

**Interlocal Agreement Between Kitsap County and the  
City of Bainbridge Island, City of Bremerton, City of  
Port Orchard and City of Poulsbo Concerning  
Revenue Sharing Upon Annexation and In  
Conjunction With Major Land Use Decisions Within  
a City's Urban Growth Area**

This Agreement, made pursuant to Chapter 39.34 RCW, is between KITSAP COUNTY (hereinafter, the County), a political subdivision of the State of Washington, and the CITY OF BAINBRIDGE ISLAND, the CITY OF BREMERTON, the CITY OF PORT ORCHARD, and the CITY OF POULSBO, (hereinafter, the Cities), municipal subdivisions of the State of Washington.

WHEREAS, through the Kitsap Regional Coordinating Council (hereinafter KRCC), the County and the Cities have worked together constructively on revenue sharing issues that in the past have been adversarial; and

WHEREAS, the County and Cities sought a balanced set of revenue sharing provisions that would benefit both the County and the Cities and support the orderly evolution of logical land use patterns and jurisdictional boundaries; and

WHEREAS, the County and Cities reached accord on a set of Principles of Agreement for Revenue Sharing in Annexations and in Major Land Use Decisions; and

WHEREAS, the County and Cities desire to implement the Principles of Agreement through an interlocal agreement;

NOW, THEREFORE, in consideration of the mutual covenants, terms and conditions contained herein, the parties agree as follows:

**SECTION 1 ANNEXATIONS**

The purpose of this section is to provide a framework for logical and orderly annexations that are consistent with the Growth Management Act, Chapter 36.70A RCW (hereinafter GMA), and to mitigate the fiscal impact to the County of annexations initiated after the effective date of this agreement.

**1.1** The Cities each confirm their willingness to eventually annex all land within their designated Urban Growth Area (hereinafter UGA) boundaries.

**1.2** Each City shall encourage annexation of all lands equally, and will support logical and coordinated annexations, consistent with the intent of the GMA.

**1.3** As part of the KRCC's 2002 Work Program, the County and Cities will continue to address coordinated development within the UGAs, including infrastructure standards and funding.

**1.4** Before the County constructs a major infrastructure improvement within a City's designated UGA, the County and the City will negotiate and execute an interlocal agreement that specifies the level at which the City shall reimburse the County for a portion of its investment in the infrastructure improvement if the area where the improvement is to be located is annexed within a specified period of time.

**1.5** The County and the Cities anticipate that each specific proposed annexation will require negotiation of other issues particular to its time, place and geography. The Cities and the County commit to completing these negotiations and executing an interlocal agreement on such issues in a timely manner.

**1.6** As part of this agreement, the County will not oppose annexations within that City's designated UGA or invite the Boundary Review Board to invoke jurisdiction.

**1.7** The Cities agree to share with the County revenue lost to the County and gained by the annexing City as follows:

A. Revenue sharing payments shall be based on the following three sources of revenue:

1. The County's portion of the local retail sales tax levied under Chapter 82.14 RCW;

2. The ad valorem property tax levied by the County pursuant to RCW 36.82.040 for establishment and maintenance of county transportation systems; and

3. The admission tax levied by the County pursuant to Chapter 36.38 RCW.

B. For purposes of this Section, "lost revenue" means an amount computed as follows:

The combined total of the County's collections from all three sources within the annexation area during the calendar year preceding annexation

minus

The combined total of the County's collections from all three sources within the annexation area during the first full calendar year following annexation.

C. The amount of the payment from the City to the County will be based on a three-year "soft landing" approach as follows:

1. The Year 1 payment will be equal to 75% of the County's lost revenue;

2. The Year 2 payment will be equal to 50% of the County's lost revenue;
- and
3. The Year 3 payment will be equal to 25% of the County's lost revenue.

D. The calculation of lost revenue pursuant to subsection B of this Section requires revenue data for one full year following annexation. Therefore, the County shall initiate a request for payment under this Section by written notice to the annexing City within two years of the effective date of the annexation.

