

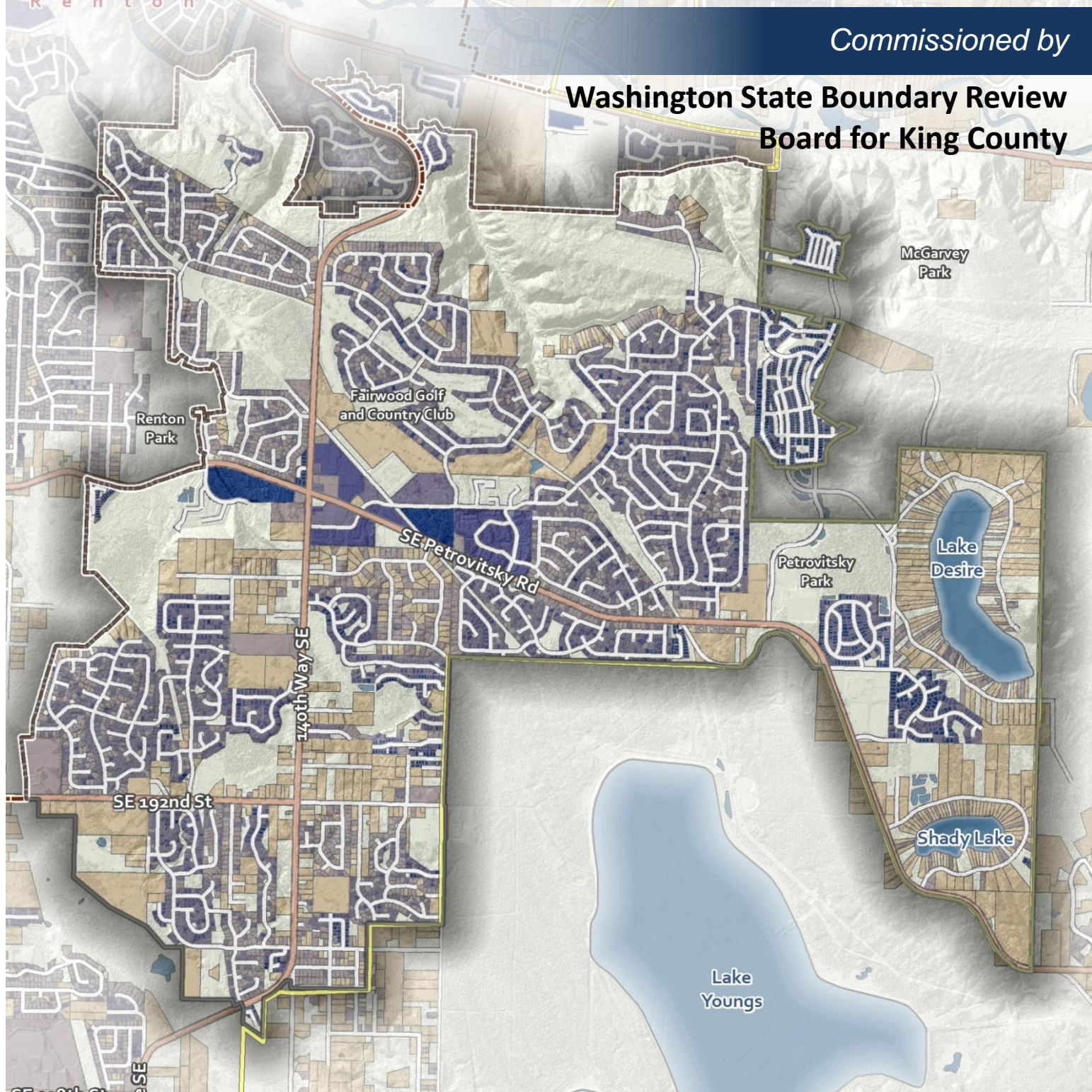
City of Fairwood Incorporation Study

Final Report

R e n t o n

Commissioned by

**Washington State Boundary Review
Board for King County**



Prepared by:

April 13, 2009

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with assistance from

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community attributes

FINAL REPORT

CITY OF FAIRWOOD INCORPORATION STUDY

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EXECUTIVE SUMMARY

Welcome to Fairwood

Fairwood is a community of approximately 25,000 people located east of Renton inside the urban growth area¹ of King County, Washington. The community is predominantly residential, and has a retail area at the crossroads of SE Petrovitsky Road and 140th Way SE.

Fairwood considers incorporation

Washington's 1990 Growth Management Act (GMA) includes a strong impetus and rationale for unincorporated parts of urban areas to become municipal areas, either by incorporation or by annexation to existing cities. King County Countywide Planning Policies adopted to implement GMA provide all unincorporated areas within the Urban Growth Boundary will assume incorporated status either through annexation or incorporation by 2012.

In June 1999, a group of residents in the Fairwood area (also called the "Petrovitsky Corridor") requested a study assessing the governance alternatives available to the area. The study "Petrovitsky Corridor Governance Options Study" was published in September 2000.

In the 2004 budget, King County launched a major initiative to facilitate the transition of the remaining urban unincorporated areas to incorporated status. Fairwood is one of ten large communities identified by the county as a priority community for transition.

In September 2005, a group of citizens in the Fairwood area (also called the "Petrovitsky Corridor") petitioned the Washington State Boundary Review Board for King County (BRB) to initiate the process of incorporation. The study "Analysis of the Financial Feasibility of the Proposed City of Fairwood" was published in January 2006.

The citizens of the Fairwood area voted on incorporation in September 2006. The outcome was to retain unincorporated status. The close result (only 136 votes separated the sides) prompted another group of Fairwood citizens (the

¹ Urban growth areas are delineated by urban growth boundaries established pursuant to the Growth Management Act to distinguish areas inside the boundaries that have or will develop at urban densities and receive urban services in contrast to areas outside the boundaries that will remain rural and will not receive urban services.

Fairwood Municipal Initiative or FMI) to file a notice of proposed incorporation with the BRB on April 16, 2007 for another opportunity to incorporate. A petition drive was completed from May to early October 2007. A notice of Intention to Incorporate along with the signed petitions was delivered to King County on October 22, 2007.

In response to the current petition, the BRB hired the consultant team of Henderson, Young & Company, Community Attributes, and ICF Jones & Stokes to prepare an incorporation study for Fairwood.

Our goal is to assemble a report that will provide Fairwood residents with the information necessary to make well-informed decisions about their future.

Goals and objectives of the report

The goal of this report is to provide the Boundary Review Board and Fairwood residents and businesses with reliable and unbiased information with which to make well-informed decisions about their future. The primary question to be addressed is:

If Fairwood were a fully-operating city, would its revenues be great enough to cover the costs it would incur to provide existing or better services to its residents?

This report has been designed to provide information about the financial feasibility of the Fairwood Incorporation Area.

Is incorporation feasible?

The purpose of our financial analysis is to provide the reader with facts, assumptions and estimates of future revenues and costs for an incorporated City of Fairwood. The reader can conclude from this information whether or not an incorporated Fairwood is financially feasible. In general, if revenues exceed costs, incorporation is financially feasible, and there may be opportunities for increased services and/or reduced taxes. Conversely, if revenues are less than costs, incorporation may not be financially feasible unless services are reduced and/or revenues are increased.

Section 6 of our report compiles and compares the revenues and costs for Fairwood, including an overall summary and separate analyses of the general fund, stormwater fund, and several funds for transportation capital improvements.

Which services will change, and which will stay the same if Fairwood incorporates?

When an area incorporates as a city, the responsibility for each governmental service falls into one of three categories. If Fairwood incorporates, the

following would be the most likely provider of public services to the community:

Services to be Provided to the City of Fairwood by Existing Agencies

- Public Health – King County
- Schools – Renton School District and Kent School District
- State Roads – State of Washington
- Transit – Sound Transit and King County Metro

Services to be Provided by the City of Fairwood (employees and/or contracts)

- Land Use Planning and Regulation
- Law Enforcement (Police, Jail, Courts, Animal Control)
- Streets and Roads
- Stormwater
- Administration (City Council, City Manager, City Clerk, Attorney, Finance, Personnel)

Services that Fairwood Continues to Receive from Existing Agencies

- Fire Protection and Emergency Medical Services – Fire Districts 40 and 37
- Library – King County Library System (District)
- Regional Parks and Recreation – King County
- Solid Waste Collection –Waste Management, Kent-Meridian Disposal and SeaTac Disposal
- Solid Waste Transfer and Disposal –King County
- Water and Sewer – Cedar River Water and Sewer District and Soos Creek Water and Sewer District

Is preserving the status quo a viable option?

The answer to this question depends on what one means by the status quo. If one means remaining an unincorporated urban area, then preserving the status quo is entirely possible. While state and county policies encourage unincorporated, urban areas to pursue incorporated status, under current law, it is not possible to force a community to incorporate or annex to a neighboring city.

If, on the other hand, one thinks of preserving the status quo as continuing to receive current levels of services at current rates of taxation, then preserving the status quo becomes somewhat less realistic. As directed by state policies, King County is now encouraging all unincorporated areas within the Urban Growth Boundary to pursue incorporated status or annex to existing cities. As more and more of these areas transition to incorporated status, the revenues available to the County will inevitably decline. Given this reduction in resources, and given the inevitable shift in County emphasis away from providing local urban services, it is likely that the County will find itself

unable to continue providing local services to urban areas like Fairwood at current levels.

Other factors to be considered by the Boundary Review Board

Washington law lists factors that must (“shall”) be considered by the Boundary Review Board when it prepares to make its recommendation regarding a proposed annexation. Sections 4 – 6 of this study address the financial feasibility of a new City of Fairwood, and then Section 7 of the study lists the other factors listed in statute and provides information about each:

RCW² 36.93.170 In reaching a decision on a proposal or an alternative, the board shall consider the factors affecting such proposal, which shall include, but not be limited to the following:

- “(1) Population and territory; population density;
- land area and land uses;
- “comprehensive plans and zoning, as adopted under chapter 35.63, 35A.63, or 36.70 RCW; comprehensive plans and development regulations adopted under chapter 36.70A RCW;
- “applicable service agreements entered into under chapter 36.115 or 39.34 RCW;
- “applicable interlocal annexation agreements between a county and its cities;
- “per capita assessed valuation;
- “topography, natural boundaries and drainage basins, proximity to other populated areas;
- “the existence and preservation of prime agricultural soils and productive agricultural uses;
- “the likelihood of significant growth in the area and in adjacent incorporated and unincorporated areas during the next ten years;
- “location and most desirable future location of community facilities;
- “(2) Municipal services; need for municipal services;
- “effect of ordinances, governmental codes, regulations and resolutions on existing uses;
- “present cost and adequacy of governmental services and controls in area;
- “prospects of governmental services from other sources;
- “probable future needs for such services and controls;
- “probable effect of proposal or alternative on cost and adequacy of services and controls in area and adjacent area;
- “the effect on the finances, debt structure, and contractual obligations and rights of all affected governmental units; and

² “RCW” is the Revised Code of Washington, the laws of the State of Washington.

- “(3) The effect of the proposal or alternative on adjacent areas, on mutual economic and social interests, and on the local governmental structure of the county. ...”

The incorporation process

Washington law, particularly RCW 35.02 and RCW 36.93, provides the process by which an area can become an incorporated city. Typically, the incorporation process begins with a petition drive by area residents. If advocates succeed in amassing voters’ signatures equal to at least ten percent of the registered voters of the proposed area of incorporation, then the King County Council notifies the Boundary Review Board of King County. The Boundary Review Board typically chooses to commission an independent analysis of the proposed incorporation. After the study is completed, the Boundary Review Board will convene a public hearing to consider the study, take testimony, consider the factors in RCW 36.93.170-180³, and recommend in favor of or against incorporation. A referendum would then be held among the residents of the proposed area of incorporation to determine the ultimate success or failure of the proposed incorporation.

If the incorporation election is successful, another election will be held to elect the city council that will preside over the city government. The city incorporation becomes effective between 6 months and a year after the first election, and the winners of the council election have the authority to make interim plans for the new city in order to ensure a smooth transition on the date the new city is formally incorporated.

Methodology

This study is designed to estimate the revenues and costs of an incorporated City of Fairwood. We use the “comparable city” method to develop estimates of most costs and revenues for Fairwood. The premise of this method is that another city that is comparable to the Fairwood area can provide revenue and cost data that is a reliable indicator of Fairwood’s revenues and costs. The data from the comparable city is usually converted to “per capita” revenues and costs, and those per capita values are multiplied times Fairwood’s population to estimate Fairwood’s revenues and costs. It is important to note that the per capita and comparable city approach assumes similar levels of service as the comparable city.

The comparable city chosen for this analysis is the City of Maple Valley, based on an analysis of demographic and economic indicators that most closely resembled Fairwood. The choice of Maple Valley was accepted by the incorporation proponent group, the Fairwood Municipal Initiative (FMI) and

³ See Section 7 of this study.

the Boundary Review Board's Fairwood Incorporation Review Sub-Committee (FIRSC). The following revenues and costs for Fairwood are based on Maple Valley's revenues and costs per capita applied to Fairwood's population:

- Utility tax revenue
- Franchise fee revenue
- Gambling tax revenue
- License and permit revenue
- Intergovernmental revenue
- Charges for services revenue
- Public safety fines and forfeits revenue
- Public safety costs
- Administrative costs (city manager, city attorney, city clerk, finance department)

There were cases however when the comparable city method was not appropriate to measure Fairwood's costs, revenues and development characteristics. The following data have been customized specifically for the Fairwood area:

- Population and housing metrics including growth rates, persons per housing unit and the average assessed value of new housing units. (Sources: Office of Financial Management, Puget Sound Regional Council, and King County)
- Assessed real property value and property tax revenue projections. (Source: King County Assessor)
- Retail sales tax revenues customized to existing Fairwood businesses and consumer spending patterns in the area (Source: Washington State DOR and Claritas)
- Real estate excise tax revenues based on projections of new development (Source: OFM, PSRC, King County)
- Surface water fees based on continuing King County's current rate, and surface water costs based on comparable costs in the City of Newcastle.
- Planned capital improvement projects and maintenance for streets and storm water infrastructure (Source: King County)
- No parks or recreation programs provided by the City and a continuation of county park services and facilities in the Fairwood area
- Receipt of federal, state and county grants for capital projects starting in 2012 and transportation impact fees starting in the first year of incorporation

Finally, the goal of this report is to examine the long-term viability of incorporation for the Fairwood community. Baseline data starting in 2007 were used to predict the costs and revenues of operation beginning in 2010 through 2015. This report does not examine costs and revenues associated with a transition or start-up period if incorporation is approved.

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1. INTRODUCTION AND REPORT ORGANIZATION

Policy reasons for incorporation

State law and county planning policies encourage unincorporated areas within King County's Urban Growth Boundary to either incorporate as their own city or annex to their neighboring cities.

The Growth Management Act, King County Countywide Planning Policies, and the King County Comprehensive Plan encourage all unincorporated areas within King County's Urban Growth Boundary to pursue incorporated status either through incorporation or through annexation. The underlying rationale for these policies is succinctly summed up in RCW 36.70A.110: "*In general*" it states, "*cities are the local government most appropriate to provide urban governmental services.*"

As the last remaining unincorporated area within the urban growth boundary area southeast of the City of Renton, Fairwood is an obvious candidate to receive its local services from municipal government.

To facilitate this community process, in August 2008, The Washington State Boundary Review Board for King County hired a consultant team led by Henderson Young & Company to prepare an incorporation study of Fairwood. Henderson Young & Company is assisted in this task by Community Attributes and ICF Jones & Stokes.

The incorporation process

The incorporation process is designed, first and foremost, to be local in nature (See RCW 35.02 and RCW 36.93). For a new city to be successful in the future, it must enjoy broad support among area residents; support that will ultimately manifest itself in the form of a direct vote for incorporation.

Typically, the incorporation process begins with a petition drive by area residents. If advocates succeed in amassing voters' signatures equal to at least ten percent of the registered voters of the proposed area of incorporation, then the King County Council would notify the Boundary Review Board of King County. The Boundary Review Board typically chooses to commission an independent analysis of the fiscal feasibility of incorporation. The Boundary Review Board will convene a public hearing on the matter during which it will consider the study, take testimony, consider the factors in RCW 36.93.170-180, and recommend in favor of or against incorporation. A referendum would then be held among the residents of the proposed area of incorporation to determine the ultimate success or failure of the proposed incorporation.

If the incorporation election is successful, another election will be held to elect the council who will preside over the city. The city incorporation

becomes effective between 6 months and a year after the first election, and the winners of the council election have the authority to make interim plans for the new city in order to ensure a smooth transition on the date the new city is formally incorporated.

The history of Fairwood's consideration of incorporation

Washington's 1990 Growth Management Act (GMA) includes a strong impetus and rationale for unincorporated parts of urban areas to become municipal areas, either by incorporation or by annexation to existing cities. King County policies adopted to implement GMA provide all unincorporated areas within the Urban Growth Boundary will assume incorporated status either through annexation or incorporation by 2012.

