

# Capital Facilities

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## WHAT YOU WILL FIND IN THIS CHAPTER:

- A description of how and why capital facilities are planned;
- A discussion of the funding methods and challenges facing the City; and
- Goals and Policies for providing adequate levels of service.

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## PURPOSE

### **Growth Management Act Capital Facility Planning Requirements**

This element of the Comprehensive Plan presents the goals and policies for Tukwila’s Capital Facilities. Capital Facilities Planning under the Growth Management Act (GMA) requires an inventory of public facilities and their capacities; establishment of a minimum acceptable level of service for the community; a list of needed capital projects to serve growth and that maintain the adopted standards; a realistic financing plan; and stipulation that adjustment of the Plan will occur if funding is inadequate or if growth requires previously unanticipated expansion.

In Tukwila, Capital Facilities are defined as including structures, streets, land, parks, major equipment, and other infrastructure necessary for both general government and enterprise funds, and that are usually amortized over a long period of time.

In adopting its Comprehensive Plan and the supporting documents, Tukwila makes a commitment that the land use intensities and pattern of uses are appropriate for the community and that its adopted levels of service will be met and maintained.

#### WHY PLAN FOR CAPITAL FACILITIES?

Under GMA, the City is required to include a capital facilities element in its Comprehensive Plan. The Capital Facilities Element and associated Capital Facilities Plan describe how public services will be provided and financed. Capital facilities planning also helps the City manage limited funds, provide the greatest value to City residents and take full advantage of available funding opportunities.

#### WHAT IS CONCURRENCY?

“Concurrency” exists when adequate public facilities or services are in place to serve new development. Specifically pertaining to streets and utilities in Tukwila, concurrency requirements are intended to prevent new development from outpacing Tukwila’s ability to provide the improvements that are needed to serve the new development. New development’s infrastructure demands can result in congestion or overcrowding that will impact new and existing residents alike, if improvements are not made in time. Concurrency is often referred to as a pass-or-fail test for a new development.

The GMA Capital Facilities Plan for Tukwila consists of:

1. The Comprehensive Plan Capital Facilities goals and policies;
2. The Capital Facilities Element Background Report, which contains a discussion of the City's growth targets for the Comprehensive Plan's planning period to 2044;
3. The City's Capital Improvement Program/Financial Planning Model (CIP/FPM), which includes projects for the six-year period and projects to address community needs and maintain standards to 2044. The Comprehensive Plan's goals cannot be carried out unless the supporting infrastructure can be financed. The CIP/FPM addresses how specific projects and facilities will be financed, and provides a current assessment of the City's financial capacities and limitations; and
4. The systems plans and their regular updates, such as the Puget Sound Regional Fire Authority Capital Facilities Plan; the Parks, Recreation and Open Space Plan; the Surface Water Comprehensive Plan; the Water Plan; the Sewer Plan; and the Transportation Plan; all of which are adopted by reference as part of this Comprehensive Plan.

### **Concurrency**

A key concept of the GMA and capital facilities planning is concurrency – that specific public facilities will be available when the impacts of development occur or within ten years of the development for transportation. Concurrency in Tukwila is supported through policy and systems planning and implemented in current regulations. Tukwila implements concurrency on water delivery, sewer collection, and transportation facilities.

Tukwila's public facility needs are served not only by City facilities but also by regional agencies such as the Washington State Department of Transportation, Sound Transit, King County, and the Port of Seattle; and by special purpose districts such as Tukwila and Renton School Districts, King County Library System, and the King County Flood Control, Valley View Sewer, Highline Water, and the Metropolitan Park Districts. (See also the Utilities Element.) In addition to maintaining adequate levels of service on City-provided facilities, the City of Tukwila must coordinate with these special purpose districts and regional providers on Tukwila's growth and land use planning.

### **Capital Facility Planning in Tukwila**

Capital facilities planning in Tukwila is separated into two categories:

- Capital Project Funds which include funds for general capital needs such as residential streets, arterials, buildings, parks and trails, and other improvements.
- Enterprise Funds, which include funds for which fees are received in exchange for specific goods and services. In Tukwila these include water, sewer, surface water, and the Foster Golf Course.

### **General Government Facilities**

General government facilities are designed, built, and operated for the general public, unlike enterprise funds, which serve specific fee-paying customers. Any person may drive on City streets, walk on a trail, play in a City park, be served by fire and emergency aid, etc.

