

3.20 Fiscal Analysis

AFFECTED ENVIRONMENT

Taxing Districts. Nine taxing districts collect property taxes from the Thurston Highlands site. The nine districts and their tax rate per \$1,000 valuation for 2007 taxes are summarized below.

State	\$2.555090
Thurston County	1.394869
Timberland Library	0.428400
City of Yelm	2.366988
Emergency Medical Services (EMS)	0.373097
Port of Olympia	0.205583
Yelm Comm. Schools-Operating	2.930976
Yelm Comm. Schools-Bond	1.760000
Cemetery District	0.077250
PUD	0.009372
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Total	\$12.101625

Service Providers. Public services in Yelm are provided by a combination of local providers. The City of Yelm has primary responsibility for providing municipal services within its boundaries. The City has established relationships with other jurisdictions for several of these services.

- ◆ General Government – Provided directly
- ◆ Law Enforcement – Provided directly
- ◆ Fire Protection – Contract with Southeast Thurston Fire EMS
- ◆ Library Services – Annexed to Timberland Library
- ◆ Planning and Development Review – Provided Directly
- ◆ Street Maintenance – Provided Directly
- ◆ Parks – Provided Directly.

In addition, other local services are provided as follows:

- ◆ Rainier and Yelm Community Schools Districts – Primary and Secondary Education
- ◆ Thurston County – General Government, Criminal Justice and Health
- ◆ Fiscal conditions for these jurisdictions are described below.

City of Yelm. City revenues and expenses are summarized in Table 3.20-1 for the period 2000 through 2005. The operating position of the City is reflected in a revenue and expense comparison for the General Fund and Special Revenue funds. (Special revenue funds are funds for operating functions, such as street maintenance, that are funded from sources other than general taxes.) The City's operating revenues increased at an average annual rate of 15.3% between 2000 and 2005. The categories that grew the fastest are those related to development activity, particularly fees and charges for service. Overall operating expenses grew at a similar rate. The major expense category with the highest rate of growth was Natural Resources (including development services and parks).

City of Yelm revenue and expenditure patterns can be compared to cities with similar profiles. The Association of Washington Cities (AWC) has classified all cities in the state

according to their size, rate of growth, personal income, and amount of commercial activity. The various categories are shown in Figure 3.20-1. Yelm is presently classified as a Small Commercial city. The revenue and expense patterns for cities in this category are shown on a per capita basis in Table 2. The revenue and expense data are derived from a data base called Local Government Financial Reporting System (LGFRS) compiled by the Washington State Auditors office. The data in the system is adjusted to exclude any double counting, and are presented in a format that can be compared across jurisdictions.

Table 3.20-1. City of Yelm trends in operating revenues and expenditures (Property Counselors, April 2008).

	2000	2001	2002	2003	2004	2005	Avg. Ann. Growth
Operating Revenues-2005 (1)							
General Property Taxes	505,460	555,126	637,584	679,297	738,734	799,596	9.6%
Sales and Use Taxes	691,508	767,326	804,305	855,056	887,701	1,117,926	10.1%
Business and Utility Taxes	442,840	479,227	526,430	540,942	617,862	698,895	9.6%
Other Local Taxes	73,869	84,459	105,723	125,558	141,552	296,713	32.1%
Licenses and Permits	132,883	179,086	195,783	215,612	193,431	480,038	29.3%
Charges and Fees for Service	185,382	198,941	238,857	234,436	272,853	582,212	25.7%
Interest and Investment Earnin	70,181	38,002	14,894	10,850	13,838	23,646	-19.6%
Fines and Forfeits	87,323	83,965	122,571	124,839	131,818	95,362	1.8%
Rents, Premiums etc.	94,906	38,275	36,717	48,637	47,490	37,645	-16.9%
Intergovernmental	171,188	142,818	305,073	785,466	223,674	867,045	38.3%
Total Revenues	2,455,540	2,567,225	2,987,937	3,620,693	3,268,953	4,999,078	15.3%
Operating Expenditures-2005 (1)							
Law and Justice	739,722	780,532	837,604	1,019,817	1,084,435	1,195,158	10.1%
Fire and Emergency Services	278,812	266,913	266,468	304,578	366,490	325,500	3.1%
Health and Human Services	2,729	2,874	2,453	2,673	2,458	2,764	0.3%
Transportation	177,000	194,120	218,111	259,313	243,091	318,963	12.5%
Natural Resources	190,306	269,858	320,679	345,064	377,128	553,343	23.8%
General Government	274,737	307,433	350,756	427,834	455,760	515,806	13.4%
All Other	12,003	10,331	32,851	45,207	38,987	39,823	27.1%
Capital	269,425	191,812	295,120	817,222	211,277	949,923	28.7%
Debt Service-Interest	16,645	16,953	16,943	13,789	12,821	10,874	-8.2%
Debt Service-Principal	33,238	40,121	50,710	40,989	50,223	51,858	9.3%
Total Expenditures	1,994,617	2,080,947	2,391,695	3,276,486	2,842,670	3,964,012	14.7%

1) Operating funds include General Fund and Special Revenue Funds.

Source: State Auditors Office, Local Government Financial Reporting System
Property Counselors

Figure 3.20-1.

