



City of Tacoma

City Council Action Memorandum

TO: Hyun Kim, City Manager
FROM: Hayley Falk, Business Services Manager, Environmental Services
Ramiro A. Chavez, P.E. PgMP, Director/City Engineer, Environmental Services
COPY: City Council and City Clerk
SUBJECT: Ordinance - Amending the Rates and Fees Chapter of Title 12.08B Use of Sanitary Sewer -
December 2, 2025
DATE: November 13, 2025

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SUMMARY AND PURPOSE:

The Environmental Services Department is requesting City Council approval of an ordinance amending the Rates and Fees chapter of Title 12.08B of the Municipal Code, Use of Sanitary Sewer, to adopt wastewater system development charges and repeal connection charges-in-lieu-of-assessment.

BACKGROUND:

This Department's Recommendation is Based On: Anticipating increased housing density and accelerated population growth following the passage of Home in Tacoma, Environmental Services (ES) must develop an additional funding source for capital projects that will expand the wastewater and stormwater systems' capacities.

A system development charge (SDC) is a one-time charge imposed as a condition of receiving a new connection or upsizing an existing connection to a wastewater, stormwater, or water utility. SDCs recoup a fair share of the overall cost of the utility system in proportion to the increase in capacity required by the new development, as determined by water meter size. SDC revenues must be spent by the utility that collected them on capital projects or debt service.

SDCs are authorized by RCW 35.92.025 and would need to be adopted by the City Council to go into effect. Currently, the City of Tacoma only assesses capacity-based system development charges for one of the three relevant utilities, Tacoma Water, which was adopted in 1997 (TMC 12.10.310). Tacoma's stormwater and wastewater utilities do not currently assess capacity-based system development charges.

Most jurisdictions in the Puget Sound region assess wastewater and/or stormwater SDCs, including Gig Harbor, Puyallup, Sumner, Federal Way, Pierce County, Everett, and Bellingham. ES' proposed SDCs are generally lower than those of other area jurisdictions.

SDC revenue would ebb and flow with the pace of development. Preliminary estimates range from \$2M annually in Home in Tacoma's low-growth scenario to \$8M in the high-growth scenario for wastewater and stormwater combined.

The proposed SDC program would supersede Environmental Services' existing wastewater Connection Charge-in-Lieu-of-Assessment program, which established a frontage area-based wastewater connection charge for parcels that have not yet been assessed a fee for the historic cost of the localized portion of the adjacent and abutting wastewater system under a local improvement district or for a sanitary sewer improvement to serve that property. Because SDCs will assess charges based on an equitable share of the historic cost of the entire wastewater system, including any of the remaining localized wastewater infrastructure that remains unassessed under the Connection Charge-in-Lieu-Assessment program, there is no longer a need to assess a separate connection fee specific to the historic cost of the localized wastewater infrastructure. The localized wastewater infrastructure that was previously paid for through the Connection Charge-in-Lieu program was not included in the calculation of the proposed SDCs.



The SDC program's use of capacity increases and a system-wide cost basis to assess fees will be simpler to administer than the Charge-in-Lieu-of frontage area methodology, provides a mechanism to assess fees for capacity expanding projects as opposed to the Charge-in-Lieu-of program's sole focus on new connections, and will generate revenue in better synchronization with the pace of growth and the capacity needs of the overall system. Staff is therefore recommending the Charge-in-Lieu-of-Assessment program be repealed.

The Connection Charge-in-Lieu-of-Assessment section of the Tacoma Municipal Code (12.08B.230) includes language that says "No further sanitary sewer connection charge shall be collected against" premises that have paid a connection charge-in-lieu-of-assessment. The ordinance will include language to clarify the intent that the language was to limit further Charge-in-Lieu of Assessment charges on the same property. As noted above, the SDC program will collect system-wide capacity charges that have been calculated in a manner to exclude infrastructure that was already paid for by the Charge-in-lieu-of-Assessment program. Therefore, any new or upsized connections under the SDC program will be paying a charge for different purposes and does not double charge any property that has already paid a Charge-in-lieu-of-Assessment consistent with the intent of that language.

Both the SDC implementation and Connection Charge-in-Lieu-of-Assessment repeal will be effective July 1, 2026, such that no new development is charged both a Connection Charge-in-Lieu-of-Assessment and an SDC simultaneously.

COMMUNITY ENGAGEMENT/ CUSTOMER RESEARCH:

This legislation will impact developers, purchasers of new developments, and renters within new developments by incrementally increasing the pre-construction costs to develop in Tacoma. This legislation will address a capital funding gap that would otherwise need to be addressed through incremental rate increases to all wastewater ratepayers.

As part of its long-range Comprehensive Wastewater Plan, ES and its consulting team performed a broad public survey of Tacoma residents on wastewater topics. Polling was conducted and data was weighted to accurately reflect the City's gender, age, education, and home ownership demographics. Weighting was also applied to successfully yield representative samples from all Council Districts, income levels and non-English-speaking cohorts. In this survey, 78 percent of respondents indicated that they believed developers should pay for the costs of upgrading the wastewater system to accommodate growth, which system development charges will facilitate.

During our stakeholder outreach efforts, we have met with the following commissions, committees, and community groups to receive feedback on system development charge implementation:

- Tacoma Chamber of Commerce
- Climate and Sustainability Commission
- Eastside Neighborhoods Advisory Council of Tacoma
- Infrastructure, Planning, and Sustainability Committee
- Port of Tacoma
- Tacoma Permit Advisory Group
- Transportation Commission

2025 STRATEGIC PRIORITIES:

Equity and Accessibility:

This legislation will recover system capacity charges through development rather than through all ratepayer classes by creating a non-ratepayer revenue source for capital capacity upgrade projects. Community surveys have shown



that affordability of utility rates is a key consideration for residents across the demographic spectrum, and particularly for lower-income residents.

