential impact on fire districts and provides for the transfer of employees from the Fire District to the annexing municipality:

**RCW 35A.14.485**

**Annexation of fire districts—Transfer of employees.**

(1) If any portion of a fire protection district is proposed for annexation to or incorporation into a code city, both the fire protection district and the code city shall jointly inform the employees of the fire protection district about hires, separations, terminations, and any other changes in employment that are a direct consequence of annexation or incorporation at the earliest reasonable opportunity.

(2) An eligible employee may transfer into the civil service system of the code city fire department by filing a written request with the code city civil service commission and by giving written notice of the request to the board of commissioners of the fire protection district. Upon receipt of the request by the civil service commission, the transfer of employment must be made. The needed employees shall be taken in order of seniority and the remaining employees who transfer as provided in this section and RCW [35.10.360](#) and [35.10.370](#) shall head the list for employment in the civil service system in order of their seniority, to the end that they shall be the first to be reemployed in the code city fire department when appropriate positions become available. Employees who are not immediately hired by the code city shall be placed on a reemployment list for a period not to exceed thirty-six months unless a longer period is authorized by an agreement reached between the collective bargaining representatives of the employees of the annexing and annexed fire agencies and the annexing and annexed fire agencies.

The annexation of the SE UGA, or specifically the area south of Yelm Highway, would impact Fire District #6 significantly enough that a transfer of one or more employees would be likely unless there is a strategy to phase the transition of emergency services over time.

## Olympia Fire Department

Annexations that significantly increase the service area of the annexing city can result in the need for more staffing, equipment and facilities. While this is anticipated in the statute, there is always the potential need for equipment and facilities that may not be something that the annexed Fire District has the resources to provide. Therefore, integrating a newly annexed area into a city's service area can have impacts, ranging from staffing levels, to distribution of staff, to even needing new trucks or a fire station.

- Response Times

The biggest potential impact of annexation would be the need to re-locate one of the City's existing fire stations to maintain response times. The closest station currently is located at Boulevard and 22<sup>nd</sup> Avenue. The proposed location for a new station would be in the vicinity of Log Cabin and Boulevard. The cost of a new station has been estimated at \$10 million. The Fire Department indicates that if the City is to be the primary service provider, a new station would be needed even if only Phase 1 were to be annexed.

- Budget and Staffing

There is no direct way to measure how annexation might benefit the Fire Department from the standpoint of increased revenues. Unlike the fire districts, which are entities that have a dedicated source of property tax revenues, the Fire Department receives a budget as a department within the City as a whole. Therefore, any increases to the Fire Department's budget as a result of annexation are ultimately at the discretion of the City Council.

The Department has two primary revenue sources. Of the Department's 2019 budget of \$17,232,033, approximately 25% (\$4,245,689) was anticipated to be covered by program revenues, primarily related to the Department's fire prevention functions, which receive fees for reviews of new commercial and residential construction, as well as inspections. After deducting the program revenues, the remainder of the Department's budget is covered by transfers from the City's General Fund.

To estimate the potential costs and revenues of annexation to the Fire Department, this report uses the Department's 2019 budget to establish a baseline level of service for the City's 2019 population of 52,490. Adding the population increase that would occur under each of the annexation scenarios, the costs and revenues to the Department are estimated based on the percentage population increase.

**Costs and Revenues Based on 2019 Budget Level of Service**

	<b>2019 Budget</b>	<b>North – 7% population increase</b>	<b>South – 6% population increase</b>	<b>Total Study Area – 13% population increase</b>
<b>Administration</b>	\$2,086,482	\$2,232,536	\$2,211,671	\$2,357,725
<b>Deployment – Medical and Technical</b>	\$14,234,383	\$15,230,789	\$15,088,445	\$16,084,853
<b>Fire Prevention</b>	\$911,168	\$974,950	\$965,838	\$1,029,620
<b>TOTAL EXPENDITURES</b>	\$17,232,033	\$18,438,275	\$18,265,954	\$19,472,198
<b>Program Revenues</b>	\$4,245,689	\$4,542,887	\$4,500,430	\$4,797,629
<b>NET GENERAL FUND EXPENDITURE</b>	\$12,986,344	\$13,895,388	\$13,765,524	\$14,674,568
<b>NET GENERAL FUND COST OF ANNEXATION</b>	<b>\$0</b>	<b>\$909,044</b>	<b>\$779,180</b>	<b>\$1,688,224</b>

The above level of service approach assumes a uniform, across the board increase in costs and revenues based entirely on population increase. While this provides a snapshot of impacts to the Fire Department, there may be unique characteristics within the SE UGA study area that don’t reflect the City’s population as a whole. For example, the SE UGA study area is almost exclusively residential. Commercial inspections and plans review are likely to be limited. In addition, the Study Area is largely “built out” with single family residences, so there is likely to be less permit review for new construction than in other parts of the City. However, given the added population of nearly 7,000 residents for the entire study area, it is expected that emergency medical services would be impacted, perhaps more in the Study Area than in other parts of the City.

A comparison of the expected costs to the City’s Department with the current property taxes collected by Fire Districts 3 & 6 (including the excess levy) shows that the level of service approach to calculating impacts to the Department appears to be reasonable:

	<b>Combined Property Tax Revenues for Fire Districts 3 &amp; 6</b>	<b>Level of Service Estimate for Olympia Fire Department</b>
<b>Phase 1 - North</b>	\$773,537	\$909,044
<b>Phase 2 - South</b>	\$791,173	\$779,180
<b>Total Study Area</b>	<b>\$1,564,710</b>	<b>\$1,688,224</b>

Assuming the current property tax revenues is a direct reflection of the cost of providing services to the above service areas, the estimated cost of providing those same services by the Olympia Fire Department is comparable. Looking at the study area as a whole, the estimated cost of services is \$123,514 more than the current combined revenues for the fire districts for the same area.

### **Fire Response Times & Infrastructure Needs**

A key factor in the decision whether an area should be annexed is the ability to the Olympia Fire Department to respond to emergencies in a timely manner. The recommended National Fire Protection Agency (NFPA) response time is 5 minutes, 33 seconds.<sup>5</sup> The Department strives to maintain this response time for all areas it serves. As the Department’s service area expands, however, it also requires having stations that are strategically located so that the response times can be maintained.

The closest fire station to the annexation study area is located at the corner of 22<sup>nd</sup> Street and Boulevard Avenue. The Department has indicated that it currently only has the ability to provide service to the Phase 1 – North Study Area and still maintain its response time standards. To adequately serve the entire study area, the Department would need to develop another facility that is more closely located to the Phase 2 – South Study Area. Depending on the scale of the facility, cost estimates have ranged as high as \$10 million, though no firm estimates have been developed.

In light of the capital expenditures that would be required to provide service to the entire study area, any future annexation will require a strategy to ensure that services will be maintained, while ensuring that costs are minimized and, if possible, spread out over a transition period. The two most likely scenarios, at least with respect to fire and emergency medical services, would be as follows:

- Just annex Phase 1 – North Study Area. This would not require the construction of any new facilities.
- Annex the entire study area, but enter into an interlocal agreement with one or more fire districts to continue to provide services to the Phase 2 – South Study Area.

### **Strategies to Address Potential Impacts**

- Interlocal Agreement

The Interlocal Cooperation Act (Chapter 39.34 RCW) provides broad authority for cities and special districts to enter into agreement that meet both their needs. Since the annexation of the SE UGA would result in a service area that exceeds the City’s response time standards, some form of agreement will likely be necessary, unless and until a new station is located. The impacts to the City and Fire District #6 could be mitigated by entering into an interlocal agreement that would allow for a gradual transfer of responsibilities, as well as lessen the immediate fiscal impact to both jurisdictions.

A recent example is the Emergency Services and Operating Agreement reached between Fire District #6 and the City of Tumwater in 2014.<sup>6</sup> The annexation of Tumwater’s SE UGA in 2013 resulted in a loss of approximately 14% of Fire District 6’s territory, thus triggering a transfer of District assets to the City. The value of this transfer was estimated to be nearly \$720,000. In addition, the annual loss of property

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<sup>5</sup> Personnel Communication with Assistant Chief Kevin Brossard.

<sup>6</sup> Emergency Services Operating Agreement between the City of Tumwater and Thurston County Fire Protection District No.6. C-2014-056, August 19, 2014.

tax revenues to the District was calculated to be \$103,500 for a period of two years, after which time it was estimated that the lost revenues would be offset by increased property values.

In exchange for continuing fire services within in Tumwater’s newly annexed territory, the Emergency Services and Operations agreement compensates Fire District #6 through cash transfer from Tumwater to replace lost property tax revenues. In addition, Tumwater agreed to in-kind payment to the Fire District that waives the District’s requirement to do a cash transfer to the City based on the value of its assets.

- Bonds

The potential \$10 million price tag for a new station would most likely not be funded through the normal budgeting process. It is probable that a capital facility project of this type would need to be funded through a dedicated special levy, so the impact to the City’s current budget could be minimal.

### **Ongoing Efforts that Could Affect Fire and Emergency Services**

As this report is being written, a study has recently been completed to evaluate fire protection services throughout Thurston County. The study, titled the “Regional Fire & Emergency Services Study,”<sup>7</sup> is being sponsored by the Tumwater Fire Department. Participants in the study include Olympia, Fire District #3, East Olympia Fire District (Fire District #6), McClane-Black Lake Fire District, and the West Thurston Regional Fire Authority.

A central purpose of the Regional Fire & Emergency Services Study is to identify opportunities to promote enhanced safety for the community while eliminating duplication of effort among all the emergency service providers. After a careful evaluation of each service provider’s service area, response times, staffing levels, assets, etc. the report recommends that the Cities of Olympia and Tumwater and Fire Districts #3 and #6 form a Regional Fire Authority. The study also recommends that the McClane-Black Lake Fire District and West Thurston Regional Fire Authority integrate.

Obviously, if a Regional Fire Authority is formed that includes the City of Olympia and Fire District #6, efforts to construct a new fire station, or decisions with high cost, potentially long-term fiscal impacts to the City, would be premature. The existence of this recommendation provides an additional argument for pursuing an interlocal agreement option for the provision of emergency services following annexation, at least until more is known regarding whether the recommendation will be implemented.

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<sup>7</sup> August 2019.

## Police

With all but the smallest annexation, impacts to the level of service for police protection can be anticipated. The standard method for establishing a level of service is to determine the number of patrol officers and police administration per 1,000 residents. This data is maintained by the Washington Sheriffs and Police Chief’s Association. As of 2018, the City of Olympia has 1.41 commissioned police officers and .63 civilian employees per 1,000 residents.

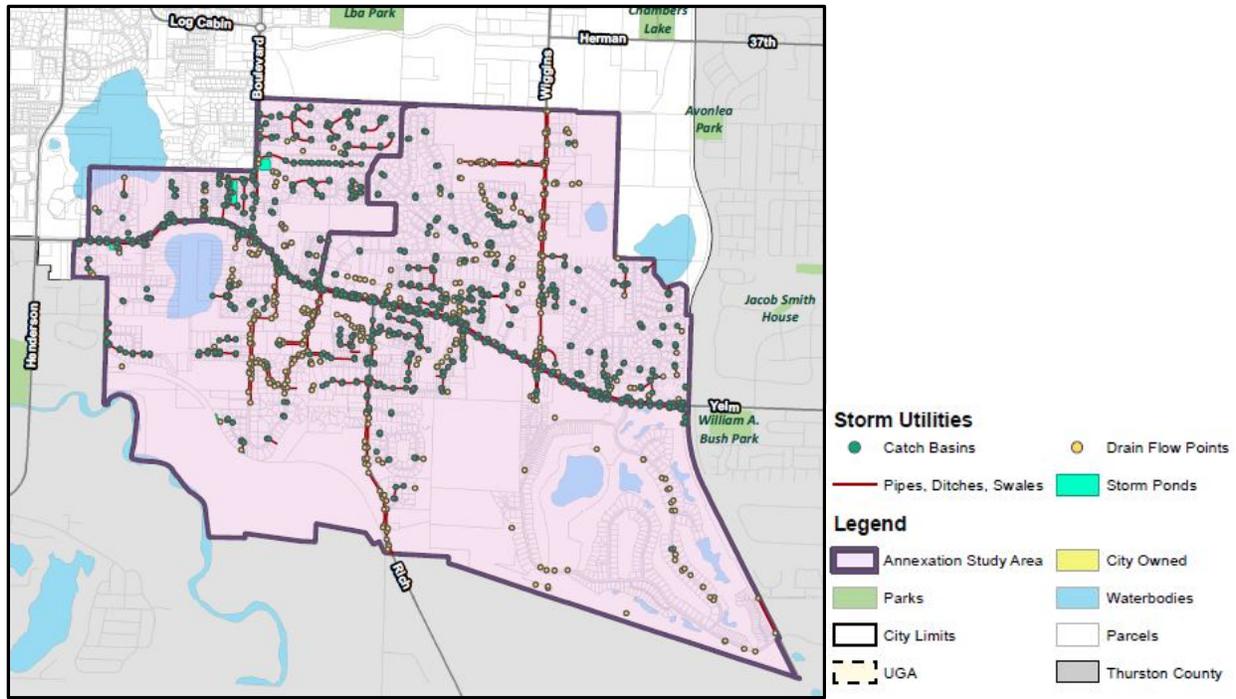
Based on the current population of 6,783 for the SE UGA, if the entire study area were to be annexed the City would need to hire 5 commissioned officers for the North study area and 4.5 for the South, for a total of 9.5 commissioned officers to maintain its existing level of service. To maintain the same level of service for civilian employees, the City would need to hire a minimum of 2.3 for the North study area and 2 for the South area for a total of 4.3 additional staff.

In addition to staffing costs, police protection requires a significant initial investment for equipment, training and vehicles. The following estimates for staffing costs are based on estimates provided by the Olympia Police Department. These costs include salary, overtime, benefits, equipment and training. In addition, an estimate is provided for the start-up costs of purchasing additional vehicles:

<b>Staffing Costs</b>				
		<b>North</b>	<b>South</b>	<b>Total Study Area</b>
Police Officer/Detective	\$154,000	\$774,928	\$700,854	\$1,475,782
Admin. Staff	\$106,000	\$243,800	\$212,000	\$455,800
<b>Annual Total:</b>		<b>\$1,018,728</b>	<b>\$912,854</b>	<b>\$1,931,582</b>
<b>Initial Expenses</b>				
Vehicles	\$50,000 @ 5			\$250,000
<b>Combined Annual and Initial Costs</b>				<b>\$2,181,582</b>

# Utilities

## Stormwater



### Capital Facilities and Maintenance

The City is required to meet standards for operations and maintenance of its stormwater facilities under the conditions of its National Permit Discharge Eliminations System (NPDES) permit. For example, condition of the NPDES permit is that all catch basins must be cleaned every other year. Annexation of the SE UGA would add 828 catch basins to the current inventory of 7564, for an increase of slightly over 10%. In total, annexation would result in the following increases to the stormwater infrastructure:

### Stormwater Infrastructure

	Current Inventory	North		South		Total Study Area	
	Number	Number	Percent Increase	Number	Percent Increase	Number	Percent Increase
<b>Catch Basins</b>	7,564	504	6.2%	324	4.1%	828	<b>10.1%</b>
<b>Ponds</b>	110	3	2.7%	12	10.9%	15	<b>13.6%</b>
<b>Pipe (linear ft.)</b>	830,550	38,129	.5%	28,401	.33%	66,530	<b>.83%</b>
<b>Ditches/Swales (linear ft.)</b>	109,007	8,581	7.8%	18,541	17%	57,061	<b>24.8%</b>

The annual maintenance associated with the acquisition of this infrastructure will have an impact on the staffing and equipment needs of the stormwater utility. The primary costs are related to vegetation

management and sediment collection and disposal. Sediment must be removed from catch basins, ponds, pipes, ditches and swales on the aforementioned maintenance schedule. In addition to the staffing and equipment needs, there are significant costs associated with the transfer and disposal of the sediment collected from each of these facilities.

Drawing on information obtained from the City’s staff, the utility is currently at capacity for staffing and equipment, so annexation under any possible scenario, whether it is phased or the entire SE UGA, would require 2 FTEs, a construction truck and an excavator with trailer. For this reason, the costs of staff and equipment are included only for the North portion of the study area, because any annexation would trigger these expenses. Annexation of the South area would only result in increased sediment disposal expenses, as the added staffing and equipment would be sufficient to cover this area. Therefore, the impact of annexing the South area at a later date - or of annexing the entire study area all at once - would be marginal, as the only increase to stormwater operation and maintenance would be sediment disposal costs. Estimated costs, therefore, are as follows:

**Cost of Annexation**

	North	South	Total Study Area
Staffing – 2 FTEs	\$250,000	---	---
Construction Truck	\$90,000	---	---
Excavator wi. Trailer	\$75,000	---	---
Sediment Removal and Disposal <sup>88</sup>	\$46,000	\$75,000	\$121,000
<b>Total Cost</b>	<b>\$461,000</b>		<b>\$536,000</b>

**Revenues**

	Parcels	Annual Revenue
North	1,550	\$261,330
South	1,334	\$224,912
<b>Total Study Area</b>	<b>2,884</b>	<b>\$486,242</b>

The stormwater utility is supported by revenues that are based on the type of parcel, such as whether the use is residential or commercial. Given that the study area is overwhelmingly residential, the estimated revenues to the utility have been calculated using the residential rate. The 2019 rate for single family parcels is \$14.05 per month.

**Fiscal Impact**

Based on the fact that any annexation scenario would be a tipping point for adding new staff and equipment, the immediate overall fiscal impact to the stormwater utility would be lessened if the entire SE UGA were to be annexed at once. Because the South area could only be annexed either after - or

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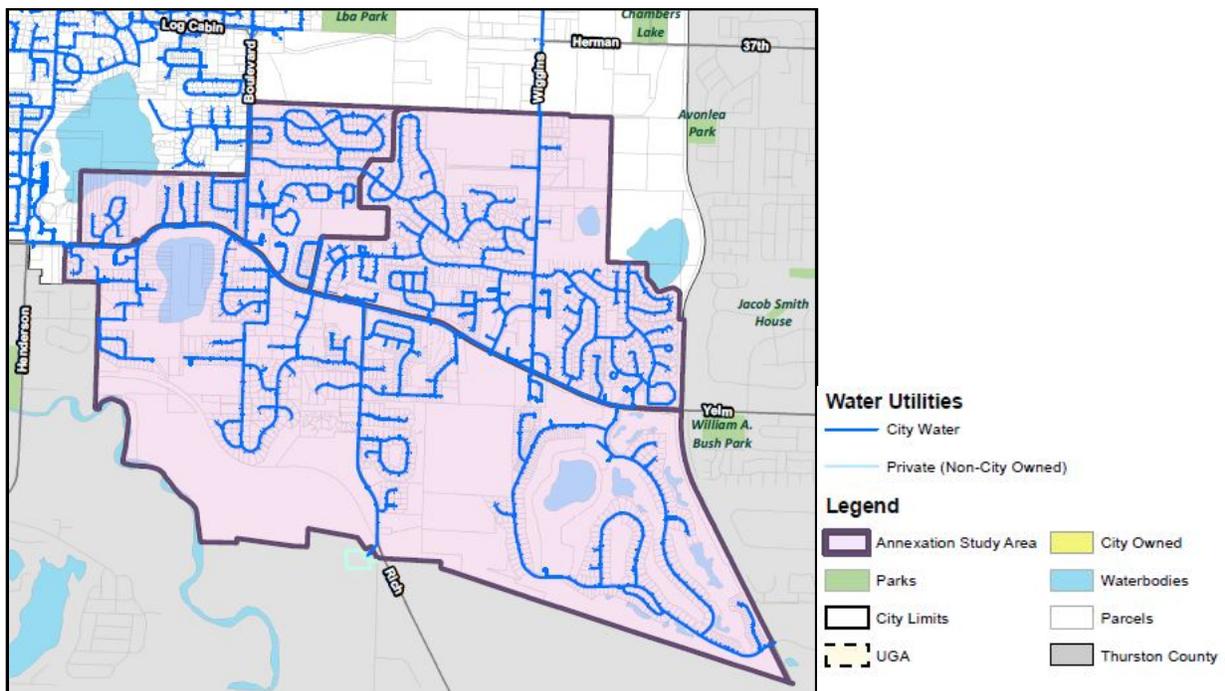
<sup>88</sup> These estimates represent the averages of the range of possible disposal costs provided by staff, which were \$30.5-\$61.5 thousand for the North, 52.5-97.5 thousand for the South, and 83-159 thousand for the entire study area

simultaneously with - the North area, the only two scenarios that need be presented are for the North area, or the study area as a whole:

	Revenues	Costs	Net Impact
North	\$261,000	\$461,000	-\$200,000
Total Study Area	\$486,000	\$536,000	-\$50,000

Based on the cost and revenue estimates, annexation would impact the stormwater utility. Based on an anticipated revenue deficit, the utility’s ability to deliver core services could suffer. Alternatively, utility rates could be increased, which would have an impact on customers.