## **SECTION 2 MAJOR LAND USE ACTIONS**

The purpose of this section is to recognize that retail development near jurisdictional boundaries has an impact on neighboring jurisdictions and, in particular, on existing businesses and the demand for public services and facilities. This Section is designed to mitigate these impacts by providing that sales tax revenues from new major business development within a City's designated UGA, or from the relocation of an existing major business from a City to a location within the City's designated UGA, will be shared with the affected City.

**2.1** For purposes of this Agreement, "major land use" means:

- A. A new development within a City's designated UGA that houses any single retail tenant greater than 40,000 square feet;
- B. The expansion of an existing retail business within the City's designated UGA if the expansion is greater than 40,000 square feet;
- C. A retail business greater than 25,000 square feet that is relocated from a City to the City's designated UGA; or
- D. An automobile, truck, recreational vehicle, manufactured or mobile home, or boat dealership, regardless of the size of the building permitted, that is newly located within a City's designated UGA, or relocated from a City to the City's designated UGA.

**2.2** The County agrees to share with the affected City revenue lost to the City and gained by the County due to a major land use, as follows:

- A. Revenue sharing payments will be required only for local retail sales tax revenues generated from major land uses. Because there are limitations, related to confidentiality, on using a figure based on actual sales tax collections from the new or relocated business, the revenue sharing payment will be based on estimated sales tax revenues derived by using industry standards, such as the Washington State Department of Revenue or the Urban Land Institute, for taxable retail sales per square foot for businesses.

B. For purposes of this Section, “lost revenue” means an amount computed as follows:

$$\begin{array}{r} \text{Total gross enclosed building square footage of the major land use} \\ \times \\ \text{Industry standard annual average retail sales per square foot for category of business that most} \\ \text{closely resembles the major land use} \\ \times \\ \text{Tax rate levied under Chapter 82.14 RCW} \end{array}$$

for the first full calendar year following the date on which the County issues a certificate of occupancy for the major land use.

C. The County will make revenue sharing payments for the first full three years after the major land use receives a certificate of occupancy.

D. The revenue sharing payment from the County to the affected City will be calculated according to the following formulas:

1. For the relocation of a major retail business from a City to the City’s designated UGA:

- a. The Year 1 payment will be equal to 75% of the City’s lost revenue;
- b. The Year 2 payment will be equal to 50% of the City’s lost revenue; and
- c. The Year 3 payment will be equal to 25% of the City’s lost revenue.

2. For new development within a City’s designated UGA that houses any single retail tenant greater than 40,000 square feet, the payment amount will be 50% of the City’s estimated lost revenue each year for the first three years.

F. The calculation of lost revenue pursuant to subsection B of this Section requires revenue data for one full year following issuance of a certificate of occupancy. Therefore, the affected City shall initiate a request for payment under this Section by written notice to the County within two years of the date the major land use receives the County’s permission to occupy the building.

**SECTION 3 MISCELLANEOUS**

**3.1 Duration.** This Agreement will remain in effect until the terms of the Agreement are fulfilled. There is no other term agreed to by the parties

**3.2 Reevaluation.** Any City or the County may request immediate reevaluation of this Agreement by the KRCC Revenue Sharing Policy Committee. If the reevaluation fails to yield a resolution satisfactory to the requesting party within six months

from the date the request for reevaluation was made, the requesting party may initiate the process for termination provided in this Agreement.

**3.3 Termination.** After completion of the Reevaluation process required by this Agreement, a party may terminate this Agreement by 12 months' written notice to the other parties. Termination does not extinguish the obligations of the terminating party under this Agreement for annexations initiated, or major land uses for which an application is filed, prior to the effective date of termination.