Key Economic Indicators in Washington City & Town Groupings

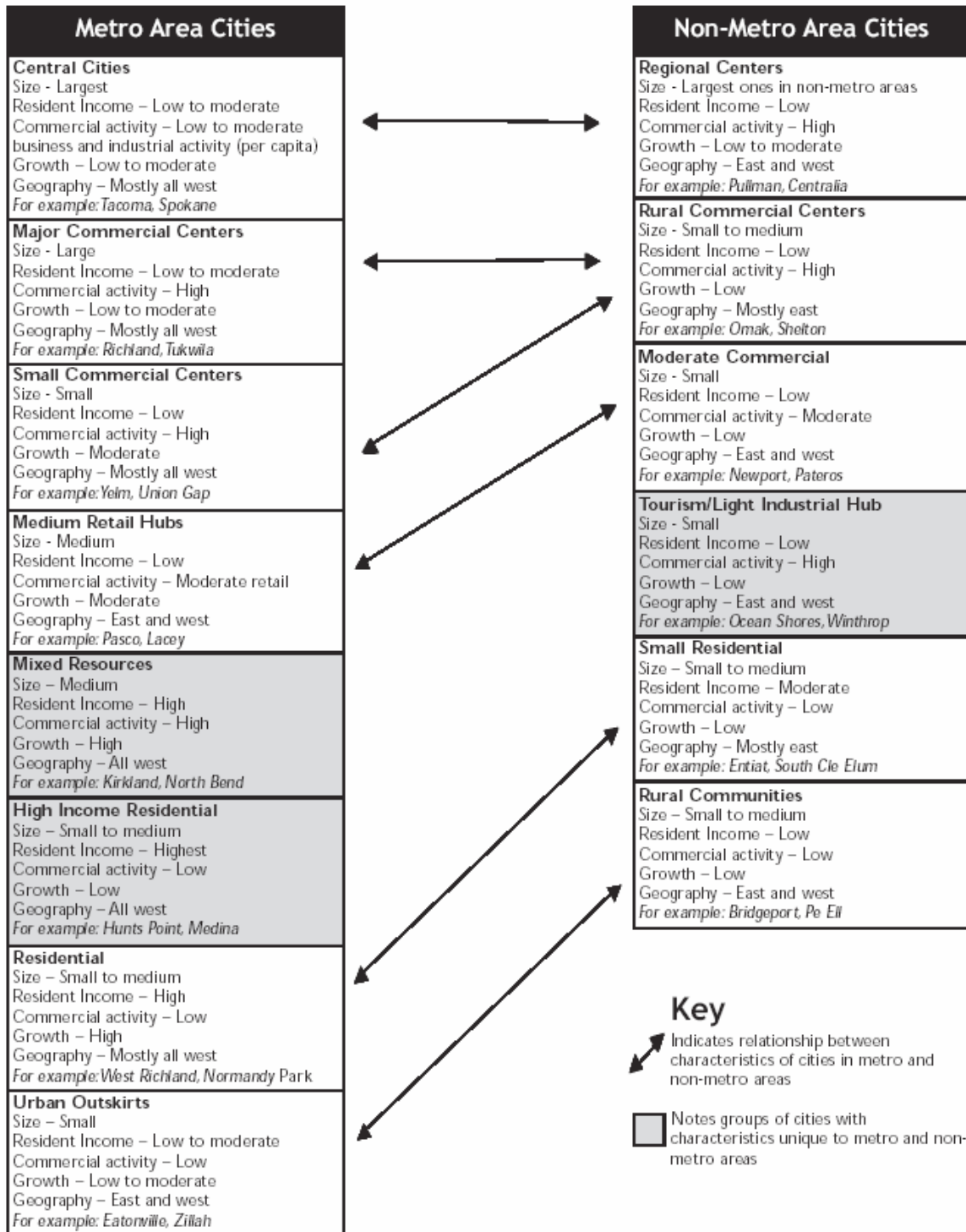


Table 3.20-2. Comparison of per capita revenues and expenses, cities classified by the Association of Washington Cities as Small Commercial Centers.

	Blaine	Dupont	Gig Harbor	Langley	Liberty	Lak'ort	Orchar	Poulsbo	Skykomish	Stanwood	Sumas	Sumner	Yelm
Population 2005	4,240	5,410	6,765	1,045	5,255	8,250	7,450	210	4,580	1,112	8,940	4,455	
Operating Revenues-2005 (2)													
General Property Taxes	36	395	211	178	206	118	191	214	327	406	369	179	
Sales and Use Taxes	212	202	668	253	277	340	324	204	264	166	444	251	
Business and Utility Taxes	215	131	152	117	-	109	131	46	156	167	139	157	
Other Local Taxes	100	9	47	118	19	27	121	11	66	84	6	67	
Licenses and Permits	83	155	102	61	73	21	59	83	60	54	81	108	
Charges and Fees for Service	91	345	59	92	14	43	276	256	114	63	68	131	
Interest and Investment Earnings	20	13	25	4	17	7	21	37	24	11	13	5	
Fines and Forfeits	29	0	15	11	11	24	13	-	11	40	14	21	
Rents, Premiums etc.	14	12	8	61	1	13	22	148	27	111	3	8	
Intergovernmental	67	51	110	178	45	59	37	426	50	100	287	195	
Capital Contributions	-	-	-	-	-	-	-	-	-	-	-	-	
Debt Proceeds	-	-	-	-	-	-	-	-	-	-	-	-	
Total Revenues	869	1,314	1,395	1,074	662	760	1,196	1,425	1,100	1,202	1,424	1,122	
Operating Expenditures-2005 (2)													
Law and Justice	417	179	367	282	136	322	295	103	322	630	401	268	
Fire and Emergency Services	1	193	10	18	-	28	27	129	189	82	196	73	
Health and Human Services	1	-	0	0	2	2	2	0	0	1	26	1	
Transportation	60	71	210	105	156	73	82	186	46	66	93	72	
Natural Resources	158	279	274	269	107	74	277	434	171	36	127	124	
General Government	269	87	180	301	86	126	145	224	119	177	155	116	
Utilities	4	0	-	10	-	-	8	291	-	10	-	-	
All Other	-	-	-	-	45	34	11	-	31	-	-	9	
Capital	77	144	187	62	29	27	5	-	23	92	416	213	
Debt Service-Interest	0	-	-	4	0	-	-	-	-	-	-	2	
Debt Service-Principal	4	-	-	9	-	-	-	-	-	-	-	2	
Total Expenditures	990	953	1,227	1,060	561	686	852	1,366	901	1,094	1,417	890	

1) Association of Washington Cities (AWC) based on small population, low resident income, high commercial activity, and moderate growth.
 2) Operating funds include General Fund and Special Revenue Funds.