In June 1999, a group of residents in the Fairwood area (also called the "Petrovitsky Corridor") requested a study assessing the governance alternatives available to the area. The study "Petrovitsky Corridor Governance Options Study" was published in September 2000.

In the 2004 budget, King County launched a major initiative to facilitate the transition of the remaining urban unincorporated areas to incorporated status. Fairwood is one of ten large communities identified by the county as a priority community for transition.

In September 2005, a group of citizens in the Fairwood area petitioned the Washington State Boundary Review Board for King County (BRB) to initiate the process of incorporation. The study "Analysis of the Financial Feasibility of the Proposed City of Fairwood" was published in January 2006.

The citizens of the Fairwood area voted on incorporation in September 2006. The close result⁴ prompted another group of Fairwood citizens (Fairwood Municipal Initiative, or FMI) to file a notice of proposed incorporation with the BRB on April 16, 2007 for another opportunity to incorporate. A petition drive was completed from May to early October 2007. A notice of Intention to Incorporate along with the signed petitions was delivered to King County on October 22, 2007.

In response to the current petition, the BRB hired the consultant team of Henderson, Young & Company, Community Attributes, and ICF Jones & Stokes to prepare an incorporation study for Fairwood.

⁴ The vote was 3,652 (48.22% in favor and 3,922 (51.78%) against.

Goals and objectives of the report

The goal of this report is to provide the Boundary Review Board and Fairwood residents and businesses with reliable and unbiased information with which to make well-informed decisions about their future. The primary question to be addressed is:

If Fairwood were a fully-operating city, would its revenues be great enough to cover the costs it would incur to provide existing or better services to its residents?

This report has been designed to provide information about the financial feasibility of the Fairwood Incorporation Area.

Report Organization

Section 2 of our report describes the scope of the study, our methodology, data sources and assumptions. In section 3, we present a summary of the general characteristics of the Fairwood area, including a map and basic statistical data used in our calculations. Section 4 contains our analysis of the revenue (income) Fairwood would likely receive if it incorporates. Section 5 contains our analysis of the expenditures (costs) Fairwood would likely incur if it incorporates. Section 6 contains our analysis of the financial feasibility (summary of costs and revenues) for Fairwood if it incorporates. Section 7 contains other factors that Washington law requires to be considered by the Boundary Review Board.

Finally, there are several appendices that provide additional and technical details that support the analysis, as follows:

- **Appendix A: Key Inputs and Assumptions.** A summary of key inputs and assumptions that drive the model⁵.
- **Appendix B: Alternative Scenarios.** Analysis of the impact on the baseline scenario from changing values in key inputs and assumptions. The section includes summary findings of an alternative scenario for Fairwood, relying on the Maple Valley budget as a reference, while varying some inputs.
- **Appendix C: Fairwood Population Baseline, Forecasts and Methodology.** Technical documentation of calculating current population for Fairwood.

⁵ The “model” referred to here and throughout this study is the fiscal model planning tool that is described in Section 2 and Appendix I. The fiscal model uses data and assumptions to estimate revenues and costs for the City of Fairwood.

- **Appendix D: Comparable Cities Data.** A summary of data compiled for communities comparable to Fairwood in various metrics. The Boundary Review Board's subcommittee (Fairwood Incorporation Review Subcommittee, or FIRSC) and the citizen proponents (Fairwood Municipal Initiative, or FMI) used this list to agree on choosing Maple Valley as the reference model for the analysis.
- **Appendix E: Additional Market Considerations.** A review of key market indicators that influence public revenues and growth, such as home sales, multi-family vacancy rates and employment projections.
- **Appendix F: Incorporation Process and Role of Boundary Review Board**
- **Appendix G: King County Countywide Planning Policies Related to Incorporation and Annexation**
- **Appendix H: King County Policies and Programs Related to Annexation and Incorporation**
- **Appendix I: Fairwood Budget Spreadsheets**

Washington law governing incorporation

Washington's state laws that authorize and provide the process for incorporation are found in Chapter 35.02 RCW (Revised Code of Washington).

The state law concerning the Boundary Review Board and its role in the incorporation process are contained in Chapter 36.93 RCW.

Conclusion

This study does not state a "conclusion" of whether or not Fairwood works or not because our study reports the results of our analysis and lets each reader draw their own conclusion.

2. SCOPE AND METHODOLOGY OF THE STUDY

Scope of the study

Financial feasibility

First and foremost, this study presents information about the financial feasibility of an incorporated City of Fairwood. Our job is to provide our best estimate of revenues and expenditures for the City of Fairwood so the reader can determine whether or not the City's revenues would be great enough to cover the costs it would incur to provide existing or better services to its residents.

The body of our report reports the most likely outcomes based on the data and assumptions described in our report. In addition, **Appendix B** reports the alternative scenarios of several key variables that are less likely, but not unrealistic.

Our financial analysis is focused on the City's first full year of operation. We anticipate that year could be 2010, but our analysis is valid for a different initial year because we do not include inflation in either the revenues or the costs in our analysis, as will be explained later. The only factor in our analysis that causes changes in annual revenue or costs is the amount of growth in Fairwood.

Our study also includes a multi-year forecast of the five years after the first full year of operation: 2010, and 2011 – 2015. This analysis indicates whether the assumed growth increases or decreases the relative surplus or deficit of revenues compared to expenditures. In other words, is the financial picture likely to get better or worse during the first six years of operation.

We do not provide an analysis of the year during which incorporation takes effect because most newly incorporated cities are "in business" for only part of a fiscal year, and the unique cash flows, and exceptional sources of revenue for interim operations do not affect the more important question of ongoing financial feasibility.⁶ Factors to consider during the start up of a new city include:

- Partial year operations
- Transition to cash flow of key revenues (property taxes, sales taxes, etc.)
- Initial costs of space, furnishings, equipment

⁶ We acknowledge that the transition from unincorporated area to incorporated city is an important subject, particularly to those who will be responsible for the transition. Our study, however, is focused on the ongoing feasibility of Fairwood.

- Arranging for contracts for continued service
- Adoption of interim codes, ordinances, and plans
- Need for (and cost of) comprehensive plan

Also, some of the services may be contracted initially, and some equipment may be leased or purchased on credit. These are among the many issues that a newly incorporated city must consider.

Services

Some of the services that cities provide are essential (“core”) services and others are discretionary. The City Council of a city determines which services to provide, including the level of those services. The City Council also decides which services that will not be provided by the city government.

For the purpose of this study, the BRB identified potential city services as “core” or “discretionary” as follows (in alphabetical order in each group):

Core (Non-Discretionary) Services and Facilities

- Building/Planning
- City Administration
- Fire
- Police
- Solid Waste
- Stormwater
- Streets, Sidewalks
- Wastewater
- Water

Discretionary Services and Facilities⁷

- Human Services
- Library
- Bicycle Facilities
- Parks and Recreation
- Transit Support Facilities

Identifying a service as “core” or “discretionary” is not the last word about city services. Cities may decide which “core” services will be provided by other government agencies, or by contracts, or by city employees. In addition,

⁷ Discretionary services are *not* funded in this incorporation analysis. Funding for human services and bicycle facilities are to be determined by Fairwood as revenues allow. Transit support facilities are provided by Metro and Sound Transit. Regional parks are managed by King County, and libraries are provided by the library district.

cities may decide to provide some discretionary services if money is available, or if another agency will continue to provide such services. We discuss this point below (see Assumptions – Responsibility for Services and Facilities).

Other factors

Washington law (RCW 36.93.170) lists factors that must (“shall”) be considered by the Boundary Review Board when it prepares to make its recommendation regarding a proposed annexation. Section 7 of this study addresses the other factors listed in statute:

Methodology

Comparable cities

This study is designed to estimate the revenues and costs of an incorporated City of Fairwood. We use the “comparable city” method to develop estimates of most costs and revenues for Fairwood. The premise of this method is that revenues and costs of another city that is comparable to the Fairwood area are reliable indicators of Fairwood’s revenues and costs. Municipal budget data from the comparable city is converted to “per capita” revenues and costs, and those per capita values are multiplied times Fairwood’s population to estimate Fairwood’s revenues and costs. It is important to note that using the per capita costs of a comparable city assumes that Fairwood will receive levels of service similar to the comparable city.

The comparable city method begins with identification of criteria that are relevant to Fairwood, such as population, jobs/housing ratio, and other key indicators that should be “comparable” in other cities that could be considered as an indicator of Fairwood’s revenues and costs⁸. The next step is to assemble data for the key indicators for the cities in King County that are roughly comparable to Fairwood. Lastly, we identified the city that we consider most comparable to Fairwood. We reviewed our recommendation with the incorporation proponents (FMI) and the Boundary Review Board’s subcommittee for Fairwood. The consensus was that Maple Valley is the most comparable city to a potential City of Fairwood. The following revenues and costs for Fairwood are based on Maple Valley’s revenues and costs per capita applied to Fairwood’s population:

- Utility tax revenue
- Franchise fee revenue
- Gambling tax revenue
- License and permit revenue

⁸ See Appendix D for the criteria and comparable cities considered for this study.

- Intergovernmental revenue
- Charges for services revenue
- Public safety fines and forfeits revenue
- Public safety costs
- Administrative costs (city manager, city attorney, city clerk, finance department)

When using the “comparable city” method, the current and future population for Fairwood becomes an important consideration. **Appendix C** provides detailed analysis employed to estimate current population for Fairwood. In some budget areas (listed below) a custom approach is employed in lieu of the per capita comparison.

Additional methods

A few of Fairwood’s characteristics, costs and revenues can be estimated more accurately using methods other than the comparable city method. Estimation of the following key baseline data and budget items benefitted from data specific to Fairwood:

Population and development. Currently no estimates of population, housing or anticipated growth rates are published specifically for the Fairwood Incorporation area.⁹ Customized estimates of Fairwood’s population, number of housing units, and persons per housing units for 2000 and 2007 were derived using US Census, Washington State Office of Financial Management, and King County Assessor’s Data. Population growth rates were also customized for the Fairwood Area and drawn from King County Countywide Planning Policy growth targets, Puget Sound Regional Council population forecast estimates, as well as historical growth rates from 2000 to 2007. See **Appendix C** for a detailed overview of methodology used to estimate baseline data and growth forecasts.

Property taxes. Projection of future property tax revenues are estimated using the 2007 assessed valuations of real property in the Fairwood incorporation area derived from 20007 King County Assessor data and GIS. The assessed valuation of Fairwood’s existing buildings and lands, predictions on the value and tax revenue associated with new construction, and an assumed City millage rate allow for specific property tax revenue projections to be customized for Fairwood.

⁹ Please note that previously published estimates of population and development characteristics for the Fairwood Incorporation Area encompassed a larger area (and larger population, number of housing units, etc.) than what is now being considered for incorporation. These older estimates include the profile of Fairwood in the King County 2008 Annual Growth Report, and the 2006 Fairwood incorporation financial feasibility study.

Sales tax. The amount of sales tax received by a city is based in large part on the amount of taxable sales activity at businesses in the city. Since there is a significant difference in the amount of business activity in Fairwood compared to Maple Valley, we did not use Maple Valley's sales tax data to prepare our forecast for Fairwood. Our estimate of retail sales from local businesses to local residents was calculated using an inventory of businesses and customized sales data from the Washington State Department of Revenue.

New legislation that impacts local retail sales tax revenues became effective July 1, 2008. The law pertains to streamlined sales and use tax (or SST). Washington retailers delivering goods to customers in Washington are now collecting sales tax based on where the customer receives merchandise - the "destination" of the sale. If incorporated, Fairwood will receive additional sales tax revenue associated with goods ordered online or other outlets outside of Fairwood and delivered to Fairwood. To address this new source of revenue, data on local retail consumption was obtained from Claritas Inc. from which destination-based sales tax revenues were calculated.

Real estate excise tax (REET) revenues. REET revenues are estimated for the Fairwood area based on predicted property sales as well as the characteristics and value of existing residential and commercial located in the area.

Surface water fees are based on continuing King County's current rate, and surface water costs are based on comparable costs in the City of Newcastle (identified by King County as most comparable to the Fairwood area for factors that affect surface water programs).

Capital costs. Each city's capital costs depend on a variety of circumstances that are uniquely local in character. Examples of variations include the age and condition of existing infrastructure, level of service standards, and rates of growth. Maple Valley's capital expenditures are not likely to be a good forecast of Fairwood's needs, therefore we assembled information based on King County's assessment of present condition and future needs for street and stormwater facilities.

Parks. The City of Maple Valley provides several municipal parks, but Fairwood would not own any parks upon incorporation. King County has indicated it will continue to manage existing parks in the Fairwood area including Petrovisky Park and Lake Youngs Park. Costs and revenues incurred by Maple Valley's parks and recreation program are not considered in this incorporation study.

Receipt of grants and other revenue sources for mature cities.

Federal, state and local grants and development impact fees are two primary sources of revenue that take time for new cities to acquire. In these cases, it is assumed that a new city of Fairwood would collect the same \$30 per capita

in grant funding as Maple Valley, but not beginning until its third full year of operation. We assume Fairwood would collect the weighted average of King County's transportation impact fee, which is almost identical to Maple Valley's current charges. Solid waste franchise fees that are available to Maple Valley would not be available to Fairwood until 7 years after incorporation and have been excluded from our analysis.

Data sources

The data we use in this study was provided by state, regional and local sources. Data sources include:

Population, housing data sources

- King County
- Puget Sound Regional Council
- Washington State Office of Financial Management

Revenues and costs

- City of Maple Valley
- King County
- Washington State Department of Revenue
- Claritas

Assumptions

The findings of this study depend upon a combination of data (facts) and assumptions (estimates or presumptions). Understanding the assumptions of a study is important to understanding the findings and conclusions of the study. Assumptions are the *caveats emptor* of analyses, and must be understood and taken seriously by readers and users of studies.

We identify many specific assumptions throughout the body of the report and a summary of key inputs and assumptions is presented in **Appendix A**. There are, however, several overriding assumptions that apply broadly to this analysis and are therefore key to understanding our findings. These assumptions are:

Levels of service similar to comparable city

Fiscal feasibility of incorporation has been assessed based on the assumption that an incorporated City of Fairwood would offer levels of service similar to those now provided by the comparable city of Maple Valley at similar levels of taxation experienced in the Fairwood area.

Responsibility for services and facilities

When an area incorporates as a city, the responsibility for governmental services and facilities fall into three categories:

1. Services that remain the responsibility of existing government agencies.
2. Services that become the responsibility of the new city.
3. Services that the city has the choice to provide itself or to continue to arrange for the service to be provided by an existing government agency.

A variation on alternatives 2 and 3 is for the City to become responsible for a service, but the City chooses to contract with another government agency to provide the service to Fairwood residents. For the purpose of our study, we consider such contracts to be provided by the City. The City chooses to contract with another agency rather than hire City employees, but the City is responsible for the service.

Services to be Provided to the City of Fairwood by Existing Agencies

- Public Health – King County
- Schools – Renton School District and Kent School District
- State Roads – State of Washington
- Transit – Sound Transit and King County Metro

Services to be Provided by the City of Fairwood (employees and/or contracts)

- Land Use Planning and Regulation
- Law Enforcement (Police, Jail, Courts, Animal Control)
- Streets and Roads
- Stormwater
- Administration (City Council, City Manager, City Clerk, Attorney, Finance, Personnel)

Services that Fairwood Continues to Receive from Existing Agencies

- Fire Protection and Emergency Medical Services – Fire Districts 40 and 37
- Library – King County Library System (District)
- Regional Parks and Recreation – King County
- Solid Waste Collection – Waste Management, Kent-Meridian Disposal and SeaTac Disposal
- Solid Waste Transfer and Disposal¹⁰ – King County

¹⁰ King County also provides solid waste management planning and grant funding and technical assistance for waste reduction and recycling.

- Water and Sewer – Cedar River Water and Sewer District and Soos Creek Water and Sewer District

Population, housing

As part of our research for this study we prepared current estimates and forecasts of future population and housing in Fairwood. Our analysis produced three forecasts of future growth rates using data sources from the Washington State Office of Financial Management, King County, and Puget Sound Regional Council. The methodology used for these forecasts are presented in detail in **Appendix C**. Our study assumes that population will continue to grow at the same 1.8% compounded annual population growth as it has from 2000 to 2007. This is the most likely growth rate, notwithstanding that it is the highest of the three scenarios analyzed in **Appendix C**.

Revenues and costs

We assume that taxes, fees, charges will continue at approximately the same level as are being charged at the time this study was prepared. We calculated the area's property tax and sales tax base for existing real property and economic activity in the Fairwood community. We also customized estimates of new revenues based on estimates of growth in the Fairwood area, including sales tax on new construction and new consumer spending, property tax revenue from new development, as well as real estate excise tax revenue based on anticipated market turnover for the Fairwood area. We only include "new" revenues when they are used by the comparable city (Maple Valley) and are widely used by cities in King County.

