City of Tacoma

City Council Action Memorandum

Initial GMS
Initial RAC

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 12.08D Stormwater Management – December 2, 2025**
DATE:	**November 13, 2025**

SUMMARY AND PURPOSE:

The Environmental Services Department is requesting City Council approval of an ordinance amending the Rates and Fees Chapter of Title 12.08D of the Municipal Code, Stormwater Management, to adopt stormwater system development charges.

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 the amount of added impervious surface area. 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 stormwater and wastewater combined.

The proposed SDC program will operate in parallel with the stormwater Payment In-Lieu-Of Construction program established in TMC 12.08D.260, which is a program that allows a developer to connect to and pay for certain capacity in a specific regional stormwater facility, if available, instead of constructing required private stormwater infrastructure on the private property. Regional facilities for which In-Lieu-Of Construction fees are collected are deducted from the SDC cost basis, and any new or upsized connections under the proposed SDC program will be paying a charge for different purposes and infrastructure. As a result, certain properties may be subject to both charges.

The recitals of the proposed stormwater SDC ordinance will include a commitment by the Environmental Services Director to consider appropriate stormwater SDC exemption and/or reductions options to bring to Council for future consideration and approval.

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 stormwater ratepayers.

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 Environmental Services can complete additional capital projects required to accommodate growth and densification, ensuring the stormwater 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 stormwater system's 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 stormwater 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 anticipated growth and densification.	Maintain costs for either ratepayers or developers.	Risk of utility system overload and/or failure where existing 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.

EVALUATION AND FOLLOW UP:

Environmental Services will track all revenues generated by stormwater SDCs. Approximately one year after implementation when sufficient data has been generated, Environmental Services 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 12.08D.280 System Development Charges to the Municipal Code, establishing the system development charge program with a program effective date of July 1, 2026.

FISCAL IMPACT:
The table below shows annual projected revenue based on the Moderate Growth Home in Tacoma growth projection.

Fund Number & Name	COST OBJECT (CC/WBS/ORDER)	Cost Element	Total Amount
1. 4301 Stormwater	521900	6371105	($1,250,000)
TOTAL			($1,250,000)

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.

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.