**Water**



The City of Olympia already provides water services to a large portion of the SE UGA. For this reason, annexation of the area would have little immediate impact on either the utility or its customers. While citizens with private wells frequently object to being annexed because they believe they will be required to connect to City utilities, this is not the case. The only time conversion to the City water system would be required would be if there were a failure to an existing private system that is on a lot that has access to the City’s water system. However, this requirement is already in effect for residents within the Urban Growth Area, so annexation would have no impact.

The Thurston County Assessor’s parcel data is incomplete for the total number of parcels on either public or private water systems. The records for the SE UGA as a whole only have data for approximately 30% of the parcels. In addition, those systems that are labeled as “public” could be either municipal or privately-owned systems that meet the State Department of Health’s public water system

requirements. Therefore, the following statistics are probably best used as an indicator of the ratio of public to private systems in the area:

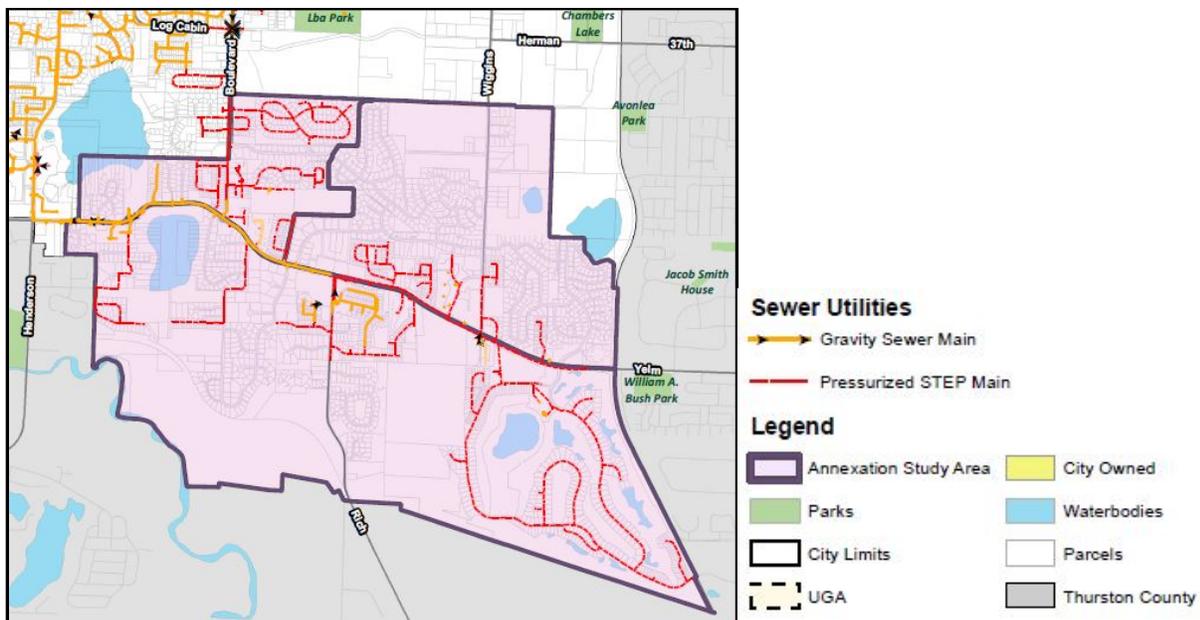
**Water Systems in SE UGA**

	Parcels on Private Wells	Parcels with Public Water
North	62	431
South	51	442
<b>Total Study Area</b>	<b>113</b>	<b>873</b>

- Some reductions in water rates to utility customers

As discussed earlier in this report, the City relies on the 60% direct petition method of annexation as its preferred annexation method. Further, the use of waivers of protest to annexation by property owners in the UGAs in exchange for City utilities had been the primary approach to gathering the petitions. This approach has helped ensure an orderly process for annexation in those areas where residents are receiving City utilities and other services. While the majority of water customers in the UGAs have completed waivers of protest, there are still some who have not. Within the SE UGA there are currently 200 parcels on public water that have not completed waivers of protest, but it is not known how many of these are customers of the City’s utility versus being on a private system that meets public water standards. Per OMC 13.04.390, the City applies a 50% surcharge to water customers in the UGAs who have not signed an annexation waiver of protest. Should the SE UGA or any portion of it be annexed, those customers currently paying the 50% surcharge would see the surcharge eliminated. Because the number is low, the elimination of the surcharge is not expected to have a significant impact to the water utility, but individual customers would see a benefit.

**Wastewater**



While not as extensive as the water utility, the City provides sewer within the SE UGA as well. As with water services, annexation of the UGA would not immediately result in conversion of the area’s septic systems to sewer. The only requirement for conversion would be if a septic system fails and is located within 200’ of an available sewer line. Given the limited sewer network within the SE UGA, many failing systems will be beyond 200’ from a sewer line and thus would be eligible for repair or replacement.

As with data on water systems, the County Assessor’s data regarding sewer and septic for individual parcels is incomplete. There are records for approximately 43% of the parcels in the SE UGA. The data is still useful as an indicator of the ratio of parcels on septic versus sewer:

	Septic System	Sewer
North	739	288
South	493	232
<b>Total Study Area</b>	<b>1,232</b>	<b>520</b>

With approximately 12,400 systems in the UGAs, the issue of septic to sewer conversion is a long standing one for all the cities in Thurston County. In 2015 the Cities of Olympia, Tumwater and Lacey and Thurston County jointly published the Urban Septic Assessment Report.<sup>9</sup> The report details the water quality threats posed by failing systems. The report also provides a realistic critique of the challenges associated with a conversion program, including the following:

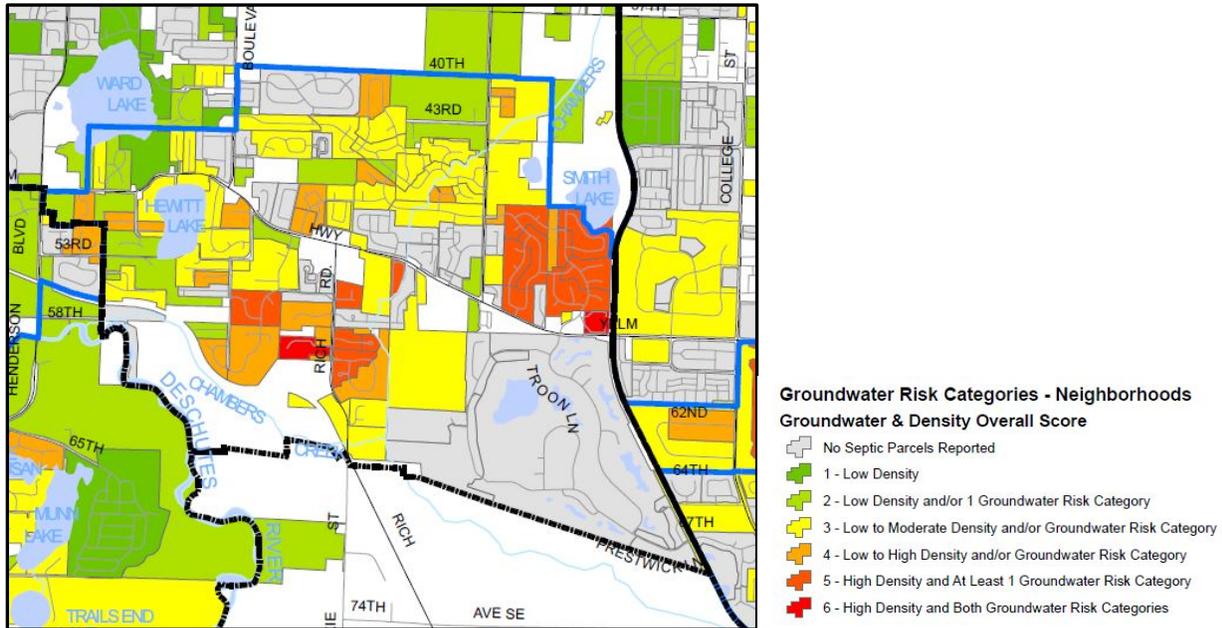
- **Lack of available funding to cover high project costs** – Municipal utilities must budget for capital facilities and services within legal and financial constraints. The high cost of extending sewer service to unsewered areas is a significant barrier to conversion in the local case studies, especially when considering funding to meet immediate priority needs.
- **Difficulty in justifying local government expenditures** – The local governments currently do not have an adopted, or consistent, conversion strategy that clearly describes the rationale and community benefits.
- **Lack of assured participation presents financial risk** – Because of the high cost to the property owner, as well as the lack of clear requirements for connection and incentives to participate, there is no assurance that the property owners will connect to sewer if it is made available.
- **High cost to individual homeowners** - In many cases the high cost of conversion for affected households is a barrier to homeowner participation. There are few effective mechanisms that allow homeowners to reduce or defer connection costs.<sup>10</sup>
- **Opposition from property owners** - Homeowners who see no obvious need to connect can present strong opposition to a septic conversion program. This is particularly true in areas of well-drained soil where the owner perceives little problem with the septic system. However,

<sup>9</sup> Urban Septic Assessment Report, March 2015, Compiled by the Interjurisdictional Regional Septic Work Group.

<sup>10</sup> However, since the publication of this report, LOTT has implemented a rebate program in 2017, and Olympia has a rebate program for their General Facilities Charge, which have reduced costs to homeowners.

cumulatively, septic systems are contributing to groundwater contamination or other environmental health risks.<sup>11</sup>

**Septic-related Groundwater Risk Areas<sup>12</sup>**



The City’s Septic to Sewer Program already applies to properties in both the city limits and the UGA equally. However, areas within the newly annexed area that pose an environmental threat could cause the utility to adjust its priorities for extension of future services.

Regulations concerning the permitting of new septic systems differ between the City limits and the UGA. Inside the City limits, there are lot size requirements (usually at least one acre) for a new septic system that do not apply in the UGA. This would affect most undeveloped properties in the UGA or less than an acre that are more than 200 feet from sewer.

In addition, applications for septic systems in the UGA are reviewed only for proximity to sewer. Applications with the City limits are reviewed as they relate to critical areas such as wetlands and steep slopes.

**Conclusion**

Because the stormwater utility is currently at capacity for staffing and equipment, any annexation scenario would trigger the need for new staff and equipment. For this reason, there would be an economy of scale to the utility to annex the entire SE UGA. Annexing the entire area would provide revenues from a larger customer base without resulting in a need for additional staff and equipment beyond the projected need two new staff, a construction truck, and an excavator with a trailer.

<sup>11</sup> Urban Septic Assessment Report, pp. 4-5.

<sup>12</sup> Published by Thurston County

Impacts to the water and wastewater utilities would be minimal, as these utilities already operate in the Urban Growth Areas. There would be no new customers, and existing policies that are in effect in the SE UGA would remain the same following annexation for existing systems.

## Roads & Transportation

Usually the first concern that arises with transportation staff when an annexation is being considered is the condition of the roads within the annexation area. Obviously, roads that are in poor condition would likely present a near-term if not immediate cost to the City to make repairs, especially if they represent safety problems. In some cases, there may be costly repairs or upgrades necessary. An example would be a two-lane bridge that was built 40 years ago to serve a much smaller population, and which now has become a choke point within a busy corridor.

Even the best maintained roads present challenges to the City upon annexation. Because the City's and County's road standards are different, upon annexation the City usually receives an roads that do not comply with current standards. This is not due to any fault of the County, but rather with the fact that cities usually have a more urban standard designed to serve an urban population. A good example would be the Wilderness subdivision, which, while in good condition overall, does not have any sidewalks. Technically, for this subdivision to meet the City's standards, it should have sidewalks on at least one side of the street.

The issue of noncompliance is one that cannot be ignored, but at the same time it should not be assumed that annexation into the City would result in the immediate upgrading or retrofitting of the road network to meet current standards. Just as with long time frames associated with a septic to sewer conversion program, it is possible, if not likely, that the majority of nonconforming roads will remain so for long periods of time, if not decades. This is because the cost of retrofitting is so high, and there are so many other priorities to compete with. To the extent that a particular road or corridor poses a safety issue – say perhaps there is a road that has become unsafe for pedestrians due to increased traffic and really needs a sidewalk - it is possible that the City's planning and priorities can be shifted. The mostly likely immediate potential impact of adding the new road network is if there are high priority projects within the newly annexed area that could result in a change to the City's overall priorities, such as the 6-year Transportation Improvement Program (6-year TIP).

### Evaluating Road Conditions

The standard approach for evaluating roadway conditions is to assign a Pavement Condition Index (PCI) rating. This is an evaluation that requires a manual inspection, and it is usually done by breaking a particular road into multiple sections, with each section being assigned a PCI rating. Thurston County provided data for 180 road sections with the study area for which they have assigned PIC ratings. The average PCI rating for the study area is reported at 90.35. The general guide for how to interpret the PCI rating is as follows:

- Very Good – 100 to 85
- Good – 84 to 60
- Fair – 59 to 40
- Poor - 39 to 0

Viewed as a whole, according to the average PCI rating, the road network within the study area is in good condition. Of course, this does not mean that there aren't certain sections that will require attention at some point. There are 25 sections within the County's data set that had a PCI rating below 80, with Wiggins Road having the lowest rating, at 67. Local residents will recognize Wiggins Road as a narrow roadway in an area that has seen a large increase in traffic volume in recent years, and in fact the County's recommended improvement is "Pavement Width Change."

**Costs**

This report focuses on the standard maintenance and capital costs associated with maintaining the road network within the City's current level of service. With information provided by the County and reviewed and vetted with the City's transportation planning staff, estimates have been developed based on existing staffing, operation and capital expenditures per lane mile. A level of service has been developed by using the latest budget for staff, operations and capital, divided by lane mile, to establish a unit cost for each of these categories per lane mile.

2018 Budget	Staff	Operating Budget
Streets	12.5	\$2,410,000
Traffic	8.5	\$2,050,000
Eng/Planning	9.0	\$1,300,000
<b>Total</b>	<b>30.0</b>	<b>\$5,760,000</b>

City of Olympia Total lane miles:	526
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Staff per lane mile:	0.06
Operating budget per lane mile:	\$10,951

Capital budget (2019 CFP)	\$6,000,000
Capital budget per lane mile	\$11,407

Based on the most recently budgeted amounts, the level of service for staff is .06 per lane mile, the operating budget is \$10,951 per lane mile, and the capital expenditures are \$11,407. The estimated costs for the study areas have been calculated by multiplying the lane miles within the study areas by the level of service and costs. For new staff, an estimate of \$150,000 per staff person has been used to cover salary, benefits, and equipment:

North = 40 Lane Miles	
Operating Budget	\$438,023
Capital Budget	\$456,274
Staffing (2.3 new staff)	\$345,00
<b>Total</b>	<b>\$884,642</b>

<b>South = 14 Lane Miles</b>	
Operating Budget	\$153,308
Capital Budget	\$159,696
Staffing (2.3 new staff)	\$120,000
<b>Total</b>	<b>\$313,124</b>

<b>Total Study Area = 54 Lane Miles</b>	
Operating Budget	\$591,331
Capital Budget	\$615,970
Staffing (2.3 new staff)	\$465,000
<b>Total</b>	<b>\$1,197,766</b>

**Street Lighting**

The City pays the costs of street lighting within City limits, whereas subdivisions outside the City limits pay for street lighting through homeowners’ associations.<sup>13</sup> Given that there are 51 subdivisions in the total study area, annexation will bring a cost to the City to pay for the street lights. According to information obtained from the City’s Finance Department, the City spent \$390,525 on “Street Lighting and Power” in 2018. This report estimates the increased street lighting expense as 13% of the 2018 expenditure. This yields \$50,768 for the total study area.

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<sup>13</sup> The one exception to this in the study area is the Newcastle subdivision. The City pays for the street lighting in this subdivision.

## Community Planning & Development

The Department of Community Planning & Development (CP&D) includes planning, building, code enforcement, and engineering. Within these areas there are several services and functions that the City provides, including the following:

- Land subdivisions
- Neighborhood Association planning support
- Historic preservation
- Building permitting and plans review
- Permit Center - customer service and planning counter support
- Code enforcement
- Long range planning, such as the City’s Comprehensive Plan
- Shoreline and critical areas review

Following annexation, each of the above functions of CP&D will see increased activity to some degree. Although the study areas are well-established and are not likely to see a great deal of new development, the annexation would still add a volume of work to the overall operations of the Department. Redevelopment and remodeling, for example, will increase the workload on plans examiners and permit staff. Adding nearly 7,000 citizens would definitely result in more calls for planning assistance and code enforcement. Adding new territory will require modifications to the City’s Comprehensive Plan, and perhaps could increase the need to support more Neighborhood Associations.

CP&D staffing is currently at capacity. This report does not identify which areas within the Department’s functions where new staff would be needed. Rather, an estimate of needed revenues is provided based the percent increase in population that the study area represents (13%), applied to areas of the Department’s current budget that are most likely to be impacted by annexation. Specifically, the Community Planning and Permit Services line items in the 2019 budget are most likely to be affected and, combined, these amount to \$4,063,930.

<b>2019 Budget</b>	<b>North</b>	<b>South</b>	<b>Total Study Area</b>
\$4,063,930	\$284,475	\$243,836	<b>\$528,311</b>

## Parks, Arts and Recreation

There are currently no developed parks within the SE UGA study area. However, The City owns two significant properties that are designated for future development. An 86-acre parcel, formerly known as the Spooner’s Farm property, was recently acquired for the purpose of developing a large community park which is likely to include a variety of playing fields. The Parks Department also owns Ward Lake Park, a 9-acre undeveloped community park. In addition to these two park lands, the Parks Department plans to acquire property to establish one more neighborhood park site within the SE UGA.

While not within the SE UGA, it is worth noting that the LBA Woods property, recently purchased by the City, is immediately adjacent to the north and is used extensively by residents within the study area.

### Revenues After Annexation

Because the City already owns and maintains the park lands within its Urban Growth Areas, annexation would not result in any increased costs. However, the Parks Department would benefit from annexation by gaining access to a variety of revenue sources. Presently, the only source of revenue to the Department for the parks it owns in UGAs derives from SEPA<sup>14</sup> mitigation fees. These fees are assessed on new developments by Thurston County and remitted to



the City to compensate for the impacts to the parks system. These mitigation fees represent a very small fraction of the Department’s revenue, and many types of development which are exempt from SEPA, including small subdivisions and single-family residential construction, contribute nothing.