We assume that costs of most services provided by Fairwood will be approximately the same cost per capita for Fairwood as the cost per capita in the comparable city (Maple Valley). Capital costs, however, are not based on the comparable city because of the many factors that lead to different needs for capital improvements (i.e., age and condition of existing infrastructure, and levels of service, to name two). For potential capital costs, we used King County's analysis of future needs and its recent expenditures in the Fairwood area as stronger inputs to our forecasts.

Our projections of revenues and costs for determining fiscal feasibility should be conservative. This means that, when in doubt, we have attempted to err on the low side for revenues and on the high side for costs.

Our financial analysis is focused on the City's first full year of operation. We anticipate that the first year of municipal operation could be 2010, but our analysis is valid for a different initial year because we do not adjust for the economy or inflation in either the revenues or the costs in our analysis (as described in the next assumption, below). The only factor in our analysis that causes changes in annual revenue or costs is the amount of growth in Fairwood.

The Declining Economy and Future Inflation

Studies of financial feasibility of incorporation are studies of specific governmental revenues and costs that occur in the context of the regional, state and national economies. One might assume that this study would account for the current severe decline in the national economy, future recovery, and potential future inflation. There are several reasons that this study does not attempt to adjust for economic conditions.

First, this incorporation study was developed to look at Fairwood in a “normal” or “typical” or “average” year in order to understand whether the City of Fairwood would be financially feasible during “normal” times. The reason for this approach is that if the City is not feasible during normal times, it is unlikely to be feasible during a major recession, and it would not be desirable to incorporate if the City is feasible only during the economy’s strongest periods.

The second reason for analyzing “typical” economic circumstances is that the economy is cyclical with growth and decline alternating at unpredictable times and amounts. An analysis of normal times assumes that over long periods of time the pluses and minuses will more or less offset each other.

The alternative to assuming that increases and decreases offset each other would be to prepare an analysis that attempts to predict the cycles of the economy. But no one has an accurate crystal ball, so inserting assumptions about future decline and growth are just as likely to introduce error into the analysis as they would increase its accuracy.

The best economists in the Central Puget Sound have made it clear that they do not know when the current downturn will end, how long it take to recover, or what the subsequent “upside” will look like. If we were to ignore that uncertainty and develop our own forecast of the direction, slope/trajectory, and rate of recovery, our overall forecast would apply equally to all revenues and expenditures, and to all three governance alternatives (incorporation, annexation or remaining unincorporated). Lacking the basis for different rates of increase for the many variables in such a forecast, the result would add no value to the study because all outcomes would rise or fall at the same rate.

The alternative to single forecasts of growth or decline would be to forecast different rates of increase for numerous revenue sources and cost items. This is even more speculative than single forecasts, therefore such adjustments would add to the complexity, but would not add to the accuracy of the forecasts.

It should also be noted that the subject of the current significant decline in the national and local economy applies equally to Fairwood incorporation, annexation to Renton, or remaining in unincorporated King County because all three governance alternatives are part of the same regional economic and market conditions. The challenges of developing economic variables for the

incorporation study (described above), apply equally to annexation and remaining unincorporated.

Regarding future inflation, we do not include adjustments for future inflation for the same reasons that we do not base the study on the changing economy. Inflation is hard to predict, it affects costs and revenues roughly equally, and it affects incorporation, annexation and remaining unincorporated equally.

In the final analysis, cities and counties (whether Fairwood, Renton or King County) respond to economic cycles in much the same way as individuals, families and businesses: they adapt to changing circumstances with different strategies. When income is down, costs are reduced. When income rises, they are able to do things they could not do when income was down.

The study includes an optimistic scenario (includes high population growth and more favorable economic conditions) and a pessimistic scenario (low population growth and more conservative economic conditions). While designed only to provide an understanding of the sensitivity of key variables, analysis of these scenarios has the added benefit of providing insights on sensitivity to volatility in the economy. (Incidentally, both of these scenarios indicate future revenues exceed future costs.) This information can be found in Appendix B. Alternative Scenarios.

Although not formally included in the analysis of alternate scenarios, when *no* population growth is assumed in the fiscal model, the overall result is similar to the optimistic, baseline, and pessimistic scenarios: future revenues exceed future costs.

Our fiscal model includes a variable for inflation in the event that the City of Fairwood wants to include inflation in its future uses of the model, but we have set those variables at zero for our analysis.

Caveats

The reader is advised of the following attributes of this study:

- There are no “rankings” of Fairwood compared to other cities in King County because the feasibility of Fairwood is absolute (it works, or it does not) regardless of its position relative to other cities.
- There is no “conclusion” of whether or not Fairwood works or not because our study reports the results of our analysis and lets each reader draw their own conclusion.

Fiscal model planning tool

At the conclusion of this project, we will provide a copy of the financial model (including sales tax calculation methodology), and documentation regarding its use. The model will provide a multi-year cash-flow analysis, showing the estimated effects on revenue and expenses based on development and policy changes during the course of the forecast period. This will allow for a

snapshot of annual revenues and expenses at each of the future years, along with a comprehensive understanding of the cumulative effects over the time horizon. The model will include the following features:

- transparency and flexibility, seeing all inputs and assumptions clearly with the ability to change projections via scenario analyses and varying assumptions (including economic, policy and growth assumptions)
- detailed cash-flow charts, showing the dollar amounts of annual costs and revenues, and cumulative effects of key drivers (population, property values)
- break-out charts and analysis, demonstrating annual fluctuations and cumulative flows of costs and revenues of key line-items and sub-totals

Our study (and the model inputs) documents the demographic, level of service, and economic assumptions that were used to prepare the “most likely” (i.e., reasonable) fiscal future of the potential City of Fairwood. In recognition of the fact that other outcomes are possible, the BRB and/or the City of Fairwood can use the model to test alternative assumptions that reflect different economic trends and/or service demands (drivers) that could affect future service costs, capital costs, and revenues.

Appendix I provides a description of the model and copies of the spreadsheets included in the model.

Fund accounting

Local government revenue (“income”) comes from a variety of sources. Some of the sources can be used for virtually any purpose, while others have “strings attached” that limit the use of the money to specific purposes. In order to keep track of the restricted money, cities create “funds” to account for the restricted money. A “fund” is like a separate bank account for receiving and spending money with specific restrictions. A typical city will have a fund for stormwater, a fund for streets, and other separate funds for various specific revenue sources. All the money that has no restrictions goes into the “General Fund.” Throughout our analysis, we will clearly identify the “fund” that is used for the revenues and expenses we are forecasting. In city finance terminology, “funds” are not a synonym for revenue, they are separate accounts to track specific limits on some city money.

In order to simplify the presentation of our analysis, we present all the revenues and costs in three funds: general fund, surface water fund, and street fund. In the real world of fund accounting there would undoubtedly be more than one fund for the street revenues and costs that we present, and there might be more than one surface water fund. Also, cities routinely use

internal service funds and inter-departmental cost allocations that we have omitted. Their net effect on total revenues and costs is zero, but they can have important implications for the feasibility of individual funds. We omit them from this study because they are not necessary to achieve initial feasibility of any of the three funds we analyze.

3. GENERAL CHARACTERISTICS OF FAIRWOOD

Fairwood is an urban unincorporated area bordering the Urban Growth Boundary on the east and south and the City of Renton on the north and west. The area is 6.27 square miles. The Fairwood area is composed of several single-family neighborhoods, with residential land uses accounting for the majority of the community's land area. The following neighborhoods in Fairwood area include:

Central Neighborhoods: Candlewood Ridge, Carriage Wood, Carriages at Fairwood, Fairway Drive, Fairway Greens, Fairway Village, Fairwood Apts, Fairwood Greens, Fairwood Landing, Fairwood Pond, Fairwood Villa, Heritage at Fairwood, On the Greens, Whitney Place and Woodway Estates.

East area neighborhoods:

Lake Desire, Lake Youngs North, Parks, Shady Lake, Trovitsky Park and Woodside.

North area neighborhoods: (North of the power line)

Elliott Farm-The Gables, Elliott Farm-Woodward, The Highlands at Fairwood and The Ridge.

South area neighborhoods: (south of Petrovisky Road, unless immediately adjacent)

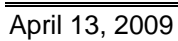
Alpine Manor, Bollman, Boulevard Lane, Bridlewood, Carriage Lane, Cedar Estates, Country Gate, Echo Glen, Fairfield Glen, Fairhaven, Fairwood Firs, Fairwood Glen, Fairwood Pond Estates, Fairwood - South Central, Fieldstone, Forest Estates, Forest Glen South, Forest Trails, Fox Estates, Kentridge Place, Lake Youngs West, Lori Lane, Pheasant Meadow, Rock Creek, Ruddell, Soos Creek Meadows, Soos Creek South, Sunwood Estates, Windham Ridge.

West area neighborhoods: (west of 140th Way SE)

Emerald Vista, Fairlane Woods, Fairwood Crest, Fairwood West, Merrihill, Pebble Cove, Red Mill and Stafford.

Commercial uses are clustered at the main crossroads of SE Petrovitsky and 140th Way SE.

Exhibit 1 below provides a land use map of the Fairwood incorporation area.



Population

As part of our research for this study we prepared forecasts of future population and housing in Fairwood. **Appendix C** explains in detail our evaluation of three different sources of demographic data: King County, Puget Sound Regional Council, and historical growth patterns. Our analysis produced three forecasts of future growth rates. **Exhibit 2** below summarizes anticipated population for each growth scenario based on a 2007 population of 25,000.

Exhibit 2.
Fairwood Population Growth Forecasts

Forecasted Population	CAGR	2000	2007	2010	2015
Low Growth Scenario	0.3%	22,100	25,000	25,222	25,596
Medium Growth Scenario	0.8%	22,100	25,000	25,582	26,582
High Growth Scenario	1.8%	22,100	25,000	26,356	28,783

Our study assumes that the most likely growth rate is the “high growth” scenario of 1.8% per year. This assumes that population will continue to grow at the same pace in the future as it did from 2000 to 2007. The low growth scenario is actually the minimum growth allowed under the growth management act, and is not a forecast per se. The medium growth scenario is extrapolated from older regional forecasts that are being revised.

Taxable Assessed Value

The Assessors’ Office of King County reports that the 2007 taxable assessed value of real property in unincorporated Fairwood was roughly \$2.29 billion.¹¹ In order to project this value to 2009 assessed value (the value on which year 2010 property taxes would be levied) we assume zero percent appreciation and an average \$38.1 million in new assessed value each year from new construction under the high growth scenario.

Using this approach, **Exhibit 3** demonstrates that we arrive at our final 2010 projection for taxable assessed value of roughly \$2.41 billion and 2015

¹¹ Taxable assessed value only includes land and building improvement values. Personal property as well as intercounty utility and transportation property are excluded from annual projections because the data is not available from King County at this time. For further detail on assumptions underlying assessed value calculations, see Appendix A.

taxable assessed value of \$2.63 billion. In per capita terms, this translates to roughly \$91,600 of taxable assessed value for each Fairwood resident.

Exhibit 3.
Fairwood Assessed Real Property Value under the High Growth
Scenario, 2007 - 2015

	2007	2010	2015
Total Assessed Real Property Value	\$2,292,105,525	2,414,455,525	2,632,280,525

4. REVENUES (“INCOME”) FOR FAIRWOOD

Urban municipalities typically rely on three major sources of funds: property taxes, sales taxes and utility taxes, and also collect other smaller amounts of revenue from other sources which will be described later in this section.

Exhibit 4 below shows the anticipated 2010 general fund revenues for Fairwood if incorporated. **Exhibit 5** shows estimated general revenues for the City of Fairwood from 2010 to 2015.

Exhibit 4.
Estimated City of Fairwood General Fund Revenues, 2010

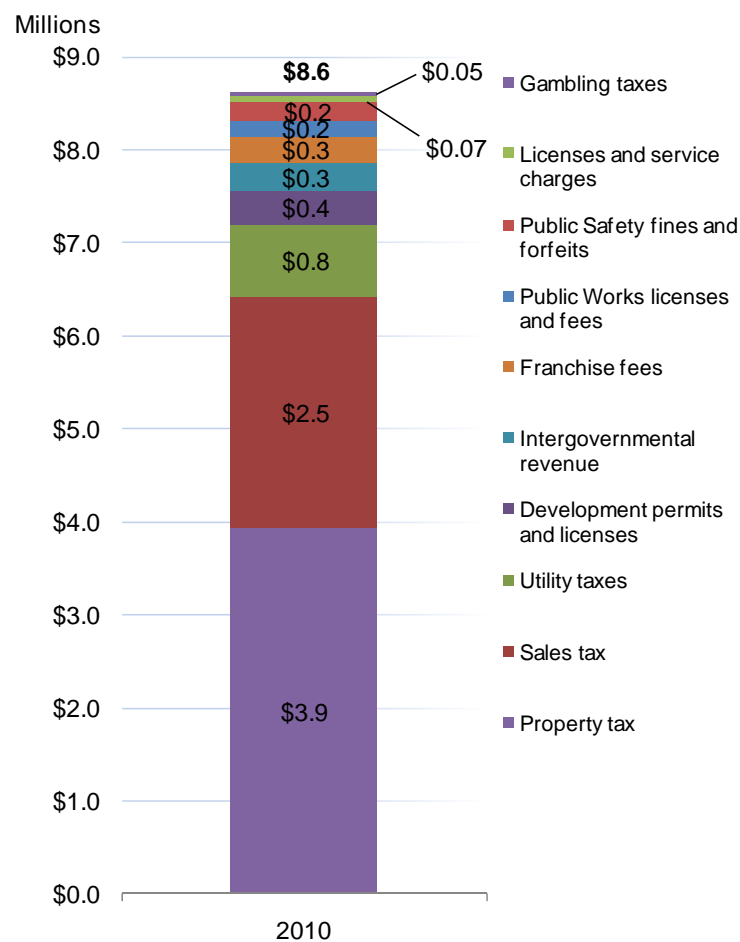


Exhibit 5.
City of Fairwood Estimated Total General Fund Revenue, 2010-2015

Year	2010	2011	2012	2013	2014	2015
G.F. Revenue	\$8,626,970	\$8,778,956	\$8,933,499	\$9,090,339	\$9,251,897	\$9,415,036

Readers should bear in mind that not all revenues received by Fairwood will be available to the general fund to cover the expenses associated with the day-to-day operation of the city. A number of revenue sources listed in our analysis are restricted in their use. For example, gas tax distributions “must be deposited in a fund for the construction, improvement, chip sealing, seal-coating and repair of arterial highways and city streets.”¹² Other examples are real estate excise taxes that must generally be spent on capital investments, and surface water management fees that must be used for maintenance and capital costs of surface water facilities and programs. In our analysis all these restricted revenues are allocated to separate funds.

Key revenues

Property tax

For many cities in Washington State, property tax revenues are the single largest and the most stable source of revenue available. In general, a property tax levy rate is set annually by the City Council and is applied uniformly to the value of all taxable property within the boundaries of the city. Many taxing jurisdictions, like school or fire districts, have boundaries that cut through the proposed area of incorporation, and as a result, different areas of Fairwood are, and even if incorporated, would continue to be subject to different levy rates. The levy for the incorporated city, however, would apply to all taxable property within the city boundaries.

State law delineates what types of property are and are not subject to property taxes. Those that are subject to taxation include “real” property (land, structures, and specific equipment affixed to structures) and some forms of personal property (some types of mobile homes, business related machinery, and supplies). While all of these types of property within a city’s jurisdiction are assessed, some are exempt from taxation. These exemptions generally apply to properties owned by government, schools, churches, or property with other uses that provide public benefits.

By state law, the levy a city can apply is constrained according to the services the city provides. If a city delivers its own fire and library services, it is allowed a maximum regular levy of \$3.60 per \$1,000 of assessed value. If a city does not provide either of these services, state law generally restricts the maximum regular levy to \$1.60 per \$1,000 assessed value. The working assumption of this feasibility assessment is that, in an incorporated Fairwood, both fire and library services would continue to be provided by existing fire and library districts, so the \$1.60 maximum city regular levy rate would apply.

¹² Municipal Research & Services Center, *A Revenue Guide*.

Of course, simply levying a tax does not guarantee full and immediate payment by all property owners. For any city, there will always be some taxes that are due but go unpaid. Fortunately for a city's finances, however, when it comes to property taxes, almost all taxes that are levied are eventually paid in full. For an established city, defaults in any given year are mostly balanced out by receipts of back taxes from previous years. Therefore, since our assessment of feasibility is based on estimating the financial circumstances of a *fully functioning* City of Fairwood, we assume that receipts of back taxes would largely "net out" current-year delinquencies.