Source: State Auditors Office, Local Government Financial Reporting System
 Property Counselors

Yelm is similar on average to the other cities in the State of Washington Small Commercial Center category in terms of revenue. Its expenditures are relatively low. Among direct public services, fire and emergency services is one category with a significantly lower expense factor than the category as a whole.

The relationships between average per capita revenue and expense levels for selected city categories are shown in Table 3.20-3. The Small Commercial Center category has higher revenue and expense factors than the Residential category that is the next largest in terms of average size. The Small Commercial category is similar in its patterns to the Mixed Resource category. As the City of Yelm grows and moves from one category to a larger size category, the pattern of expenditures may not change significantly.

Table 3.20-3. Comparison of per capita operating revenues and expenses, averages for cities in selected AWC categories.

	Sm. Comm.	Res. Commun.	Mixed Resrc.	Med. Ret.	Major Comm.
Average Population 2005	4,809	17,037	22,194	32,403	43,604
Operating Revenues-2005 (2)					
General Property Taxes	233.50	220.95	272.27	157.37	273.28
Sales and Use Taxes	346.02	113.43	349.70	173.82	327.34
Business and Utility Taxes	129.88	62.60	205.06	130.63	140.84
Other Local Taxes	50.08	52.06	82.09	48.92	59.91
Licenses and Permits	78.06	45.96	89.45	38.48	52.56
Charges and Fees for Service	122.54	76.00	112.42	58.02	81.51
Interest and Investment Earnin	15.62	13.22	20.91	10.21	14.21
Fines and Forfeits	15.63	7.15	11.55	12.89	17.38
Rents, Premiums etc.	14.98	13.60	39.30	22.10	25.48
Intergovernmental	109.89	55.59	60.87	98.85	70.94
Capital Contributions	-	0.43	-	-	-
Debt Proceeds	-	2.90	-	-	1.94
Total Revenues	1,116.19	663.89	1,243.64	751.29	1,065.41
Operating Expenditures-2005 (2)					
Law and Justice	312.92	172.04	254.03	235.62	305.27
Fire and Emergency Services	80.24	69.13	214.21	85.68	178.34
Health and Human Services	4.87	2.20	7.95	3.47	12.22
Transportation	98.28	45.20	77.32	41.65	58.78
Natural Resources	176.00	115.75	241.52	119.43	187.87
General Government	145.49	85.62	145.70	86.04	109.07
Utilities	2.71	5.76	7.68	1.87	2.02
All Other	13.53	4.61	0.01	5.28	11.59
Capital	133.79	51.23	44.93	81.74	70.43
Debt Service-Interest	0.54	1.68	1.18	2.77	2.22
Debt Service-Principal	1.68	3.51	1.81	3.56	3.52
Total Expenditures	970.05	556.73	996.34	667.10	941.31

1) Association of Washington Cities (AWC)

2) Operating funds include General Fund and Special Revenue Funds.

Thurston County. Thurston County provides a range of services to all County residents as well as municipal services in unincorporated areas. The major source of revenue is taxes, with the largest share being property taxes. The major expense category is law enforcement and justice.

Table 3.20-4. Thurston County revenue and expense general fund and special revenue funds – 2005.

		% of Total
Revenue		
General Property Taxes	50,252,951	37.9%
Sales and Use Taxes	16,699,379	12.6%
Business and Utility Taxes		0.0%
Other Local Taxes	7,023,238	5.3%
Licenses and Permits	4,466,484	3.4%
Charges and Fees for Service	10,169,901	7.7%
Interest and Investment Earning	4,091,026	3.1%
Fines and Forfeits	3,760,722	2.8%
Rents, Premiums etc.	2,390,828	1.8%
Intergovernmental	33,762,665	25.5%
Total	132,617,194	100.0%
Expenditures		
Law and Justice	45,720,613	38.8%
Fire and Emergency Services	9,202,969	7.8%
Health and Human Services	27,925,111	23.7%
Transportation	16,635,994	14.1%
Natural Resources	7,802,540	6.6%
General Government	10,454,537	8.9%
Other	184,159	0.2%
Total	117,925,923	100.0%

Source: Washington State Auditors Office, *Local Government Financial Reporting System*.

School Districts. The current fiscal situation with regard to School Districts is described in Draft EIS Section 3.18.4.

Southeast Thurston Fire/EMS. The current fiscal situation with regard to the Southeast Thurston Fire/EMS District is described in Draft EIS Section 3.18.2.

Timberland Library System. Timberland Library System provides library services to Yelm. The City was annexed to the district, and the district collects property taxes directly from property owners. The Yelm Timberland Library serves the City of Yelm and surrounding unincorporated areas. The building was opened in 2002. The District is funded primarily by property taxes.

POTENTIAL IMPACTS DURING CONSTRUCTION

Approach to Estimating Impacts. The fiscal impact analysis described in this section considers the impact of the prospective Thurston Highlands development alternatives during construction. Several jurisdictions receive one-time tax revenues from construction and property sales activity. The City of Yelm would experience some demands for public services to the project during construction, but these costs are typically passed on to the developer through permit fees and charges for services. Any capital impacts during the construction phase are temporary and would be funded by the developer.

Revenue estimates for Phase 1 as well as for full build-out of the three conceptual land use alternatives are based on the product of existing tax rates and the estimated amount of taxable construction value and property sales. These tax base increases are estimated using revenue factors per unit for each land use and product type. The factors used are described in detail in the *Fiscal Analysis Technical Report* (Property Counselors, April 2008). The estimated tax base increases for Phase 1 and each of the conceptual land use alternatives is summarized in Table 3.20-5.