Upon annexation the Parks Department would derive revenues from the following sources:

- Olympia Metropolitan Park District – property taxes
- Increased General Fund allocation
- Non-voted utility tax
- Voted utility tax
- Impact fees

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<sup>14</sup> State Environmental Policy Act

**Olympia Metropolitan Park District**

In 2015 voters approved the creation of the Olympia Metropolitan Park District (OMPD). The OMPD is a separate municipal corporation with taxing authority. Currently, the OMPD assesses a property tax levy at a rate of \$.55 per \$1,000 of assessed value. Based on the assessed valuation of each study area the increase in property tax revenues would be as follows:

**North:** \$266,424  
**South:** \$267,097  
**TOTAL UGA:** \$533,521

**General Fund**

Under the terms of an Interlocal Agreement (ILA) between the City of Olympia and the Olympia Metropolitan District (OMPD), dated March 1, 2016, the Parks Department receives an annual allocation of 11% from the City’s General Fund. In the 2019 City of Olympia budget, approximately 75% of the revenues from property taxes went into the General Fund. To estimate what annexation of the study areas would represent for increased allocations to the OMPD, the total assessment has been multiplied by .75 to account for the percentage that goes to the General Fund, then multiplied by .11 to account for the percentage of the General Fund that is allocated to OMPD:



**General Fund Allocations to OMPD**

	<b>Property Tax Assessment</b>	<b>Allocation to General Fund</b>	<b>Allocation to OMPD</b>
<b>North</b>	\$1,562,671	\$1,172,003	\$128,920
<b>South</b>	\$1,566,669	\$1,175,002	\$129,250
<b>Total Study Area</b>	\$3,129,340	\$2,347,005	\$258,171

**Utility Taxes – Voter and Non-voter Approved**

The City of Olympia taxes utilities<sup>15</sup> at a rate of 9 percent. Under state law, the maximum rate allowed voter approval is 6 percent, and this portion of the tax is referred to as “Non-voter Approved.” In 2004 voters approved a 3% increase for Parks and Pathways, which is referred to as the “Voter Approved” portion of the utility tax.

Under the terms of the ILA, the City has committed to allocate 1% of the Non-voter approved utility tax and 2% of the Voter-approved utility tax revenues to the Parks Department for the purpose of acquiring and maintaining parks properties, with an emphasis on acquisition.<sup>16</sup>

Because utility taxes are based on consumption, there is not a direct metric to calculate future revenues from a potential annexation area. An estimate is developed here by projecting future revenues based upon the anticipated percentage increase in the number of dwellings within the study areas and applying this percentage increase to previous allocations of the utility tax. The City’s 2019 Budget reports that the Parks Department received \$478,110 from the 2018 Non-voted Utility Tax and \$1,934,300 from the 2018 Voted Utility Tax:

**Utility Tax Allocations – 2019 City of Olympia Budget**

Allocation of Utility Tax		
Electric, Gas & Telecommunications:	%	2018 Estimated Collections
<b>Base— 6%</b>		
General Use	4.50%	\$ 4,303,000
Park and Bike Lane Maintenance	0.50%	478,110
Capital Facilities and General Use	1.00%	1,000,000
<b>Voter-approved— 3%</b>		
Parks	2.00%	1,934,300
Sidewalk, Recreation Use	1.00%	965,700
<b>Cable TV— 6%:</b>		
Capital Facilities	6.00%	1,130,000
<b>TOTAL</b>	<b>15.00%</b>	<b>\$9,811,110</b>

Based on the projected increase in dwellings units, the increase to the Parks Department from Non-voted and Voted Utility Taxes would be as follows:

	North – 8%	South – 5%	Total Study Area
<b>Non-voted</b>	\$38,249	\$23,906	\$62,155
<b>Voted</b>	\$154,744	\$96,715	\$251,459
<b>Total</b>	\$192,993	\$120,621	\$313,614

<sup>15</sup> Telecommunications, natural gas, electric.

<sup>16</sup> The remaining 1% of the Voter-approved tax revenues is dedicated to sidewalks and recreational uses.

**Impact Fees**

Upon annexation the Parks Department would begin collecting impact fees for new development. As with projecting utility tax revenues, there is no direct metric for calculating impact fees revenues, particularly in the short-term. This is dependent on if and when parcels are either developed or re-developed within the study area. Because there are many assumptions that must be made, a conservative estimate is presented here. The potential for future development is derived beginning with the number of vacant parcels in the study areas, acknowledging that not all the parcels are necessarily capable of development. Based upon current zoning, it is assumed that nearly all future development will be a combination of single family or multi-family dwellings. Finally, a conservative estimate of a 5% rate of development (annual) is applied to provide a rough estimate of potential revenues from impact fees. Finally, although the study areas will likely see future multi-family development, for the purpose of providing a general estimate, only single family residential construction is assumed here

**2019 Park Impact Fee Schedule**

TYPE OF DWELLING UNIT	Neighborhood Park	Community Park	Open Space	TOTALS
Single Family including Manufactured Homes on individual lots, Townhouses	\$890	\$3,383	1,308	\$5,581
Duplex, Triplex, Fourplex (per unit), Cottage Housing	\$605	\$2,301	\$890	\$3,796
5 or more unit Multi Family, Courtyard Apartments	\$605	\$2,301	\$890	\$3,796
Units in Senior Housing Developments (including single family units)	\$605	\$2,301	\$890	\$3,796
Mobile Home in Mobile Home Parks	\$605	\$2,301	\$890	\$3,796
Accessory Dwelling Units	\$356	\$1,353	\$524	\$2,233
Single Room Occupancy Units, Studios	\$356	\$1,353	\$524	\$2,233
Downtown Multi Family (including Townhouses)	\$463	\$1,759	\$680	\$2,902

**Projection of Impact Fee Revenues<sup>17</sup>**

	Vacant Parcels	5% Development Rate	North	South	Total Study Area
North	65	3.25	\$18,138		
South	83	4.15		\$23,161	
Total Study Area	148	7.4			\$41,299

<sup>17</sup> Based on an impact fee rate of \$5,581 for single family residential.

**Parks, Arts and Recreation Revenues**

	<b>North</b>	<b>South</b>	<b>Total Study Area</b>
<b>OMPD Assessment</b>	\$266,424	\$267,097	\$533,521
<b>Property Tax</b>	\$128,250	\$129,250	\$258,171
<b>Non-voted Utility Tax</b>	\$38,249	\$23,906	\$62,155
<b>Voted Utility Tax</b>	\$155,744	\$96,715	\$251,459
<b>Impact Fees</b>	\$18,138	\$23,161	\$41,499
<b>TOTAL</b>	<b>\$606,805</b>	<b>\$540,129</b>	<b>\$1,146,805</b>

## Other Revenues

In addition to property taxes and revenues related to fee-based services, such as the stormwater utility, there are a variety of other taxes and fees that would accrue to the City following annexation.

### Utilities and Services Taxes

The City imposes a 9% tax on telecommunications, natural gas and electric utilities. In addition, beginning in 2105 a 6% tax was assessed on cable television. Finally, the City imposes a 5% franchise fee on telecable services. Forecasting tax revenues that are based on future consumption would require several assumptions, ranging from the number of consumers who will be using a particular service, to the average amounts they will pay for the service.

Rather than attempt to predict consumption, this report does a per capita estimate of revenue as a percentage of the City's expected 2019 revenues across these categories, as reported in the City's 2019 Annual Budget:<sup>18</sup> Because the annexation of the study area represents a population increase of 13%, the following amounts for each category of tax or fee are projected as 13% of the amounts in the 2019 budget:

	2019 Budget	North	South	Total Study Area
<b>Telephone</b>	\$1,425,000	\$99,750	\$85,500	\$185,250
<b>Cable TV</b>	\$1,130,000	\$79,100	\$67,800	\$146,900
<b>Telecable</b>	\$470,000	\$32,900	\$28,200	\$61,100
<b>Gas</b>	\$690,300	\$48,321	\$41,418	\$89,739
<b>Electric</b>	\$2,470,250	\$172,918	\$148,215	\$321,133
<b>Total</b>	\$6,185,550	\$432,989	\$371,133	<b>\$804,122</b>

### Transportation Benefit District

The City has a Transportation Benefit District (TBD), which is defined on the City's web site as "a quasi-municipal corporation and independent taxing district created for the sole purpose of acquiring, constructing, improving, providing, and funding transportation improvements within the district." The purpose of the TBD is to fund preservation, maintenance and construction of the City's local public ways.

As of 2017, the TBD charges \$40 for every registered vehicle in the City. Assuming the study area has 1.5 cars per household, this would yield an annual revenue of \$121,120.

### State Shared Revenues

Jurisdictions receive revenues collected by the State from liquor receipts, motor vehicle fuel and marijuana excise taxes. The revenues are distributed on a per capita basis. The 2019 amount per capita is \$30.78. This would yield \$208,780 for the SE UGA.<sup>19</sup>

<sup>18</sup> 2019 Budget, p. 51.

<sup>19</sup> This does not include the revenues from marijuana excise taxes, which would be minimal for the study area.

**Development Related Fees**

Although the study areas are largely “built out,” there is some vacant land where new construction may occur. In addition, redevelopment and remodeling of existing properties is a source of revenue through permit fees. This report again projects revenue in this category as a percentage of the receipts estimated for the City’s 2019 budget. Since the total study area represents a 13% increase in population, revenues are projected at 13% of the 2019 budget:

	<b>2019 Budget</b>	<b>North</b>	<b>South</b>	<b>Total Study Area</b>
<b>Building Permits</b>	\$2,611,465	\$182,802	\$156,688	\$339,490
<b>Fire Permits</b>	\$125,000	\$8,750	\$7,500	\$16,250
<b>Development Fees</b>	\$941,527	\$65,907	\$56,492	\$122,399
<b>Zoning &amp; Subdivisions</b>	\$246,000	\$17,220	\$14,760	\$31,980
<b>Total</b>	<b>\$3,923,992</b>	<b>\$274,679</b>	<b>\$235,440</b>	<b>\$510,119</b>

## Summary of Costs & Revenues

	North	South	Total Study Area
<b>Revenues</b>			
Property Tax	\$1,299,836	\$1,303,162	\$2,602,988
OMPD Assessment	\$262,385	\$263,507	\$526,342
Stormwater Utility	\$261,330	\$224,912	\$486,242
Transportation Benefit District	\$70,040	\$51,040	\$121,120
Utilities and Franchise Fees	\$432,989	\$371,133	\$804,122
State Shared Revenues	\$111,792	\$96,988	\$208,780
Development Fees	\$274,679	\$235,440	\$510,119
<b>Total Revenues</b>	<b>\$2,713,051</b>	<b>\$2,546,182</b>	<b>\$5,295,713</b>
<b>Costs</b>			
Police	\$1,018,728	\$912,854	\$1,931,582
Roads & Transportation	\$884,642	\$313,124	\$1,197,776
Stormwater	\$461,000	\$75,000	\$536,000
Community Development	\$284,475	\$243,836	\$528,311
Street Lights	\$27,337	\$23,431	\$50,768
Fire	\$909,044	\$779,180	\$1,688,224
<b>Total Costs</b>	<b>\$3,585,226</b>	<b>\$2,347,425</b>	<b>\$5,932,661</b>
<b>Net Revenue</b>	<b>\$-872,175</b>		<b>\$-636,948</b>

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# Olympia Annexation Feasibility Analysis

## SE Urban Growth Area Scenarios

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May 1, 2023

Prepared for: City of Olympia

Final Report



**ECONorthwest**

ECONOMICS • FINANCE • PLANNING

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# Executive Summary

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The City of Olympia engaged ECONorthwest to assist with analyzing the fiscal impacts associated with annexing its Southeast Urban Growth Area (SE UGA). The City would like to measure impacts under two scenarios: (1) City assumes responsibility for all services, including fire service provision, and (2) a Regional Fire Authority (RFA) assumes the City's fire service provision (formed with the City of Tumwater), which results in lower property tax revenues and lower service delivery costs in the annexation area.

Annexation will increase the City's revenue by expanding its tax base, but it will add substantial service delivery costs in the areas of transportation, police, fire, stormwater and solid waste provision. Annexation would result in a significant population gain. In the first year following annexation, the City's population will grow by an estimated 7,950 residents and the City will add about 3,150 housing units. This represents about a 14 percent increase in the City's population. Population and housing gains will result in a larger tax base but will place proportionate demands on city services.

## Impacts to the General Fund

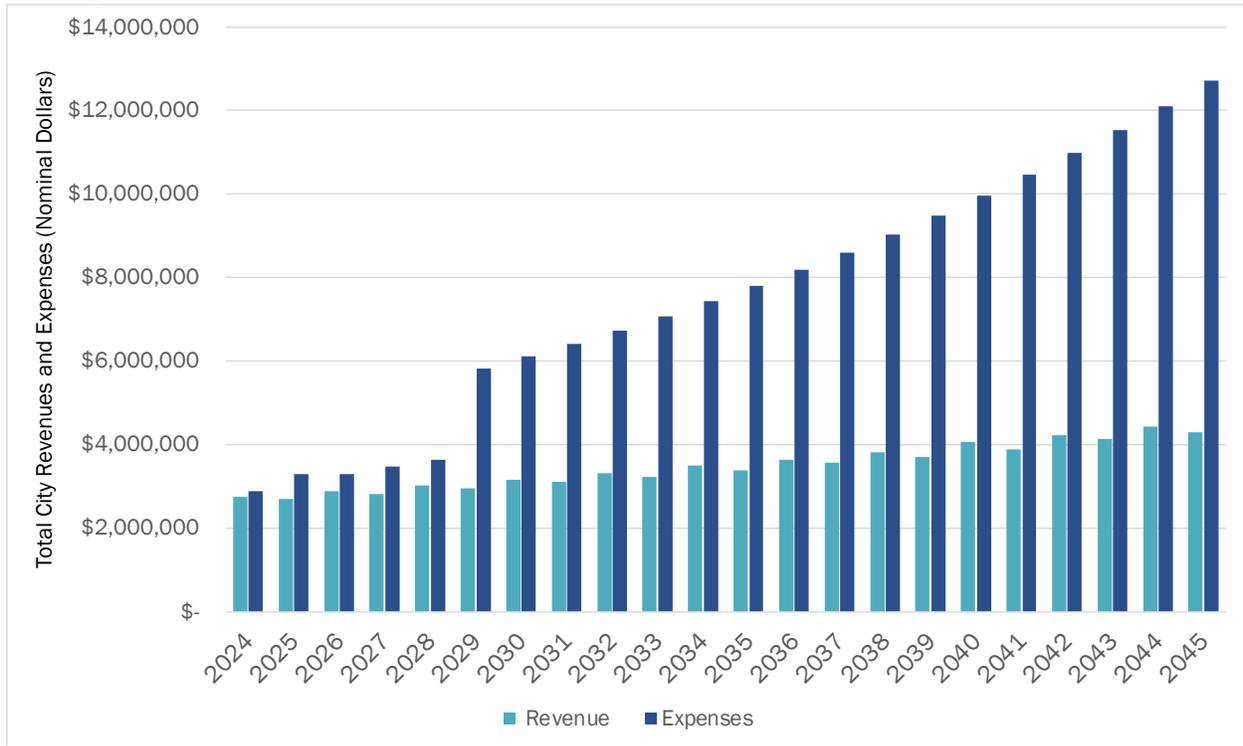
Annexation would result in net costs to the General Fund under both scenarios, with revenue increasing gradually over time but expenses increasing at a faster rate.

In Scenario 1 (no RFA), the General Fund would begin to experience a deficit in 2025 and it would continue to grow each year as police and fire services are phased in over time, particularly in 2029 when the contract for service with Fire District 6 would sunset and Olympia Fire Department would add a new engine company to service the annexation area. In 2025, the revenue for Olympia's General Fund is projected to be \$2.7 million while the expenses are projected to be \$3.3 million, resulting in a deficit of about \$590,000. In 2035, revenue is projected to reach \$3.3 million with expenses exceeding \$7.8 million, resulting in a deficit of about \$4.4 million. By 2045, the revenue is projected to be almost \$4.4 million while expenses are projected to be \$12.7 million, resulting in a deficit of \$8.4 million that year.

In Scenario 2 (an RFA is formed, and a lower property tax rate is levied), the General Fund would experience a deficit in the first year (2024) and would continue to grow each year at a steadier pace than Scenario 1 (No RFA), Scenario 2 does not include the major investment in an additional fire engine company. It is estimated that in 2025, the General Fund's revenue in Olympia would be \$1.3 million, but expenses are expected to be approximately \$2.1 million, resulting in a deficit of roughly \$800,000. By 2035, revenue is projected to reach \$1.8 million, with expenses totaling about \$3.2 million, resulting in a deficit of approximately \$1.4 million. In 2045, revenue is expected to be \$2.5 million, but expenses are anticipated to exceed \$5.2 million, resulting in a deficit of approximately \$2.7 million that year.

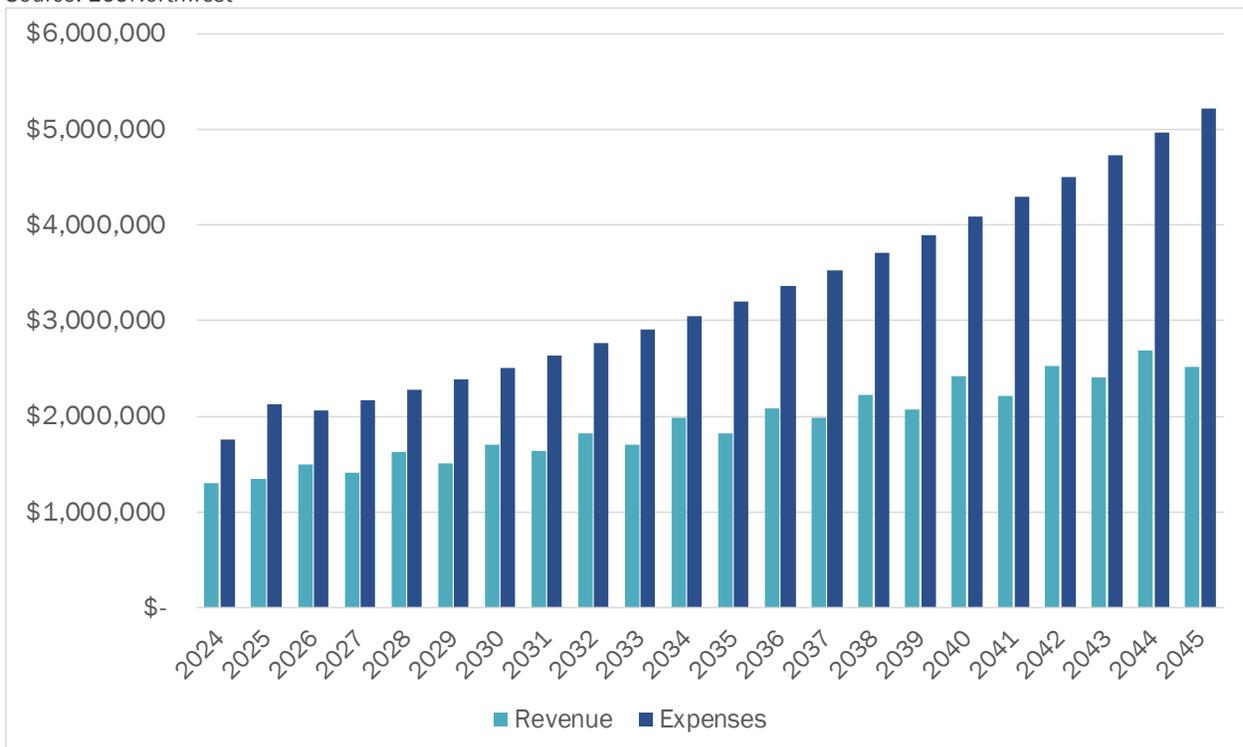
**Exhibit 1: General Fund Revenue and Expenses, No RFA, 2024 - 2045 (Nominal Dollars)**

Source: ECONorthwest



**Exhibit 2: General Fund Revenue and Expenses, RFA Scenario, 2024-2045 (Nominal Dollars)**

Source: ECONorthwest



## General Fund Service Delivery Impacts

Due to the substantial increase in population and square mileage, there will be a greater need for expanded fire and police services, as well as impacts to the City's Public Works operations, specifically the transportation division. Each of these services are supported by the City's General Fund and are included in the costs shown in Exhibit 2. A summary of anticipated impacts is provided below.