Tukwila does capital improvement planning by organizing its general government facilities needs into similar programmatic categories, which are referred to as funds. There are four categories of funds, which illustrate the focus of the City’s capital planning and spending. All phases of a capital project are included in capital planning, from plan and project development, preliminary engineering, right-of-way acquisition, permitting, construction engineering, to construction.

- The Residential Streets Program is specifically identified for street improvement in residential neighborhoods, and includes lane widening, curbs and gutters, sidewalks, illumination, and utilities undergrounding. Funding for the program’s projects is primarily through City General revenues, grants, and motor vehicle excise tax.
- The Bridges and Arterial Streets Program is designed to improve mobility within the City and to correct deficiencies in arterial streets and traffic operations and is the largest category of spending in the City’s Capital Facilities Plan. The dollar size for the current six-year list of projects is ten times larger than any of the other City program funds. It also complements the City’s Transportation Improvement Program, which is a State requirement. Expenses supported through this fund include transportation planning, sidewalks, new streets, traffic control devices, nonmotorized improvements, and lane additions.

In addition to City General revenues, projects in this program are paid for with grants, real estate excise tax, motor vehicle excise tax, parking tax, developer funds, local improvement district funds, and impact fees.

- The Parks and Trails Program supports the acquisition and development of land for parks and recreational facilities, including the planning and design costs associated with the projects. Dollars to pay for these projects come from City funds, grants, real estate excise tax, excess property tax levy, and impact fees.
- The Fire Improvements Program collects fire impact fees, which are directed to the Regional Fire Agency for major capital expenses.

General government sources of revenue for capital expenditures and allocation percentages by funding category are illustrated in Figure 14-1.

*[image]*

*Figure 14-1: General government sources of capital revenue and expenditures by capital improvement programming categories*

### **Enterprise Facilities Funds**

Enterprise Funds are supported by revenues generated by user fees and charges. Grants and developer contributions supplement the Water, Sewer and Surface Water Funds, and the Foster Golf Course is self-supporting. Enterprise funds are used by public agencies to account for operations that are financed and operated in a manner similar to private business enterprises. They are established as fully self-supporting operations with revenues

provided primarily from fees, charges, or contracts for services, and require periodic determination of revenues earned, expenses incurred, and net income for capital maintenance, public policy, management control and accountability.

In order to provide for the short-term and long-term operating and capital needs of the water, surface water and sewer utilities, the City evaluates and utilizes a combination of revenue sources such as utility rates, bonds, loans, grants, developer contributions, Public Works Trust Fund loans, and local improvement districts (LIDs). An example of enterprise capital sources of funds and expenditures is illustrated in Figure 14-2.

*[Graphic]*

*Figure 14-2: Enterprise capital sources of funds and expenditures.*

### **Water and Sewer Funds**

Slightly more than 50 percent of the area of the City is served by Tukwila Water and Sewer Utilities. With respect to sewer service, the remainder of the City is either not served or served by other districts. In order to provide infrastructure in the unserved portions of the City, additional revenue is needed in order to extend service to these areas. Available revenue sources include local improvement districts, grants, Trust Fund loans, rate increases, customer contributions, and general fund loans or transfers.

### **Surface Water Fund**

This fund accounts for operations and capital improvements for the management of the City's storm drainage system and surface waters, including stormwater, flood hazard management and habitat restoration projects as well as the City's NPDES pollution prevention program. Surface Water capital projects are required to correct deficiencies and to meet federal, State, and local laws and priorities. Required infrastructure is paid for by developers, local improvement districts, and grants, but the largest fund contribution comes from the utility's ratepayers.

### **Foster Golf Course**

This is a publicly-owned facility funded by operating revenues, primarily user fees but also general obligation bonds, Councilmanic bonds, and transfers in from the General Fund. The City has chosen to account for the Golf Course as an enterprise fund for a number of reasons. Enterprise funds may be used to report any activity for which a fee is charged to users for goods or services, and the enterprise fund structure provides transparent accounting of costs and revenues. The Golf Course is expected to meet its capital and operating needs over the 20-year planning period, and to maintain a rate structure competitive with nearby municipal courses. Capital improvements will be funded from the above-mentioned revenues. The Golf Course Enterprise Fund accounts for operation, maintenance, and improvements of the municipal golf facility. The difference between the Golf Course Enterprise Fund and other utility enterprise funds is that the Golf Fund serves voluntary customers as opposed to the users of the water, sewer, and surface water funds, who have no choice in service provider.