Table 3.20-5. Comparison of estimated tax base for construction period activities.

	Phase 1	Preferred Alternative	Urban Village	Traditional Development
Property Sales (Cumulative)	179,100,000	1,081,900,000	737,240,000	1,329,200,000
Taxable Construction Value	177,435,000	967,755,000	898,075,000	1,038,500,000

Phase 1 Development Concept

The one-time revenues to local taxing jurisdictions include retail sales tax to the City of Yelm, Thurston County, and Medic One. The City collects 0.85 percent of taxable construction value; Thurston County collects 0.95 percent including revenues earmarked for transit, criminal justice, and juvenile corrections; and Medic One collects 0.1 percent. In addition, the City collects a real estate excise tax of 0.50 percent of the price for any property sales. The funds are restricted to capital projects.

The estimated revenues that would result from construction activity associated with the Phase 1 development concept are summarized in Table 3.20-6.

Table 3.20-6. Comparison of revenues from Thurston Highlands conceptual Phase 1 construction activity (in 2006 \$) (Property Counselors, April 2008).

One-Time Revenues	
City of Yelm	
Retail Sales on Construction	\$1,508,198
Real Estate Excise Tax on Sale	895,500
Total	\$2,403,698
Thurston County	
Retail Sales on Construction	\$1,685,633
Medic One	
Retail Sales on Construction	\$177,435

The City would receive an estimated \$2.4 million from construction activities, of which \$900,000 would be restricted to capital projects. Thurston County would receive \$1.7 million, of which \$1.35 million is restricted to transit, criminal justice, and juvenile corrections.

Full Build-Out Conceptual Land Use Alternatives

One-time revenues for full build-out under the three conceptual land use alternatives are summarized in Table 3.20-7.

Table 3.20-7. Comparison of revenues from construction activity associated with full build-out of the Thurston Highlands conceptual land use alternatives (in 2006 \$) (Property Counselors, April 2008).

	Preferred Alternative	Urban Village	Traditional Development
One-Time Revenues			
City of Yelm			
Retail Sales on Construction	\$8,225,918	\$7,633,638	\$8,827,250
Real Estate Excise Tax on Sale	5,409,500	3,686,200	6,646,000
Total	\$13,635,418	\$11,319,838	\$15,473,250
Thurston County			
Retail Sales on Construction	\$9,193,673	\$8,531,713	\$9,865,750
Medic One			
Retail Sales on Construction	\$967,755	\$898,075	\$1,038,500

The City would receive \$11.3 million to \$15.5 million from construction activities. The Traditional Development Alternative would generate the highest revenues because of the high-valued home sales; \$3.7 million to \$6.6 million would be restricted to capital projects. Thurston County would receive \$8.5 million to \$9.9 million, of which \$7.2 million to \$8.3 million would be restricted to transit, criminal justice, and juvenile corrections.

No Action Alternative

Under the No Action Alternative, the site would temporarily remain undeveloped; therefore, no construction revenues would be generated.

POTENTIAL DEVELOPED-CONDITION IMPACTS

Approach to Estimating Impacts. The fiscal impact analysis described in this section considers the impact of each of the prospective Thurston Highlands development alternatives in the developed condition at full build-out and after Phase 1. The operating impact is expressed as the difference between annual operating revenues and operating expenses on an ongoing basis, expressed in constant 2006 dollars.

The comparison of capital impacts is based on estimates of facility needs, the associated cost of meeting those needs, available funding sources, and any funding gaps. The capital impacts are identified for general government facilities and special purpose facilities for the City, school districts, and the Fire District.

Summary of Fiscal Determinants. Table 3.20-8 compares the characteristics of the Phase 1 development and the three conceptual land use alternatives.

Table 3.20-8. Summary of development components: Thurston Highlands conceptual land use alternatives (City of Yelm and Thurston Highlands, L.L.C., April 19, 2007).

	Phase 1	Preferred Alternative	Urban Village	Traditional Development
Residential Units				
Single Family	691	3,546	2,240	4,400
Multifamily	317	1,454	2,760	600
Subtotal	1,008	5,000	5,000	5,000
Commercial				
Hotel (rooms)	-	100	100	100
Office and Retail (sq. ft.)	-	920,000	1,460,000	590,000
Population	2,527	12,548	10,998	13,859
School Enrollment	534	2,661	2,067	3,008
Equivalent Dwelling Units	766	7,405	8,321	6,404

The population and school enrollment estimates are based on household size factors and school enrollment factors described in Draft EIS Section 3.18.4. Table 3.20-8 also compares equivalent dwelling units (EDUs) as a measure of service requirements on the site. One EDU represents one single-family detached dwelling unit. The other dwelling unit types would have proportionately fewer EDUs. The number of EDUs for non-residential uses is estimated using the following factors:

Retail	4.16 per 1,000 sq. ft.
Office	2.49 per 1,000 sq. ft.
Lodging	0.53 per room

EDUs are commonly used to size capital facilities, but can also be used to reflect the demand for public services. The factors shown above were identified in an analysis for the Town of Barnstable Massachusetts by Tischler and Associates in 2002. The factors are based on Institute of Transportation Engineers (ITE) trip generation rates, visitor hours, and average vehicle occupancy. The Thurston Highlands Urban Village Alternative would have the highest number of estimated EDUs because of the large amount of professional office space.

Revenue Assumptions. Revenue estimates for Phase 1 and the three full build-out conceptual land use alternatives are based on the product of existing tax rates and the

estimated increase in the tax base associated with each type of use. Tax base increases are estimated using revenue factors per unit for each land use and product type. The factors used are described in detail in the *Fiscal Analysis Technical Report* (Property Counselors, April 2008). The estimated tax base increases for Phase 1 and each of the Build-out alternatives is summarized in Table 3.20-9.

