



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

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Title

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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 19th 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 19th 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)