

Exhibit “A”

Manitou Annexation Fiscal Impacts Preliminary Review

October 5, 2018

Summary

Pierce County and the City of Tacoma are working collaboratively on the proposed annexation of the Manitou Potential Annexation Area (see Map 1 on the last page of the report).

As part of the pre-annexation planning efforts, a preliminary review of the potential fiscal impacts to the City of Tacoma has been conducted. The review examined some essential public services and utilities that would be provided by various departments, including taxes and fees collected by Tax and License Division.

All service providers have indicated the confidence of being able to incorporate the Manitou area into their current scope of service while maintaining the level of service comparable to what is being provided. However, the expected revenues and estimated costs for services, in specific dollar amounts, are not all readily available. Fiscal impacts remain to be determined, depending on various factors associated with different services. See Table 1 below, followed by a brief narrative for each item.

While continued analysis of the fiscal impacts is needed, it may be noteworthy that the size of the Manitou area (37 acres) is 0.1% of that of the City of Tacoma (31,765 acres) and the population (425) is 0.2% that of the city (213,418 according to U.S. Census, 2017). These proportions might be useful in anticipating the scale of the fiscal impacts.

Table 1. Preliminary Review of Fiscal Impacts

Public Services/Utilities and Taxes/Fees Reviewed	Notes
Property Taxes	Estimated revenues (1st year of annexation): \$97,562
Sales Taxes	Estimated revenues (1st year of annexation): \$2,500
Business and Occupation Taxes	Estimated revenues (starting in the 4th year): \$30,000
Utilities Taxes	To be determined (depending on actual usage and other factors)
Water	Capable of serving the area; 20% reduction in water bills for both residential and commercial customers; fiscal impact to be determined
Solid Waste	Capable of serving the area; fiscal impact to be determined (depending on customer's orders for services)
Stormwater	Capable of serving the area; fiscal impact to be determined
Sewer	Capable of serving the area; fiscal impact to be determined (depending on site-specific, in lieu fee assessment for sewer hook-up)
Police	Capable of serving the area; fiscal impact to be determined
Fire	Capable of serving the area; fiscal impact to be determined
Roads and Traffic	Capable of serving the area; fiscal impact to be determined (depending on the needs for improvement and the prioritization and funding of selected projects and programs)

Property Taxes

Upon the Manitou area's annexation to the City, property owners would see their property taxes decrease, in amounts dependent on the property's taxable value. In 2018, they paid .0162% of their property's assessed value in property taxes, as compared to .0158% for those in the adjacent area within the City of Tacoma.

As depicted in Table 2, for a typical single-family home worth \$240,400 (median taxable value), the homeowner would have owed \$3,789 in property taxes as a resident of the City of Tacoma, as compared with paying \$3,899 in the unincorporated County, a reduction of \$110.

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Within the City of Tacoma, property taxes are allocated to 15 different taxing districts, such as “Conservation Futures”, “Port of Tacoma”, “Metropolitan Park – Tacoma”, and “School District #10 Bond.” Of the 15 districts, 3 are associated with the City government, i.e., “City”, “City Bond”, and “City EMS”, which amount to approximately 21%. In other words, of the total property taxes of \$464,313 expected from the Manitou area, approximately \$97,562 would be revenues to the City.

Table 2. Property Tax (2018) in Manitou Potential Annexation Area

Land Use Type	2019 Taxable Value (Median)	2018 Tax (Current) (Total Levy Rate: 16.218684)	2018 Tax (If Annexed) (Total Levy Rate: 15.762107)	Difference
Single-family dwelling	\$240,400	\$3,899	\$3,789	(\$110)
Multi-family (Apts 5 units or more)	\$1,245,900	\$20,207	\$19,638	(\$569)
Mobile Home Park Condos	\$68,300	\$1,108	\$1,077	(\$31)
Office Condo	\$277,500	\$4,501	\$4,374	(\$127)
Commercial	\$423,000	\$6,861	\$6,667	(\$193)
Grand Total (97 parcels collectively)	\$29,457,580	\$477,779	\$464,313	(\$13,466)
(Source: Tax and License Division, Finance Department, City of Tacoma)				

Business Licenses and Taxes

Tacoma requires that businesses obtain a Business License from the City, while Pierce County does for only a few types of businesses. Tacoma business license fees are assessed yearly and are based on business income and business type, varying from \$25 to \$250.