Table 3.20-9. Comparison of estimated tax base (Property Counselors, April 2008).

	Phase 1	Preferred Alternative	Urban Village	Traditional Development
Assessed Value	231,850,000	1,265,635,000	1,175,070,000	1,359,700,000
Gross Receipts	-	140,425,000	351,425,000	115,365,000
Taxable Retail Sales	-	76,425,000	81,425,000	45,365,000
Utilities Charges	2,309,500	13,160,000	13,699,000	13,332,500
Hotel Room Revenues	-	1,920,000	1,920,000	1,920,000
Property Sales (Cumulative)	179,100,000	1,081,900,000	737,240,000	1,329,200,000
Taxable Construction Value	177,435,000	967,755,000	898,075,000	1,038,500,000
Assessed Value Rainier District	-	752,600,000	572,100,000	738,200,000
Assessed Value Yelm District	231,850,000	513,035,000	602,970,000	621,500,000
Total Assessed Value	231,850,000	1,265,635,000	1,175,070,000	1,359,700,000

The Traditional Development Alternative would generate the highest assessed value, property sales, and construction value of the three conceptual land use alternatives because of the predominance of higher-valued single-family homes. The Urban Village Alternative would generate the highest gross receipts because of the large amount of professional office space. The Urban Village or Preferred Alternative would generate similar amounts of taxable retail sales. Table 3.20-9 also shows the breakout of assessed valuation between the two school districts. All of the assessed value in Phase 1 would occur in the Yelm Community Schools District. At build-out, the Rainier School District would have the greater assessed value under the Preferred Alternative or the Traditional Development Alternative. Yelm Community Schools would have greater value under the Urban Village Alternative.

The increased tax base under any conceptual land use alternative is assumed to be taxed at current rates. Nine different entities would collect property tax as described earlier in this section. In addition, the City, County, State, EMS and transit would collect retail sales tax. The 0.1 percent Criminal Justice portion would be collected by the County and distributed among cities and unincorporated areas on a per capita basis.

Cities are authorized to levy a tax on gross business receipts. The City of Yelm imposes such a tax of 0.2 percent. The City also imposes a 6 percent tax on all utilities.

The City and State collect an excise tax on real estate transactions. The City's 0.5 percent is restricted to capital facilities.

Current tax rates are summarized in Table 3.20-10.

Table 3.20-10. Assumed tax rates (compiled by Property Counselors, April 2008).

Property Tax (\$/\$1000AV)	
State	\$2.555090
Thurston County	1.394869
Timberland Library	0.428400
City of Yelm	2.366988
EMS	0.373097
Port of Olympia	0.205583
Yelm Comm. Schools-Operating	2.930976
Yelm Comm. Schools-Bond	1.760000
Cemetery District	0.077250
PUD	0.009372
Total	\$12.101625
Gross Receipts Tax	0.20%
Retail Sales Tax	
State	6.50%
Thurston County	
Share of City	0.15%
Criminal Justice	0.10%
Transit	0.60%
City of Yelm	0.85%
EMS	0.10%
Juvenile Corrections	0.10%
Total	8.40%
Utilities Tax	6.00%
Hotel Tax	4.00%
Real Estate Excise Tax	
State	1.28%
City	0.50%
Total	1.78%
Per Capita State Distributions	\$36.00

Operating Expense Assumptions: City of Yelm. City expenditure levels were presented above in Tables 3.20-1 and 3.20-2, in total and on a per capita basis. The figures can also be expressed in relation to equivalent dwelling units (EDUs) in order to provide a basis for estimating service costs for non-residential uses. The estimated EDUs for the City are shown in Table 3.20-11.

Table 3.20-11. Equivalent dwelling units, City of Yelm (2005) (Property Counselors, April 2008).

	Population	Emp.	Emp. / 1000	EDU/1000	EDU	% of Total
Construction/Resource		263	3.16	1.79	149	
FIRE		205	4.04	2.49	126	
Retail		748	2.50	4.16	1,245	
Mfg.		364	3.16	1.79	206	
WTCU		153	3.16	1.79	87	
Services		800	4.04	2.49	493	
Gov/Ed		815	4.04	2.49	502	
Total		3,348			2,808	66.1%
Population	4,455				1,437	33.9%
Total					4,245	100.0%

City of Yelm expenditures can be expressed on a per EDU basis as shown in Table 3.20-12.

Table 3.20-12. City of Yelm operating expenses per EDU (Property Counselors, April 2008).

	2005 \$	2005 \$/EDU	2006 \$/EDU	\$/EDU Adj.
Law and Justice	\$1,195,158	\$281.52	\$289.97	\$289.97
Fire and Emergency Services	325,500	76.67	78.97	118.50
Health and Human Services	2,764	0.65	0.67	0.67
Transportation	318,963	75.13	77.39	77.39
Natural Resources				
Development-related	380,973	89.74	92.43	
Other	172,370	40.60	41.82	41.82
General Government	515,806	121.50	125.14	125.14
Other	39,823	9.38	9.66	9.66
Total	\$2,951,357	\$695.20	\$716.06	\$663.15

The 2006 adjusted expenditure per EDU includes two adjustments. The Fire and Emergency Services factor is increased by a factor of 50 percent. The City's 2005 per capita rate of expenditure for these services is considerably lower than the rate for several of the larger cities in the Small Commercial cities category, as shown in Table 3.20-5. Further, the City's contract fee was approximately 33 percent higher for 2007 than 2006. The higher 50 percent factor is reconciled with cost of service requirements in the discussion of Fire Protection and Emergency Medical Aid Services in Draft EIS Section 3.18.2. The other adjustment excludes development-related expenditures for development oversight. This expenditure will be funded directly by fees and charges for service.