### **Relationship To Other Plans**

Capital facility planning is related to a variety of other long-range, sub-area and system plans adopted by the City. Figure 14-3 illustrates how these various plans are interrelated.

*[Graphic]*

*Figure 14-3: Relationship of Adopted City of Tukwila Planning Documents*

## **ISSUES**

The following issues are based upon City experiences as well as from likely events that could impact Tukwila's ability to pay for its future.

### **Decreases in Capital Spending**

Figure 14-4 shows 10 years in operations and maintenance spending versus capital spending. There is a trend line that shows the increasing percentage of City revenues being spent on operations and maintenance, and less on capital. In addition, capital projects are being funded by dedicated revenue sources rather than general operating revenues.

### **External Forces Reducing Available Local Revenues**

The Washington State legislature capped the growth of property tax revenue to no more than one percent over the previous years' revenues or Implicit Price Deflator (IPD), whichever is lower. The 1% property tax limitation is still the most revenue restrictive element of the general revenue base. Accordingly, other revenue categories must make up the difference in order to achieve the overall 3% revenue growth target.

*[Graphic]*

*Figure 14-4: Operations vs. Capital Spending Trend (2003-2012).*

Sales tax is the City's largest revenue source. The pandemic that started in early 2020 caused businesses to close for a few months in the spring 2020. Businesses slowly reopened throughout the summer months but the effects of businesses being closed significantly reduced this revenue stream. While sales tax revenue has returned to pre-pandemic levels, increases have not kept pace with inflation resulting in ongoing expenditures rising faster than ongoing revenues. Retail sales tax from construction activity is expected to remain relatively strong as a number of projects are in the pipeline. Additionally, the Washington State Legislature ended the payment of Streamlined Sales and Use Tax Agreement mitigation payments to cities hard-hit by destination-based sales tax. The mitigation payments decline each year and are scheduled to end in 2026.

**WHAT ARE SPECIAL PURPOSE DISTRICTS?**

Special Purpose Districts can be created to provide a new service or a higher level of service than is currently available. Special Purpose Districts can be established for a variety of purposes, such as agriculture, economic development, education, parks, or environmental protection. Special Purpose Districts may collect funds within their boundaries to provide services related to their stated purpose, though funding mechanisms (property tax, fees, etc.) vary by district.

**Levying New Taxes and Fees**

There are several ways that the Tukwila community has been able to compensate for the decrease in revenues. Beginning in 2006, the City instituted a Utility Tax, which applies to electric, natural gas and communication sales. The City enacted a solid waste utility tax in 2009 to address revenue shortfalls in certain areas and unexpected costs in other areas. Utility tax revenues have remained fairly level over the past several years but took a dip in 2020 due to businesses being closed for a few months. Increases of up to 2.4% are expected in 2023 but, due to conservation efforts and changes in consumer behavior, no growth is projected for 2024. The City enacted a business license fee in 2010 which currently is expected to generate revenues exceeding \$3.2 million per year.

In order to continue to provide the same high-level of services in the next biennium and in the out years, it will be necessary for the City to implement a new revenue stream. The Council approved a modest business and occupation (B&O) tax to take effect in January 2024. The tax is levied on businesses that exceed \$750 thousand annual gross revenue. In addition to maintaining the current level of service, this new revenue source will allow the City to hire frozen commissioned officer police positions within the Police Department.

*Real Estate Excise Tax (REET)*

Real Estate Excise Tax (REET) is levied on the sales of real property. The tax is calculated based on the selling price, including the amount of any liens, mortgages, and other debts given to secure the purchase. The tax is due at the time of sale and is collected by the County at the time of recording. The City of Tukwila imposes a 0.25% real estate excise tax known as REET1 or the “first quarter percent” and an additional 0.25% REET2 tax on the “second quarter percent” with such proceeds to be used primarily for capital projects and limited maintenance.