- The City of Olympia is considering the formation of a Regional Fire Authority (RFA) with the City of Tumwater. If the RFA is formed, the City will see a reduction in property tax revenue, but it will no longer incur ongoing costs of maintaining a local fire department. However, if the RFA is not approved by voters, the Olympia Fire Department will provide services to the area. This would require a new fire station, estimated at around \$21 million in 2029, and about \$94 million in ongoing costs for a new engine company over the 20-year period.
- Olympia Police Department will need to add another patrol area with 6 officers to service the SE UGA, which is included in the ongoing costs to the General Fund. This study assumes officers will be phased in over a two-year period following annexation. Total upfront and ongoing costs are approximately \$51 million over the 20-year period.
- The miles of roadway the City is responsible for maintaining will increase by about 12 percent, from 527 miles to 589 miles. The increase will impact the City's Public Works Department, more specifically its transportation division, in two categories: road maintenance and road replacement. Costs to the General Fund include the cost of maintaining additional roadway based on estimated average cost per mile.

## Utility Impacts

There are two city-provided utilities impacted as a result of annexation, stormwater and solid waste (Waste ReSources), which are supported by the Utility Fund and not included in General Fund expenditures. A summary of anticipated impacts is provided below.

- The City will assume responsibility for the stormwater utility in the SE UGA and will incur one-time capital costs and ongoing costs to service the area. The utility is largely funded through the collection of user fees, which are considered in the analysis. In the first year of service to the SE UGA, the City will realize a net revenue of approximately \$37,000. It is assumed the City will continue to adjust its user fees to cover costs as necessary, therefore they are not included in the 20-year revenue and cost summary.
- Waste ReSources, the City's solid waste utility will also incur one-time capital costs and ongoing costs to service the area. Similar to stormwater, the utility is primarily funded through user fees. It is assumed the City will take responsibility for providing solid waste services to the area beginning in 2034 and it is estimated the utility will incur a net revenue of about \$1.3 million. However, the utility will also require about \$1.5 million

upfront to deploy services to the SE UGA. It is assumed Waste ReSources will adjust its user fees to help plan for the capital investments during the required 10-year transition period.

# 1. Introduction

---

The City of Olympia engaged ECONorthwest to assist with analyzing the fiscal impacts associated with annexing its Southeast Urban Growth Area (SE UGA). The City would like to measure impacts under two scenarios: (1) City assumes responsibility for all services, including fire service provision, and (2) a Regional Fire Authority (RFA) assumes the city's fire service provision (formed with the City of Tumwater), which results in lower property tax revenues and lower service delivery costs in the annexation area.

This report provides background information on the annexation process, describes relevant current conditions in the City of Olympia and the SE UGA, measures the impacts to service provision, estimates incremental taxes, and presents the results of the fiscal impacts to the City if annexation of the SE UGA were to occur in 2024. Fiscal impacts are measured in terms of both revenues and service delivery costs through 2045.

## Annexation & Fiscal Sustainability

The City of Olympia seeks an analysis of how the annexation of the SE UGA would affect the City's future revenues and service costs. However, fiscal impacts are only one subset of all benefits and costs, and it is typically limited to an evaluation of government revenues and expenditures. Fiscal impacts do not include an evaluation of all economic impacts of potential development patterns, such as the number of jobs created or additional spending in the local economy.

ECONorthwest's study is intended to provide a reasonable estimate of potential future costs and revenues for the City of Olympia associated with annexation. Specifically, the analysis estimates both the incremental tax revenues generated by the residential development in the SE UGA over the next 20 years (2024-2045) and the additional administrative, fire, police, and public works costs related to the increased level of service required to meet the needs of the additional residents over the same period.

If the City proceeds with annexation, this analysis provides a basis from which the City can begin the process of planning for any higher service demands a larger city and population might require. However, the actual implementation will be accomplished through the City's regular budget process wherein City management will revisit the balance of costs and revenues in light of updated information and the overall needs of the City at that time.

## Annexation Process and Procedures for Washington State

Annexation by cities and towns in Washington state is a process defined in statute, with the Growth Management Act (GMA) providing the framework for cities located in counties subject to GMA requirements. The annexation process may be initiated by the city or town's council or by individual property owners. Annexation methods vary by city classification. Olympia is

classified as a code city and must follow the annexation procedures outlined RCW 35A.14. Cities and towns located in counties that plan under the Growth Management Act may only annex property that is located within their designated urban growth areas. This applies to the City of Olympia, as Thurston County fully plans under the Growth Management Act.

The most commonly used method for annexation is the 60 percent petition method, which requires signatures of property owners that represent 60 percent of the assessed value of the area to be annexed. The process is initiated by a notice of intent to annex, signed by property owners that represent ten percent of the assessed value of the area. If accepted, the process can move on to the 60 percent notice of intent to annex. If the city or town council accepts the petition to annex, the process may move to the County's Boundary Review Board (BRB) for approval. Once BRB approval is obtained, the City Council may move to annex by passing an ordinance. Council decisions on annexations are not appealable.

The City of Olympia has already collected signed annexation agreements from a large share of the households in the SE UGA, as property owners in unincorporated Thurston County were required to sign annexation agreements to receive city-provided sewer and/or water service. The City of Olympia will sign the annexation petition on behalf of those property owners.

The City of Olympia has undergone 6 annexations since 2007, the latest of which was in 2016.<sup>1</sup>

## Summary of 2019 Draft Feasibility Report

In 2019, the City completed its first annexation feasibility analysis for the SE UGA. The study provided a rich background and overview of anticipated impacts to the City if annexed, and served as a foundation for this report.

### 2019 Results

The report found an overall net loss of \$636,948 for the total study area, when calculating the total revenues against the total costs. These values are reflected in Exhibit 3.

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<sup>1</sup> <https://www.co.thurston.wa.us/permitting/boundary/boundary-proposals-past.html>

### Exhibit 3: Summary of 2019 Feasibility Study Results

Source: Southeast Urban Growth Area Annexation Feasibility Analysis, 2019

	North	South	Total Study Area
<b>Revenues</b>			
Property Tax	\$ 1,299,836	\$ 1,303,162	\$ 2,602,988
OMPD Assessment	\$ 262,385	\$ 263,507	\$ 526,342
Stormwater Utility	\$ 261,330	\$ 224,912	\$ 486,242
Transportation Benefit Dist	\$ 70,040	\$ 51,040	\$ 121,120
Utilities and Franchise Fee	\$ 432,989	\$ 371,133	\$ 804,122
State Shared Revenues	\$ 111,792	\$ 96,988	\$ 208,780
Development Fees	\$ 274,679	\$ 235,440	\$ 510,119
<b>Total Revenues</b>	<b>\$ 2,713,051</b>	<b>\$ 2,546,182</b>	<b>\$ 5,295,713</b>
<b>Costs</b>			
Police	\$ 1,018,728	\$ 912,854	\$ 1,931,582
Roads & Transportation	\$ 884,642	\$ 313,124	\$ 1,197,776
Stormwater	\$ 461,000	\$ 75,000	\$ 536,000
Community Development	\$ 284,475	\$ 243,836	\$ 528,311
Street Lights	\$ 27,337	\$ 23,431	\$ 50,768
Fire	\$ 909,044	\$ 779,180	\$ 1,688,224
<b>Total Costs</b>	<b>\$ 3,585,226</b>	<b>\$ 2,347,425</b>	<b>\$ 5,932,661</b>
<b>Net Revenue</b>	<b>\$ (872,175)</b>		<b>\$ (636,948)</b>

#### Impact on Services - 2019 Annexation Study

##### Fire Department

Upon annexation, the City of Olympia's Fire Department would become the service provider, and so the transfer of fire protection and emergency services to the city has the potential to impact both the city and the fire district. The three main potential impacts to the affected fire districts are 1) loss of property tax revenue, 2) loss of assets through a required transfer to the annexing city, and 3) a loss/transfer of personnel.

##### Police Department

In a similar vein, annexation would also impact the level of service for police protection. The City would need to hire additional commissioned officers in addition to significant initial investment for equipment, training, and vehicles in order to maintain the same level of service currently experienced by the City of Olympia (1.41 commissioned officers per 1,000 residents).

##### Utilities

Utilities would also be impacted, with annexation increasing the number of catch basins that must be cleaned every year by slightly over 10%. However, as there is already infrastructure in place for this to be done, the costs would be marginal in comparison to the fire and police departments.

## Construction and Infrastructure

While most of the roads in the annexation area are in good shape, there were 25 sections within the County's data set that had a pavement condition index (PCI) rating below 80 and would thus need repairs to be done. Repairs and additional staffing are estimated to total costs of \$1.2 million. Because the city already owns and maintains the park lands within its Urban Growth Areas, annexation would not result in any increased costs.

### Updates on 2019 Assumptions

Since the 2019 annexation study was completed, a few assumptions have changed. The City of Olympia has acquired a large site within the SE UGA with plans for a future school and park. Taxes captured on the value of the construction for both the school and the park are factored into the results of this report. However, since the park is already planned for and will move forward regardless of annexation, the capital cost of the park development is not included in this report.

The City is also in the midst of evaluating the feasibility of forming a Regional Fire Authority (RFA) with the City of Tumwater. The decision will go to vote in Spring 2023. ECONorthwest's analysis considers the two scenarios for annexation.

## 2. Community Characteristics and Budget Overview

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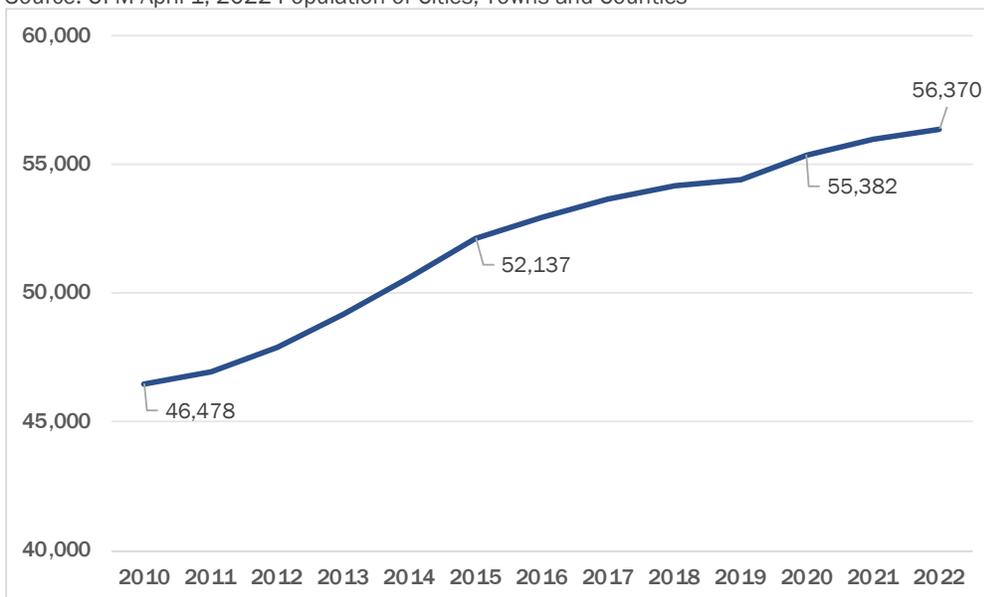
### Population and Housing Overview

Olympia is located in Thurston County, along the Interstate 5 corridor. As of 2022, the City is estimated to have approximately 56,370 residents<sup>2</sup>. Olympia borders Tumwater to the south and Lacey to the east and occupies approximately 20 square miles.

Exhibit 4 shows Olympia’s population growth since 2010. The City’s population has grown by about 21 percent since 2010, at about 1.8 percent each year.

#### Exhibit 4: Population, City of Olympia, 2010-2022

Source: OFM April 1, 2022 Population of Cities, Towns and Counties



As of 2020, Olympia had approximately 23,031 households with an average of 2.2 persons per household, which is slightly lower than Thurston County overall (2.5 persons per household). The median household income is around \$63,185, substantially lower than the County overall (\$81,659)<sup>3</sup>. About 56 percent of the City’s housing stock is single-family and 53 percent of the housing stock is renter-occupied.

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<sup>2</sup> Washington State Office of Financial Management April 1 Population Estimate, 2022.

<sup>3</sup> 2020 ACS 5-year Estimates

## Assessed Value

The total assessed value of the City of Olympia is about \$11.9 billion as of 2022. The majority of the taxable value comes from residential properties (approximately \$8.7 billion), and almost \$3 billion comes from commercial property.

### Exhibit 5: Total Assessed Value, City of Olympia, 2022

Source: City of Olympia Assessor Data; ECONorthwest Calculations

	Parcel Count	Total Assessed Value
Agriculture	1	\$ 490
Commercial	1,429	\$ 2,770,408,900
Condominium	629	\$ 234,875,800
Conventional Family	13,026	\$ 6,154,328,020
Manufacturing	72	\$ 215,071,100
Mobile Home	50	\$ 46,681,300
Multi-Family	827	\$ 2,176,023,000
Other Residential	17	\$ 159,299,600
Vacant (Commercial)	1,342	\$ 139,190,100
<b>Total \$ (Billions)</b>	<b>17,393</b>	<b>\$ 11.9</b>

## Regional Growth and Annexation History

Thurston County's growth is influenced by two primary factors: 1) natural increase, or the difference between births and deaths, and 2) migration, or the difference between people moving to the region and people moving away from the region. Natural increase tends to be fairly steady, while migration is heavily dependent on the local economy.

Olympia has had five annexations since 2013, with three of them in 2013, one in 2014, and one in 2016.

- 2013: The City annexed a total of 36.19 acres across the three annexations.
  - Cooper Point Road: 8.69 acres
  - Division Street: 8.5 acres
  - Olympia Regional Learning Academy: 19 acres
- 2014: 192.2 acres were annexed under the Boulevard/I-5 Annexation
- 2016: 8.5 acres were annexed under the Hulbert, Hong, and Slater Annexation

## Budget Summary

The City of Olympia 2022 Operating Budget is \$177.1 million. The General Fund, which funds general government operations such as parks and police, is \$96.5 million. Olympia's largest expenditures are for Public Works and Public Safety, accounting for almost 67 percent of total

expenditures. The City’s largest revenue sources are from taxes and licensing, which includes property, sales, business and occupation, and licenses and permits and then charges for services – including solid waste, drinking water, and wastewater fees among others.<sup>4</sup> Exhibit 6 below shows a summary of main taxes the City uses to fund its general fund.

**Exhibit 6: City Olympia Tax Revenue 2021 Budget Summary**

Source: City of Olympia 2022 Final Operating Budget

General Fund Tax Revenues	2021 Actuals
Property Tax	\$ 16,022,819
Retail Sales & Use Tax	\$ 27,544,444
Business & Occupation Tax	\$ 18,303,641
Other Taxes	\$ 277,076

Olympia has two other taxing authorities, the Olympia Metropolitan Park District (OMPD) and Transportation Benefit District (TBD), that each go through separate budget processes. While their revenues from the SE UGA annexation are provided, they are not included in the summary of General Fund revenues and expenditures.

City of Olympia 2023 Operating Budget

Olympia Metropolitan Parks Fund

The Olympia Metropolitan Parks District Fund is used to account for the property tax funds received from the Olympia Metropolitan Parks District (OMPD), a separate taxing authority. For accounting purposes, OMPD is a blended component unit. Property taxes received by the OMPD are used to provide capital acquisition and development of City parks and their operations.

Transportation Benefit District (TBD)

The Transportation Benefit District (TBD) Fund is used to account for the funds received from the Transportation Improvement District, a separate taxing authority. For accounting purposes, TBD is a blended component unit. Fund collected via a \$40 per vehicle registration fee are used to support the preservation, maintenance, capacity, safety and operation of the City streets.

## Taxes and Rates

Exhibit 7 below shows Olympia’s General Fund and other operating taxes and their associated rates. Olympia also collects a Real Estate Excise Tax that can only be used for capital investments per state law. The City also has other dedicated sales taxes can only be used for specific purposes like criminal justice and public safety.

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<sup>4</sup> City of Olympia 2022 Final Operating Budget

## Exhibit 7: General fund and Other Operating Tax Rates

Source: City of Olympia 2022 Final Operating Budget

Property Tax	Rates
	\$1.73 per
City of Olympia	\$1,000

Retail Sales & Use Tax	Rates
City of Olympia	1.00%
Housing and Related Services	0.10%
Public Safety	0.10%

Business and Occupation	Rates
Service and Other	0.002%
All other businesses	0.001%

Utility Taxes	Rates
Telephone Utility Service	9%
Gas Utility Service	9%
Electric Utility Service	6%
Cable TV	6%
Steam Utility	1%
Water, Sewer, Solid Waste, Stormwater	6%

## Regional Fire Authority

Olympia is currently evaluating the feasibility of creating a Regional Fire Authority (RFA) with the City of Tumwater, which will go to a vote of the people in Spring 2023. The SE UGA is currently served by two fire districts: Fire District 3 primarily services the area north of Yelm Highway and a portion to the south, and Fire District 6 primarily serves the area south of Yelm Highway.

In Scenario 1, the City of Olympia assumes responsibility for the SE UGA to the north of Yelm Highway and contracts with Fire District 6 to serve the area to the south until 2029 when the City assumes full service of the SE UGA. In Scenario 2, the RFA is approved, and the SE UGA is annexed and included within the RFA's jurisdictional boundary. Tax impacts for each scenario are presented later in this report.