Operating Expense Assumptions: School Districts. School District expenditures are assumed at the current per pupil rates of \$8,239 and \$8,447 for Rainier and Yelm, respectively. See Draft EIS Section 3.18.4 for additional discussion.

Operating Expense Assumptions: Southeast Thurston Fire/EMS. The cost of fire protection and emergency medical aid services provided by Southeast Thurston Fire/EMS is estimated based on full staffing at build-out of a new station. The cost of operating a station is based on a crew of three or four shifts over the course of a week. The cost for fire suppression activities is

estimated at a rate of \$75,000 per full-time equivalent officer, and \$65,000 per full-time equivalent firefighter. Additional facility costs are estimated at 6 percent of suppression costs based on the current budget. The fiscal impact analysis on Southeast Thurston Fire/EMS is included in Draft EIS Section 3.18.2.

Phase 1 Development Concept

Operating Impacts: City of Yelm. The ongoing operating impact to the City of Yelm as a result of the Thurston Highlands conceptual Phase 1 development is summarized in Table 3.20-13. The City would experience a surplus of revenue over expenses. The relatively high value of the single-family homes that would be predominant during this phase would lead to high property tax revenues.

Table 3.20-13. Comparison of operating impact to City of Yelm with Thurston Highlands conceptual Phase 1 development (in 2006 \$) (Property Counselors, April 2008).

Recurring Tax Revenues	
Property Tax	\$548,786
Gross Receipts Tax	-
Retail Sales Tax	-
Utilities Tax	138,570
Hotel Tax	-
Permits Non-Development	3,465
Charges Non-Development	1,929
Fines	17,718
State Distributions	90,972
Total	\$801,439
Operating Expenses	
Law and Justice	\$222,055
Fire and Emergency Services	90,746
Health and Human Services	514
Transportation	59,262
Natural Resources	32,026
General Government	95,834
Other	7,399
Total	\$507,835
Estimated Net Annual Surplus	\$293,604

Capital Impact: City of Yelm. The City of Yelm will require additional parks and recreational facilities to serve the Thurston Highlands Master Planned Community in Phase 1. Table 3.20-14 presents the analysis of park and recreation facility impacts for the City of Yelm. The facilities and cost factors are described in the *Thurston Highlands Master Planned Community Parks and Recreation Technical Report* (R.W. Droll Landscape Architects, October 2007).

Table 3.20-14. Capital impact of Thurston Highlands Phase 1 conceptual development to City of Yelm parks and recreation (Property Counselors, April 2008).

Description (acres)	
Park Land	19.3
Regional Sports Complex	
Development Cost Factors (\$/acre)	
Park Land	\$110,000
Regional Sports Complex	
Total Development Cost	
Park Land	\$2,123,000
Regional Sports Complex	\$0
Total	\$2,123,000
Funding	
City	-
Developer/Regional	2,123,000
Total	\$2,123,000

The neighborhood parks that would be required to be developed during Phase 1 would be funded by the developer and deeded to the City.

Operating Impact: Other Service Providers. Taxing districts and service providers other than the City of Yelm, school districts, and Southeast Thurston Fire/EMS will receive increased tax revenues without significant increases in requirements for service. Most of these jurisdictions do not provide services directly in the local area. In the case of Thurston County, additional requirements would be very small compared to total service requirements. Many County services are administrative services. Direct services such as health are not, except for some social services, provided directly in the local area. Estimated revenue increases for the other taxing districts are shown in Table 3.20-15.

Table 3.20-15. Estimated operating impact of Thurston Highlands Phase 1 conceptual development to other taxing districts (in 2006 \$) (Property Counselors, April 2008).

Thurston County Operating Revenues	
Property Tax	\$323,400
Sales Tax Revenue	
Share of City	\$0
Criminal Justice	\$0
Transit	\$0
Juvenile Corrections	\$0
Subtotal	\$0
Total Annual Operating Revenue	\$323,400
Timberland Library Operating Revenues	
Property Tax	\$99,325
Medic One Operating Revenues	
Property Tax	\$86,502
Sales Tax	\$0
Total Annual Operating Revenue	\$86,502
Port of Olympia Operating Rev.	\$47,664
Cemetery Dist. Oper. Rev.	\$17,911
PUD Operating Revenues	\$2,173

Full Build-Out Conceptual Land Use Alternatives

Potential Operating Impacts: City of Yelm. Table 3.20-16 summarizes the potential operating impacts to the City of Yelm that could result from the three Thurston Highlands conceptual land use alternatives. As shown, the City would collect operating revenues in excess of expenses at full build-out of any of these alternatives. The largest surplus is estimated for the Traditional Development Alternative. The tax base would be relatively high with this alternative because of the higher-valued single-family homes; however, the demand for services as measured by EDUs would be somewhat lower compared to the other conceptual land use alternatives.

Table 3.20-16. Estimated operating impact to the City of Yelm at full build-out of Thurston Highlands conceptual land use alternatives (in 2006 \$) (Property Counselors, April 2008).

	Preferred Alternative	Urban Village	Traditional Development
Recurring Tax Revenues			
Property Tax	\$2,995,743	\$2,781,377	\$3,218,394
Gross Receipts Tax	280,850	702,850	230,730
Retail Sales Tax	649,613	692,113	385,603
Utilities Tax	789,600	821,940	799,950
Hotel Tax	76,800	76,800	76,800
Permits Non-Development	33,503	37,649	28,976
Charges Non-Development	18,649	20,957	16,129
Fines	171,330	192,530	148,177
State Distributions	451,728	395,928	498,924
Total	\$5,467,816	\$5,722,144	\$5,403,683
Operating Expenses			
Law and Justice	\$2,147,250	\$2,412,954	\$1,857,087
Fire and Emergency Services	877,507	986,091	758,927
Health and Human Services	4,966	5,580	4,295
Transportation	573,057	643,968	495,618
Natural Resources	309,684	348,005	267,836
General Government	926,709	1,041,382	801,481
Other	71,547	80,400	61,879
Total	\$4,910,719	\$5,518,380	\$4,247,123
Estimated Net Annual Surplus	\$557,097	\$203,764	\$1,156,560

It is important to note that the results of the operating impact analysis may vary over time. Property tax revenues are subject to a limit on annual increases. Voter-approved Initiative 747 limited annual increases to one percent plus taxes on new construction. That initiative has been challenged in court. While the outcome is unknown at this time, there will likely be some limit in effect, whether it is the previous 6 percent limit, a newly-imposed 1 percent limit, or a voluntary limit by legislative bodies. In any case, the property tax collections are likely to grow at a lower rate than expenses; thus, the fiscal balance may change over time.