**Creating More Special Purpose Districts**

Forming special purpose districts allows the community to collect additional money for specific needs, such as for parks. In 2011, a Metropolitan Park District was created with coterminous boundaries with the City of Tukwila, in order to sustain the operation of the Tukwila Pool. Beginning in 2013, Tukwila property owners began paying an additional 15 cents per \$1,000 of assessed valuation.

*[Graphic]*

*Levee repair at Lilly Point*

### **Preparing for Disasters and Emergencies**

The effects of climate change can be felt throughout the Puget Sound region and can be categorized into six categories: temperature, precipitation, sea level rise, vegetation change, ocean acidification and slope stability. We have witnessed first-hand temperatures rising, and patterns of rain and drought changing. Flooding events will occur with greater frequency, water levels will rise, and more droughts will occur. Tukwila is already experiencing more severe weather impacts due to climate change and the opportunity for flooding to occur more often. A significant water feature of the City is the Duwamish/Green River and its tributaries.

Property owners of the City pay taxes to the King County Flood Control District which manages the levee system along the Green/Duwamish River. The primary levee located with Tukwila is the Tukwila 205 Levee which mitigates flood risks to both residents and businesses along the Lower Green River. The Tukwila 205 Levee is a 4.3-mile levee located along the left bank of the Green River from the southern boundary of the city extending to I-405. Over the course of the next 25 years the city in conjunction with the King County Flood Control District is rebuilding this entire levee system to provide 500-year level of flood protection plus 3 feet of freeboard. There are other smaller levees and revetments found throughout Tukwila along the Green/Duwamish River that mitigate flooding risks. The 205 levee is a prioritized project in the Regional Hazard Mitigation Plan.

Tukwila is located in a seismic zone and is vulnerable to earthquake or a hazardous substance release. As one of the responsible public service entities, the ability to support the community after such an event is paramount. The location and condition of the City's infrastructure to withstand significant catastrophes, and the presence of a reserve to pay for unexpected events, must be included in the City's capital planning. The city is in compliance with all regulations to be eligible for federal and state reimbursement if it experiences a Presidential Declared Disaster.

### **GOALS AND POLICIES**

These policies are intended to ensure the availability of financing to accomplish the goals expressed here and in the other elements of the Comprehensive Plan over the next 20 years.

**GOAL CF-1      Public facilities and services that reflect desired levels of quality, address past deficiencies, and anticipate the needs of growth through acceptable levels of service, prudent use of fiscal resources, and realistic timelines.**

#### ***General Policies***

Policy CF-1.1      The City shall use non-capital and regionally-shared capital options to meet its public facility needs when there are financial or economies of scale to be gained.

- Policy CF-1.2 The City’s management of its capital facilities shall follow this order:
1. Regular inspection of systems for evaluation and to ensure conformity with current safety standards;
  2. Prioritizing projects when making improvements, if the public health and safety is at risk;
  3. Preventive maintenance and cost-effective replacement of aging elements; and
  4. Planning for the orderly extension and upgrading of capital systems to accommodate future growth
- Policy CF-1.3 Projects listed to be initiated during the 7–20 year time frame shall be generally described, estimated, and evaluated using Comprehensive Plan goals. Projects in the six-year CIP/FPM shall include a progressively more detailed description, project budget, anticipated funding sources, and projected expenses).
- Policy CF-1.4 The City shall ensure that transportation capital facilities are provided within a maximum of six years of the occurrence of impacts that will degrade adopted level of services standards.
- Policy CF-1.5 Dedicated funding for building needs shall be included in the CIP/FPM.
- Policy CF-1.6 Continue to fund the correction of residential neighborhood infrastructure deficiencies, including transportation, surface water, sewer and water, through interfund loans or general fund transfers, in order to address emergency and public health and safety issues.
- Policy CF-1.7 No capital improvement projects located outside the city limits shall be approved without specific City Council approval.

**Paying For Facilities**

- Policy CF-1.8 If the City determines that the public’s health, safety, and welfare will be benefited, or if funding is available through external sources such as development or grant funds, the City may allocate funding for preliminary engineering and design of commercial and residential street projects.
- Policy CF-1.9 Late-comer agreements shall be considered an acceptable means of funding capital projects, improvements, and replacements, in whole or in part when requested by a developer.
- Policy CF-1.10 The City shall initiate property negotiations in all projects with a request for donation of the property needed for rights-of-way and easements.