## Utility Service Providers

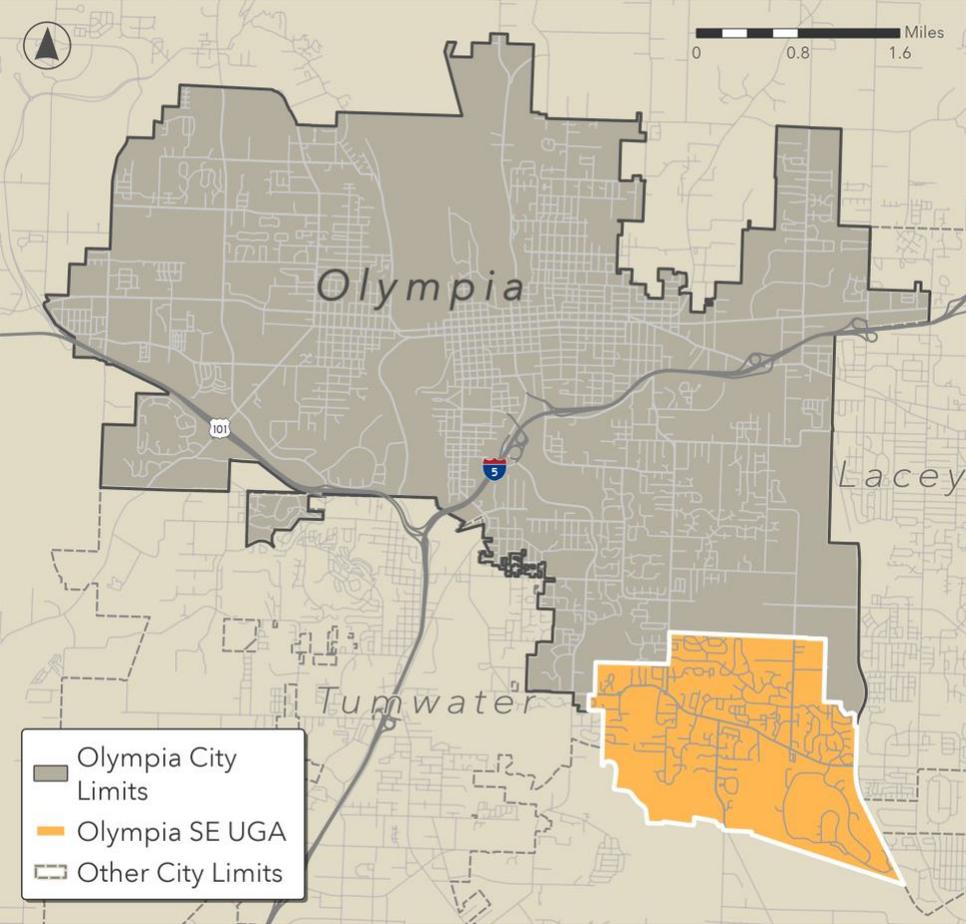
The City of Olympia owns and operates four major utilities: water, wastewater, stormwater and Waste ReSources (solid waste).

### 3. Southeast Urban Growth Area

The SE UGA is located just to the southeast of Olympia’s City limits and is split by Yelm Highway which runs roughly east-west through the center of the area. The SE UGA is primarily residential, with a small amount of commercial uses. The area is largely built out, with limited vacant lands, encompassing approximately 3 square miles.

**Exhibit 8: Olympia's SE UGA, Thurston County**

Source: City of Olympia GIS Data; ECONorthwest



### Population Estimates and Growth Assumptions

Thurston County Regional Planning Council (TRPC) provided population and dwelling unit forecasts through 2045 for the SE UGA. ECONorthwest used TRPC 2022 estimates and 2045 projections as the baseline assumptions for the fiscal analysis and applied TRPC assumed housing unit mix to SE UGA parcels.

As of 2022, the SE UGA is estimated to have approximately 7,950 residents and 3,150 housing units. By 2045, it is expected to grow to a total of 8,900 residents and 3,810 housing units, representing an almost 12 percent increase over the 23-year period.

**Exhibit 9: SE UGA Population Assumptions**

Source: Thurston County Regional Planning Council

	Population			Housing Units		
	2017	2022	2045	2017	2022	2045
SE UGA	7,620	7,950	8,900	3,000	3,150	3,810

As previously mentioned, the SE UGA is largely residential in nature. About 72 percent of the housing units are single-family and 28 percent of the units are multifamily. TPRC’s growth projections assume the housing mix will remain the same unless a major change in policy or zoning in the SE UGA occurs.

**Exhibit 10: SE UGA Housing Mix Assumptions**

Source: Thurston County Regional Planning Council

	Mix of Housing Units			
	2022		2045	
Single Family	2,261	72%	2,731	72%
Multifamily	873	28%	1,064	28%
Manufactured Homes	20	0.6%	16	0.4%
<b>Total</b>	<b>3,154</b>		<b>3,810</b>	

Assessed Value

The total assessed value of the SE UGA was \$1.5 billion as of 2022. Nearly all of the taxable value comes from residential properties. Exhibit 11 shows the breakdown of the SE UGA’s taxable value.

**Exhibit 11: Total Assessed Value, SE UGA, 2022**

Source: City of Olympia Assessor Data; ECONorthwest Calculations

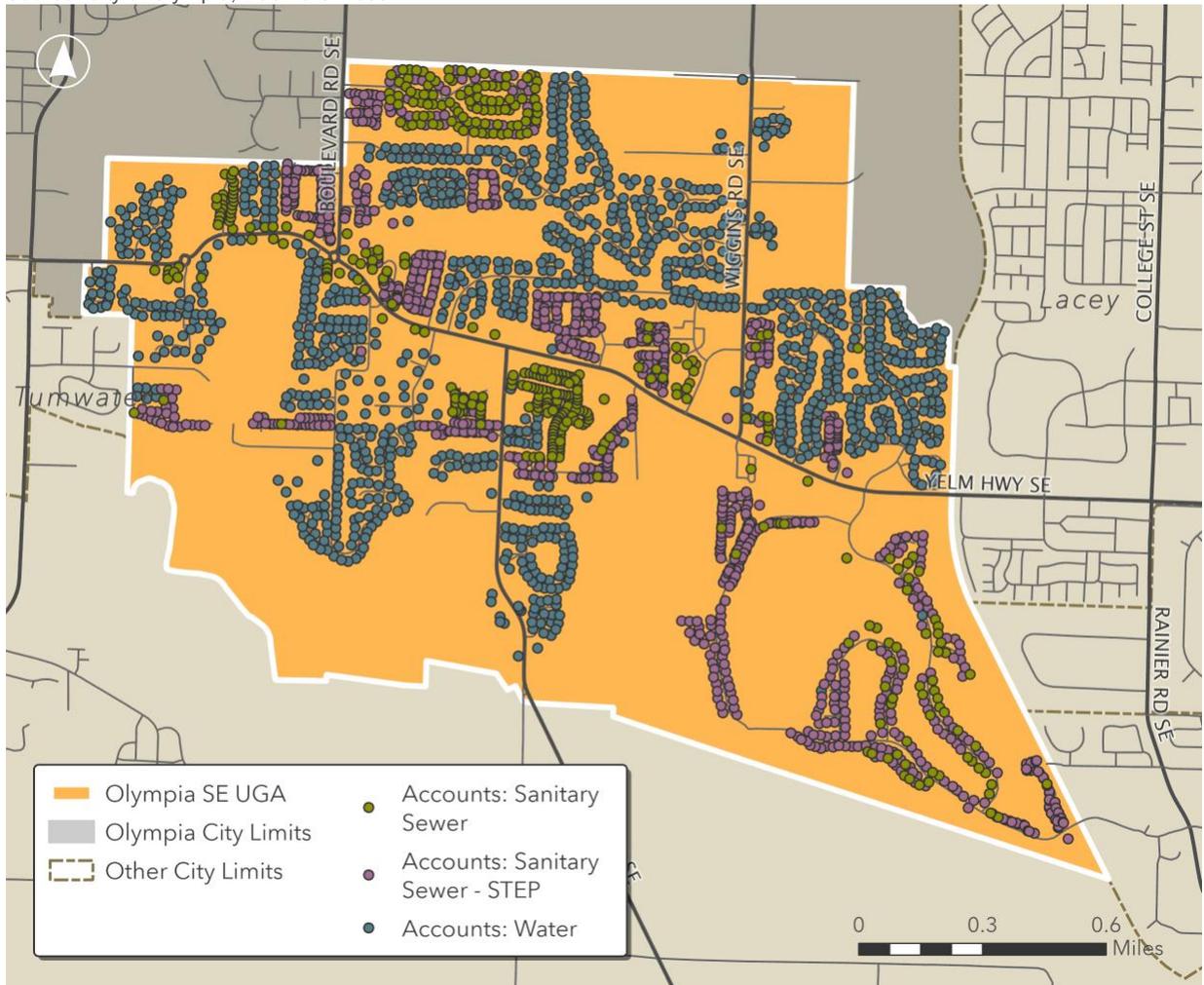
	Parcel Count	Building Value	Land Value	Total Assessed Value
Commercial	10	\$ 24,591,600	\$ 3,709,500	\$ 28,301,100
Condominium	195	\$ 31,388,600	\$ 12,266,400	\$ 43,655,000
Conventional Family	2,361	\$ 1,009,844,100	\$ 287,101,170	\$ 1,296,945,270
Manufacturing	6	\$ 11,911,900	\$ 1,631,900	\$ 13,543,800
Mobile Home	9	\$ 1,388,000	\$ 1,378,000	\$ 2,766,000
Multi-Family	62	\$ 128,458,600	\$ 25,171,400	\$ 153,630,000
Other Residential	2	\$ 1,308,000	\$ 280,400	\$ 1,588,400
Vacant (Commercial)	4	\$ -	\$ 2,500,900	\$ 2,500,900
Vacant (Residential)	170	\$ -	\$ 7,905,590	\$ 7,905,590
<b>Total</b>	<b>2,819</b>	<b>\$ 1,208,890,800</b>	<b>\$ 341,945,260</b>	<b>\$ 1,550,836,060</b>

## Service Provider Summary

The City of Olympia currently provides both water and wastewater services within the SE UGA. Exhibit 12 shows where service accounts for both utilities are active within the SE UGA.

### Exhibit 12: City of Olympia Water and Wastewater Service, SE UGA

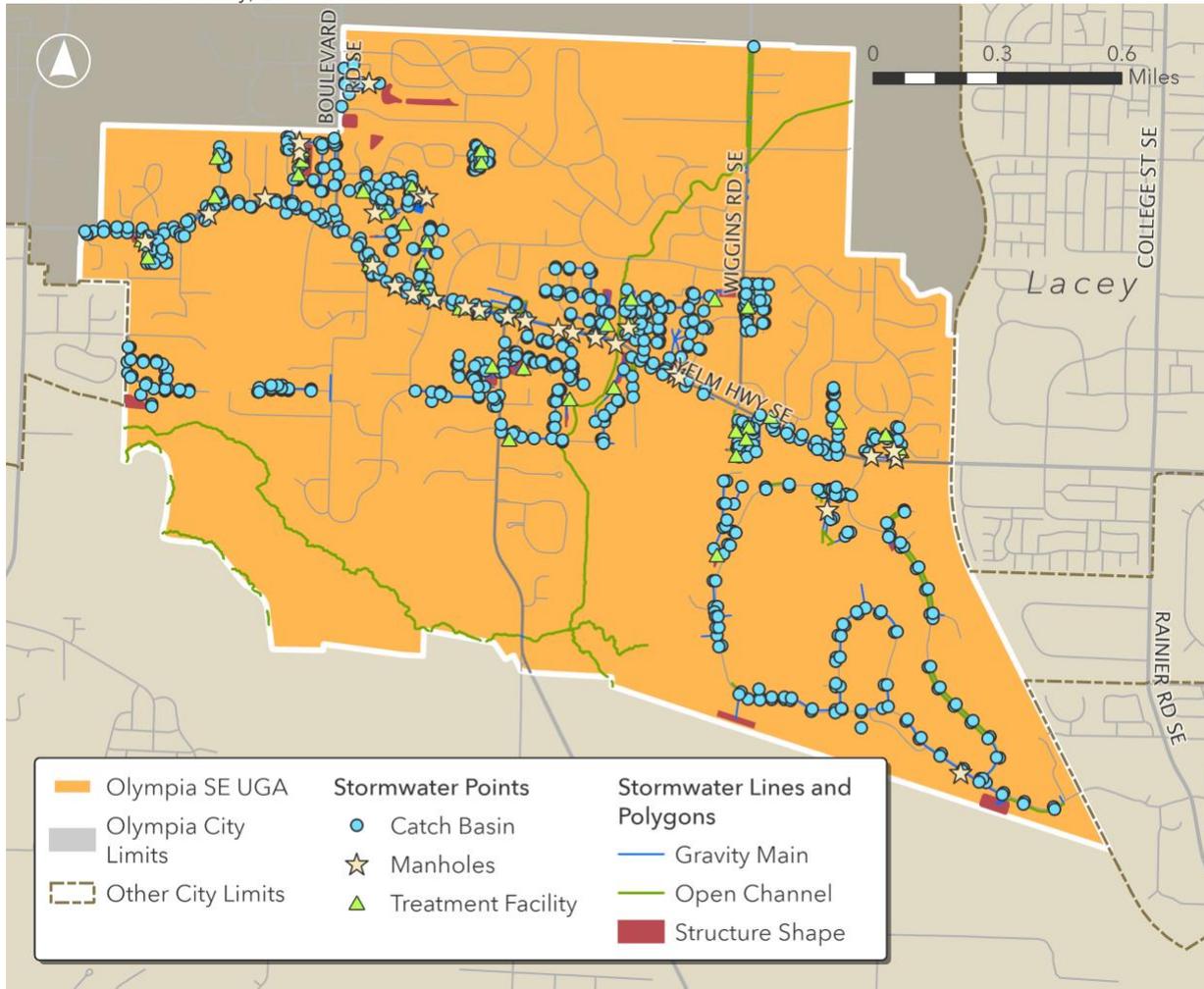
Source: City of Olympia; ECONorthwest



The City does not currently manage stormwater services and facilities in the SE UGA, but there are stormwater facilities existing within the SE UGA. The City of Olympia would assume responsibility of the operation and maintenance of those facilities once annexation occurred. Exhibit 13 shows where existing facilities are concentrated within the SE UGA.

### Exhibit 13: Existing Stormwater Facilities, SE UGA

Source: Thurston County; ECONorthwest



## 4. Summary of Fiscal Impact Analysis

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Annexation will have fiscal impacts to the City of Olympia in terms of growth in tax revenues generated within the annexed area, and growth in expenditures due to increased service demands. This report considers both types of impacts over the period 2024 through 2045. Because of the 20-year planning horizon under consideration, assumptions about growth and inflation are incorporated into the fiscal models used as the basis of this analysis.<sup>5</sup>

- Growth in tax bases are assumed to grow at a rate of inflation of 3.5%
- Growth in service costs are assumed to grow at a rate of inflation of 5%

The fiscal impacts of proposed annexation are considered under two scenarios:

- (1) The City assumes responsibility for all services, including fire service provision
- (2) A regional fire authority is formed, which results in lower property tax revenues and lower service delivery costs in the annexation area.

### Fiscal Impacts Considerations

An annexation impact analysis is simple in concept but challenging to execute in practice. Here are some issues to keep in mind:

**Costs and revenues included in this analysis:** This analysis specifically focuses on Olympia's major tax streams and service costs. Population growth will impact major tax streams as well as intergovernmental revenues. User fees and other revenue sources will also be impacted, but because cities have the ability to change them to cover costs of the services they are designed to purchase, they are not included in this analysis.

**Economies of Scale.** Olympia will experience economies of scale following annexation – meaning that the average cost-per-resident of providing many city services decreases as the city grows. In practical terms, the analysis framework reflects economies of scale by assuming that administrative functions will not be affected by annexation.

**Dealing with time.** An annexation impact analysis that spans years or even decades presents challenges:

- **Timing of new growth.** The timing of development affects fiscal impacts. When development occurs it generates new revenue and creates a need for new services and infrastructure improvements. This analysis assumes a growth pattern consistent with Thurston County Regional Planning Council's growth estimates as outlined in Section 3.

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<sup>5</sup> The long-term inflation rate used for revenues and costs is 3.5 percent. ECONorthwest November 2022 forecast.

- **Future changes in rates for taxes and fees.** Future changes in rates for taxes and fees, or how future governments choose to allocate their more fungible resources, will impact levels of revenue and the sources of funding for specific activities. The analysis usually assumes that the basic funding framework remains the same for the duration of the forecast period.
- **Dealing with inflation.** Conducting an annexation impact analysis requires an examination of both the short-run and long-term impacts. During the current economic climate, inflation adds another degree of uncertainty and difficulty that affects revenues and costs.

## Summary of Fiscal Impacts

Annexation would have a net negative revenue impact on the City under Scenario 1 (No RFA) and a net positive revenue impact under Scenario 2 (RFA is approved). Scenario 1, in which no RFA is formed and Olympia Fire Department assumes service of the SE UGA, will result in a net cost totaling \$67.9 million over the 20-year period. Scenario 2 in which an RFA is formed with the City of Tumwater, will result in a net revenue gain to the City totaling around \$14.1 million.

Exhibit 14 below provides a breakdown of General Fund and other tax revenue impact, net of ongoing General Fund cost impacts (fire, police and public works). It also includes one of the largest capital investments the City will need to plan for, a new fire station in 2029 under Scenario 1. Relevant capital revenues (REET) resulting from the annexation that can help pay for this investment is also included to show a more comprehensive net impact under both scenarios. Further explanation of all impacts is provided below.

### Exhibit 14: Revenues and Cost Impacts, 2024 – 2045

Source: ECONorthwest

	Nominal (\$ millions)	
	No RFA Scenario	RFA Scenario
General Fund & Other Operating Tax	\$76.5	\$42.6
General Fund Cost Impact	(\$167.0)	(\$72.1)
<b>Net Cost</b>	<b>(\$90.5)</b>	<b>(\$29.5)</b>
OMPD Revenue	\$24.7	\$24.7
TBD Revenue	\$4.0	\$4.0
REET Revenue	\$14.9	\$14.9
Capital Cost (Fire Station)	(\$21.0)	
<b>Net Revenue</b>	<b>\$22.6</b>	<b>\$43.6</b>
<b>Overall Net Cost/Revenue</b>	<b>(\$67.9)</b>	<b>\$14.1</b>

Note: Capital cost does not include any off-setting revenues such as a voter-approved bond.

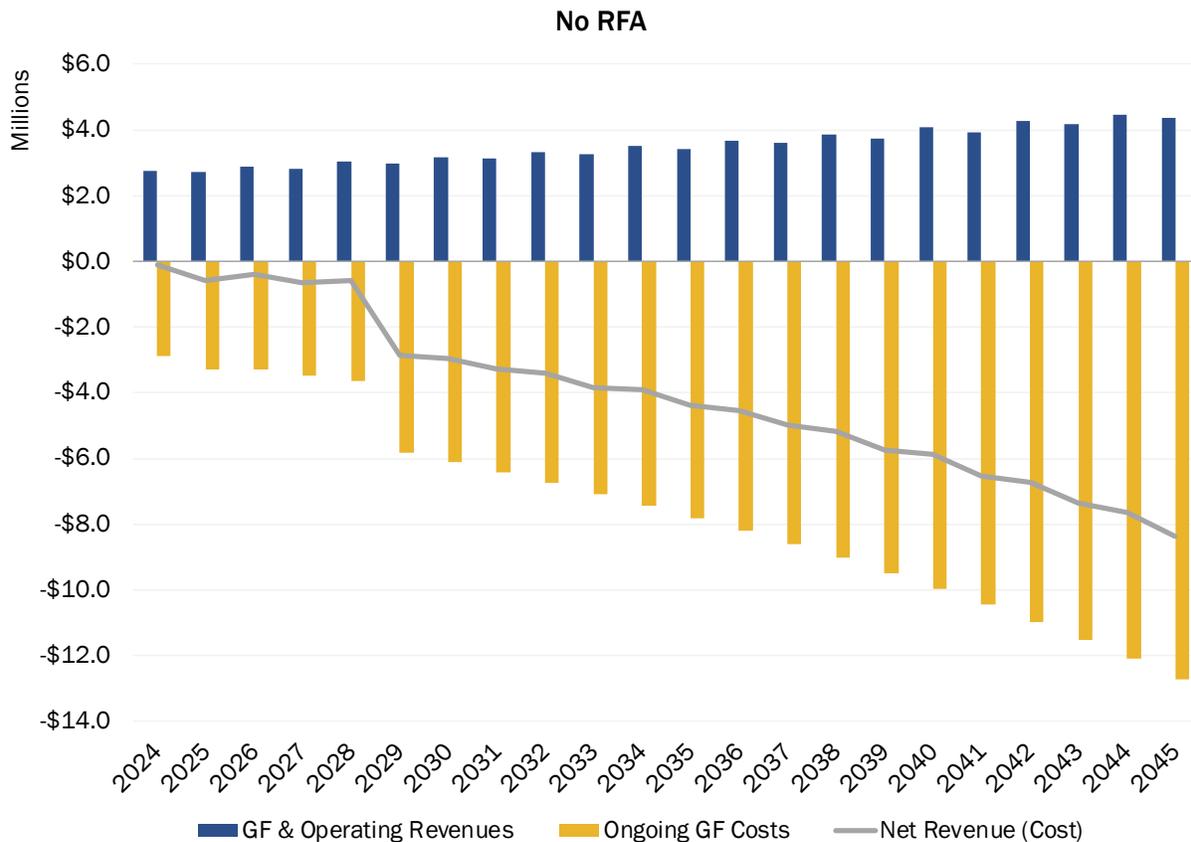
## General Fund Revenues and Expenditures Summary

The following exhibits (Exhibit 15 and Exhibit 16) show the ongoing net costs to the General Fund, which occur under both scenarios. The General Fund summary shows a net cost under both scenarios because it does not account for other tax revenues that would be deposited into special funds (e.g., the TBD or the OMPD), and only includes the ongoing costs for impacted services that are funded through the General Fund; police, fire, and public works. It does not include the anticipated fire capital investments.