Combining our assumed delinquency rate, the levy rate of \$1.6000 per \$1,000 of assessed value, and an estimated assessed real property value of Fairwood, we project that, in the year 2010, an incorporated Fairwood would receive roughly \$3.68 million in real property tax revenues.

A. City Property Taxes: City property taxes are levied only on property that is inside the boundary of the City. City property tax levies are used for any department, program, or service of the City that levys the tax. State law limits the levy rate set by City government to \$3.60, but the voters in a city can approve extra taxes at an election.

B. Consolidated Property Taxes: Consolidated property taxes are paid by all properties in King County, regardless of whether the property is in a City or in unincorporated King County. The "consolidated" property tax levies are actually the combined total of several separate property taxes. Incorporation will not affect payment of Consolidated property taxes. **Exhibit 6** shows the individual property taxes that make up the 2008 consolidated levy:

Exhibit 6.
Components of the 2008 Consolidated Property Tax Levy

Tax	2008 Levy Rate
State School Fund	2.13233
County Current Expense	.76686
Inter-County River	.00015
Veteran's Aid	.00706
Mental Health	.01570
Councilmanic Bond Redemption	.05923
Lid Lift:	
Parks	.05000
Zoo/Open Space/Trails	.05000
Veterans/Human Services	.04232
AFIS	.05146
Conservation Futures	.04641
Bond Fund Unlimited	.11851
Port General Fund	.10447
Port Bond Fund	.11912
Total Consolidated Levy	3.56362

C. County Road Property Taxes: The County Road property tax is paid only by properties in unincorporated King County, and properties inside cities do not pay this tax. The County Road property tax levies are used by King County to pay for part of the cost of building and maintaining roads in unincorporated King County. If the Fairwood area incorporates, it will no longer pay County Road property taxes. The 2008 levy rate for County Roads was \$1.61081. (Note how close in value this rate is to the City rate discussed in prior sections of \$1.60, resulting in a slight net decrease in property taxes paid for taxpayers with this exchange.)

D. School District Property Taxes: School district property taxes are paid by all properties within the boundaries of the school district, regardless of whether the property is within a city or the unincorporated area. The Renton School District property tax levy is the total of a special levy of \$1.26082 used for a portion of the operating costs of the school district, and a bond fund levy of \$1.36572 used to pay off bonds that were sold to build new schools and

renovate existing schools (total levy of \$2.62654). The Kent School District property tax levy is the total of a special levy of \$2.39044 used for a portion of the operating costs of the school district, and a bond fund levy of \$1.73225 used to pay off bonds that were sold to build new schools and renovate existing schools, and a building fund levy of \$0.27067 for technology (total levy of \$4.39336). The properties in the Fairwood area that are in the Renton School District or the Kent School district will not change school districts as a result of incorporation.

E. Fire District Property Taxes: Fire District property taxes are paid by all properties within the boundaries of the district. The majority of the proposed Fairwood incorporation area lies within Fire District 40, and portions of the incorporation area are in Fire District 37 (in the southeastern portion).

The Fire District property tax levy and benefit charges pay for virtually all of the costs of a fire district, including payroll, supplies, services, and capital items. In the event of incorporation, properties in the Fairwood area would pay property taxes and benefit charges to the Fire District if the city annexes to the Fire District. Alternatively, the city could contract with the Fire District for service in which case properties within the boundaries of Fairwood would pay property taxes to the city and the city would use those taxes to pay for the contract with the Fire District.

F. Library District Property Taxes: The library district property tax is paid by all properties in the King County Library district, but properties inside cities that have their own libraries, such as Renton or Seattle, do not pay this tax. The King County Library System's district property tax is the maximum levy of 50¢ that pays for most of the costs of the library system, including payroll, supplies, services, and the library's collection of books and other materials, plus a levy of \$0.45336 for paying off a bond issue used to build libraries. If the Fairwood area incorporates, it is assumed that it will annex to the King County Library district and pay the same property taxes.

G. EMS Property Taxes: EMS property taxes are paid by all properties in King County, regardless of whether the property is in a City or in unincorporated King County. EMS property tax levies are used for the operating costs of King County Medic One that provides advanced life support emergency response countywide. Incorporation will not affect payment of EMS property taxes.

H. Hospital District Property Taxes: Hospital district property taxes are paid by all properties within the boundaries of a hospital district. Fairwood's hospital district property tax levy consists of a levy of \$0.50854 for current expenses. In the event of incorporation, properties in the Fairwood area would continue to pay property taxes to the hospital district.

Exhibit 7.
**Comparisons of 2008 Property Tax Levy Rates for Unincorporated
 versus Incorporated Fairwood**

Information Item ¹³	Unincorporated Fairwood	City of Fairwood (Kent Schools)	City of Fairwood (Renton Schools)
A. City Levy Rate • <i>per \$1,000 taxable value</i>	not applicable	\$1.6000	\$1.6000
B. Consolidated Levy Rate (State School, County, Port) • <i>per \$1,000 taxable value</i>	\$3.56362	\$3.56362	\$3.56362
C. County Road Levy Rate • <i>per \$1,000 taxable value</i>	\$1.61081	not applicable	not applicable
D. School District Levy Rate • <i>per \$1,000 taxable value¹⁴</i>	\$4.39336	\$4.39336	\$2.62654
E. Fire District Levy Rate • <i>per \$1,000 taxable value¹⁵</i>	\$1.00290	\$1.00290	\$1.00290
F. Library District Levy Rate • <i>per \$1,000 taxable value</i>	\$0.45336	\$0.45336	\$0.45336
G. EMS Levy Rate • <i>per \$1,000 taxable value</i>	\$0.30000	\$0.30000	\$0.30000
H. Hospital District Levy Rate • <i>per \$1,000 taxable value</i>	\$0.50854	\$0.50854	\$0.50854
I. Total Levy Rate • <i>per \$1,000 taxable value</i>	\$11.8326	\$11.8218	\$10.05496

¹³ Most Fairwood property owners pay the rate shown above (for levy codes 5100 and 5160). Other Fairwood property owners pay more than the rate shown above. The total rates paid upon incorporation may vary depending on choices the City would make. While the rates paid may affect taxes paid by local residents, the rates would not affect directly the finances of the City because the City only receives the City levy (\$1.6000 in this study).

¹⁴ The school district levy rate paid by most residents in Fairwood is \$4.39336 for the Kent School District. A minority of Fairwood properties are in the Renton School District where the levy rate is \$2.62654.

¹⁵ The fire district levy rate in the exhibit is for Fire District 40.

Property tax levy rates are expressed as dollars and cents of taxes per \$1,000 of taxable value. The amount of property taxes due by a property owner is calculated by dividing the property's taxable value by 1,000, then multiplying the result times the levy rate. For example, a home in Fairwood with a taxable value of \$300,000 would have its total tax calculated as follows:

$$\$300,000 \div 1,000 = 300 \times \$ (11.8218) = \$ (3,547).$$

Property tax levy rates shown in **Exhibit 7** vary from property to property according to the boundaries of many taxing agencies. All properties that are served by exactly the same taxing agencies are assigned the same "tax code." A property across the street may have all the same taxes except one, in which case it is assigned to a different "tax code" along with only those properties that share exactly the same taxing agencies. There are many "tax codes" in Fairwood. In order to obtain "typical" tax rates for this study, as presented in the table above, we selected tax codes that applied to the greatest number of parcels. For Fairwood, we used tax codes 5100 and 5160. The two codes have the same levy rates across all levies. The two together represent 73 percent of the parcels of land in the proposed incorporation area and 77 percent of the taxable assessed value.

Exhibit 8 presents an estimate of property tax revenue for the Fairwood Area upon incorporation for the years 2010 to 2015. Property taxes are anticipated to account for nearly one third of all revenues collected by the City of Fairwood. From 2010 to 2015, property tax revenues are estimated to increase by approximately \$355,000 because of growth in Fairwood. Estimates of property taxes assume no appreciation or depreciation.

Property taxes collected by local governments are capped. Our modeling takes into account the 1% limit on the increase in property tax revenue (except for property taxes on newly developed properties). The property taxes collected on existing real property cannot exceed one percent more than last year's total property tax proceeds. All new construction is taxed at last year's levy rate and can exceed the 1% cap. However, our model does not inflate revenues or costs, and therefore, the 1% limit does not come into play with these assumptions regarding property tax revenues.

Exhibit 8.
City of Fairwood Estimated Property Tax Revenue, 2010-2015

Year	2010	2011	2012	2013	2014	2015
Property Taxes	\$3,930,409	\$3,998,929	\$4,068,529	\$4,139,369	\$4,211,649	\$4,285,169

Retail sales and use tax

Retail sales tax is added on a percentage basis to the sale price of tangible personal property (with the exception of groceries and prescription medicine) and to many services purchased by consumers. Beyond its application to

tangible personal property, sales tax is also applied to things like telephone service; the installation, repair, or cleaning of tangible personal property; and to the construction or improvement of new or existing buildings, including labor and services provided throughout the process. (See RCW 82.04.050)

Sales taxes are charged in cities and counties. King County has sales taxes. At the time this study began, the sales tax rate was 9% in King County. Voters subsequently approved a 0.5% increase in the sales tax rate in King County's urban areas beginning in 2009 to fund light rail development by Sound Transit increasing the total sales tax rate to 9.5%.

The total sales tax rate of 9.5% consists of 6.5% for the State, and a series of local option sales taxes. King County unincorporated areas all have 3.0% of local option taxes: 1% for the local government, 0.1% for criminal justice, 0.1% for mental health, 0.9% for King County transit, and now 0.9% for Sound Transit (note: was previously 0.4% for Sound Transit). King County receives an additional 0.5% that is charged on food and beverage sales at restaurants and drinking establishments.

According to state law, a city's maximum sales tax rate is set at one percent, which is the same rate that King County currently collects in unincorporated areas of the county. Of this one percent, Washington State's Department of Revenue (DOR) receives one percent for its role as collector/distributor. (That is, the DOR receives one percent of one percent.) Beyond that small portion retained by the DOR, King County is eligible to receive 15 percent of the city's one percent. Fairwood would thus receive roughly 84 percent of its one-percent sales tax.

A city's one-percent sales tax is actually split into two halves: a base half and an optional second half which a city could choose not to levy if it so desired. In fact, however, the great majority of cities in the state choose to levy both halves, as does King County. Therefore, our "same cost/same level of service" analysis dictates that we assume an incorporated Fairwood would also levy the full one percent.

Our preliminary estimate is that, in 2007, nearly 800 firms doing business in Fairwood generated gross taxable sales of roughly \$110 million. In total, we forecast that an incorporated Fairwood would receive roughly \$1.16 million in retail sales and use tax revenues annually from local businesses.

Sales tax also applies to construction materials for newly constructed homes and commercial property. Under the high growth scenario we assume that between 174 and 190 housing units will be built in the Fairwood area each year. New housing units could be considered new development or redevelopment or a combination of both. Based on the 2007 average housing unit sale value in Fairwood of \$305,000, Fairwood could expect to receive between \$336,000 and \$367,000 per year in construction-based sales tax from 2010 and 2015. Sales tax on new construction is based on the value of

construction and therefore new construction sales tax revenues may vary according to the quality and type of development.

Streamlined Sales and Use Tax Revenues

In an effort to collaborate with a national program called the Streamline Sales and Use Tax (or SST), effective July 1, 2008, Washington retailers delivering goods to customers in Washington started collecting sales tax based on where the customer receives merchandise – the “destination” of the sale. For example, if a Fairwood resident purchases a couch from a furniture store in Renton and requests home delivery, the sales tax will be based on the rate in Fairwood.

If Fairwood incorporates, the local sales tax revenue would go to the City of Fairwood even though the store is in Renton. The destination sales tax is a change for businesses that deliver merchandise in Washington. There is no change for over-the-counter sales where customers take home goods from the store location in Washington, and there is no change for sales to out-of-state customers.¹⁶

As of mid-December, 2008, the Department of Revenue (DOR) had not yet published local tax receipts associated SST revenues. Once published along with all other municipal revenue data, cities will be better able to forecast local sales tax revenue. In the meantime, cities are each left to their own devices to make such projections.

This report estimates home delivery sales for Fairwood residents based on local disposable incomes and spending patterns. The estimates rely on consumer buying power data purchased from Claritas Inc. for this report. The Claritas data suggests average household disposable income of \$58,900 in 2008 (money available for spending after housing costs have been covered).

Our own estimates of the percentage of sales by household on delivery items suggest that approximately 6% of local spending will be on goods for delivery from outside the city. This suggests SST revenue for the City of Fairwood at \$14.33 per capita, resulting in annual SST revenue estimates of \$378,000.¹⁷**Criminal Justice Sales Tax Revenues.**

¹⁶ This description borrows heavily from the description posted by the Washington State Department of Revenue, with the examples changed for clear relevance to Fairwood.

¹⁷ Our review of local retailers found minimal impact expected from local retailers selling products for home delivery out of the City. Subsequent review may refine this analysis, but impact on local sales tax revenues would be expected to be minimal.

Criminal justice sales tax revenues are available to counties and all cities within King County. A local option sales tax of 0.1 percent is collected in addition to retail sales and use taxes by the Department of Revenue. Ten percent of the money available for each county is first distributed to that county. The remaining 90 percent is then distributed to cities and towns within the county based on population. In 2007, Maple Valley received \$23.48 per capita in criminal justice sales tax revenues. Using this same per capita figure, Fairwood would receive approximately \$618,772 in 2010 in criminal justice sales tax revenue. It should be noted that criminal justice sales tax proceeds are subject to consumer spending and total taxable retail sales in King County. If retail sales increase or decrease in the future, so too will the amount of tax revenue received by local governments from this source. In this baseline analysis, criminal justice sales tax revenues are considered static and are not adjusted based on future assumptions regarding County retail spending and sales.

Exhibit 9 below shows the total anticipated sales tax revenues we estimate will be received by the City of Fairwood from 2010 to 2015 if incorporated. Retail sales taxes are estimated to account for 30 percent of total general fund revenue in 2010. It should be noted that locally produced retail sales tax accounts for nearly 47 percent of all retail sales tax revenue and nearly 14 percent of general fund revenue. Sales tax on new construction would account for approximately 14 percent of total sales tax and 2.7 four percent of general fund revenue. Destination-based sales tax revenues could account for 15 percent of total retail sales tax, and approximately four percent of general fund revenue. Criminal justice sales tax would account for nearly 25 percent of sales tax revenues and seven percent of city general fund revenues.

Exhibit 9.
City of Fairwood Estimated Sales Tax Revenue, 2010-2015

Year	2010	2011	2012	2013	2014	2015
Construction	\$ 336,400	\$ 342,600	\$ 348,000	\$ 354,200	\$ 361,400	\$367,600
Taxable Retail Sales	\$1,161,938	\$1,182,570	\$1,203,600	\$1,224,981	\$1,246,760	\$1,268,935
Streamlined Sales Taxes	\$ 377,567	\$ 384,272	\$ 391,105	\$ 398,053	\$ 405,130	\$ 412,336
0.1% Criminal Justice Sales Taxes	\$ 618,772	\$ 629,760	\$ 640,959	\$ 652,345	\$ 663,943	\$ 675,752
Sales Taxes	\$2,494,678	\$2,539,202	\$2,583,663	\$2,629,580	\$2,677,233	\$2,724,624

Utility tax

Cities have the authority to charge utility taxes, but counties do not. Utility tax rates are set by cities, but the rates cannot exceed limits in state law.

Utility taxes are assessed on the gross receipts of utility companies operating within a city's boundaries. Cities can exercise this authority for any private or city-owned utility service, such as electricity, telephone, cable television, garbage, water, and sanitary sewer. Cities do not apply utility taxes to services provided by public utilities, such as water or sewer districts. If a city owns a public utility, it may charge the utility tax to the City-owned utility. The tax is imposed on the utility providers themselves, but the Washington Utilities and Trade Commission allows them to show the tax as a separate line item on a utility bill as if it were a tax on the consumer.

The maximum rate for each utility tax is 6.0 percent. The City of Maple Valley's utility tax rates are 2.25 percent for electricity, natural gas, and telephone services only. This study assumes the 2.25 percent rate, consistent with the comparable city methodology. The Maple Valley ordinance defines "telephone services" to include cellular phones, pagers, and cable modem services.¹⁸

Maple Valley's utility tax rates translate to \$29.20 in revenue per capita. Fairwood's revenue at that same per capita rate would be nearly \$770,000 per year beginning in 2010.

Exhibit 10 below shows the total anticipated utility tax revenue estimated to be received by the City of Fairwood from 2010 to 2015 if incorporated. Utility taxes are estimated to account for nine percent of total general fund revenue in 2010.