Pierce County does not assess Business and Occupation taxes, whereas Tacoma does. Rates for businesses within the City of Tacoma are based on gross receipts, and vary from .102% to .4%. However, B&O taxes would not be assessed on existing businesses for the first three years after annexation.

Upon the area’s annexation, the City would expect to collect approximately \$3,500 in business license fees from the existing 26 businesses, \$2,500 of sales taxes in the first year, and \$30,000 of B&O taxes starting in the fourth year.

Water

Residential and commercial water rates would decrease by approximately 20% due to Tacoma Public Utilities’ existing surcharge on unincorporated communities. According to the financial impact modeling conducted by Tacoma Water, the monthly water bill for an average single family residence would be reduced from approximately \$46 to \$39, after factoring in the embedded utility and gross earnings taxes, and for an average general service commercial business, from \$342 to \$290.

Solid Waste

The City of Tacoma’s Waste Management would take over waste management services from LeMay Pierce County Refuse. For a 60-gallon container, residential rates for City of Tacoma customers start at \$43.85 per month, compared to \$77.84 at present; commercial rates for a one-cubic-yard container start at \$170.05 per month, compared to \$117.87 at present. Recycling and food/yard waste pickup is also offered.

Stormwater

Local jurisdictions manage surface water runoff to reduce flooding and prevent water pollution, billing property owners for this service. Fees for this service would likely increase with annexation into the City of Tacoma. As an example, a typical single-family residence would see rates increase from \$127 per year to \$279 per year; a larger commercial development would see charges increase from \$2,281 per year to \$4,740 per year.

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Sewer

Pierce County’s Sewer Division has indicated that they would have no objections to Tacoma taking over the sewer lines within the annexation area and that all public facilities in the annexation area were constructed by developers and there are no outstanding latecomers or Utility Local Improvement District (ULID) charges for these facilities. Currently there are four segments of sewer mains within and near the Manitou area, along 52nd Ave. W. (between 64th and 68th), 64th St. W. (between Lakewood Dr. and S. Orchard), 66th St. W. (between 53rd and 52nd), and 68th St. W. (between 52nd and S. Huson). Upon annexation, properties in the area can potentially hook up to the City’s sewer system, subject to an in lieu fee assessment. The estimated costs for the customers/City to receive/provide sewer services are not readily available until the assessment, which is site/property specific, is performed.

Police

Police services for the Manitou area are currently provided by the University Place Police Department (on contract with Pierce County). The Tacoma Police Department (TPD) has conducted a preliminary review of the current calls for service from the area and concluded that TPD would be able to respond to the limited amount of calls the annexation is expected to generate with their current staffing level.

Fire

Fire protection services are currently provided by West Pierce Fire & Rescue (WPFR). The Tacoma Fire Department (TFD) conducted a comprehensive fire service impacts review in September 2018, comparing the current fire service provided by WPFR and the prospective fire service provided by TFD. The review examined multiple capacity and service level indicators associated with each agency, such as the service area, number of employees, staff capabilities and training, types of service, number of fire stations, equipment and apparatus, estimated distances and response times, and budget and funding sources. The review concludes that TFD would be capable of providing fire and EMS services comparable to those currently provided by WPFR. In the event of annexation, TFD does not recommend contracting services to WPFR.

Roads and Traffic

The City’s Public Works Department would take over responsibility from Pierce County Planning and Public Works for maintaining and improving public roads in the neighborhood. Preliminarily, Public Works suggests the following notions:

- General – Tacoma would study the need for new street name signs, parking restrictions, traffic safety measures, speed limits, and other elements.
- Pavement – The City would conduct a pavement rating analysis to assess condition and include in the residential paving program.
- Streetlights – Streetlights will not be installed as a part of the annexation. There are numerous areas within the current City of Tacoma limits that do not have street lighting or where additional infill lighting is warranted. There is currently no funding for adding streetlight infrastructure in the budget. New residential street lights can be installed through the Local Improvement District Program that is supported by adjacent property owners. Existing street lights would be considered for conversion to LED.
- Sidewalks – The City is working on a program to assess and prioritize installation of missing sidewalks. The program is not currently funded.
- Transportation Benefit District (TBD) – The City imposes TBD at \$20 per vehicle, which would be a financial impact to residents. Assuming there is at least one registered vehicle for each of the 425 residents in the Manitou area, which is a high-end estimate, the revenues to the City are estimated at \$8,500.

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Map 1. Manitou Potential Annexation Area Location Map