Potential Capital Impact: City of Yelm. The City of Yelm will require additional governmental, utility, and parks and recreational facilities to serve the Thurston Highlands Master Planned Community. The capital facility needs are described in the capital facilities section of the EIS. This analysis focuses on parks and recreation facilities and wastewater facilities.

Table 3.20-17 presents the analysis of park and recreation facility impacts for the City of Yelm. The facilities and cost factors are described in the *Thurston Highlands Master Planned Community Parks and Recreation Technical Report* (R.W. Droll Landscape Architects, October 2007). In addition to the miniparks and neighborhood parks required for Phase 1 development, any of the three conceptual land use alternatives would provide a Regional Sports Complex special use facility. Based on park development cost factors, the total estimated capital cost for the identified facilities varies from \$10.9 million for the Urban Village Alternative to \$12.8 million

for the Traditional Development Alternative. The miniparks would be owned and maintained by a homeowners association. Neighborhood parks and the Regional Sports Complex would be deeded to the City for future operation and maintenance. The City could contract with a non-profit entity for operation and maintenance of the Regional Sports Complex. Such an entity could be a partnership of various sports leagues and user groups.

Funding for the parks facilities for any of the alternatives would come from sources other than the City. Future property owners could contribute to the cost through a Local Improvement District (LID). However, LID assessments are limited to the “special benefit” enjoyed by each property. As a regional facility, the Sports Complex will have “general benefits” to users throughout the region. The portion of the cost associated with the general benefit would have to be funded by the developer as a cost of development or by regional users through an organizational structure like a parks and recreation district. A regional facility could attract grant funding.

Table 3.20-17. Capital facility impacts to City of Yelm parks and recreation at full build-out of the Thurston Highlands conceptual land use alternatives (Property Counselors, April 2008).

	Preferred Alternative	Urban Village	Traditional Development
Description (acres)			
Park Land	18.4	8.7	26.6
Regional Sports Complex	60.0	60.0	60.0
Development Cost Factors (\$/acre)			
Park Land	\$110,000	\$110,000	\$110,000
Regional Sports Complex	\$165,000	\$165,000	\$165,000
Total Development Cost			
Park Land	\$2,024,000	\$957,000	\$2,926,000
Regional Sports Complex	9,900,000	9,900,000	9,900,000
Total	\$11,924,000	\$10,857,000	\$12,826,000
Funding			
City	-	-	-
Developer/Regional	11,924,000	10,857,000	12,826,000
Total	\$11,924,000	\$10,857,000	\$12,826,000

The conceptual land use alternatives would require differing capital investment in streets and utilities. In general, the developer will fund capital facilities internal to the project. Off-site facilities, such as traffic system improvements, will be required for mitigation of project impacts. In addition, some off-site utility facilities will be required to provide the necessary levels of service. For example, the City’s wastewater collection and treatment facilities will need to be expanded to serve the Master Planned Community. System needs and alternatives evaluated for the wastewater utility are described in the *Yelm Wastewater Technical Report* (Parametrix, March 2007). Two system alternatives have been identified that could meet the needs of any future growth and the Thurston Highlands conceptual land use alternatives.

- Gravity Feed Collection System with expanded treatment plant and discharge of treated water to groundwater.

- Septic Tank Effluent Pump (STEP) Collection System with expanded treatment plant and discharge of treated water to groundwater.

Table 3.20-18 summarizes the capital cost impacts of the two wastewater system alternatives. The costs are similar in total. The STEP system would have a higher on-site cost due to the large number of the individual septic tank facilities required, but the cost of treatment would be lower because many of the solids would be captured in the septic tanks. The STEP system would be more suitable for phased implementation. The on-site cost to be borne by the developer would be higher, while the proportionate cost to be borne by the utility would be lower. In the Gravity Feed Collection System, all wastewater is directed to the wastewater treatment plant via gravity and/or pump stations.

The capital cost of utilities would be funded by revenue debt and the debt service funded through utility rates.

Table 3.20-18. Capital facility impact, City of Yelm wastewater collection and treatment (Property Counselors, April 2008).

	Gravity Collection	STEP Collection
Capital Cost (\$000's)		
Collection		
Within Thurston Highlands	29,000	36,893
Outside Thurston Highlands	7,448	3,997
Subtotal	36,448	40,890
Treatment	13,651	8,138
Disposal	2,600	2,600
Total	52,699	51,628
Cost Allocation (000's)		
Developer	29,000	36,893
Utility	23,699	14,735
Total	52,699	51,628

Operating Impacts: Other Service Providers. Taxing districts and service providers other than the City of Yelm, school districts, and Southeast Thurston Fire/EMS will receive increased tax revenues without significant increases in requirements for service. Most of these jurisdictions do not provide services directly in the local area. In the case of Thurston County, additional requirements would be very small compared to total service requirements. Many County services are administrative services. Direct services such as health are not, except for some social services, provided directly in the local area. Estimated revenue increases for the other taxing districts are shown in Table 3.20-19.