In Scenario 1 (no RFA), there would be a net cost (\$134,000) to the General Fund in the first year of annexation (2024), and would continue to grow as police and fire services are phased in. The major increase in the net cost observed in 2029 is due to the additional engine company the Olympia Fire Department (OFD) would need to service the entire SE UGA. The contract with Fire District 6 for services would end in 2028, and OFD would begin servicing the area. Details regarding the phasing in of fire services are provided further below. Scenario 1 would result in a net cost to the General Fund over the next 20 years (Exhibit 15), totaling approximately \$77 million in revenue and \$167 million in expenditures.

### Exhibit 15: Annual General Fund Fiscal Impact Scenario 1 (No RFA), 2024 - 2045

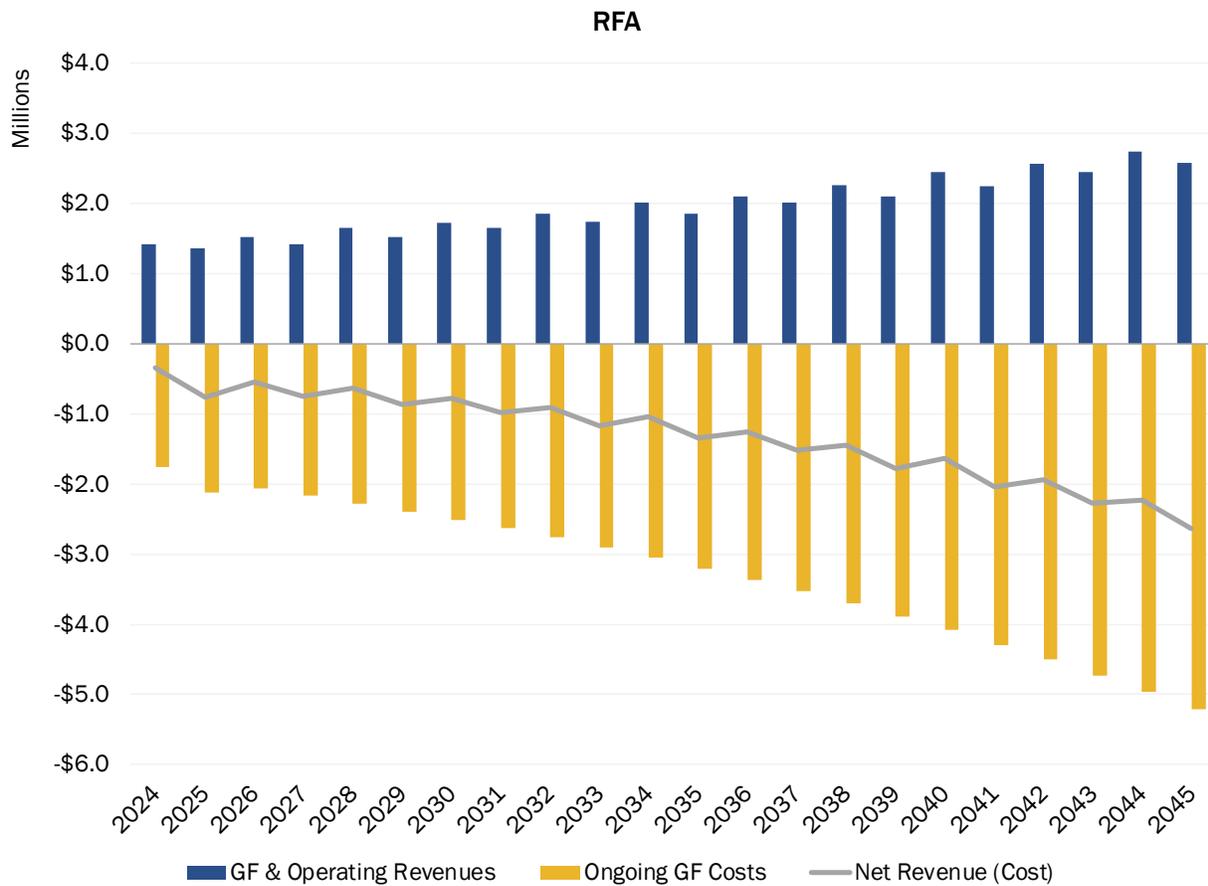
Source: ECONorthwest



In Scenario 2 (an RFA is formed and a lower property tax rate is levied), there would be a net cost (\$353,000) for the General Fund in the first year of annexation (2024), and would continue to grow at a steadier pace than Scenario 1, as Scenario 2 does not include the major investment in an additional fire engine company. Scenario 2 would result in a net cost to the General Fund over the next 20 years (Exhibit 16), totaling approximately \$43 million in revenue and \$72 million in expenditures.

**Exhibit 16: Annual General Fund Fiscal Impact Scenario 2 (RFA), 2024 – 2045**

Source: ECONorthwest



## 5. City Revenues

Annexation will increase City tax revenues due to an increase in the property tax base, sales tax from e-commerce, sales and business and occupation (B&O) from construction within the area, real estate excise taxes, utility taxes, and state-shared revenues due to the absorbed population. The City will also realize a negligible (less than \$10,000) increase in ongoing B&O taxes from the limited commercial presence in the annexation area. Primary revenue impacts come from property taxes. The assessed value of the annexation area is \$1.6 billion in 2022, a 13 percent increase over City totals.

## Property Tax

Because of potential lag issues associated with property tax, this analysis assumed annexation would be official before August 1, 2023 and property tax revenues would begin flowing to the City in 2024 (after August 1 of a given year and property taxes collection would begin two years after). For the annexed area, the property tax impact is twofold. First, annexed properties would begin paying property taxes to the City as its local service provider depending on the timing mentioned above. This process resets the City's maximum allowable levy by and amount of the application of the city levy to these annexed properties. Second, once these properties are annexed and construction activities are assessed as new construction, the new construction value is added to the City's "add-on" value to its levy limit calculation.

The analysis models the City's property tax so that it conforms to the levy limit factor and adjusts for changes to new construction and assessed value growth. Specifically:

- A limit factor of 1% plus an add-on value of new construction is assumed in calculating the city's maximum allowable levy.
- New construction of 213 conventional single-family homes is assumed every 10 years within the annexation area.
- New construction at the city level is capped at 0.75% of the city's overall assessed value base.
- Assessed value growth in the city and annexation area is assumed to be revalued at 2% a year.

The effect of these assumptions results in property tax revenue growth in the annexation area at approximately 2.1% over the study period. Much of this effect is explained by the structural legislative parameters explained above but is best represented by the steady lowering of the city's levy rate which is estimated to fall at -1.0% a year over the study period.<sup>6</sup>

## Utility Taxes

Olympia's utility tax is a tax imposed on the gross income of various utility services. Olympia imposes a tax on external utilities, such as telecommunication, natural gas, and electric at a rate of 9 percent. State statute limits the maximum tax on these utilities, without voter approval, at 6 percent. According to the City's 2023 Operating Budget, in 2004 City voters approved a 3 percent increase in the tax to be used for Parks and Pathways purposes; the combined tax is now 9 percent, but only 4.5% is available for the City's General Fund. Beginning in 2015 the 6

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<sup>6</sup> The analysis does not impose any policy choices by elected officials or voters such as "banking" levy capacity or voter-approved levy lid lifts. It is important to note that the analysis does not assume any city-entitled county road district taxes when the road district taxes that have been levied but not yet collected on property within the annexed territory.

percent utility tax was applied to Cable TV to support major maintenance in the Capital Facilities Plan, so none of the cable tax is allocated for General Fund purposes.

The City imposes a tax on assessed on revenue of the City's Drinking Water, Wastewater, Storm and Surface Water and Waste ReSources utilities generated from customers (12.5%). However, only 12% is allocated for General Fund use, and the remaining 0.5% is allocated to the City's Home Fund. Since the City already provides water and sewer services to the majority of residents in the SE UGA, utility tax revenue from these utilities is primarily stormwater and solid waste.

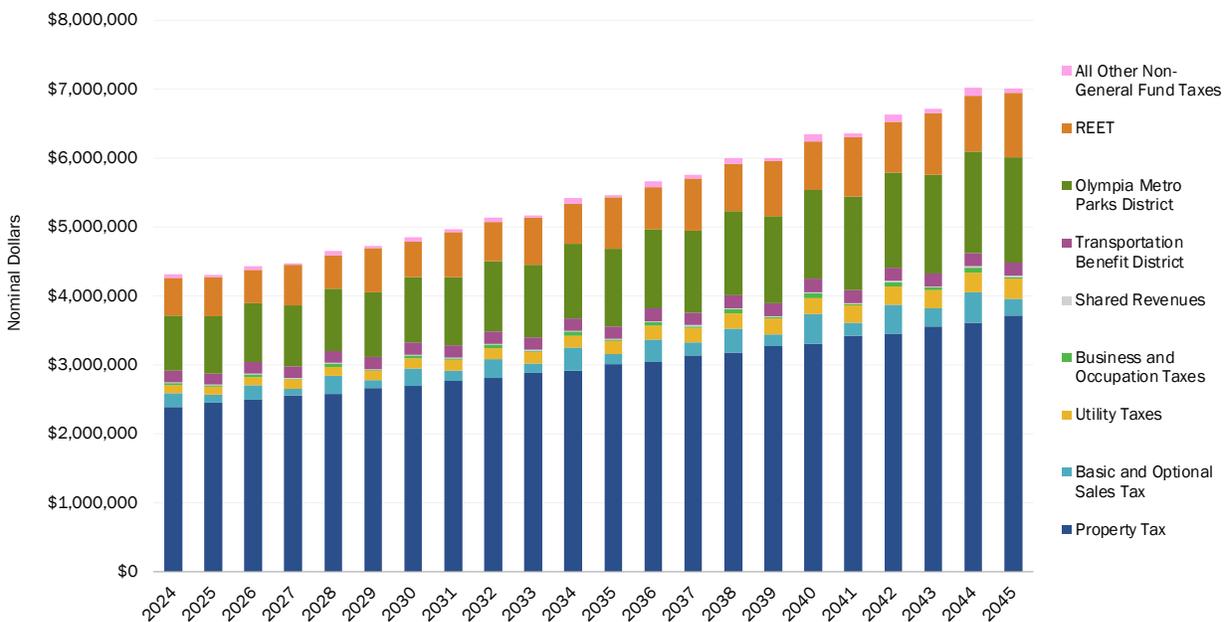
### Other Revenues

The City will also realize revenue from other taxes that are not included in the General Fund, including fees for the Transportation Benefit District, Olympia Metropolitan Parks District, Share of State Criminal Justice Sales Tax, City of Olympia Housing Sales Tax, City of Olympia Public Safety Sales Tax, and a Real Estate Excise Tax (REET).

Exhibit 17 and Exhibit 18 below show total anticipated annual revenues, over the 20-year period for both scenarios. Scenario 1 totals approximately \$122 million and Scenario 2 totals \$88 million.

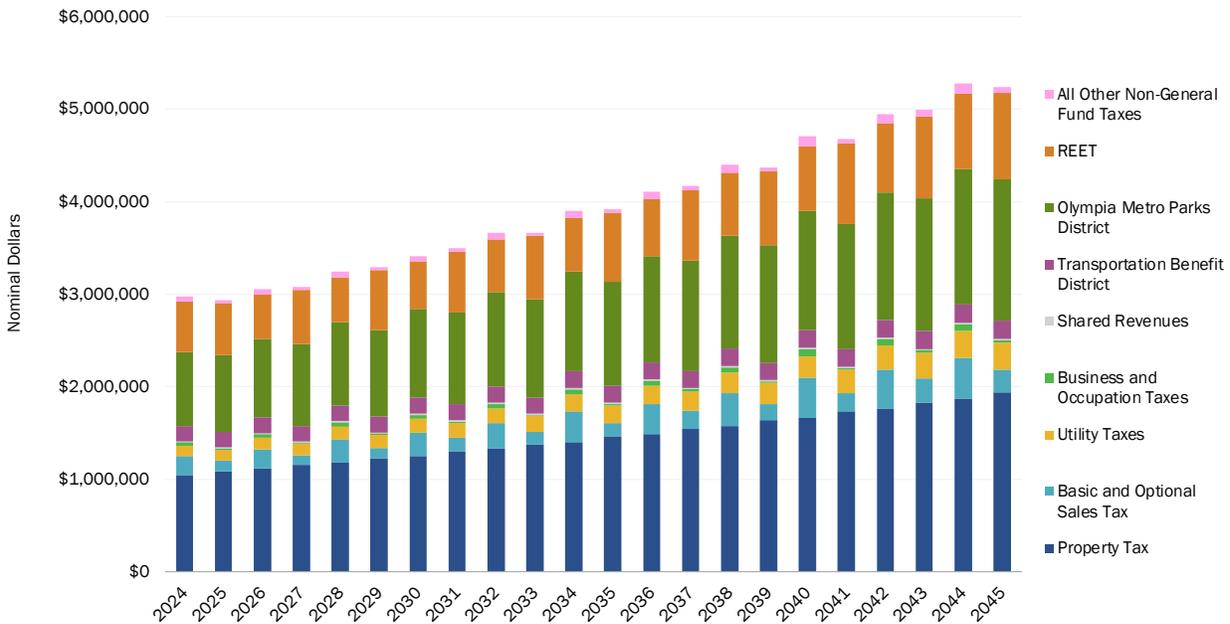
### Exhibit 17: All City Revenues, Scenario 1 (No RFA), 2024 - 2045 (Nominal Dollars)

Source: ECONorthwest



### Exhibit 18: All City Revenues, Scenario 2 (RFA), 2024 - 2045 (Nominal Dollars)

Source: ECONorthwest



### General Fund and Other Operating Taxes

Annexation of the SE UGA would result in an approximately \$77 million in General Fund revenue under Scenario 1 (No RFA) and about \$43 million in Scenario 2 (RFA) over the 20-year planning horizon. As previously mentioned, property taxes are the primary revenue source and are the only differentiator between the two scenarios due to the lower tax rate if an RFA is formed.<sup>7</sup>

### Exhibit 19: 20-year General Fund and Operating Taxes, No RFA versus RFA

Source: ECONorthwest

General Fund & Other Operating Tax Component	Nominal (\$ millions)	
	No RFA	RFA
Property Tax	\$65.9	\$32.0
Basic and Optional Sales Tax	\$5.3	\$5.3
Utility Taxes	\$4.2	\$4.2
Business and Occupation Taxes	\$0.8	\$0.8
Shared Revenues	\$0.3	\$0.3
<b>Total</b>	<b>\$76.5</b>	<b>\$42.6</b>

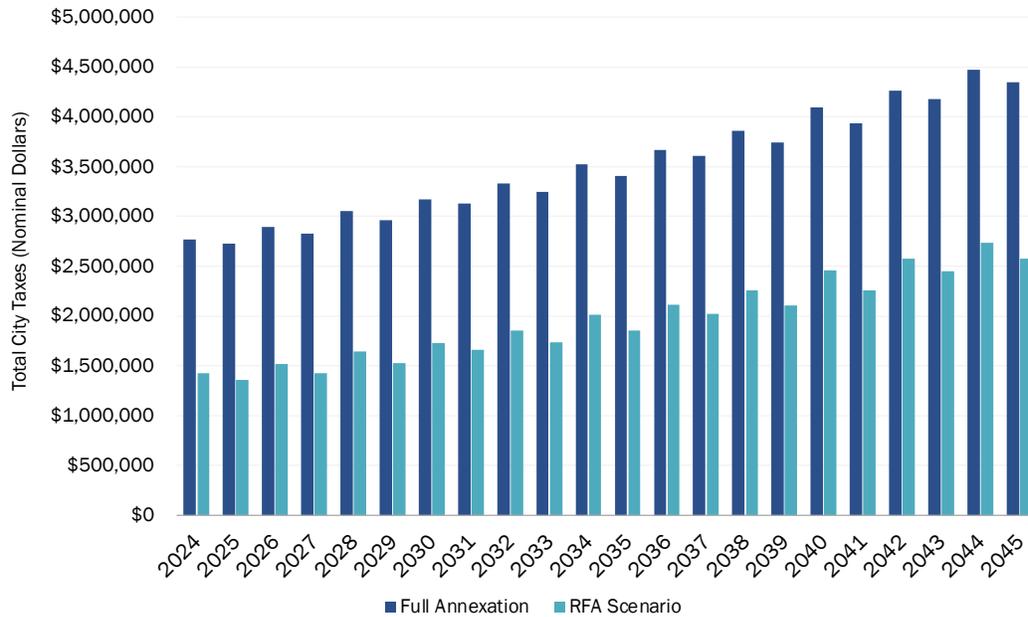
The first year following annexation would have considerable influx of revenue, with marginal increases in years following once the annexation area is absorbed into the tax base. If the SE

<sup>7</sup> In 2018, Olympia community members voted to raise property taxes for Public Safety initiatives with an initial levy of \$2.8 million. Revenues for the Public Safety initiatives are included in the property tax calculations in this report. Of note, the City of Olympia also maintains a Public Safety sales tax show in Exhibit 21.

UGA were annexed, the first year yields an estimated \$2.7 million in General Fund Revenue in Scenario 1 where no RFA is formed. In Scenario 2 where an RFA is formed and the City's property tax levy decreases, the first year yields an estimated \$1.4 million in General Fund Revenue. Exhibit 20 below compares 20-year General Fund and other operating revenues of the two scenarios resulting from annexation of the SE UGA between 2024-2045.

**Exhibit 20: General Fund & Other Operating Tax Comparison, No RFA and RFA, 2024 - 2045 (Nominal)**

Source: ECONorthwest



**Other Tax Revenues**

As previously mentioned, the City could also anticipate revenue generated from taxes that are not included in the General Fund or other operating funds. These revenues would occur under both scenarios. Non-General Fund revenues total nearly \$45 million over the 20-year period. While these funds are will not be deposited into the General Fund, they can be used to offset some cost impacts associated with annexation. For example, the City will incur costs associated with road maintenance given the additional road mileage. The Transportation Benefit District (TBD) is a separate taxing authority, but funds can be used for maintenance of the City's streets.

