

***A Comparative Analysis of Economic and
Fiscal Impacts of Developing the Route 9
Commercial & Industrial Site within the
Proposed Grace Annexation Area of the City
of Woodinville***

Prepared for:

City of Woodinville
17301 133rd Avenue NE
Woodinville, Washington 98072

Prepared by:

Huckell/Weinman Associates
270 3rd Avenue, Suite 200
Kirkland, Washington 98033

and

Reed Hansen & Associates
755 Winslow Way East, Suite 206
Bainbridge Island, Washington 98110

January 2, 2003

Table of Contents

List of Tables and Figures	iii
Executive Summary	v
1. Introduction	1
Background	1
Study Purpose and Scope	1
Organization	2
2. City of Woodinville Revenues—Recent History	3
3. The Proposed Brightwater WWTP and Business Park Alternatives	7
Brightwater WWTP—Project Description	7
Construction Phase of Brightwater WWTP	7
Operation Phase of Brightwater WWTP	8
Woodinville Planned Business Park—Project Description	8
Construction Phase of Business Park	9
Operation Phase of Business Park	10
4. Economic and Fiscal (Revenue) Effects Associated with Brightwater WWTP	11
Economic Effects of Brightwater WWTP	11
Revenue Impacts of the Brightwater WWTP on the City of Woodinville	14
5. Economic and Fiscal (Revenue) Effects Associated with Business Park Development	17
Economic Effects of Business Park Development	17
Revenue Impacts of the Business Park Development on the City of Woodinville	19
6. Potential Stigma Effects	21
7. Summary and Conclusions	22
References	25

List of Tables

Table 1.	City of Woodinville Historical Revenues (Current Dollars)	4
Table 2:	Construction Cost Outlays for Brightwater WWTP, 2004-2010	7
Table 3.	Business Park Development Scenario	9
Table 4	Construction Cost Outlays for Business Park Development, 2003-2010	10
Table 5	Brightwater WWTP Employment & Earnings (2002 \$Millions)	13
Table 6.	Indirect Multipliers Used for Brightwater Impact Analysis	14
Table 7.	Brightwater WWTP - Revenue Base and City of Woodinville Tax Effects (Millions of 2002 Constant Dollars)	15
Table 8.	Business Park Employment and Earnings (Millions of 2002 Constant Dollars)	18
Table 9.	Indirect Multipliers Used for Brightwater Impact Analysis	18
Table 10.	Business Park Revenue Base and City of Woodinville Tax Effects (Millions of 2002 Constant Dollars)	20
Table 11.	Summary Table of Revenue and Economic Effects of Business Park and Brightwater WWTP on City of Woodinville, 2003-2012	24

List of Figures

Figure 1.	Revenues by Major Source for the City of Woodinville, FY2002 Budget	6
Figure 2.	Employment Impacts of Brightwater WWTP, 2004-2012	14
Figure 3.	Cumulative Tax Revenues Collected by City of Woodinville from Brightwater WWTP, 2003-2012	16
Figure 4.	Employment Impacts of Business Park, 2004-2012	19
Figure 5.	Cumulative Tax Revenues Collected by City of Woodinville from Business Park, 2003-2012	21

A Comparative Analysis of Economic and Fiscal Impacts of Developing the Route 9 Commercial & Industrial Site within the Proposed Grace Annexation Area of the City of Woodinville

Executive Summary

King County is proposing to build a new wastewater system, called Brightwater, to meet the region's long-term wastewater treatment needs. The proposed Brightwater system would include a secondary wastewater treatment plant; the associated pipelines, pump stations, and other facilities that make up a conveyance system to transport wastewater to and from the plant; and an outfall to discharge effluent to Puget Sound. Construction of the Brightwater system is scheduled to begin as early as 2004 and be completed with the plant online in 2010.

The preferred alternative site for the Brightwater secondary wastewater treatment plant (WWTP) is along State Route 9 in unincorporated Snohomish County. Much of the site is within the City of Woodinville's urban growth area (UGA) and is currently zoned by Snohomish County for commercial and industrial uses. The City of Woodinville's urban growth area, called the Grace neighborhood, is described in the City of Woodinville's Comprehensive Plan as the "industrial area north of the City limits in Snohomish County." The City of Woodinville currently plans to annex the Grace neighborhood. For the purposes of this study, annexation is assumed to be completed by the end of 2004.

