



**Legislative Department  
Seattle City Council**

December 3, 2014

TO: Education and Governance Committee

FM: Meg Moorehead, Council Central Staff

RE: North Highline Annexation Area

**CURRENT ISSUE**

Seattle has three main potential annexation areas (PAAs) south of the City. Annexation by election of two of the areas – the Sliver by the River and Duwamish Triangle (together known as the Duwamish Annexation Area) has been initiated and awaits Boundary Review Board (BRB) review in spring 2015. The City has not pursued annexation of the remaining North Highline Annexation Area (which includes White Center and North Boulevard Park) mainly because revenue from the area is insufficient to fund the City’s cost of providing service. Recognizing the funding gap, the state adopted a sales tax incentive that would give Seattle \$5 million/year for 10 years if the City annexes North Highline. That incentive expires this month unless Seattle initiates North Highline Annexation.

**BACKGROUND**

Seattle has not moved to annex North Highline because:

- Revenue/Spending Gap. The gap between revenues and service costs is significant even with the tax incentive in place. Earlier this year the City Budget Office (CBO) estimated the gap in annual operating costs to be between \$3 million and \$20 million. Capital costs also are likely to be substantial.
- Intergovernmental Responsibilities. CBO’s estimates assumed successful resolution of additional costly issues (such as environmental liabilities and fire fighter pensions) with King County, Fire District 11 and others. If those issues can’t be resolved, Seattle’s costs would be even higher.
- Voter Support. Burien and Seattle have overlapping PAAs in North Highline. Seattle agreed to stand aside to allow North Highline to vote on annexation to Burien. About two-thirds of the voters in the November 2012 election voted against Burien annexation. That vote does not necessarily indicate support for annexation to Seattle. Historically, residents have been somewhat equally divided among annexation to Burien, annexation to Seattle, and remaining unincorporated.

**OPTIONS**

The annexation’s financial impact to the City would be even greater without the state tax incentive, likely preventing annexation in the foreseeable future. To buy more time to

consider North Highline annexation, Seattle could work with King County to increase and extend the incentive in the upcoming legislative session. The prospects for extension may be better if the incentive has not expired. Options include:

**A. Resolution Initiating N. Highline Annexation Pending Discussion With Legislature**

Adopt a resolution before December 31, 2014 to preserve the existing tax incentive by initiating annexation by election of North Highline. This resolution could clarify that while the City has a continued interest in annexation, additional conditions (including additional tax relief from the state) must be met before final action is taken. If such a resolution is adopted, the next step toward annexation – filing a Notice of Intent with the BRB – must be taken within 6 months of adoption. During that time the City and County could work with the legislature to increase and extend the tax incentive. If the legislature takes no action, Seattle could pass subsequent legislation to reverse the decision to initiate annexation.

If the City chooses to move forward toward annexation of North Highline, the annexation vote could take one of two forms:

- A1. Simple Annexation Vote. State law provides options for an annexation vote. One option is to ask voters in the area to approve annexation to Seattle. Annexation would require over 50% of the vote.
- A2. Vote on Annexation and Debt. The City has the option to ask voters to approve annexation to Seattle and to agree to help Seattle repay its existing debt. The voters might be asked to repay City debt because City services provided in the newly annexed area rely on equipment and facilities already in City ownership. The question of repaying existing debt must receive at least 60% approval in an election in which the number of persons voting on the proposition total not less than 40% of the votes cast in the area during the most recent general election.

**B. No Action**

Take no action, resulting in expiration of the tax incentive. Together with King County, work with the legislature to add a new incentive that would apply for a reasonable time period.

**NEXT STEPS**

Time is of the essence if a resolution is pursued. A resolution could be introduced on Monday, December 8 and referred either to the Education and Governance Committee (requiring scheduling of a special committee) or to Full Council. To preserve the existing tax incentive, a vote on the resolution must occur at the December 15 Full Council meeting and the Mayor must sign it promptly.

Attachment: Exhibit A North Highline Annexation Area