Exhibit 10.
City of Fairwood Estimated Utility Tax Revenue, 2010-2015

Year	2010	2011	2012	2013	2014	2015
Utility Taxes	\$769,601	\$783,267	\$797,195	\$811,357	\$825,782	\$840,470

State-shared "entitlement" revenues

All cities and towns in Washington State are eligible to receive certain "shared" revenues on the basis of their population. These are considered "entitlement" revenues because each City is entitled to its share of the revenues, and does not have to apply or otherwise qualify for the money. There are two state-collected revenues that Maple Valley receives that would also be received by Fairwood: profits from liquor sales and liquor taxes). Maple Valley also receives state money from the City-County Assistance

¹⁸ Much of the text in this section borrowed from the City of Maple Valley 2008 budget.

Account, but Fairwood is not eligible for those funds.¹⁹ One other source of state shared entitlement revenue, gasoline taxes, are discussed below under Special Revenue Funds.

As a group, Washington cities and towns receive a fixed percentage of the liquor revenues, and that fixed percentage is then allocated to the individual cities on a per capita basis. For shared profits from liquor sales, as an example, Washington cities and towns as a group receive 40 percent of the total profits. This lump of money is then distributed to the individual municipalities according to their respective populations. The liquor revenues per capita received by Maple Valley are shown below in **Exhibit 11**.

Exhibit 11.
Per Capita State-Shared Entitlement Revenues

State Liquor Revenue	Per Capita Revenue
Liquor Excise Tax	\$4.36
Liquor Profits	\$6.99

Based on Maple Valley's liquor revenues of \$11.35 per capita, we anticipate that Fairwood would receive roughly \$299,000, beginning in 2010. **Exhibit 12** below shows anticipated state-shared revenues (also referred to as inter-governmental revenues) from 2010 to 2015 resulting from incorporation.

Exhibit 12.
City of Fairwood Estimated State-Shared Tax Revenue, 2010-2015

Year	2010	2011	2012	2013	2014	2015
Int-gov Taxes	\$299,123	\$304,435	\$309,849	\$315,353	\$320,960	\$326,668

Other General Fund Revenues

A. Gambling Tax: Cities have the authority to charge gambling taxes. Local governments set gambling taxes, but the tax rates cannot exceed limits in state law. Taxes are based on gross receipts, or net receipts (i.e., gross receipts less prizes). **Exhibit 13** shows rates the City of Maple Valley charges on gambling taxes by activity.

¹⁹ Cities incorporated after the passage of Senate Bill 6050 in 2005 that established the City-County Assistance Account are not eligible for funding from this source. See SB 6050 sec. 4f of 2005.

Exhibit 13.
Maple Valley Gambling Taxes Rates by Activity

Tax	Tax Rates
Amusement Games (net)	2%
Punch Boards and Pull Tabs – for profit (gross)	5%
Punch Boards and Pull Tabs – non profit (net)	5%
Bingo (net)	10%
Raffles (net)	10%
Card Games (gross)	Activity not allowed in City

Maple Valley's gambling tax revenues equate to \$1.83 per capita, which for Fairwood would amount to \$48,000 per year beginning in 2010.

B. Franchise Fees: Cities and counties have the authority to charge franchise fees. These fees are to repay the government for the use of public rights of way or for the right to have an exclusive franchise within a jurisdiction. King County has franchise fees. Franchise fees are also set by local governments. Maple Valley receives \$11.08 per capita in franchise fees for cable television. Franchise fee revenues for cable television for Fairwood would generate \$293,000 beginning in 2010.

Maple Valley also charges franchise fees for solid waste services. RCW 35.02.160 prevents Fairwood from altering the existing franchises of Waste Management, Kent-Meridian Disposal and SeaTac Disposal for the duration of the franchise, or seven years, whichever is less (unless the franchise holder voluntarily agrees to re-negotiate the franchise and the City wants to enter a new agreement without a competitive process). After that time is over, Fairwood could contract with existing haulers, or solicit proposals from haulers, and collect franchise fees from the haulers they select. Fairwood could provide its own solid waste services, but most cities contract for the service.

C. Development Permit, Review and License Fees: Cities and counties have the authority to charge fees for reviewing and processing applications for development. King County has development review fees. Development fees are set by local governments and are imposed by Maple Valley. Maple Valley's Community Development Department charges a range of fees associated with development permits, the review process, building inspection and licensing. Based on a per "net new population" calculation of Maple Valley's community development revenue streams, Fairwood is expected to receive over \$360,000 in revenues from Community Development services in 2010. It should be noted that revenues received by the Community

Development department in Maple Valley do not cover the full costs incurred by the department of serving new development. Local governments have the option to impose fees that recover the full cost of development services.

D. Public Safety Fines and Forfeits. City police departments and courts have the authority to charge fines and forfeitures for various infractions and violations as prescribed in state law. Maple Valley has established an agreement with the City of Enumclaw to use the Enumclaw municipal court for their court services. The City of Maple Valley collects approximately 60% of fine and forfeits proceeds and distributes the remainder to Enumclaw, County and State sources. Like Maple Valley, Fairwood is assumed to contract with another municipal court to provide court services. Maple Valley's distribution framework and per capita revenue for public safety fines and forfeits are assumed to be the same per capita for Fairwood. Fairwood is estimated to receive \$209,000 in revenues from the Public Safety department beginning in 2010.

E. Public Works licenses and fees. Cities have the authority to recover the costs of servicing and maintaining local infrastructure in some cases. Maple Valley's public works department imposes fees for inspections, traffic concurrency fees, and receives intergovernmental grants for waste reduction. Based on Maple Valley's per capita public works revenues, Fairwood is estimated to receive \$157,378 in 2010.

F. Licenses and Service Charges, Including Special Business Licenses: Licenses and service charges include pet license sales and service charges for the sales of maps and publications as well as passport filling fees. Cities and counties also have the authority to charge business license fees. King County has business license fees. Cities and counties have different policies regarding business license fees. King County only charges fees to business that it has enforcement authority, and the rates vary by types of business to reflect the extent of enforcement. Maple Valley requires a license for the following business activities: amusement device establishments, amusement establishments, billiard or pool places, public dances, secondhand dealers, certain charitable solicitors, outdoor musical entertainment, and limited special uses of City property or rights-of-way. Maple Valley and King County both charge similar license fees of \$100 per year with a \$20 fee added for each additional licensed activity per establishment. We assume that the Fairwood would impose similar business license fees as well as fees for the services mentioned earlier. Based on Maple Valley fees rates for licenses and service charges, Fairwood would collect nearly \$66,000 in 2010.

G. Business & Occupation Local Taxes: Cities have the authority to charge Business and Occupation (B&O) taxes, but counties do not. Business and occupation (B&O) taxes are calculated on the gross income of the business or occupation. Local B&O taxes are separate from and different than the B&O tax collected by the State of Washington. The local B&O tax rate cannot

exceed 0.2% unless the voters specifically approve higher rates. Neither Maple Valley nor our draft Fairwood model has a B&O tax.

Rates of Other Taxes and Fees

Exhibit 14 compares rates for specific taxes and fees for unincorporated King County that currently affect Fairwood and assumed tax rates if Fairwood was to incorporate. Incorporated tax rates are based on Maple Valley tax rates and fees.

**Exhibit 14.
Comparison of Other Taxes and Fees for Unincorporated versus
Incorporated Fairwood**

Information Item	Unincorporated Fairwood	City of Fairwood
A. Gambling Tax • <i>percent of gross revenue</i>	2 - 11%	2 – 10%
B. Franchise Fee: Cable TV • <i>percent of gross revenue</i>	5%	5%
C. Development Fees • <i>for review of applications</i>	Varies by development	Varies by development
D. Public Safety fines and forfeits • <i>for law violations</i>	Varies by infraction	Varies by infraction
E. Public Works licenses and fees • <i>for review and permits</i>	Varies by activity	Varies by activity
F. Business License • <i>cost per establishment</i>	\$100+\$20 for additional licensed activity	\$100+\$20 for additional licensed activity
G. Business and Occupation Local Tax • <i>percent of gross revenue</i>	not authorized	0.0%

Exhibit 15 below shows total estimated municipal revenues from 2010 to 2015 derived from the “other general fund” sources A - G listed above.

Exhibit 15.
City of Fairwood Estimated Other Tax Revenues, 2010-2015

Year	2010	2011	2012	2013	2014	2015
Gambling taxes	\$48,124	\$48,979	\$49,849	\$50,735	\$51,637	\$52,556
Franchise fees	\$292,056	\$297,242	\$302,527	\$307,902	\$313,376	\$318,950
Development permits, review, and licenses	\$360,346	\$366,618	\$373,648	\$379,928	\$386,967	\$394,011
Public safety fines and forfeits	\$209,337	\$213,054	\$216,843	\$220,695	\$224,618	\$228,614
Public works licenses, fees	\$157,378	\$160,142	\$163,113	\$165,925	\$168,943	\$171,987
Licenses and Service charges	\$65,919	\$67,089	\$68,282	\$69,495	\$70,731	\$71,989

Special Revenue Funds

As mentioned earlier, several sources of local government revenue are restricted in their use. The following revenue sources are used specifically to fund capital improvements and some maintenance expenses for streets, surface water infrastructure, sidewalks and the public right of way. Special revenue funds function like separate “bank accounts,” where public revenues and costs are allocated for specific projects.

Transportation Mitigation or Impact Fees

Cities and counties have the authority to charge transportation mitigation or impact fees. King County has such fees. Mitigation fees and impact fees are set by local governments in compliance with strict rules in state law. Mitigation fees follow the State Environmental Policy Act (SEPA), and impact fees follow the Growth Management Act (GMA). The fees are one-time payments by new development, and they cannot be charged for deficiencies that existed before the development occurred. The rates in the **Exhibit 16** are for single-family houses, but King County also charges the fees to other types of development. King County’s fees are listed as a range of amounts because the County charges different fees in different “Mitigation Payment System” zones in the Fairwood area.

Maple Valley also imposes Transportation Impact Fees on all new development and allocates fee revenues to a “transportation impact fee fund.” Impact fees are assessed based on the number of peak trips added to the City’s transportation network by new development. Impact fees have risen from \$3,552/ peak hour trip in 2005 to \$4,906 in 2007. We assume that Fairwood will also assess impact fees on new development and will charge \$4,884 per new housing unit, which is the weighted average of King County’s

fees collected from the Fairwood area²⁰. Fairwood is estimated to receive \$849,873 in transportation impact fees from 174 new housing units in 2010.

Park Mitigation or Impact Fees

Cities and counties have the authority to charge park mitigation or impact fees. King County does not have such fees. Park mitigation or impact fees are subject to the same laws as transportation fees (above). The Fairwood community is not expected to develop new parks, and it is expected that King County will not transfer ownership of County parks within the incorporation area to the City after incorporation. As a result, mitigation or impact fees for parks would not apply to Fairwood if incorporated.

Fire Mitigation or Impact Fees

Cities have the authority to charge fire impact fees, but fire districts do not. Fire impact fees are subject to the same laws as transportation and park impact fees (above). As described earlier in the study, it is expected that Fairwood will continue to be served by Fire District 40 after incorporation, therefore it would not impose fire impact fees upon incorporation.

Real Estate Excise Tax (REET)

Cities have the authority to charge an excise tax up to 0.5% of the sale price of each real estate transaction. Maple Valley charges real estate excise taxes and allocates these revenues to a “real estate excise tax fund.” REET revenue is required to be used exclusively for capital improvements. Our estimate of REET revenue is based on actual REET collections and related data for the Fairwood study area from King County. Based on the King County data we determined the average turnover of residential property in Fairwood is 9% per year (i.e., houses re-sell once every 11 years). The County’s data indicates 341 sales in 2007 and 156 in 2008. Fairwood will receive over \$1.3 million in REET revenue per year beginning in 2010.

Surface Water Management (SWM) Fees

Counties and cities have the authority to charge surface water management (SWM) fees to fund operations and capital improvements for surface water management facilities and programs. King County charges a SWM fee to every property owner with either a house on a residential parcel or impervious surface on commercial parcels. King County charges \$111 for residences. Fairwood is expected to also charge SWM fees. Using King

²⁰ The actual impact fee amount will depend on the list of street and road capital improvements that are identified by the City of Fairwood as needed to serve growth, and adopted by Fairwood in the capital facilities element of its comprehensive plan.

County's \$111 charge per housing unit, Fairwood is expected to receive approximately \$1.1 million in SWM fees in 2010.

Motor Vehicle Fuel Tax (Gas Taxes)

Gas taxes are distributed to all cities in Washington State on a per capita basis and are required to be used for ongoing street maintenance. Maple Valley's allocates all gas taxes to a "street fund" which is part of their capital project funds. Fairwood is assumed to also allocate gas tax revenues to a "street fund." Fairwood is expected to collect approximately \$23.17 gas tax revenue per capita in 2010 amounting to nearly \$611,000 available for street maintenance.

Federal, State and County Grants.

Cities are eligible to compete for federal, state and county grants for a variety of capital projects and some program costs. The City of Maple Valley has been successful in the past in winning grant funding for capital projects. In 2006, Maple Valley obtained \$3.8 million in grant funding and \$4.2 million in 2007.

It is assumed that as Fairwood matures and develops the necessary plans to qualify for grants, it will win some federal, state and county grants. For the purpose of this analysis, we assume that it will take three years for Fairwood to compete for and win grants; therefore we assume grant revenue will begin in 2012. Based on Maple Valley's experience, we estimate grant revenues of approximately \$20,000 annually (\$0.79 per capita) for surface water management and nearly \$30 per capita in transportation grant funding beginning in 2012.

Exhibit 16 compares rates for fees and taxes for special revenue funds for unincorporated King County that currently affect Fairwood and the rates assumed if Fairwood incorporates.

Exhibit 16.
Comparison of Special Revenue Fund Rates and Fees for
Unincorporated versus Incorporated Fairwood

Information Item	Unincorporated Fairwood	City of Fairwood
Transportation Mitigation or Impact Fees • <i>per single family house</i>	\$4,884 ²¹	\$4,884
Park Mitigation or Impact Fees • <i>per single family house</i>	Not reported	Not applicable
Fire Mitigation or Impact Fees • <i>per single family house</i>	Not applicable	Not applicable
Real Estate Excise Tax • <i>percent of sale price</i>	0.5%	0.5%
Stormwater Management Fee • <i>per housing unit</i>	\$111	\$111
Gas Taxes • <i>per gallon of gas</i>	\$0.375	\$0.375

Exhibit 17 below shows total estimated revenues from the sources listed above that Fairwood would collect 2010 to 2015.

Exhibit 17.
City of Fairwood Estimated Special Revenue Fund Revenues, 2010-2015

Year	2010	2011	2012	2013	2014	2015
Transportation Impact Fee	\$849,873	\$864,526	\$879,179	\$893,832	\$913,369	\$928,022
Real Estate Excise Tax	\$1,302,760	\$1,325,423	\$1,348,380	\$1,371,676	\$1,396,793	\$1,420,723
Surface Water Mgmnt Fee	\$1,140,621	\$1,160,878	\$1,181,481	\$1,202,427	\$1,223,828	\$1,245,575
Gas Tax	\$610,547	\$621,389	\$632,438	\$643,674	\$655,117	\$666,770
Capital Project Grants	\$0	\$0	\$819,030	\$833,580	\$848,400	\$863,490

²¹ This is the weighted average of fees collected from the Fairwood area by King County. The actual fees range from \$1,812 to \$6,406 per new housing unit among the County's impact fee zones in Fairwood.

Capacity to Generate Revenue

The revenue estimates in this study follow as much as possible the revenue sources and rates of the comparable city, Maple Valley. As noted above, specific adjustments were made for Fairwood's property tax base, sales tax activity, and other relevant factors. We also omitted Maple Valley revenues that Fairwood cannot collect (i.e., the City-County Assistance Account).

It should be noted that cities have the capacity to generate revenues based on alternative approaches that can be adopted by a City Council. The following are some examples of ways that Fairwood could generate alternative, or additional revenue.

- Cities that annex to fire districts can “bank” the unused property tax capacity of the fire district.
- Cities can increase one source of revenue, such as utility taxes, and offset the increase with a reduction in property taxes. Thus the net tax burden is revenue neutral, and the city can “bank” the unused property tax capacity.
- Cities can charge business and occupation taxes.
- Cities can borrow money. Voter-approved debt usually authorizes additional taxes to repay the debt. Council-approved debt usually pledges one or more existing sources of revenue to repay that debt.

5. COSTS (“EXPENDITURES”) FOR FAIRWOOD

Urban municipalities typically provide several basic services, including police, streets, and stormwater. Many cities also provide parks and recreational programs. Other core services may be provided by cities, or may be provided by separate districts. These include water, sewer, and fire protection.

Section 2 of this study includes a discussion of “core” and “discretionary” services, and our assumptions regarding who will be responsible for each public service. In summary, we assume that in Fairwood, the following services would be provided by the same jurisdictions that provide services to the community at present: fire, EMS, water, sewer and schools. The County has no publicly owned and managed parks that would transfer to City operations. The following services would be managed by a new City of Fairwood and are discussed in this section:

- Public Safety
- Public Works (streets and surface water management)
- Community Development
- Administration & Finance

Another aspect of analyzing local government costs noted in Section 2 is the use of “funds” (like separate bank accounts) for various government activities. In our analysis of Fairwood, the “General Fund” pays for all costs except surface water management operations and capital, and the capital costs of streets (both major capital, and resurfacing). Streets and stormwater management funds are presented as “Special Revenue Funds.”