**Exhibit 21: 20-year Non-General Fund Revenues, 2024-2045**

Source: ECONorthwest

Other Tax (Non-General Fund) Component	Nominal (\$ millions)
Transportation Benefit District (TBD)	\$4.0
Olympia Metro Parks District (OMPD)	\$24.7
Share of State Criminal Justice Sales Tax	\$0.1
City of Olympia Housing Sales Tax	\$0.6
City of Olympia Public Safety Sales Tax	\$0.6
City of Olympia Cultural Access	\$0.0
REET	\$14.9
<b>Total</b>	<b>\$44.9</b>

*Note: Olympia's Cultural Access Tax would result in an increase of just over \$6,000 for the 20-year period.*

### One-Time Tax Revenues

Annexation of the SE UGA will result in approximately \$4.5 million in one-time tax revenues, primarily due to construction that would support the assumed population growth within the area over the next 20 years. These revenues would occur under both scenarios. Exhibit 22 below provides a breakdown of the one-time tax revenues. These one-time taxes would be assessed annually as build out of the SE UGA is assumed to occur, and are included in the totals shown in Exhibit 21.

**Exhibit 22: One-Time Tax Revenue, 2024-2045**

Source: ECONorthwest

One-Time Tax	Nominal Dollars
Basic and Optional Sales Tax	\$2,051,692
Business and Occupation Taxes	\$483,604
City of Olympia Housing Sales Tax	\$241,802
City of Olympia Public Safety Sales Tax	\$241,802
REET	\$1,571,554
<b>Total</b>	<b>\$4,590,454</b>

### Impact Fee Revenue

New residential construction in Olympia is subject to impact fees for parks, transportation, and schools. Impact fees typically pay for new or expanded facilities necessary due to the increased demand for services generated by new development. School impact fees are not summarized in this study as they are not a city-provided service.

Exhibit 23 summarizes the anticipated revenue generated through impact fees between 2024-2045. The SE UGA is expected to grow by an additional 661 housing units by 2045; 470 single-

family units and 191 multifamily units. Impacts fees were assessed on a per unit basis using the City’s 2022 impact fee schedule. Over the 20-year period, the City could realize \$5.4 in impact fees.

**Exhibit 23: Impact Fee Revenue, 2024-2045**

Source: ECONorthwest

Impact Fee Revenue	2022 Dollars
Parks	\$3,345,556
Transportation	\$2,131,568
<b>Total</b>	<b>\$5,477,124</b>

## 6. Impacts to Service Provision

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With its General Fund, the City funds general services that benefit the whole community, such as planning services and cultural facilities, as well as administrative functions that support city-wide operations such as courts, finance, and elected leadership. Olympia will experience economies of scale following annexation – meaning that the average cost-per-resident of providing many city services decreases as the city grows. Therefore, administrative functions are unlikely to be measurably impacted by increased population or land area and are not included in this analysis. Additionally, given that the annexation area is largely developed, the City does not anticipate an increase in permit activity as a result of annexation.

However, due to the substantial increase in population and square mileage, there will be a greater need for expanded fire and police services in particular. Since both services are supported through the General Fund, a substantial increase in expenditures will be required. The other service supported by the General Fund that should anticipate impacts is Public Works (transportation). The two city-provided utilities impacted are stormwater and solid waste (Waste ReSources), which are supported by the Utility Fund and not included in General Fund expenditures.

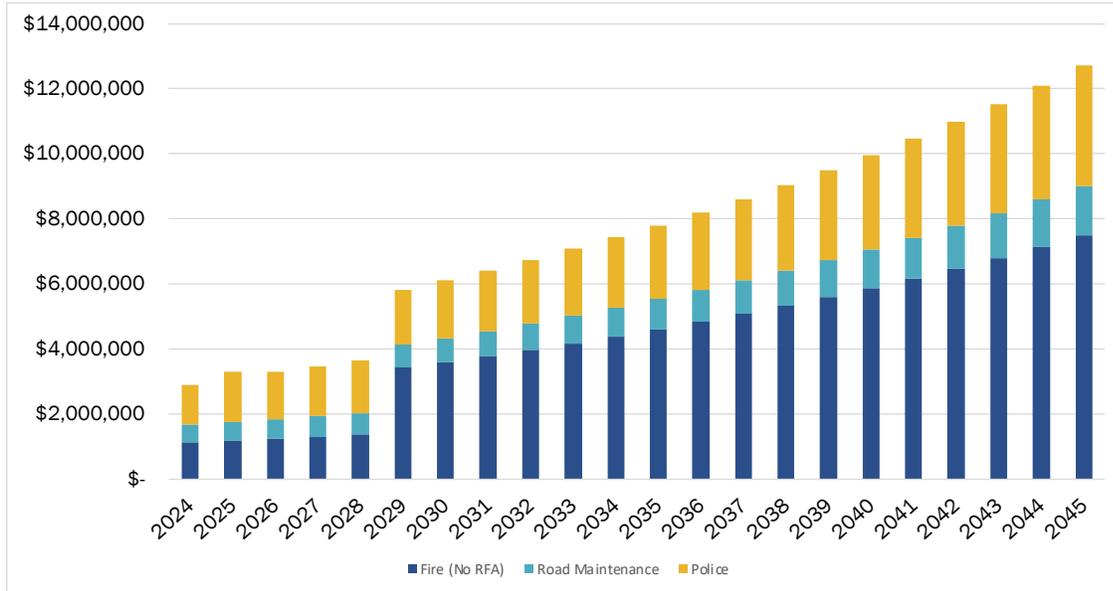
Exhibit 24 and Exhibit 25 shows a summary of the estimated annual costs to the General Fund for police, fire, and road maintenance services in the SE UGA. The key differentiator between the two scenarios is the elimination of city-provided fire service in Scenario 2 if an RFA is formed. The SE UGA would be served by the RFA.

Impacts to the General Fund will total \$167 million in Scenario 1. A substantial increase is observed in 2029 when the contract for service with Fire District 6 ends and OFD’s new engine company begins to service the area. More details regarding the transition of fire service in Scenario 1 are provided further below. Approximately \$72 million in ongoing costs to the General Fund will occur in Scenario 2. Scenario 2 results in a substantial decrease in costs compared to Scenario 1, as the RFA would assume fire service of the SE UGA.

Ongoing costs for the two utilities, stormwater and solid waste are not forecasted out beyond one year, as it is assumed the City will adjust user rates to recover additional costs incurred upon annexation. Capital costs, including the fire station and the new park on the Spooner Farms site are also not included in the summary provided in Exhibit 24 and Exhibit 25.<sup>8</sup>

**Exhibit 24: Summary of Service Delivery Costs Scenario 1 (No RFA), General Fund, 2024-2045**

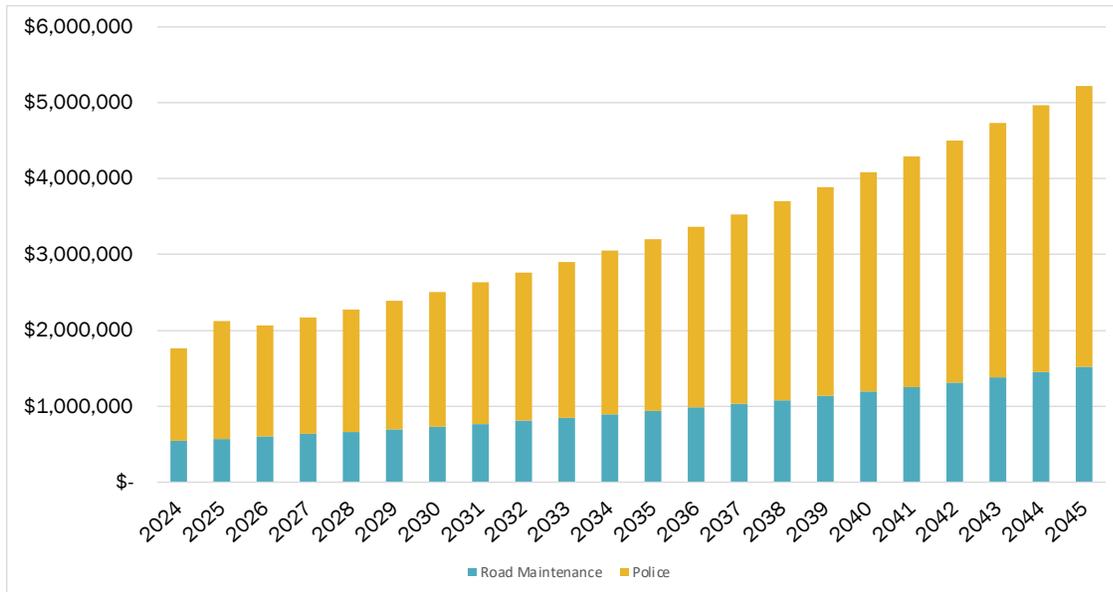
Source: ECONorthwest



<sup>8</sup> The Spooner Farms site will be developed regardless of annexation, so its capital cost is not considered as part of this report.

## Exhibit 25: Summary of Service Delivery Costs Scenario 2 (RFA), General Fund, 2024-2045

Source: ECONorthwest



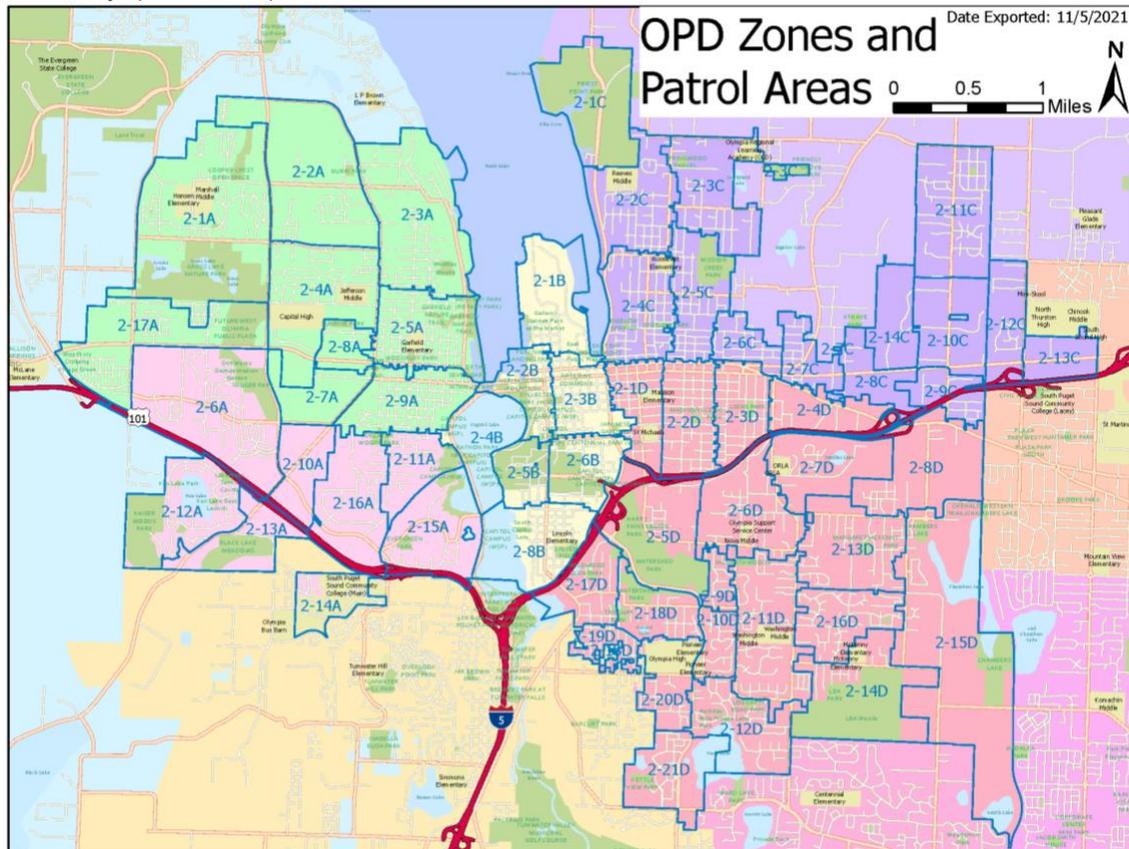
## General Fund Services

### Olympia Police Department

ECONorthwest met with members of the Olympia Police Department (OPD) to discuss future service demand in the annexation area. The incorporated area surrounding the SE UGA is known as the David Patrol Area, and it is currently one of the City's largest patrol areas. It would be unable to absorb the SE UGA. OPD would need to create an additional patrol area for the SE UGA, which would require six additional Police Officers.

## Exhibit 26: OPD Patrol Areas

Source: Olympia Police Department



Upfront costs for hiring new officers, plus training and equipping them will be a substantial investment for the City. Due to anticipated impacts to the General Fund upon annexation, the City has discussed the feasibility of phasing in services to the area, including police service. It could be possible to annex the SE UGA and contract back with the Thurston County Sheriff's Department in an agreement to continue servicing the area until a chosen sunset date. However, this is not a preferred method for Olympia PD and would require further discussions with Thurston County Sheriff's Office to determine the intricacies of a phased in approach.

Instead, for the purposes of this study, the City has opted to phase in hiring of the additional police officers over a two year period and cover the gap in service during Year 1 with overtime. Therefore, three officers would be hired in Year 1 and additional overtime costs will be included until Year 2 when the final three officers are hired. Assumed overtime rate is \$ \$73.22 per hour (provided by Olympia PD). As previously mentioned, the hiring of new officers will require new equipment and training, including two additional patrol vehicles. These costs have been phased in over the same two-year period. Exhibit 27 includes the summary of anticipated upfront costs for Year 1 and Year 2.

**Exhibit 27: Year 1&2 Upfront Costs for OPD**

Source: Olympia Police Department and ECONorthwest

Upfront Costs (Year 1 & 2)	Year 1 (2024 Dollars)	Year 2 (2025 Dollars)
FTEs	\$597,775	\$1,318,094
Patrol Vehicle	\$83,790	\$92,378
Training	\$32,975	\$72,709
Maintenance	\$59,535	\$65,637
Overtime	\$516,893	
<b>Total, Upfront Costs (Year 1 &amp; 2)</b>	<b>\$1,290,968</b>	<b>\$1,548,819</b>

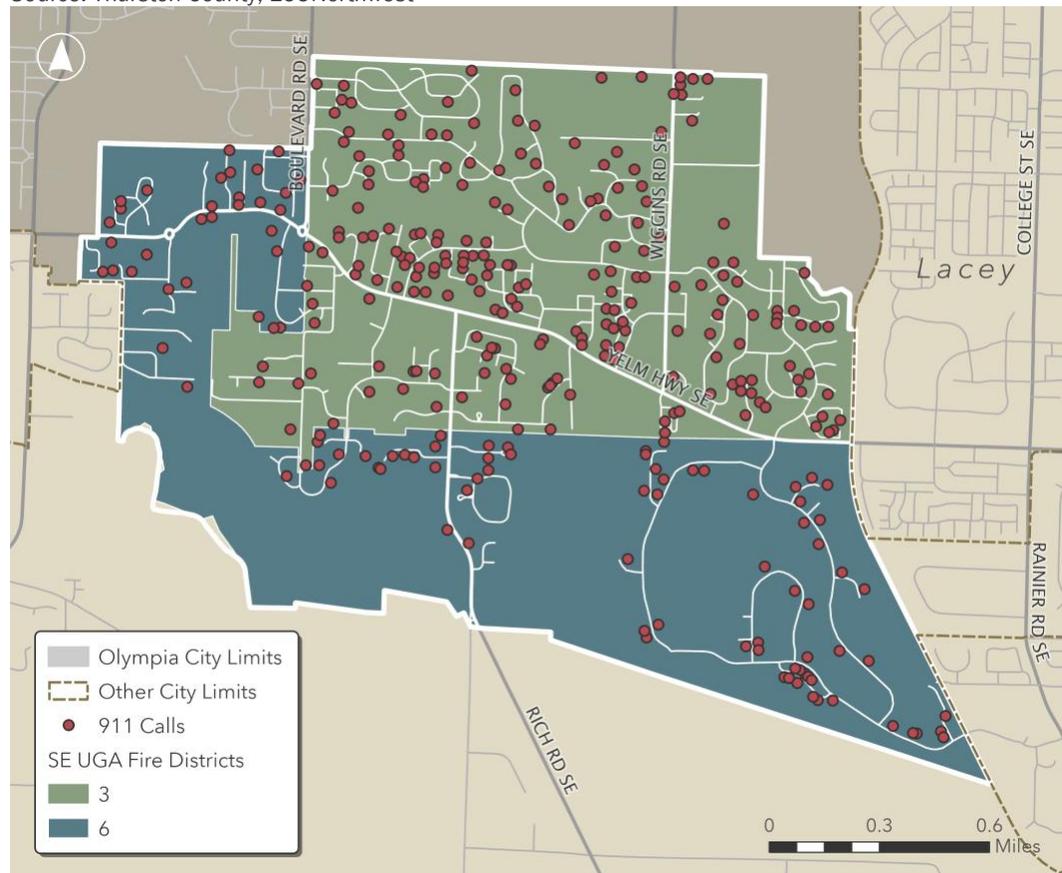
Beginning in 2026, OPD will realize approximately \$1.4 million in ongoing annual salaries of the six new officers and ongoing annual maintenance of the two new patrol vehicles.

Olympia Fire Department

Olympia is evaluating the feasibility of creating a Regional Fire Authority (RFA) with the City of Tumwater, which will go to a vote of the people in Spring 2023. The SE UGA is currently served by two fire districts shown in Exhibit 28. This study analyzes two scenarios for fire service.

**Exhibit 28: Existing Fire District Boundaries, Fire Districts 3 and 6**

Source: Thurston County; ECONorthwest

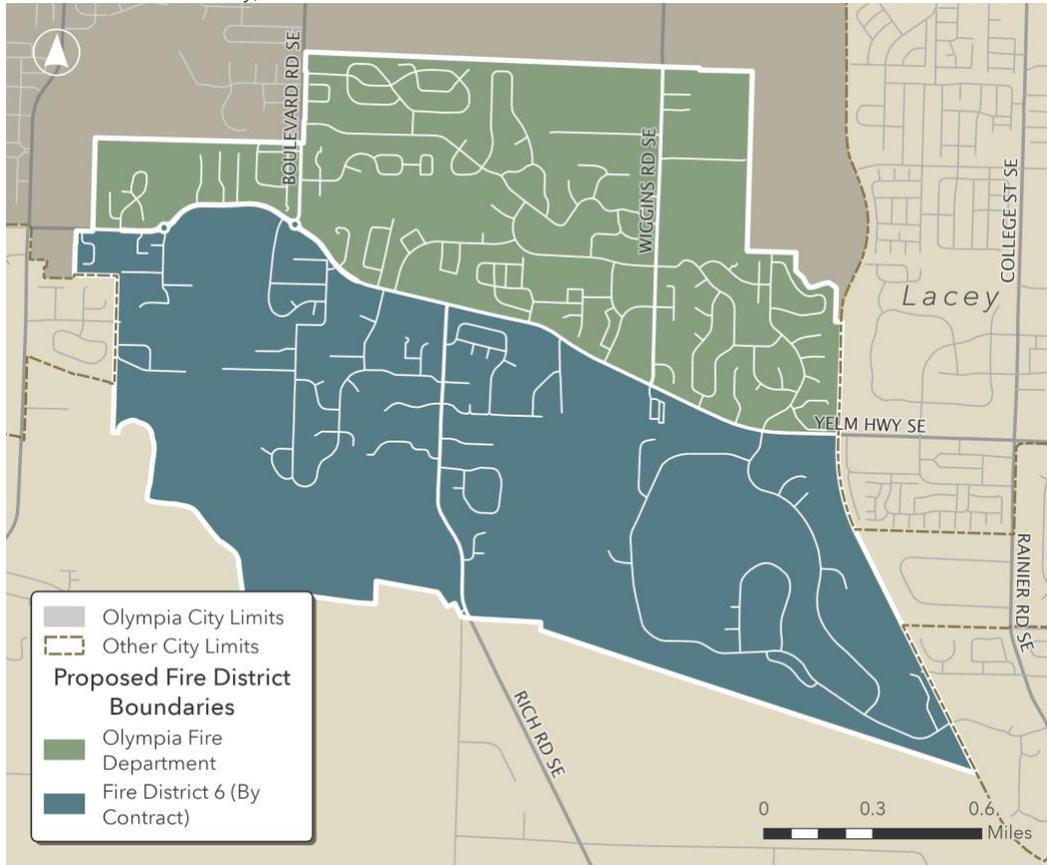


## Scenario 1 - No RFA is Formed

In Scenario 1, no RFA with Tumwater is formed and Olympia's Fire Department (OFD) assumes responsibility for fire service for the entire area north of Yelm Highway and contracts with Fire District 6 to service the area south of Yelm Highway until 2029 (proposed boundaries shown in Exhibit 29).