Revenue generated by SDCs will help ensure that ES can complete additional capital projects required to accommodate growth and densification, ensuring the wastewater system remains in a state of good repair as the city grows, to the benefit of all residents.

Economy/Workforce: *Equity Index Score:* High Opportunity

- Increase the number of infrastructure projects and improvements that support existing and new business developments.
- Increase the number of diverse livable wage jobs.

Livability: *Equity Index Score:* High Opportunity

- Improve access and proximity by residents to diverse income levels and race/ethnicity to community facilities, services, infrastructure, and employment.
- Increase positive public perception of safety and overall quality of life.

Explain how your legislation will affect the selected indicator(s).

SDC revenue will fund additional capital projects that increase the wastewater system’s collection and treatment capacity. These projects will support additional, denser development within Tacoma, supporting both new housing and new business development. These projects will also create additional livable wage jobs within the city via the increased design, engineering, and construction workload carried out within the city. Upgrading our facilities to accommodate growth will help ensure ES can continue to provide a high level of service to all residents, increasing access to functional wastewater infrastructure and supporting the City in achieving all of the improved livability metrics that denser and more interconnected development provides.

ALTERNATIVES:

As an alternative, ES could explore a dedicated rate increase to raise capital funds for projects that accommodate projected growth. However, increasing the rate for all ratepayers to account for new development may be considered inequitable, as it requires rate payers to subsidize new development, above and beyond funding maintenance of the current system. Given uncertainties around the expected rate of population and density growth, introducing a future growth rate estimate into ES’s rate structures could also lead to too little or too much revenue being collected relative to the actual rate of growth. SDCs are charged when new development is built, enabling growth to pay for growth and generating revenue in proportion to the rate of growth.

Alternative(s)	Positive Impact(s)	Negative Impact(s)
1. Increase utility rates to fund upgrade projects that support growth and densification.	Developers pay current costs to build in Tacoma; those savings result in marginally lower monthly costs for purchasers or renters of new housing developments.	Utility rates increase for all ratepayers to fill the funding gap for growth-related upgrade projects, contrary to the strong preference among surveyed residents that developers bear the costs of growth.
2. Do not fund upgrade projects to accommodate	Maintain costs for either ratepayers or developers.	Risk of utility system overload and/or failure where existing



<p>anticipated growth and densification.</p>		<p>infrastructure is inadequate for added capacity burdens. Potential moratorium on new development to prevent sewage overflows or discharge permit violations if and when capacity limitations are in danger of being exceeded by new growth.</p>
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EVALUATION AND FOLLOW UP:

ES will track all revenues generated by wastewater SDCs. Approximately one year after implementation when sufficient data has been generated, ES will report to Council on the status of the implementation process, the revenues generated, and the growth-accommodating projects planned to be funded through SDC revenue.

STAFF/SPONSOR RECOMMENDATION:

Approval of an ordinance adding Section 12.08B.225 System Development Charges and repealing Section 12.08B.230 Connection Charge-in-Lieu-of-Assessment.

Title 12.08B.225 System Development Charge: This new section of Title 12 will establish system development charges for new and upsized connections to the Wastewater utility, including setting the rates at which escalating units of wastewater capacity will be charged. The effective date for implementation of system development charges will be July 1, 2026, providing a time period following ordinance adoption to transition from the repealed connection charge-in-lieu-of-assessment program to the newly adopted system development charge program.

Title 12.08B.230 Connection Charge-in-Lieu-of-Assessment: This section of Title 12 will be repealed. Because SDCs will assess charges based on an equitable share of the historic cost of the entire wastewater system, there is no longer a need to assess a connection fee specific to the historic cost of the abutting and adjacent wastewater system. The effective date for repeal of connection charge-in-lieu-of-assessment will be July 1, 2026, providing a time period following ordinance adoption to transition from the repealed connection charge-in-lieu-of-assessment program to the newly adopted system development charge program.

FISCAL IMPACT:

The table below shows annual projected SDC revenue based on the Moderate Growth Home in Tacoma growth projection, minus projected revenue losses from ending the Connection Charge-in-Lieu-of-Assessment program.

Fund Number & Name	COST (CC/WBS/ORDER)	OBJECT	Cost Element	Total Amount
1. 4300 Wastewater	523900		6371105	(\$4,700,000)
TOTAL				(\$4,700,000)

What Funding is being used to support the expense?

Expenses to implement SDCs are limited to staff costs, all of which will be through existing FTEs. These are permanent, budgeted positions within Environmental Services and Planning and Development Services.



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Are the expenditures and revenues planned and budgeted in this biennium's current budget?

NO, PLEASE EXPLAIN BELOW

Since SDCs are not yet adopted, and since if adopted they will not be implemented until Quarter 2 of the final year of this biennium, revenues will not be planned and budgeted in the current biennium budget. Revenues will be planned and budgeted for the 2027-2028 biennium.

Are there financial costs or other impacts of not implementing the legislation?

YES

Will the legislation have an ongoing/recurring fiscal impact?

YES

Will the legislation change the City's FTE/personnel counts?

NO

System development charge implementation will be administered through existing FTEs. There will be no FTE impacts due to sunseting of the connection charge-in-lieu-of assessment program.