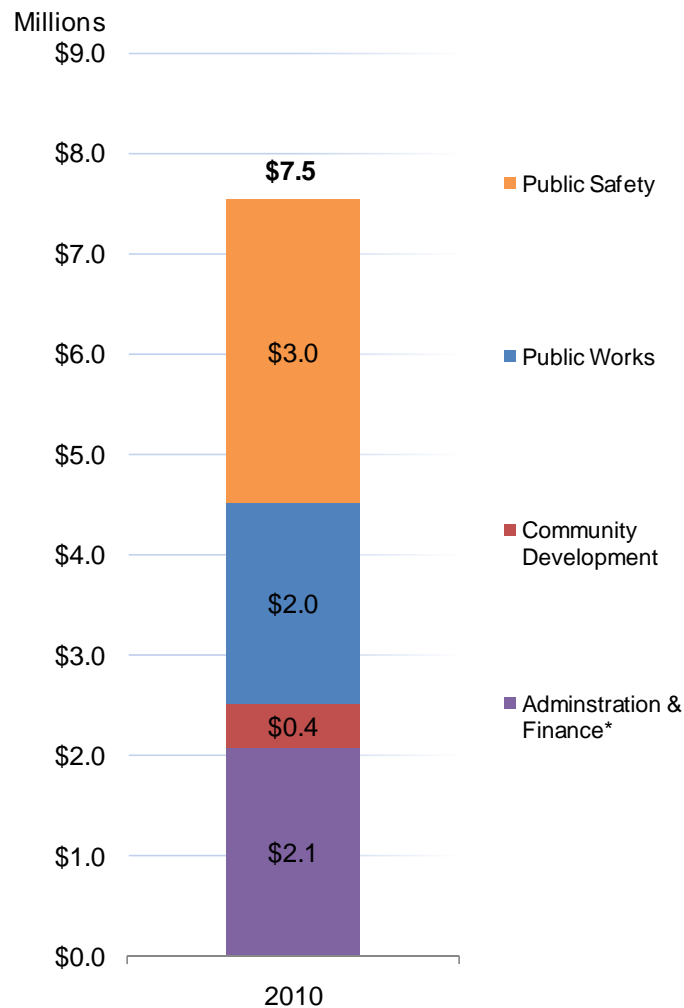
General Fund

The basis for our estimates of cost in the General Fund is Maple Valley’s cost per capita applied to the population of Fairwood.²² The cost per capita covers salaries, benefits, supplies, equipment, vehicles and facilities for all employees. **Exhibit 18** provides the anticipated 2010 general fund expenditures for Fairwood if incorporated. Total general fund expenditures are estimated at \$7.5 million in 2010. **Exhibit 19** shows estimated general

²² As noted in the description of the methodology of the study in Section 2, a few costs are not based on Maple Valley’s per capita costs. There are no park costs or human service costs for Fairwood because these are discretionary. The cost of the City Council is the same total dollar amount for Maple Valley and Fairwood because City Council costs do not vary with population. Street maintenance costs are based on King County’s Pavement Condition Index of streets. Community development costs are based on cost per capita of new population. Surface water costs are based on Newcastle.

fund expenditures for the City of Fairwood from 2010 to 2015. Following **Exhibit 19** is an explanation of the expenditures for each function.

Exhibit 18.
Estimated City of Fairwood General Fund Expenditures, 2010



*Administration & Finance includes city council, city manager, city attorney, city clerk and finance functions.

Exhibit 19.
City of Fairwood Estimated Total General Fund Expenditures, 2010-2015

Year	2010	2011	2012	2013	2014	2015
General Fund Expenditures	\$7,537,076	\$7,651,565	\$7,769,074	\$7,887,441	\$8,008,827	\$8,132,266

Public Safety

The most costly public expense in our forecast is for the provision of public safety. At approximately \$3 million in 2010, the cost of providing these services represent 40 percent of the total general fund operating costs for the city. Of this \$3 million, we project that \$2.8 million would go towards providing police services, \$98,000 would go to adult detention, and about \$160,000 would go to providing court service. **Exhibit 20** below shows anticipated public safety costs for the City of Fairwood from 2010 to 2015.

Each of the costs projected for public safety is based on the per capita costs and levels of service in the City of Maple Valley: \$104.92 per capita for police, \$3.74 per capita for adult supervision, and \$6.01 for courts (\$114.67 per capita for all public safety costs)²³. We multiply these costs per capita times Fairwood's population to estimate Fairwood's cost of public safety.

King County Sheriff's department provides Maple Valley with a police chief, a detective, and two or three patrol officers at all times. The City provides a civilian administrative assistant. Special operations are available as needed, including helicopter support, K-9 patrol and others. Future costs for Fairwood may increase due to the guild settlement with the King County Sheriff's Office.

Exhibit 20.
City of Fairwood Estimated Public Safety Expenditures, 2010-2015

Year	2010	2011	2012	2013	2014	2015
Public Safety	\$3,022,315	\$3,075,982	\$3,130,681	\$3,186,297	\$3,242,945	\$3,300,626

Public Works

The second most costly service in our forecast of expenses is for public works. The total cost is nearly \$2 million per year beginning in 2010. The costs are presented in two parts: **Exhibit 21** shows general public works costs and a summary of street maintenance costs (details of street maintenance are provided in **Exhibit 22**). General public works includes reviewing all proposed development plans, managing the right-of-way permit process, maintaining the City's mapping system, providing inspection services, managing hazardous waste recycling events, the "Adopt-a-Road" program and the lake management program as well as administration of the public works department.

²³ Cost per capita is a general measure of service for public safety. Actual costs will depend on service needs, demographics, crime rates and other variables.

Maple Valley's public works maintenance of their city parks is excluded from our analysis because of the assumption described earlier that parks are a discretionary service and Fairwood would not receive any King County parks upon incorporation.

Exhibit 21.

City of Fairwood Estimated Public Works Expenditures, 2010-2015

Year	2010	2011	2012	2013	2014	2015
P.W. General	\$1,003,863	\$1,021,689	\$1,039,857	\$1,058,330	\$1,077,146	\$1,096,305
P.W. Streets	\$987,153	\$987,153	\$987,153	\$987,153	\$987,153	\$987,153
P.W. Total	\$1,991,016	\$2,008,842	\$2,027,010	\$2,045,483	\$2,064,299	\$2,083,458

If Fairwood were to choose to incorporate, the responsibility for maintenance, and operation in public rights of way would become the responsibility of the new city. This includes the maintenance of local streets and stormwater management facilities. Expenses the city would incur for street and storm water maintenance were estimated specifically for the Fairwood area using data provided by the King County Road Services Division rather than relying on costs experienced in the City of Maple Valley. The cost each year in **Exhibit 22** below is the actual amount spent by King County on Fairwood street maintenance in 2007-08.

Exhibit 22.

City of Fairwood Estimated Public Works Street Maintenance Expenditures, 2010-2015

Project	2010	2011	2012	2013	2014	2015
General Maintenance	\$834,119	\$834,119	\$834,119	\$834,119	\$834,119	\$834,119
Major Maintenance	\$57,648	\$57,648	\$57,648	\$57,648	\$57,648	\$57,648
Traffic Maintenance	\$95,386	\$95,386	\$95,386	\$95,386	\$95,386	\$95,386
Total Street Expenses	\$987,153	\$987,153	\$987,153	\$987,153	\$987,153	\$987,153

Street maintenance costs fall into three categories: general maintenance, major maintenance and traffic management. General maintenance accounts for 85 percent of street maintenance expenses including road repaving and patching, street sweeping, drainage systems maintenance (excluding surface water maintenance charged to the surface water fund), snow and ice control, and other street repairs and maintenance. Major maintenance accounts for approximately 5 percent of total street maintenance expenditures and includes box culverts/catch basins and drainage tile installation, and other more significant street repairs. Traffic maintenance accounts for nearly 10 percent of street fund expenditures. Traffic maintenance includes traffic signs and signals, street striping, streetlights repairs, maintenance, replacement.

Maple Valley considers street maintenance as a public works cost. Street maintenance is included as public works expenditures in this analysis, consistent with the comparable city approach. It should be noted that street maintenance costs could be allocated to special revenue funds (i.e., “street fund”) depending on the budget structure desired by each cities. Special revenue fund costs associated with street and storm water management are explored later on in this report.

Community Development

Community development services include planning and zoning activities that regulate the use of the land. **Exhibit 23** below shows that community development activities for Fairwood are estimated to cost approximately \$445,000 in 2010, which represents approximately six percent of the total general fund costs for the city. Costs incurred by the community development department are associated with the development permitting, review and licensing process, land use planning and regulation, and building inspection.

Exhibit 23.
City of Fairwood Estimated Community Development Expenditures,
2010-2015

Year	2010	2011	2012	2013	2014	2015
Comm.	\$444,491	\$452,221	\$460,918	\$468,648	\$477,345	\$486,041
Dev.						

To estimate Fairwood’s community development costs, Maple Valley community development costs are dividing by net new development, and then are applied to Fairwood’s anticipated growth rates.²⁴ As noted in the previous discussion of the fee revenue for development, our estimates for Fairwood follow Maple Valley (which does not employ a full cost recovery model to recoup the costs of permit processing and development review). Local governments have the authority to impose fees for permits, licensing, building inspection and plan review to cover the full cost of providing those services. At some point in time after incorporation, a new City of Fairwood must draft a comprehensive plan, which requires a substantial one-time cost not captured in this analysis. However, new cities can adopt the King County comprehensive plan as an interim legal precaution and to guide development decisions until they adopt their own plan.

²⁴ Added costs of litigation associated with the “Donut Hole” in Maple Valley are not included in estimates of community development or any other departmental costs applied to Fairwood.

Government Administration

The petition to incorporate Fairwood specifies the City will be a Council/City Manager government. Under such a governing structure, the city would have a seven-member Council elected by voters living within the boundaries of the city. The Mayor would be elected by the Council as directed under 35A.13.030 RCW. Upon election, the Mayor would preside over meetings of the Council, and serve as the ceremonial leader of the city.

In the Council/City Manager form of government it is assumed that the City Council hires the City Manager, and the City Manager, hires, supervises, and the dismisses all other staff. The other administrative functions of Fairwood's city government include the City Attorney, City Clerk, finance department, and human resources. **Exhibit 24** shows that administrative costs are estimated at \$2 million, representing 28 percent of citywide general fund operating costs.

Exhibit 24.

City of Fairwood Estimated Administrative Expenditures, 2010-2015

Year	2010	2011	2012	2013	2014	2015
City Admin	\$2,079,254	\$2,114,520	\$2,150,465	\$2,187,012	\$2,224,238	\$2,262,142

Of the two million dollars for administrative costs estimated in 2010, approximately four percent is allocated to city council (\$93,181), 27 percent to the City Manager's office (\$562,190), 14 percent to the City Attorney's office (\$288,138), 29 percent to the City Clerk's office (\$611,002) and 25 percent to the finance department (\$524,743).

Two adjustments were made to the estimate of administrative costs for Fairwood. First, City Council expenses are held at a 2007 constant rate of \$93,181 per year because the size and cost of council services does not vary due to population. Second, liquor tax expenses appear in the human services budget in Maple Valley (which is considered a discretionary function in Fairwood). There is a portion of this revenue that Fairwood would be required to remit to the County, so we assigned that cost to the City Manager costs for Fairwood.

Special Revenue Funds

We have created a simplified structure of Maple Valley's special revenue funds in order to make our analysis easier to follow. In the real world of local government there may be several special revenue funds in order to track specific revenues with specific limitations. One of the two special revenue funds in our analysis is for surface water management and the other is for streets (transportation). The estimated cost of each fund is presented below

as well as key assumptions about operating costs and capital improvement projects in Fairwood.

Surface Water Management Fund

The basis for our estimates of cost in the Surface Water Management (SWM) Fund is the City of Newcastle's surface water program costs divided by the total acreage of the City, then multiplying Newcastle's cost per acre times the number of acres in Fairwood²⁵. King County indicated that a better comparable city for surface water costs is Newcastle, rather than Maple Valley. **Exhibit 25** shows SWM fund projects and operating and maintenance costs for Fairwood from 2010 to 2015.

Exhibit 25.
City of Fairwood Estimated Surface Water Management (SWM) Fund
Expenditures and Projects, 2010-2015

Year	2010	2011	2012	2013	2014	2015
SWM	\$306,066	\$306,066	\$306,066	\$306,066	\$306,066	\$306,066

Street Fund

In addition to the day-to-day costs of operation and maintenance of the streets, cities must also provide for long-term investments in street infrastructure, such as expanding the street system and overlaying the streets to extend their useful life. These costs are listed in the Street Fund.

The basis for our street fund cost estimates begins with King County's Transportation Needs Report (TNR) and King County's pavement condition analysis.

King County's TNR lists 12 projects for the Fairwood area totaling \$31 million. We assume that the two "high priority" projects will be built by the City of Fairwood in its first 6 year Capital Improvement Program. These projects are a traffic signal at Petrovitsky and 162nd Pl SE (\$800,000) and road reconstruction of Petrovitsky from 124th Ave SE (\$2,302,000). Amortizing these projects over the 6 years would cost an average of \$517,000 per year shown in **Exhibit 26**. We selected these two projects because of their high priority designation, not whether King County has scheduled the projects for construction.

²⁵ Acres used in the calculation of surface water management costs are gross acres, which includes road right of ways and all other public and private acreage in the City of New Castle and the Fairwood Incorporation Area.

King County's pavement condition analysis identifies 57 miles of streets that need resurfacing in Fairwood. At a cost of \$250,000 per mile, the total cost would be \$14,250,000. We assume that the City of Fairwood would resurface 5% of its streets every year, for an annual average cost of \$712,500.

Exhibit 26 below shows the combined cost of the two priority projects and the resurfacing program totals \$1,229,500 in annual expenditures for the Street Fund for the first six years of incorporation. It is possible that some of the projects in King County's TNR list would involve cost sharing with adjoining jurisdictions, thus reducing the burden on Fairwood.

**Exhibit 26.
City of Fairwood Estimated Street Fund Projects and Resurfacing,
2010-2015**

Location	Project Type	County		TNR 2008 Priority	Cost
		Project #			
Petrovitsky & 162 nd Pl SE	Traffic Signal	SW-64	High		\$800,000
Petrovitsky Rd from 124 th Ave Road SE to 143 rd Ave SE	Reconstruction	RC-3	High		\$2,302,000
Annual Capital Project Expenditures (over six year period of CIP)					\$517,000
Fairwood Resurfacing Costs (57 Lane Miles) @ \$250,000 + Overlay Preparation					\$14,250,000
Annual Resurfacing Expenditures @ 5% total roads each year					\$712,500
Annual Capital Project Fund Expenditures (over six year period of CIP)					\$1,229,500

6. FINANCIAL FEASIBILITY FOR FAIRWOOD

Does incorporation of Fairwood appear to be financially feasible?

The purpose of our financial analysis is to provide the reader with facts, assumptions and estimates of future revenues and costs for an incorporated City of Fairwood. The reader can conclude from this information whether or not an incorporated Fairwood is financially feasible. In general, if revenues exceed costs, incorporation is financially feasible, and there may be opportunities for increased services and/or reduced taxes. Conversely, if revenues are less than costs, incorporation may not be financially feasible unless services are reduced and/or revenues are increased.

General Fund

Exhibit 27 and 28 below show that General Fund revenues are estimated to exceed expenses by \$1.09 million in 2010, and by \$1.28 million by 2015.

Exhibit 27.