**3.4 Filing.** When fully executed, this Agreement shall be filed with the Kitsap County Auditor.

**3.5 Notices.** Any notices required by this Agreement shall be delivered, or mailed postage prepaid, and addressed to:

<u>Kitsap County</u>	<u>City of Bainbridge Island</u>	<u>City of Bremerton</u>
Clerk to the Board	City Clerk	City Clerk
Office of the Kitsap County	City of Bainbridge Island	City of Bremerton
Board of Commissioners	280 Madison Avenue N.	239 4 <sup>th</sup> Street
614 Division Street	Bainbridge Island, WA 98110	Bremerton, WA 98337
Mailstop 4		
Port Orchard, WA 98366		

<u>City of Port Orchard</u>	<u>City of Poulsbo</u>	<u>Kitsap Regional Coordinating Council</u>
City Clerk	Mayor	Executive Director
City of Port Orchard	City of Poulsbo	Kitsap Regional Coordinating Council
216 Prospect Street	19050 Jensen Wy NE	25406 S. Kingston Road
Port Orchard, WA 98366	P.O. Box 98	Kingston, WA 98346
	Poulsbo, WA 98370	

**3.6 Administration.** As this Agreement contemplates no joint or cooperative undertaking, each party shall administer the Agreement as to its own responsibilities under the Agreement. The KRCC shall oversee the revenue sharing process provided for in this Agreement.

**3.7 Reporting.** The County and the Cities shall report to the KRCC at the start of each calendar year any payments made or received by the reporting jurisdiction pursuant to this Agreement during the preceding calendar year.

**3.8 Waiver.** The failure by the County or any City to enforce any term or condition of this Agreement shall not be construed to constitute a waiver of any other term or condition, or of any subsequent breach of any provision, of this Agreement.

**3.9 Entire Agreement.** This Agreement includes the entire agreement of the parties with respect to any matter addressed in this Agreement

**3.10 Amendment.** This Agreement may be amended only upon the written agreement of the parties made with the same formalities as those required for its original execution.

**3.11. County-wide Planning Policy.** To the extent that anything in this Agreement may be found to be inconsistent with any part of the Kitsap County-wide Planning Policy, the County and City in 2002 will review the applicable parts of the County-wide Planning Policy and revise them in accordance with this Agreement.

**3.12 Review.** The County and the Cities shall review this Agreement within the KRCC in December of 2003, and every five years thereafter.

**3.13 Effective Date.** This Agreement shall take effect retroactively to September 4, 2001, as this date has been expressly agreed upon by all the parties.

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 200\_\_.

KITSAP COUNTY BOARD OF COMMISSIONERS

\_\_\_\_\_  
Chris Endresen, Chair

ATTEST:

\_\_\_\_\_  
Jan Angel, Commissioner

\_\_\_\_\_  
Holly Anderson  
Clerk of the Board

\_\_\_\_\_  
Tim Botkin, Commissioner

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 200\_\_.

CITY OF BAINBRIDGE ISLAND

\_\_\_\_\_  
Dwight Sutton, Mayor

Attest:

\_\_\_\_\_  
Susan P. Kasper  
City Clerk

Approved as to Form:

\_\_\_\_\_  
Rod P. Kaseguma  
City Attorney

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 200\_\_.

CITY OF BREMERTON

\_\_\_\_\_  
Lynn S. Horton, Mayor

Attest:

\_\_\_\_\_  
Kathleen McCluskey  
City Clerk

Approved as to Form:

\_\_\_\_\_  
Loren D. Combs  
City Attorney

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 200\_\_.

CITY OF PORT ORCHARD

\_\_\_\_\_  
Leslie J. Weatherill, Mayor

Attest:

\_\_\_\_\_  
Patricia Parks  
City Clerk

Approved as to Form:

\_\_\_\_\_  
Loren D. Combs  
City Attorney

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 200\_\_.

CITY OF POULSBO

\_\_\_\_\_  
Donna Jean Bruce, Mayor

Attest:

\_\_\_\_\_  
Karol Jones  
City Clerk

Approved as to Form:

\_\_\_\_\_  
James Haney  
City Attorney