### Exhibit 29: Proposed Fire Service Area Boundaries, 2024-2028

Source: Thurston County; ECONorthwest



This phased in approach is necessary since OFD does not have the current staff capacity or facilities to service the entire annexation area. OFD would only be able to service the area north of Yelm highway with its existing capacity in Station 3, located at the intersection of 22<sup>nd</sup> Ave SE and Boulevard Road SE, just north of the SE UGA. To service the entire area, OFD would need a new station and engine company.

The contract with Fire District 6 to service the area south of Yelm Highway is based on the area's assessed value and 2022 Fire District 6 rate of \$1.356 per \$1,000. In 2024, the contract amount is assumed to be approximately \$1.12 million, sunsetting after 2028. After the contract with Fire District 6 ends, it is assumed OFD will service the entire SE UGA with a new station and company in place (Exhibit 30) New FTEs include four lieutenants and 13 firefighters. Total ongoing costs for OFD FTEs begin in 2029 at approximately \$3.4 million.

### Exhibit 30: OFD New Engine Company Costs, 2029

Source: Olympia Fire Department; ECONorthwest

New Engine Company Costs 2029	2022 Dollars	2029 Dollars
New Station	\$15,000,000	\$21,000,000
4 Lieutenants	\$620,000	\$872,402
13 Firefighters	\$1,820,000	\$2,560,923
<b>Total Ongoing Costs</b>	<b>\$2,440,000</b>	<b>\$3,433,325</b>

#### Scenario 2 - RFA is Formed

In Scenario 2, the RFA with the City of Tumwater is approved by voters and the SE UGA (if annexed) is included within the RFA's jurisdictional boundary. There are no anticipated impacts to expenditures under this scenario, as the City will transfer OFD's budget to the RFA. Instead, the fiscal impact of this scenario is realized as a reduction in property tax revenues compared to Scenario 1, as previously discussed.

#### Transportation

The City of Olympia contains 527 miles of road, and the SE UGA contains 62 miles, thus annexation would result in a 12 percent increase to the City's current road mileage. The increase will impact the City's Public Works Department, more specifically its transportation division, in two categories; road maintenance and road replacement.

##### Road Replacement

Pavement backlogs are notoriously hard to quantify in terms of costs to taxpayers or degradation of current service levels. Further analysis by the City (in particular, of road condition) is needed to better understand how this increase will ultimately affect the City's current pavement backlog. In coordination with the City's transportation team, it was decided a simple method of analysis would be appropriate for this annexation study. Since the City's pavement backlog currently stands at \$1 million, it is assumed that a 12 percent increase would increase the backlog to \$1.12 million. Road replacement is a capital cost, and therefore not included as ongoing cost to the General Fund.

##### Road Maintenance

Adding lane miles to the City's existing inventory would increase maintenance demand on the Public Works Department. Public Works staff informed ECONorthwest that 2.0 FTE in traffic and street operations would be needed to service the SE UGA and keep staff per lane mile at baseline levels (see Exhibit 31 below)<sup>9</sup>.

<sup>9</sup> Staff costs are based on average salary, benefit, and overhead costs across all positions in Traffic Operations and Street Operations except for supervisor and director roles.

### Exhibit 31: Impacts to Road Maintenance

Source: City of Olympia; Calculations by ECONorthwest

Road Maintenance	Pre-Annexation	Post Annexation	
Traffic Operations Staff		7.5	8.5
Street Operations Staff		11.5	12.5
Staff Total		19.0	21.0
Lane Miles		527.0	589.0
Staff per Lane Mile		0.04	0.04

ECONorthwest used City-provided data and information on current road maintenance costs to estimate costs of maintaining roads in the annexation area (see Exhibit 32 below). Per City staff, the area will have minimal traffic signals but does have street lighting, of which the City will assume responsibility. Public Works was unable to determine the cost of street lighting maintenance apart from signals, as they are paired within the budget. ECONorthwest utilized the 2018 estimated costs for street lighting documented in the 2019 annexation study as a baseline. They are shown below in 2024 dollars. The increase in road mileage will increase the City's existing road maintenance budget by about \$547,000 in the first year after annexation.

### Exhibit 32: Road Maintenance Costs

Source: City of Olympia; Calculations by ECONorthwest

	Pre-Annexation (2022)	Pre-Annexation (2024)	Post-Annexation (2024)	2024
Street Surfaces and ROW Maintenance	\$1,155,197	\$1,310,000	\$1,467,000	\$157,000
Street Lights	\$933,085	\$1,058,000	\$1,116,000	\$58,000
Signs	\$351,678	\$399,000	\$447,000	\$48,000
Staff Costs	\$2,717,598	\$2,996,152	\$3,280,000	\$284,000
<b>Total</b>				<b>\$547,000</b>

## Utility Fund Impacts

### Stormwater

The City will assume maintenance and operations of existing stormwater facilities located within the SE UGA, including but not limited to catch basins, drain pipes, and retention facilities. Public Works staff anticipate the need for the purchase of an additional construction truck and an excavator with trailer in order to extend stormwater operations to the SE UGA, resulting in a one-time cost of approximately \$214,000 (see Exhibit 33).

### Exhibit 33: Stormwater One-Time Costs, 2024

Source: Southeast Urban Growth Area Annexation Feasibility Analysis, 2019; ECONorthwest

One-time Costs	2019 Annexation Report	2024 Estimated
Construction Truck	\$90,000	\$116,977
Excavator with Trailer	\$75,000	\$97,481
<b>Total, One-Time Costs</b>	<b>\$165,000</b>	<b>\$214,458</b>

The City will need two additional FTEs and will incur costs related to sediment removal and disposal. Ongoing costs are estimated at \$642,000 in 2024 dollars. The City supports the provision of stormwater service through the collection of user fees. ECONorthwest estimated the annual revenue that would be collected in the SE UGA. Stormwater revenues were estimated using the 2023 flat monthly rate for single-family units (\$17.12), using the number of single-family housing units in the SE UGA as of 2022. Stormwater fees for multifamily are also expressed in equivalent residential units (ERUs). ECONorthwest used the City’s Category II monthly rate (\$12.84) for multifamily units since it is assumed the majority of multifamily sites maintain some level of stormwater management.<sup>10</sup>

See Exhibit 34 below for ongoing costs and revenue impacts for stormwater management. The City will realize a net revenue of about \$37,000 in the first year following annexation. Costs and revenues are not included in the 20-year revenue and expenditure summary because it is assumed the City will adjust rates annually (or as needed) as needed to cover costs.

**Exhibit 34: Stormwater Maintenance Costs and Revenues**

Source: Southeast Urban Growth Area Annexation Feasibility Analysis, 2019; City of Olympia, 2022 cost adjustments; 2024 inflationary adjustments and revenue estimates by ECONorthwest

	Assumptions	2022	2024
Stormwater Maintenance	\$276,439	\$276,439	\$304,774
Sediment Removal and Disposal (adjusted from 2019 report)	\$121,000	\$161,333	\$209,692
Environmental Service	\$65,800	\$65,800	\$72,545
Vegetation Management	\$50,300	\$50,300	\$55,456
<b>Total, Ongoing Costs</b>	<b>\$513,539</b>	<b>\$553,873</b>	<b>\$642,467</b>
<b>Estimated Revenues</b>	<b>\$486,242</b>	<b>\$599,012</b>	<b>\$680,000</b>
<b>Net Revenue</b>			<b>\$37,533</b>

Waste ReSources

The City of Olympia provides solid waste services through its utility, Waste ReSources. Upon annexation, Waste ReSources would assume responsibility for providing solid waste services to the area. However, since the SE UGA is currently serviced by a private hauler, there is a

<sup>10</sup> The City of Olympia maintains three categories of non-residential rates (multifamily is considered “non-residential when calculating stormwater rates); Category I - Sites with Low Impact Development (50% discount), Category II - Sites with any stormwater management: flow control or treatment (25% discount), and Category III - Sites with no stormwater management (same rate as single-family).

required transition period of 10 years from the date of annexation<sup>11</sup>. Once the transition occurs, there will be financial and operation impacts to the utility.

Waste ReSources provided a memo outlining financial assumptions for assuming service of the SE UGA after the 10-year period following annexation. This memo was in response to the 2019 annexation feasibility study, as impacts to Waste ReSources were not included in the report. Cost assumptions from the memo have been updated to reflect 2034 dollars, when service is assumed to begin in the SE UGA. Cost assumptions include:

- Upfront capital costs
  - Residential collection truck
  - Deployment of carts and containers (materials, labor, and equipment)
  - Dumpsters for commercial and multifamily properties
- Ongoing costs
  - Truck driver

Waste ReSources is largely funded through the collection of user fees and assuming service of the SE UGA would generate additional revenue. According to the City of Olympia 2022 Operating Budget, the typical user fee for basic 65-gallon service for single family households that participate in the recycling program is \$27.03 per month. ECONorthwest applied that rate to the number of housing units within the SE UGA estimate additional revenue for Waste ReSources.

Exhibit 35 below shows the ongoing annual cost beginning in 2034 when service is expected to begin in the SE UGA compared to annual revenue generated from user fees from new customers in the SE UGA.

**Exhibit 35: Ongoing Costs and Revenues, SE UGA, 2034**

Source: Waste ReSources 2019 Annexation Report; ECONorthwest

Ongoing Costs and Revenues	2022	2034 (Year Service Begins)
Truck Driver	\$115,763	\$207,893
Estimated Revenues	\$849,174	\$1,524,995
<i>Net Revenue</i>	<i>\$733,412</i>	<i>\$1,317,103</i>

Exhibit 36 shows the one-time costs Waste Resources would incur to expand services to the SE UGA. Assumptions made in the 2019 report were updated to reflect 2034 dollars. However, it

<sup>11</sup> According to state law, there is a minimum 7-year transition period. However, previous case law, and an agreement between the City and Lemay/Waste Connections, set the transition period to 10 years from date of official annexation for when the city assumes solid waste collection. Relevant RCWs include 35.02.160 and 81.77.020.

may be possible for Waste ReSources to begin planning for the one-time costs much earlier given the 10-year transition period.

**Exhibit 36: One-Time Costs, SE UGA, 2034**

Source: Waste ReSources 2019 Annexation Report; ECONorthwest

One-time Costs	2034	
	2019 Report	Estimated
Residential Collection Truck	\$400,000	\$846,860
Deployment of Carts	\$463,386	\$832,175
Deployment of Commercial Containers	\$100,000	\$179,586
Total, One-Time Costs	\$963,386	\$1,858,620

According to Waste ReSources 2019 memo, the utility would begin planning for the added costs of equipment and staff beginning with the date of annexation by adjusting user fees to account for necessary capital costs. Therefore, they are not included in the 20-year revenue and expenditure summary.

## Other Services

### Parks

There are currently no developed parks in the SE UGA. Therefore, there are no additional costs the City will incur related to the operation and maintenance of parks when annexation occurs. However, the Olympia Parks and Recreation Department has been actively planning for the annexation of the SE UGA and has acquired land at the former Spooner Berry Farm site with the intent on developing a future park. For the purposes of this study, construction costs for the park are estimated at around \$20 million, which will yield \$250,000 in one-time sales tax revenues. The construction of the park is planned regardless of whether annexation occurs or not, so the capital cost is not included in the impact summary.

As previously mentioned in this report, the City of Olympia has a separate taxing authority that collects property taxes used by the Olympia Metropolitan Parks District (OMPD) to fund acquisition, development, and operations of the City’s park system. Revenue between 2024-2045 for the OMPD resulting from annexation of the SE UGA is estimated to be around \$24 million. Revenues generated by the OMPD are not included in the General Fund.

### Other Utilities

Water and sewer service provision will not be impacted by annexation, as the City currently provides these services within the SE UGA.



## City Council

### Consider a Referral to the Land Use & Environment Committee to Conduct a Side-by-Side Comparison of Housing Initiatives in the Cities of Olympia, Tacoma and Bellingham

**Agenda Date:** 12/5/2023  
**Agenda Item Number:** 8.A  
**File Number:**23-1060

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**Type:** referral **Version:** 1 **Status:** Referral

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#### **Title**

Consider a Referral to the Land Use & Environment Committee to Conduct a Side-by-Side Comparison of Housing Initiatives in the Cities of Olympia, Tacoma and Bellingham

#### **Recommended Action**

##### **Committee Recommendation:**

Not referred to a committee.

##### **City Manager Recommendation:**

Consider a Referral to the Land Use & Environment Committee to conduct a side-by-side comparison of housing initiatives in the Cities of Olympia, Tacoma and Bellingham.

#### **Report**

##### **Issue:**

Whether to Consider a Referral to the Land Use & Environment Committee to conduct a side-by-side comparison of housing initiatives in the Cities of Olympia, Tacoma and Bellingham.

##### **Staff Contact:**

Leonard Bauer, Community Planning & Development Director

##### **Presenter(s):**

Councilmember Jim Cooper

##### **Background and Analysis:**

Housing policy in Washington state is advancing rapidly, sometimes through initiative. It is imperative for Olympia to understand the current landscape of housing policy so that we may better serve our residents. In 2023 Tacoma and Bellingham are passing initiatives containing significant housing policy. In Tacoma, Measure 1 sets up new landlord tenant laws; while in Bellingham Initiative 2023-02 establishes a rental relocation assistance program.

The referral requests that staff conduct a side-by-side comparison of the above-mentioned initiatives

and current city policy.

The referral is sponsored by Councilmember Jim Cooper, with support from Mayor Pro Tem Gilman and Councilmember Dani Madrone.

**Climate Analysis:**

This item does not have a specific climate impact.

**Equity Analysis:**

The housing laws being examined in this referral are aimed to address equity issues related to housing in the community.

**Neighborhood/Community Interests (if known):**

There are no known specific community interests at this time, however housing is of interest to many community members.

**Options:**

1. Approve the referral to the Land Use & Environment Committee.
2. Approve the referral, with amendments, to the Land Use & Environment Committee.
3. Do not approve the referral to the t to the Land Use & Environment Committee.

**Financial Impact:**

There are no known financial impacts at this time.

**Attachments:**

Referral



# City Council Referral Request

Tracking Number 2023-53 Date of Referral 12/5/2023 Requester CM Cooper  
(Provided by Susan) \_\_\_\_\_

- Referral To
- |  |   |
|--|---|
| <input type="checkbox"/> Study Session                               | <input type="checkbox"/> Work Session                                   |
| <input checked="" type="checkbox"/> Staff                            | <input type="checkbox"/> Committee of the Chairs                        |
| <input type="checkbox"/> Community Livability & Public Safety        | <input type="checkbox"/> Finance Committee                              |
| <input checked="" type="checkbox"/> Land Use & Environment Committee | <input type="checkbox"/> Advisory Committee <i>Choose from Dropdown</i> |

## Problem Statement

*A clear concise description of the issue(s) that need(s) to be addressed.*

Housing policy in Washington state is advancing rapidly, sometimes through initiative. It is imperative for Olympia to understand the current landscape of housing policy so that we may better serve our residents. In 2023 Tacoma and Bellingham are passing initiatives containing significant housing policy. In Tacoma, [Measure 1](#) sets up new [landlord tenant laws](#); while in Bellingham [Initiative 2023-02](#) establishes a [rental relocation assistance program](#).

## Request

*What is being requested to assist in addressing the issue described in the problem statement?*

**Request that staff conduct a side-by-side comparison of the above-mentioned initiatives and current city policy. This review should also consider areas of city policy that are under discussion (not yet enacted) and how they compare to these initiatives.**

## Relationship to City Business or Proposed City Business/Services

*Describe how this will enhance what is already offered and/or what it will provide that is not currently available. Why is this the City's issue to address? How will this create a more adaptive and resilient organization? How will this enhance the City's work to further equity, climate, and social justice?*

This analysis will allow the City to better understand current housing policy landscape in other jurisdictions as it continues to build new policy packages to address the housing crisis.

## Connection to Comprehensive Plan

*Choose all that apply.*

- Public Health and Safety**  
*A safe and welcoming Community; reliable and responsive emergency services; a safe and reliable water supply; public Infrastructure in the City is well-maintained; adequate food and shelter*
- Community Livability**  
*A commitment to a diverse, equitable, and inclusive community; access to affordable and stable housing; a safe transportation system with options for everyone; recreation opportunities for everyone; Connections to our culture and history*
- Downtown**  
*Vibrant, attractive urban destination; a safe and welcoming downtown for all; a mix of urban housing options; a variety of businesses; connections to our cultural & historic fabric; engaging arts & entertainment experience*
- Economy**  
*Abundant local products and services; a thriving arts and entertainment industry; sustainable quality infrastructure; a stable thriving economy*
- Environment**  
*Clean water & air; a daily connection to nature; preserved quality natural areas; a toxin-free community; a waste free culture*

**Neighborhoods**

*Distinctive places & gathering spaces; nearby goods & services; neighborhoods that are engaged in community decision making; safe and welcoming places to live*

**Options**

*Describe proposed options for moving the idea or issue forward for the meeting body to consider.*

**Request that staff bring review and observations to Land Use and Environment Committee for consideration, under an appropriate agenda item.**

**Timing**

*Is this issue time sensitive, are there other timing factors to consider?*

**To be completed in the first quarter of 2024**

**Supporting Documentation (Work Plan, Transportation Master Plan, Parks Plan, etc)**

*Are there documents that support your request or that should be considered?*

**Links included in problem statement.**

**Olympia Housing Action Plan:**

**Strategy 2.a (Identify and implement appropriate tenant protections that improve household stability)**

**Councilmember Signatures**

*Two Councilmembers must support the request including the Chair of the Committee of referral. (Cannot be a committee quorum unless discussed at an open public meeting of the committee.)*

Councilmember Cooper

\_\_\_\_\_   
 Sponsoring Councilmember

Mayor Pro Tem Gilman

1. \_\_\_\_\_   
 Councilmember

Councilmember Madrone

2. \_\_\_\_\_   
 Councilmember

**Staff Supplement**

*Staff will review the request to generate administrative impacts to be considered as part of proposal (staff to initial after their review):*

Budget Impacts: Click or tap here to enter text.

Legal Review (to include regulatory authority): Click or tap here to enter text.

Policy implications: Click or tap here to enter text.

Implementation Considerations: Click or tap here to enter text.

Staff Liaison: Click or tap here to enter text.