- Policy CF-1.11 Arterial street improvements listed in the six-year CIP/FPM may be funded through an LID or financing external to the City. The City may use operating revenues, grants, or bonds, based on health and safety needs or public benefit.
- Policy CF-1.12 The City may consider paying for local improvement district formation costs in addition to the preliminary and construction engineering costs, in order to provide a more-timely option for residential street improvements.
- Policy CF-1.13 The City shall, whenever practical and advantageous, apply for grants, loans, or other external financing sources. Grant applications for capital facilities shall be made:
- Only for projects listed in the CIP/FPM, and
  - After City Council approval.
- Policy CF-1.14 Transportation, fire, and parks impact fees shall be collected so that “growth may pay for growth” and growth-caused improvements may be constructed.
- Policy CF-1.15 Impact fees shall be adjusted periodically based upon an appropriate capital cost index and/or other relevant data, to ensure that the fees reflect the cost of planned system improvements related to growth and shall be subject to City Council approval.
- Policy CF-1.16 The City shall consider issuance of bonds for facilities, if repayment can be made from revenue allocations and if it is more cost-effective.
- Policy CF-1.17 Non-transportation and non-utility capital projects and improvements (i.e., parks, trails, City offices) shall be funded by general revenues, impact fees, grants, or bonds as determined in the biennial CIP/FPM review process.

**Facility Construction – Prioritizing, Site Selection, and Design**

- Policy CF-1.18 Provide affordable and equitable access to public services to all communities, especially the historically underserved. Prioritize investments to address disparities.
- Policy CF-1.19 Capital improvements shall be coordinated, whenever feasible, with related improvements by other jurisdictions.
- Policy CF-1.20 Transportation improvements shall be coordinated with related improvements such as utility, landscaping, sidewalks, etc.
- Policy CF-1.21 Capital facility projects shall be prioritized using Comprehensive Plan and Strategic Plan goals and policies.

- Policy CF-1.22 Prioritize the selection, design, and construction of capital facility projects using consideration of how these choices reduce greenhouse gas emissions (GHG) and support state, regional, and local GHG reduction goals.
- Policy CF-1.23 Prioritize capital facility decisions that require and expand the use of conservation, alternative energy sources, and energy management technology.
- Policy CF-1.24 Support coordinated planning for public safety services and programs, including emergency management, in partnership with communities that have disproportionately carried the burden of harm from social, or political disenfranchisement.
- Policy CF-1.25 Establish new or expanded sites for public facilities, utilities, and infrastructure in a manner that ensures disaster resiliency and public service recovery.

***Financial Planning and Plan Maintenance***

- Policy CF-1.26 Capital planning decisions shall be linked to City-wide goals, by tracking actual growth patterns and evaluating growth targets and level-of-service standards.
- Policy CF-1.27 The CIP/FPM shall be updated biennially and include reviews of forecasts and actual growth, revenue, and cost totals.
- Policy CF-1.28 Capital Facility policies shall be reviewed biennially during revisions to the CIP/FPM. Desirable changes shall be implemented during the annual Comprehensive Plan amendment process.
- Policy CF-1.29 Policies and practices of sound governmental budgeting and accounting principles, revenue diversity, and promoting the economic well-being of the City shall be used, in order to maintain an AA bond rating or better for the City.
- Policy CF-1.30 In the event that anticipated funding falls short of meeting existing and/or anticipated needs, the City shall reassess and revise the following, as needed:
- Funding alternatives; and/or
  - The level of service standards of the City.

***Enterprise Funds Policies***

- Policy CF-1.31 Utility rates and charges shall be structured to ensure adequate infrastructure development, in addition to compliance with operation, maintenance, and federal and State requirements.

