



City of Seattle

Edward B. Murray, Mayor

Executive Department – Office of Intergovernmental Relations

Chris Gregorich, Director

MEMORANDUM

To: Education, Equity and Governance Committee

From: Kenny Pittman, Office of Intergovernmental Relations, 684-8364 *kep*

Date: January 18, 2017

Subject: **Duwamish/South Park “Sliver” and North Highline/White Center Annexation Initiatives: Process Overview**

Purpose:

The purpose of the memorandum is to provide an overview of the annexation process associated with the City of Seattle’s two annexation initiatives: (1) Duwamish/South Park “Sliver” (Duwamish) Annexation Area; and (2) North Highline/White Center (North Highline) Annexation Area.

Background:

For several years, the City of Seattle has expressed interest in annexing both the Duwamish and the North Highline Annexation Areas. (See Attached Map #1). In August 2014, the City of Seattle filed a Notice of Intention (NOI) to annex the Duwamish Annexation Area with the Washington State Boundary Review Board (BRB) for King County. This was approved in September 2015. The NOI for the North Highline Annexation Area was filed with the BRB in January 2015 and approved July 2016. The BRB has authorized the City to proceed with the annexation process for both areas.

With the BRB’s approval to proceed with the separate Duwamish and North Highline Annexation initiatives, the City of Seattle can start the process that could ultimately lead to the annexation of these areas. Outlined below is a simplified overview of the steps in the annexation process.

Annexation Process (Overview):

1. Preliminary Financial Analysis.

City conducts baseline financial analysis to determine costs to provide municipal services to the proposed annexation area and determine revenues generated within the area (e.g. property taxes, sales/use taxes, utility taxes, business-related taxes, state-shared revenues, etc.). In the case of the North Highline Annexation Area, Seattle is eligible for a local

Annexation Sales Tax, that is credited against the state's sales tax, to help cover the financial "gap" between the cost of providing municipal services to the annexed area and revenues generated in the area. The sales tax credit provides up to \$7.75 million per year for a six (6) year period after the effective date of annexation.

2. Negotiation of Interlocal Agreement.

Seattle and King County have initiated negotiations on an Interlocal Agreement (ILA) regarding transfer of county services, properties and assets within the Duwamish Annexation Area to City. The City has made negotiation of an ILA a prerequisite to moving forward with the annexation process. Negotiations of an ILA for the North Highline Annexation Area have not started, but will follow a similar process.

3. Approval of ILA and Resolution to Establish Election Date.

Upon City approval of a negotiated ILA, the City Council then adopts a resolution establishing an election date for registered voters in the proposed annexation area. Cost of the election is paid by the City and is estimated between \$1.25 and \$1.50 per registered voter. (Duwamish Annexation Area has 87 registered voters and North Highline Annexation Area has 8,633 registered voters). State law provides an opportunity to have the annexation vote on one of the following periods:

- (a) Second Tuesday in February – Special Election;
- (b) Fourth Tuesday in April – Special Election;
- (c) First Tuesday in August – Primary Election; and
- (d) First Tuesday after First Monday in November – General Election.

4. Community Outreach/Education.

Seattle will conduct an extensive community outreach/education effort to discuss benefits of annexation to area residents, businesses, community organizations, and special purpose districts. Involves development of financial impact information (e.g. property tax, utility costs, and business-related taxes and expenses), programs and services information, and holding community "listening" sessions to hear concerns and provide responses. (**Note:** once it becomes a ballot proposition, City's efforts must be limited as not to violate state law regarding the promotion of or opposition to any ballot measure – educational information only).

5. Annexation Area Vote.

Approval of annexation is typically based on a simple majority. However, there are certain circumstances where voters are required to vote on an annexation (requires a simple majority) and a separate vote on if they will assume their proportionate share of the City's bonded indebtedness (requires approval by 60% of voters). The City Council when adopting its resolution to proceed with the Notice of Intent (NOI) stated that the property owners in the Duwamish Annexation Area would not be required to assume a proportionate share of the City's bonded indebtedness – thus only requiring a simple majority of the voters to approve annexation. In regards to the North Highline Annexation Area, the City Council resolution to proceed with the NOI stated that the property owners would be required to assume their proportionate share of the City's outstanding bonded indebtedness – thus they will need to vote on two separate question (simple majority to approve annexation and 60% approval to assume their proportionate share of the City's outstanding bonded

indebtedness.) If the annexation vote fails, state law and BRB rules prohibit the City from filing another NOI to annex the same area for a one-year period.

6. Discussions with Service Providers.

Annexation will have consequences for existing special purpose districts that are currently providing services in the proposed annexation areas (e.g. fire district, water & sewer districts, library district, road district, private utility providers, etc.). Informal discussions with special purpose districts are usually initiated at the beginning of the annexation process to examine/determine the impact of a Seattle annexation on their service areas, revenues, need for franchise agreements, and where appropriate, transfer of assets/liabilities to Seattle. In the case of school districts, annexation does not impact them and there is no change. It should be noted that recent change in state law requires any assumption of areas served by water or sewer districts now requires a “**separate**” approval process through the BRB and vote by registered voters within those areas. Seattle has started preliminary discussions with the special purpose districts to identify issues associated with a potential annexation. See attached “Impact of Annexation on Service Providers” for an overview.

7. Establishing Effective Date of Annexation.

If approved by annexation area voters, the City Council must establish, via ordinance, an effective date for when the area will become part of Seattle. The recommendation is that a January 1st effective date be selected to coincide with the beginning of the City’s fiscal year.

8. Notification of Governmental and Private Entities.

Upon a successful annexation vote and establishment of an effective date of the annexation, Seattle is required to notify various governmental and private entities (e.g. State Office of Financial Management; King County Road District, Treasurer, and Assessor; Fire District; Library District; Water & Sewer Districts; and Private Utility Providers). The purpose of the notification is to ensure that appropriate property taxes, state-shared revenues, and potential utility taxes from the annexed areas are transmitted to Seattle. This also allows the County Assessor to remove property tax levies associated with special purpose districts from the annexed properties (e.g. fire, library, roads, etc.).

Annexation Timeline

The following is a summary timeline/tasks for the potential annexation of the separate Duwamish and North Highline Annexation Areas. These dates are subject to revision.

Activity	Duwamish Annexation Area	North Highline Annexation Area
BRB Approval to Proceed with Annexation Process	September 2015	July 2016
Negotiation of Interlocal Agreement (ILA) with King County	March 2017/April 2017	TBD

Activity	Duwamish Annexation Area	North Highline Annexation Area
City Council Approval of ILA/Establish Election Date	May 2017	TBD
Community Outreach Education “Listening Sessions”	Already Started	Already Started
Election Date (Proposed)	August 2017	August or November 2018
If Approved, Effective Date of Annexation	January 1, 2018	January 1, 2020

Do not hesitate to contact me if you have any questions.

cc: Brian Goodnight, Council Central Staff

Attachments:

1. Map of Seattle’s Proposed Annexation Areas
2. Impact of Annexation on Service Providers