City of Fairwood General Fund Summary, 2010

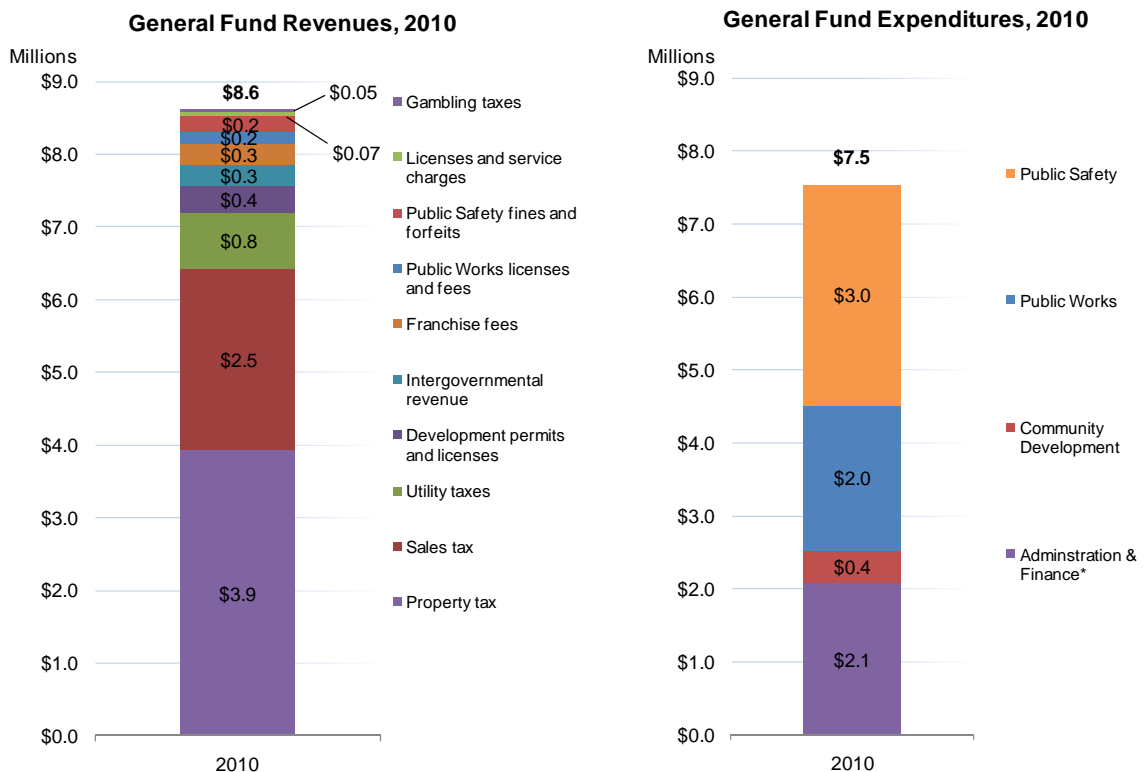


Exhibit 28.**City of Fairwood Estimated Total General Fund Expenditures, 2010-2015**

Year	2010	2011	2012	2013	2014	2015
General Fund Revenues	\$8,626,970	\$8,778,956	\$8,933,499	\$9,090,339	\$9,251,897	\$9,415,036
General Fund Expenditures	\$7,537,076	\$7,651,565	\$7,769,074	\$7,887,441	\$8,008,827	\$8,132,266
Net Annual Change in General Fund Balance	\$1,089,894	\$1,127,391	\$1,164,425	\$1,202,899	\$1,243,070	\$1,282,770

Exhibit 29 itemizes general fund revenues and expenditures from 2010 to 2015. The increases are due to growth in population and development; no inflation is included in our analysis.

The largest General Fund revenues are property taxes (\$3.9 million, 46% of total general fund revenues), sales taxes (\$2.5 million, 30% general fund revenues), and utility taxes (\$770,000, 9% of total revenues).

The largest General Fund expenditures incurred by the City of Fairwood in 2010 will be in public safety (\$3.0 million, 40% of total general fund costs), public works (\$2.0 million, 26% general fund costs), administration and finance (\$2.0 million, 27% general fund costs), and community development (\$445,000, 6% general fund cost). Administration and finance includes cost centers such as the City Council, City Manager, City Attorney and City Clerk, as well as the Finance department.

Exhibit 29.
Fairwood Estimated General Fund Revenues and Expenditures,
2010 – 2015

	% of Fund						
	2010	2010	2011	2012	2013	2014	2015
REVENUES							
Regular Property Tax - Current	45.6%	\$ 3,930,409	\$ 3,998,929	\$ 4,068,529	\$ 4,139,369	\$ 4,211,649	\$ 4,285,169
Sales Tax	28.9%	\$ 2,494,678	\$ 2,539,202	\$ 2,583,663	\$ 2,629,580	\$ 2,677,233	\$ 2,724,624
Utility Taxes	8.9%	\$ 769,601	\$ 783,267	\$ 797,195	\$ 811,357	\$ 825,782	\$ 840,470
Gambling Taxes	0.6%	\$ 48,124	\$ 48,979	\$ 49,849	\$ 50,735	\$ 51,637	\$ 52,556
Franchise Fees	3.4%	\$ 292,056	\$ 297,242	\$ 302,527	\$ 307,902	\$ 313,376	\$ 318,950
Intergovernmental Revenue	3.5%	\$ 299,123	\$ 304,435	\$ 309,849	\$ 315,353	\$ 320,960	\$ 326,668
Licenses and Service Charges	0.8%	\$ 65,919	\$ 67,089	\$ 68,282	\$ 69,495	\$ 70,731	\$ 71,989
Community Development Permits, Review, and Licenses	4.2%	\$ 360,346	\$ 366,618	\$ 373,648	\$ 379,928	\$ 386,967	\$ 394,011
Public Safety Fines and Forfeits	2.4%	\$ 209,337	\$ 213,054	\$ 216,843	\$ 220,695	\$ 224,618	\$ 228,614
Public Works Licenses and Fees	1.8%	\$ 157,378	\$ 160,142	\$ 163,113	\$ 165,925	\$ 168,943	\$ 171,987
REVENUES	100%	\$ 8,626,970	\$ 8,778,956	\$ 8,933,499	\$ 9,090,339	\$ 9,251,897	\$ 9,415,036
EXPENDITURES							
City Council	1.2%	\$ 93,181	\$ 93,181	\$ 93,181	\$ 93,181	\$ 93,181	\$ 93,181
City Manager	7.5%	\$ 562,190	\$ 572,173	\$ 582,347	\$ 592,693	\$ 603,230	\$ 613,959
City Attorney	3.8%	\$ 288,138	\$ 293,254	\$ 298,469	\$ 303,771	\$ 309,172	\$ 314,671
City Clerk	8.1%	\$ 611,002	\$ 621,851	\$ 632,910	\$ 644,153	\$ 655,605	\$ 667,266
Community Development	5.9%	\$ 444,491	\$ 452,221	\$ 460,918	\$ 468,648	\$ 477,345	\$ 486,041
Finance	7.0%	\$ 524,743	\$ 534,061	\$ 543,558	\$ 553,214	\$ 563,049	\$ 573,064
Human Services	0.0%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Parks & Recreation	0.0%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public Safety	40.1%	\$ 3,022,315	\$ 3,075,982	\$ 3,130,681	\$ 3,186,297	\$ 3,242,945	\$ 3,300,626
Public Works	26.4%	\$ 1,991,016	\$ 2,008,842	\$ 2,027,010	\$ 2,045,483	\$ 2,064,299	\$ 2,083,458
EXPENDITURES	100%	\$ 7,537,076	\$ 7,651,565	\$ 7,769,074	\$ 7,887,441	\$ 8,008,827	\$ 8,132,266
NET ANNUAL CHANGE IN GENERAL FUND BALANCE							
		\$ 1,089,894	\$ 1,127,391	\$ 1,164,425	\$ 1,202,899	\$ 1,243,070	\$ 1,282,770

Surface Water Management Fund

Exhibit 30 shows anticipated revenues and costs for the Fairwood surface water management fund in 2010, and **Exhibit 31** provides the anticipated revenues and expenditures from 2010 to 2015.

Exhibit 30.
Fairwood Surface Water Management Fund Estimated Revenues and Expenditures, 2010 – 2015

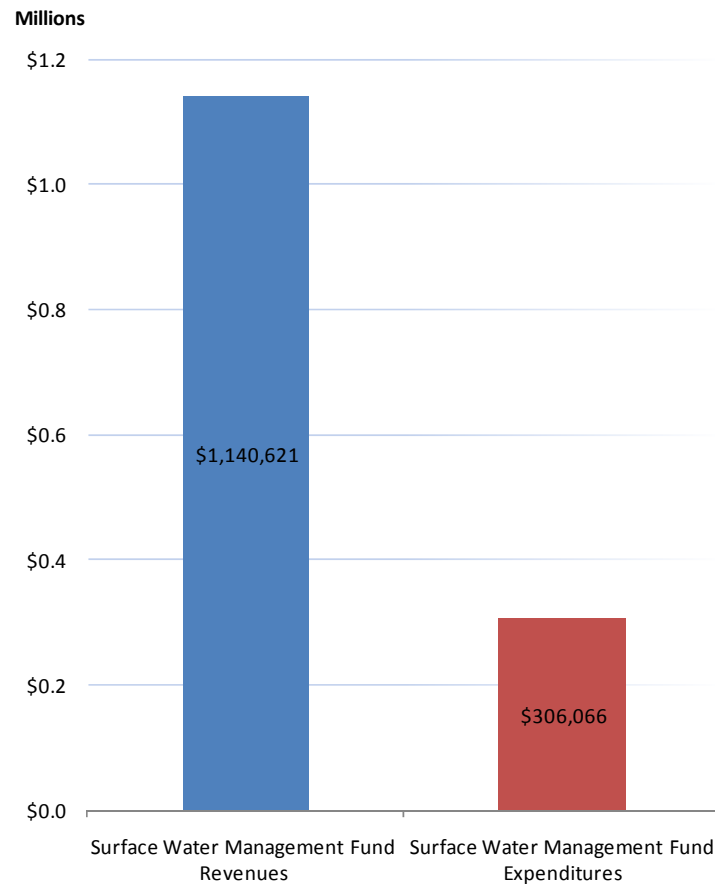


Exhibit 31.
City of Fairwood Estimated Surface Water Management Revenues and Expenditures, 2010-2015

Year	2010	2011	2012	2013	2014	2015
Revenues	\$1,140,621	\$1,160,878	\$1,181,481	\$1,202,427	\$1,223,828	\$1,245,575
Expenditures	\$306,066	\$306,066	\$306,066	\$306,066	\$306,066	\$306,066
Net Annual Change in Fund Balance	\$834,555	\$854,812	\$875,415	\$896,361	\$917,763	\$939,509

Street Fund

Exhibit 32 below shows revenues and expenditures for street infrastructure investments in 2010. **Exhibit 33** provides a projection of these revenues and costs from 2010 to 2015.

The largest revenue source for the street fund is the real estate excise tax, which accounts for 47 percent of revenue available for the street fund. REET revenues are anticipated to increase from \$1.3 million in 2010 to \$1.4 million as more property is developed and eventually sold.

Gasoline taxes account for 22 percent of street fund revenue. Revenues are anticipated to increase from approximately \$611,000 in 2010 to \$667,000 in 2015.

The transportation impact fees account for 31 percent of street fund revenues available in 2010. Transportation impact fees are driven by new development and are anticipated to increase as from \$850,000 in 2010 to \$928,000 in 2015.

State and federal grant funding dollars are anticipated to begin in 2012, providing \$819,000 in 2012 (\$30 per capita) and increasing to \$864,000 by 2015.

The street fund is estimated to cost an average of \$1.2 million per year in capital expenditures on high priority street improvement projects and re-surfacing in Fairwood for the first six years after incorporation. The street fund is estimated to account for 13.6 percent of total municipal costs.

Street maintenance costs for Fairwood are included in the general fund rather than the street fund. City's can choose to charge street maintenance to street funds. If Fairwood moved its street maintenance costs to the street fund, it would reduce the costs in the general fund and increase costs by the same amount in the street fund.

Exhibit 32.
Fairwood Street Fund Revenues and Expenditures, 2010 – 2015

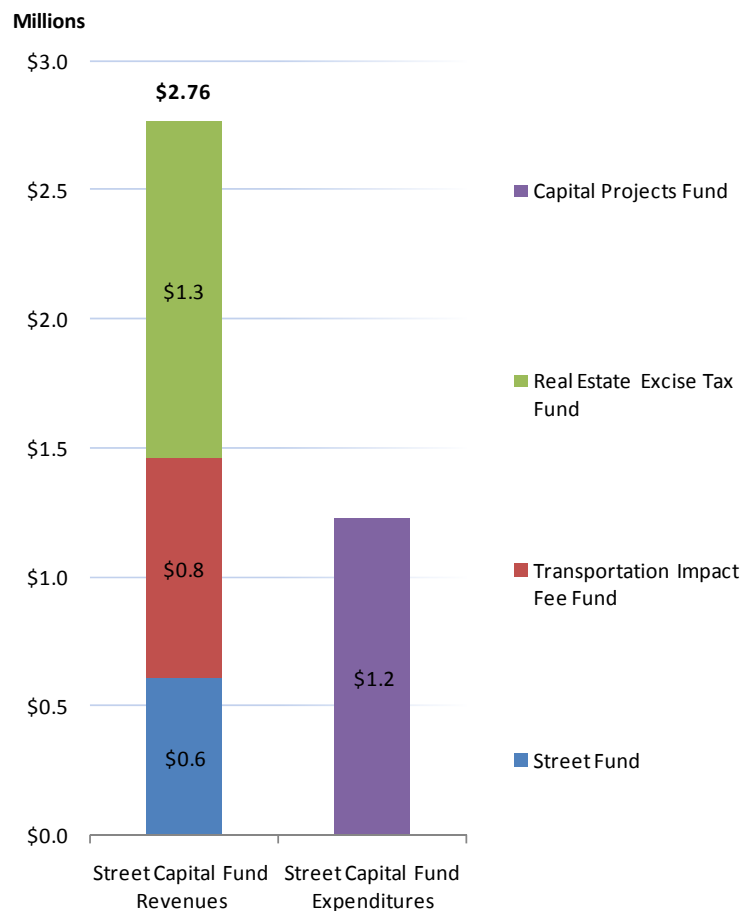


Exhibit 33.
City of Fairwood Estimated Street Fund Revenues and Expenditures, 2010 – 2015

	% of Fund 2010	2010	2011	2012	2013	2014	2015
REVENUES							
Street Fund (Gas Tax)	22.1%	\$610,547	\$621,389	\$632,438	\$643,674	\$655,117	\$666,770
Transportation Impact Fees	30.8%	\$849,873	\$864,526	\$879,179	\$893,832	\$913,369	\$928,022
Real Estate Excise Taxes	47.1%	\$1,302,760	\$1,325,423	\$1,348,380	\$1,371,676	\$1,396,793	\$1,420,723
Capital Projects Grants	0.0%	\$0	\$0	\$819,030	\$833,580	\$848,400	\$863,490
Street Fund Revenues	100%	\$2,763,180	\$2,811,337	\$3,679,027	\$3,742,762	\$3,813,679	\$3,879,004
EXPENDITURES							
Street Capital Costs	100%	\$1,229,500	\$1,229,500	\$1,229,500	\$1,229,500	\$1,229,500	\$1,229,500
Street Fund Expenditures	100%	\$1,229,500	\$1,229,500	\$1,229,500	\$1,229,500	\$1,229,500	\$1,229,500
NET ANNUAL CHANGE IN STREET FUND BALANCE		\$1,533,680	\$1,581,837	\$2,449,527	\$2,513,262	\$2,584,179	\$2,649,504

7. OTHER FACTORS TO BE CONSIDERED

Washington law lists factors that must be considered by the Boundary Review Board when it prepares to make its recommendation regarding a proposed annexation and objectives that the Boundary Review Board must attempt to achieve. This section of the study lists the factors from the law, provides a brief summary of information that pertains to each factor, and lists the objectives from the law.

FACTORS

Washington law (RCW 36.93.170) lists factors that must (“shall”) be considered by the Boundary Review Board when it prepares to make its recommendation regarding a proposed annexation:

“In reaching a decision on a proposal or an alternative, the board shall consider the factors affecting such proposal, which shall include, but not be limited to the following:

- “(1) Population and territory; population density;
- land area and land uses;
- “comprehensive plans and zoning, as adopted under chapter 35.63, 35A.63, or 36.70 RCW; comprehensive plans and development regulations adopted under chapter 36.70A RCW;
- “applicable service agreements entered into under chapter 36.115 or 39.34 RCW;
- “applicable interlocal annexation agreements between a county and its cities;
- “per capita assessed valuation;
- “topography, natural boundaries and drainage basins, proximity to other populated areas;
- “the existence and preservation of prime agricultural soils and productive agricultural uses;
- “the likelihood of significant growth in the area and in adjacent incorporated and unincorporated areas during the next ten years;
- “location and most desirable future location of community facilities;
- “(2) Municipal services; need for municipal services;
- “effect of ordinances, governmental codes, regulations and resolutions on existing uses;
- “present cost and adequacy of governmental services and controls in area;
- “prospects of governmental services from other sources;
- “probable future needs for such services and controls;
- “probable effect of proposal or alternative on cost and adequacy of services and controls in area and adjacent area;
- “the effect on the finances, debt structure, and contractual obligations and rights of all affected governmental units; and

- “(3) The effect of the proposal or alternative on adjacent areas, on mutual economic and social interests, and on the local governmental structure of the county. ...”

The remainder of this section of the study lists the factors from the law and provides a brief summary of information that pertains to each factor.

Population, density and territory

Exhibit 34 presents a demographic profile for the Fairwood Incorporation area. The estimated 2007 population for the Fairwood Incorporation Area is 25,013 people, with a population density of just over 4,000 people per square mile or 6.2 persons per acre. Employment in the Fairwood area was 2,178 in 2007. The total land area of the Fairwood Incorporation area is 4,012 acres or 6.27 square miles.