The purpose of this study is to present results of an economic and fiscal impact analysis for two development scenarios within the Grace neighborhood. These two development scenarios are: (1) the proposed Brightwater wastewater treatment facility; and (2) a business park consisting of a retail center and office complex. Each of these development scenarios has potentially significant economic and fiscal implications for City of Woodinville, assuming the area is annexed by the city. In particular, the principal question for this study is as follows: what is the stream of revenues and economic effects of constructing and operating the Brightwater wastewater treatment facility in the Grace annexation area as compared with the planned business park scenario? Related, are there any stigma effects on property values associated with the proposed Brightwater wastewater treatment facility?

This study is not a complete fiscal impact analysis. Rather, it is limited to considering only the revenue side; the other major component of a fiscal study—costs or expenditures—are not analyzed in this study. As such, major tax revenues generated from direct project-related activities, namely revenues generated from direct construction outlays, sales receipts (subject to the sales and use tax) from operations, real estate sales, additions to the assessed property base, and energy use are analyzed in this study. The revenue sources considered by the analysis consist of the property tax, sales and use tax, real estate excise tax, and utility tax (excise tax on electricity sales). In addition, the study presents findings on the economic effects—employment and earnings—of both of these development scenarios. Construction and subsequent operation of the Brightwater wastewater treatment facility and the business park will have employment and

earnings effects by hiring new workers; in turn, these construction and operation activities will have “ripple” effects throughout the regional economy, and within the City of Woodinville.

Brightwater Waste Water Treatment Plant

The plant is to be built over a six- to eight-year period, with operations scheduled to begin in 2010. The system capacity is initially designed for treatment of 34 million gallons per day (mgd); however, the system is capable of expanding to eventually accommodate 54 mgd. For purposes of this analysis, it is assumed that construction will commence in 2004 and be completed in 2009, with operations to begin in 2010.

The total construction cost for the plant is estimated at \$474 million in 2002 dollars, based on King County Department of Natural Resources and Parks estimates. These cost outlays have in turn been distributed over the 2004-2010 timeframe of construction. Construction labor at the Brightwater WWTP site is estimated at a level of 350 workers during the peak construction period. Truck drivers would add an additional 60 – 70 workers. Combined, the total peak construction workforce is estimated at 410 – 420 workers.

Operation of the Brightwater WWTP is assumed to formally commence in 2010, although operational personnel are expected to be employed at the plant a year prior during the testing and startup period following construction. Operation costs (i.e., operations and maintenance) have been estimated at \$274 million over a 20-year period, based on a present value calculation using a discount rate of 3 percent. It is anticipated that the operations workforce will require 60 full-time-equivalent (FTE) workers.

Both construction and operation of the Brightwater wastewater treatment facility will create economic ripple effects within the region. During the construction phase, total (direct and indirect) employment and earnings will peak during 2008, amounting to 970 workers with earnings of \$11.8 million. Operations phase employment and earnings are projected at 60 workers and \$5.3 million earnings in 2010, the steady-state year.¹ With associated activity from this Brightwater WWTP operations phase, a total workforce (direct and indirect) is estimated at 113 workers for the first year of full operation.

With annexation of the proposed site for the Brightwater WWTP, the City of Woodinville would be expected to realize substantial revenue flows directly from the construction phase but only modest revenues once Brightwater WWTP becomes fully operational. Actual collections benefiting the City would occur upon annexing the Grace neighborhood area, which is anticipated by the end of 2004. Sales and use tax collections represent the major component of direct revenue contributions to the City following annexation of the area under consideration. The property tax is not applicable, as the project would be publicly-owned. The real estate excise tax, which is levied at 0.5 percent on property sales within the City is also not applicable, as sales transactions are assumed to be completed prior to 2005. Finally, the utility tax on electricity, levied at 2.0 percent of charges, is estimated to generate modest revenues during

¹ Steady-state refers to the period of full-operation with no expected expansion or change; economic and revenue effects are assumed to remain constant over this time period.

operations, some \$33 thousand per annum. Over the projection period—2005 through 2012—total revenues attributable directly to the project are estimated at \$3.83 million in 2002 dollars.