Table 3.20-19. Comparison of the operating impact of Thurston Highlands conceptual land use alternatives to other taxing jurisdictions (in 2006 \$) (Property Counselors, April 2008).

	Preferred Alternative	Urban Village	Traditional Development
Thurston County Operating Revenues			
Property Tax	\$1,765,395	\$1,639,068	\$1,896,603
Sales Tax Revenue			
Share of City	\$114,638	\$122,138	\$68,048
Criminal Justice	76,425	81,425	45,365
Transit	458,550	488,550	272,190
Juvenile Corrections	76,425	81,425	45,365
Subtotal	726,038	773,538	430,968
Total Annual Operating Revenue	\$2,491,432	\$2,412,606	\$2,327,570
Timberland Library Operating Revenues			
Property Tax	\$542,198	\$503,400	\$582,495
Medic One Operating Revenues			
Property Tax	\$472,204	\$438,415	\$507,300
Sales Tax	76,425	81,425	45,365
Total Annual Operating Revenue	\$548,629	\$519,840	\$552,665
Port of Olympia Operating Rev.	\$260,193	\$241,574	\$279,531
Cemetery Dist. Oper. Rev.	\$97,771	\$90,775	\$105,037
PUD Operating Revenues	\$11,861	\$11,012	\$12,743

No Action Alternative

Given that the site would temporarily remain undeveloped with the No Action Alternative, there would be no improvements to generate tax revenue or require capital or operating expenditures.

MITIGATION MEASURES

The *Thurston Highlands Fiscal Analysis of Development Alternatives* (Property Counselors, April 2008) identified several potential shortfalls for funding of public services and capital facilities.

The Regional Sports Complex will require significant capital investment and ongoing maintenance beyond the requirements of neighborhood parks. While the facility could ultimately operate without funding from the City through a combination of rental fees, concessions, and contracts with leagues and user groups, the City does not intend to fund any portion of the capital cost. Accessing other sources of funding is key to the development of this important element of the Thurston Highlands Master Planned Community.

Yelm Community Schools and Rainier School District would experience significant increases in demand for educational facilities and services. Yelm Community Schools will need to add a new elementary school in Phase 1. The District may experience an ongoing operating shortfall depending on the ultimate mix of uses in the development. Rainier School District would not be affected by Phase 1 development, but would need to add two elementary schools and additional capacity for middle school and high school students. In addition, the District could experience a shortfall in operating funding.

Southeast Thurston Fire/EMS would require a new station to serve Thurston Highlands and surrounding properties. Full build-out of any of the conceptual land use alternatives would provide adequate funding for a fully-staffed and equipped station. The current impact fee would not cover the cost of a new station.

Incorporated Plan Features. Several features incorporated in the conceptual land use alternatives would address some of the impact issues.

- The proposed land uses would provide a large tax base for funding public services. The strong commercial component of the project would provide tax revenues to Yelm Community Schools without an accompanying demand for services. While there is no commercial development planned within the Rainier School District portion of the development, the high-valued residential uses would provide significant tax revenues.
- Thurston Highlands would provide public service sites for new schools, a new fire station, and a possible satellite police station.

Applicable Regulations and Commitments. There are several funding sources and organizational structures available to local service providers that could also address some of the shortfall impacts.

- *Construction Tax Revenues.* The one-time revenues generated by taxes on construction activity can be used to fund identified shortfalls. The Real Estate Excise Tax generated on property sales could be used to fund City capital needs (assuming they are identified in the City's Capital Improvement Program). The City's sales tax on construction activity could also be used to fund capital facilities.
- *Impact Fees.* The City is authorized to impose impact fees on new development. There is no school impact fee at this time, although Yelm Community Schools receives impact fees from unincorporated areas of Pierce County. Fees would have to be greater than the fees in Pierce County to fund capital facility needs. The City of Yelm is authorized to impose impact fees for fire protection facilities within its boundaries, and adopted a fee of \$0.32 per square foot in January 2008. A fee of this magnitude would not cover the capital cost of new facilities at build-out under any of the conceptual land use alternatives. A fee ranging from \$0.60 per square foot with the Traditional Development Alternative to \$0.70 per square foot with the Urban Village Alternative would be needed to fund the full cost of a new fire station at build-out.
- *Formation of a Local Improvement District.* The City could create a Local Improvement District (LID) to fund public improvements. Assessments to benefiting properties would fund

debt service on bonds issued to finance public improvements. Such a financial tool could fund a portion of the Regional Sports Complex. However, assessments would be limited to the amount of special benefits enjoyed by nearby properties. As a regional facility, the Sports Complex is likely to benefit residents and users throughout the region. A LID could not make assessments against those general benefits.

- *Formation of a Parks and Recreation District.* A Parks and Recreation District is authorized under State statutes to provide park and recreation services to an area greater than a single city or town. Such districts are often formed in order to develop regional facilities like a sports complex. Such a district would require voter approval within its designated boundaries.

Other Possible Mitigation Measures. Several of the fiscal impacts described are related to shortfalls prior to build-out. A mechanism (such as a “shortfall agreement”) to address these short-term impacts would be an important part of the mitigation plan to be formulated by the City in the Development Agreement (or similar instrument) to be executed with the applicant. From the service provider side, it may be possible to provide services at an interim level to reduce the overall cost. For example, a new fire station may not be staffed around the clock. At the same time, the developer could fund facilities beyond those required by the demands of the development, with a latecomer’s agreement providing reimbursement from other development within the service area.

SIGNIFICANT UNAVOIDABLE ADVERSE IMPACTS

The significant adverse fiscal impacts of the project would be limited to capital cost shortfalls for school and fire protection facilities. The fire facility shortfall could be funded by an impact fee higher than the amount adopted by the City in January 2008. The school facility shortfall could also be funded by impact fees that exceed the amount adopted by Pierce County, presently collected in the unincorporated Pierce County areas of the Yelm Community Schools District.