- Policy CF-1.32 Adequate reserved working capital balances shall be maintained for each enterprise fund’s annual expenditures. The fund balance for enterprise funds, at the close of each fiscal year, shall equal or exceed 20% of the previous year’s revenue, exclusive of significant non-operating, non-recurring revenues such as real estate sales, transfers in from other funds, or debt proceeds.
- Policy CF-1.33 Rate increases shall be small, applied frequently, and staggered to avoid an overly burdensome increase and undue impact in any given year.
- Policy CF-1.34 Each enterprise fund shall be reviewed at least biennially and shall have a rate structure adequate to meet its operations and maintenance and long-term capital requirements.
- Policy CF-1.35 Rate increases of external agencies (i.e., King County secondary wastewater treatment fees) shall be passed through to the users of the utility.
- Policy CF-1.36 For safety and health reasons, the City shall provide sewers to all residential and commercial areas in the City’s service area by using a combination of operating revenues, grants, loans, bonds, voluntary local improvement district formations, and/or interfund loans.
- Policy CF-1.37 Interfund loans shall be permissible if practical. Interest rates shall be computed based on the discounted market rate that is based on the US Treasury note rate(s) corresponding to the term of the loan, in order to adequately compensate the loaning fund.
- Policy CF-1.38 When there is a general long-term benefit to the respective enterprise fund and its customers, the City shall use bonded indebtedness as a funding alternative.

**Level-of-Service Standards**

- Policy CF-1.39 Sufficient system capacity for surface water, water, sewer, and transportation is required prior to approval of any new development. (Standards for surface water, water and sewer are codified in the City’s Municipal Code, and the transportation standards are in the Transportation Element of this Plan.) New development must pass the concurrency tests before development may be permitted.
- Policy CF-1.40 The City shall monitor the capacity and maintain the water, sewer, surface water, and transportation systems at the adopted standards.

- GOAL CF-2**      **A Capital Improvement Program and facility designs that meet the broad spectrum of the City’s human needs, rather than just traditional needs such as vehicular and pedestrian circulation, drinking water distribution, and sewage collection.**
- Policy CF-2.1      The City shall recognize and provide for multiple purposes and functions of all City facilities and, where possible, incorporate the needs of the individual within the design.
- Policy CF-2.2      The design of infrastructure improvements shall include conservation of resources, such as water reuse and energy-efficient electric fixtures, and the use of local power generation.
- Policy CF-2.3      The design and location of infrastructure improvement shall consider the impact of climate change, environmental justice, seismic occurrence, flood risk, and maintaining the ability to serve the community in the event of a natural or other disaster.
- Policy CF-2.4      Minimizing the costs of maintaining, operating, and other life cycle costs shall be used as a criterion in the design and funding for any capital facility.
- Policy CF-2.5      The design and construction of capital projects shall:
- Use best practices for constructing in accordance with crime prevention through environmental design;
  - Create high-quality built places that, as appropriate, are accessible to all;
  - Have a strong landscape component;
  - Maximize environmental and economic benefits;
  - Minimize environmental impacts; and
  - Promote public health by providing opportunities for safe and convenient daily physical activity.
- Policy CF-2.6      Throughout the City, the focus of capital investments shall be on creating a connected, dynamic urban environment.
- Policy CF-2.7      The City, both acting on its own or in coordination with flood protection partners, shall seek, design, and implement flood hazard reduction projects, that are long-term and low-maintenance flood hazard management solutions that meet multiple objectives, such as flood hazard protection, flood storage, water quality, recreation and habitat restoration.
- Policy CF-2.8      Reduce the solid waste stream and encourage reuse and recycling.

- GOAL CF-3.1**      **The Green River levee system is constructed, maintained and certified to meet the accreditation standards of the Federal Emergency Management Administration and the City’s Shoreline Master Program.**
- Policy CF-3.2      Coordinate with King County Flood Control District and the U.S. Army Corps of Engineers to inspect and maintain the City’s levee system and determine if it adequately protects the City in the face of increased flood events associated with Climate Change.
- Policy CF-3.3      Restrict levee encroachments by adjacent property owners.
- Policy CF-3.3      Continue to work with the U.S. Army Corps of Engineers to develop levee vegetation policies for the Green River levee system that enhance the ecosystem by providing shade and improving fish habitat, while at the same time protecting public safety and reducing long-term maintenance needs and costs.
- Policy CF-3.4      Coordinate with the City of Kent on flood control projects and climate impact studies that affect both jurisdictions, while complying with Tukwila’s Shoreline Master Program.

**RELATED INFORMATION**

- Capital Facilities Element Background Report
- Capital Improvement Program/Financial Planning Model (CIP/FPM)
- Fire Master Plan
- Parks, Recreation and Open Space Plan
- Surface Water Plan
- Water Plan
- Sewer Plan
- Transportation Background Report