Grace Annexation Planned Business Park

The area designated for development of the Brightwater WWTP is also zoned for a business park. For this study, development is predicated on availability of an 80-acre site (buildable area) with assumptions regarding the type of business uses and mix of structures. It is assumed that two-thirds of the site would be developed as retail with the remaining one-third devoted to office buildings. The retail center would consist of a power shopping center, two “big box” mass merchandising stores, and four fast food restaurants. The retail area would involve development of 25 percent of the designated land area for structures with the remaining area used for parking and buffers. A total of 580,000 square feet of retail space would be developed under this scenario. The office complex would consist of a total area of 1,150,000 square feet. It is important to note that the business park development scenario is hypothetical; no market analysis has been performed as part of this study to validate the assumptions regarding projected development and absorption of retail and office space at the site.

The total construction cost for the planned Business Park is estimated at \$274 million in 2002 dollars. Construction would be carried out over a 7-year period. The figures for construction do not include land costs, which are estimated at \$69.4 million, similar to the assumption used for the Brightwater WWTP analysis. Land purchases at the site are assumed to occur over a 3-year period, beginning in 2003. The peak year construction workforce is estimated at 255 workers, or about half of the workforce estimated for the Brightwater WWTP.

Business park operations are assumed to commence as construction projects are completed, beginning in 2005. The operations workforce for the retail sales center is expected to employ 2,060 workers at full-development; employment at the office complex is estimated at 3,485 workers, based on the floor area-to-employee ratios. These direct employment estimates [totaling 5,545 workers (that is, 2,060 + 3,485 = 5,545)] are on a full-time-equivalent basis. Sales subject to the sales and use tax are estimated at \$159.3 million in the steady-state year. At full build-out, the business park is expected to have an assessed valuation of \$307.7 million.

The analysis of economic impacts related to development of a planned business park is on the employment and earnings generated during construction and operations of the facility. Total construction phase employment and earnings during the peak construction year, 2005, amount to 514 workers (composed of 255 direct workers and 259 indirect workers) and \$22.0 million, respectively. Operations phase total employment and earnings are projected at 8,621 workers (composed of 5,545 direct workers and 3,076 indirect workers) and \$352.3 million earnings in 2010, the steady-state year.

With annexation by the City of the proposed site, the City of Woodinville would be expected to realize substantial revenue flows directly from both construction and operation of the planned business park. The actual tax collections benefiting the City would occur upon annexing the subject area, which is anticipated by the end of 2004. A total of \$9.5 million in collections from sales and use tax are projected between 2005 and 2010. The property tax is also a major revenue source from the business park project, with projected revenues over the 2005 to 2010 period

amounting to \$2.5 million. Over the projection period, 2005 through 2012, total revenues attributable directly to the project are estimated at \$14.64 million.

The economic and fiscal differences associated with both development scenarios are noteworthy. Total peak construction employment for the Brightwater WWTP development is estimated at 970 workers in year 2008; for the business park the comparable figure is 514 workers in year 2005, for a difference of 415 workers, in favor of the Brightwater WWTP. During operations, however, the total employment results are reversed in favor of the business park development. Total steady-state operations employment, which occurs in year 2010, is estimated at 113 workers under the Brightwater WWTP scenario compared to 8,621 worker under the business park scenario, for a difference of 8,508 workers. Revenue impacts on the City of Woodinville also differ substantially between the two development scenarios. Under the Brightwater WWTP scenario, the City is projected to receive \$3.7 million over the projection period 2005 through 2010; however, the on-going revenue collections during the steady-state period (2011-2030) are only \$33,000 per year. The comparable figures for the planned business park are \$12.4 million over the 6-year projection horizon (2005-2010) and \$2.1 million annually for the steady-state period (2011-2030), a difference of \$8.8 million during the projection period and \$1.98 million per annum during steady-state, in favor of the business park scenario.

Clearly, the City of Woodinville stands to benefit from increased revenue flows under both scenarios, but at a dramatically greater magnitude assuming the business park is developed. The on-going revenue flow under the business park scenario is over 50 times as great as the Brightwater WWTP scenario.

If the Brightwater WWTP were sited in the proposed annexation area of Woodinville, what would be the potential impacts on nearby residential property values? Although more research is required to provide a more definitive answer, it is not expected that the siting of the wastewater treatment facility would have a negative impact on nearby residential property values, assuming that odor control is successful and odor is not detectable off-site, as claimed in the DEIS.