Exhibit 34. Fairwood Incorporation Area Characteristics

2007 Population	25,013
2007 Population Density (persons/acre)	6.2
2007 Housing Units	9,450
2000 Median Household Income	\$71,127
2007 Total Employment	2,178
Employment to Housing Unit Ratio	0.23
Gross Land Area (acres)	4,012
Number of Parcels	7,311
Density (Floor-to-Area Ratios)	0.11
Vacant Land (acres)*	109
Redevelopable Land (acres)*	301
Total Vacant and Redevelopable (acres)*	410
Vacant and Low-Improvement Value Land (Acres)	1,339
Total 2007 Assessed Value	\$2.3 billion

Source: Community Attributes, OFM, US Census, King County

*Source: King County 2008 Annual Growth Report. Fairwood figures includes land outside of proposed incorporation area, in area recently annexed to Renton

Population and housing unit figures were derived from the 2007 Washington State Office of Financial Management census block group estimates. Median Household Income was derived from the 2000 Census. Vacant land and redevelopable land figures were obtained from Chapter VII of the King County 2008 Annual Growth Report Fairwood Profile. These figures include lands outside of the proposed incorporation area, which were recently annexed to Renton. Total 2007 assessed value as well as areas that are vacant or have a low improvement to land value ratio (an alternative measure to buildable lands) were calculated using King County 2007 Assessor data sets and GIS. For methodology see **Appendix C. Fairwood Baseline and Forecast Methodology**.

It should be noted that the Office of Financial Management does not publish population and housing unit estimates for the Fairwood Area specifically. In order to estimate the population and other demographic statistics, a GIS overlaid OFM census block groups with King County parcel data to measure the percentage of housing units inside incorporation boundaries for each census block. The percent of units in the incorporation area was then multiplied by known statistics for each census block and summed to the Fairwood Area.

Land area and land uses

Fairwood is primarily a residential community. Most single family residences are built at a density of six units per acre.

Commercial uses are clustered at the main crossroads of Petrovitsky Road and 140th Way SE. The commercial area is supported by two major regional grocery chains and a series of local retail and office establishments.

There are several public and quasi-public land uses and facilities in the Fairwood community. The Fairwood Country Club is the area's largest recreational facility and is located just north of the Petrovitsky Road on 140th Way SE. There are no parks in the Fairwood area that would become locally managed if incorporated.

The development and redevelopment capacity of Fairwood's is between 410 and 1,316 acres or between 10% and 33% of total land area.

Exhibit 35 shows a map of existing land uses in the Fairwood Incorporation Area and **Exhibit 36** shows a map of current zoning districts.

Exhibit 35: Fairwood Incorporation Area Land Use

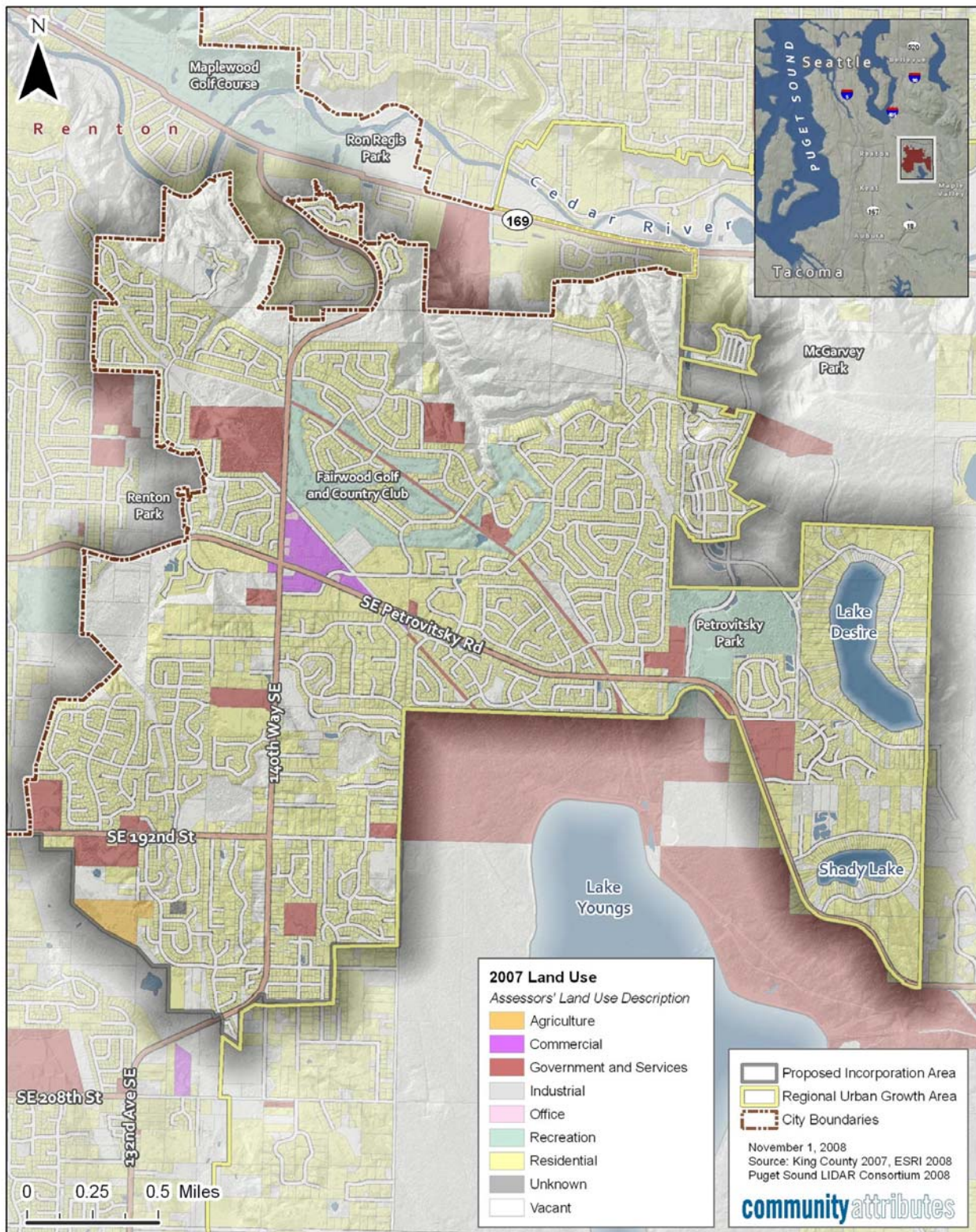
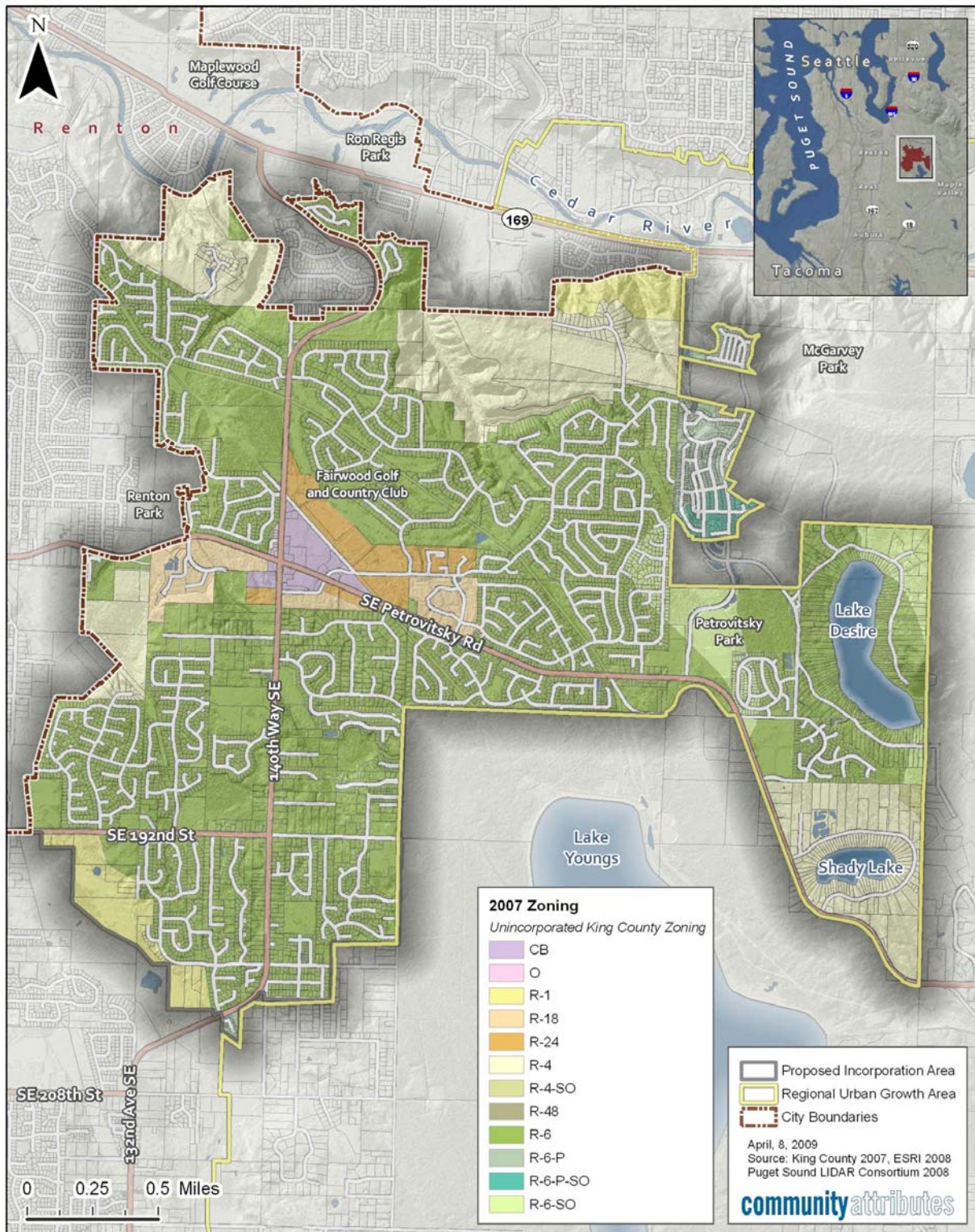


Exhibit 36: Fairwood Incorporation Area Zoning



Comprehensive plans and zoning

King County Countywide Planning Policies and King County Master Plan provide land use planning and policy guidance for unincorporated areas in King County, including the community of Fairwood. King County Zoning Ordinance provides land use regulations for all unincorporated area of the county. Most of the Fairwood Incorporation Area is currently zoned under the R-6 Residential Zone that allows 6 dwelling units per acre. Other zoning districts include the CB-Community Business district that encompasses the Fairwood commercial district at the intersection of Petrovitsky Road and 140th Way SE. The CB zone is surrounded by R-24 residential zones, which allow 24 dwelling units per acre and by a small zoning district for O-Office. Surrounding the R-24 zones are less dense residential zones at 18 dwelling units per acre (R-18 zone). If the Fairwood area were to incorporate, it would adopt a comprehensive plan and development regulations pursuant the Growth Management Act (36.70A RCW). Local comprehensive plans would address elements such as: land use, housing, capital facilities, utilities, transportation, economic development, and parks. The City would implement planning policies through a local zoning code.

As required by the Growth Management Act (GMA) King Countywide Planning Policies establish Urban Growth Areas in consultation with cities, with each city identifying land needed to accommodate 20 year growth. While the Growth Management Act does not explicitly equate Urban Growth Areas with municipal annexation areas, the Urban Growth Areas around cities may be considered potential expansion areas for cities. King County Countywide Policy LU-31 states “In collaboration with adjacent counties and cities and King County, and in consultation with citizens in affected areas, each city shall designate a potential annexation area in the city’s comprehensive plan.” The Fairwood Incorporation Area lies within the City of Renton’s Potential Annexation Area (PAA).

Applicable service agreements entered into under chapter 36.115 or 39.34 RCW

Washington State law “establishes a flexible process by which local governments enter into service agreements that will establish which jurisdictions should provide various local government services and facilities within specified geographic areas and how those services and facilities will be financed.” (RCW 36.115). A service agreement must describe: (a) The governmental service or services addressed by the agreement; (b) the geographic area covered by the agreement; (c) which local government or local governments are to provide each of the governmental services addressed by the agreement within the geographic area covered by the agreement; and (d) the term of the agreement, if any. Each service agreement may also include: A dispute resolution arrangement; establishment and enforcement of joint land-use planning as well as development regulations and standards;

coordination of capital improvement plans, implementation of plans and policies under the service agreement; and transfer of revenue between governments providing and receiving services.

The following are current service agreements that are applicable to the Fairwood area. For each service agreement, the service provider is listed and the implications of incorporation are discussed.

- Public Health: King County Valley Medical Health District. Incorporation would not impact current level of services provided.
- Solid Waste Collection: Waste Management, Kent-Meridian Disposal, and SeaTac Disposal. King County sets the level of service for solid waste collection services in unincorporated areas of the county. The Washington Utilities and Transportation Commission sets the rates for solid waste services. Incorporation would not impact current level of services provided for seven years or the duration of the existing agreement.
- Solid Waste Transfer and Disposal–King County provides transfer and disposal of solid waste, and also provides solid waste management planning and grant funding and technical assistance for waste reduction and recycling. Incorporation would require Fairwood to enter into an agreement with King County for transfer and disposal service.
- Transit: Sound Transit and King County Metro. Incorporation would not impact current level of services provided.
- Water and Sewer: Cedar River Water and Sewer District and Soos Creek Water and Sewer District. It is assumed that the City of Fairwood would continue service with the Cedar River Water and Sewer District and Soos Creek Water and Sewer District. Incorporation would not impact current level of services provided.
- Fire Protection and Emergency Medical Services: Fire District #40 encompasses the majority of the Fairwood incorporation area, and Fire district #37 also provides services to the Fairwood area. The City of Fairwood would likely contract with or annex to Fire Districts to provide fire and emergency services. Incorporation would not impact current level of services provided.
- Library: King County Library System. Fairwood would likely contract with or annex to the King County Library system. The current Fairwood Library is located at 17009 140th Way SE. King County plans to expand the Fairwood Library in 2012. Incorporation would not impact current level of services provided.
- Regional Parks and Recreation: King County. Fairwood would not take over ownership of regional King County parks, including

Petrovitsky Park and the Soos Creek Park. Incorporation would not impact current level of services provided.

Applicable interlocal annexation agreements between a county and its cities

There are no applicable interlocal annexation agreements.

Per capita assessed valuation

Aggregate assessed property value in the Fairwood Area was \$2.3 billion dollars in 2007. The 2007 per capita assessed valuation for the Fairwood area is approximately \$91,600. Per capita assessed valuation is calculated by dividing the total 2007 assessed property value in the Fairwood area by the 2007 population.

Topography, natural boundaries and drainage basins, proximity to other populated areas

The majority of land area within the Fairwood Incorporation Area is general at 500 feet in elevation. In the northern area of Fairwood, elevation ranges from 700 to 200 feet in elevation and are identified erosion hazard areas.

The Fairwood area lies primarily within the Cedar River Lake Washington watershed. The southern portion of the community also lies within the Duwamish-Green River watershed. The soil in Fairwood is of Alderwood Association, which is moderately well drained with dense and very slowly permeable glacial till at a depth of 20 to 40 inches and found in uplands and terraces. The Fairwood Incorporation Area borders the City of Renton (2008 population of 78,780), is nearly adjacent to the City of Kent (pop. 86,980) and 2.5 miles northwest of Maple Valley (population 20,480).

The existence and preservation of prime agricultural soils and productive agricultural uses

There are no known agricultural areas in the Fairwood Incorporation Area.

The likelihood of significant growth in the area and in adjacent incorporated and unincorporated areas during the next ten years

From 2000 to 2007, Fairwood's population increased by approximately 2,900 people (13% increase), an annual average 414 new residents per year. During this same time, the neighboring City of Renton grew by 10,238 people (20% increase).

Using a series of growth forecasts, Fairwood's population is predicted to increase at a compounded annual growth rate of 0.3% to 1.8% resulting in at least 747 new residents and as much as 4,815 new residents from 2007 to

2017. Assuming that housing units grow at the same rate as population, an anticipated 282 to 1,821 new housing units will be built in Fairwood from 2007 to 2017. Under these growth scenarios, average annual population growth could range between 74 to 482 persons per year and housing units could range from 28 to 182 housing units per year. **Exhibit 37** and **Exhibit 38** show population and housing unit trend lines from 2000 to 2017. It should be noted that Fairwood has limited space to grow in the future. To accommodate historical growth trends, land previously developed may have to be redeveloped at higher densities.

Exhibit 37.
Fairwood Incorporation Area Ten Year Population Growth
Forecasts, 2007-2017

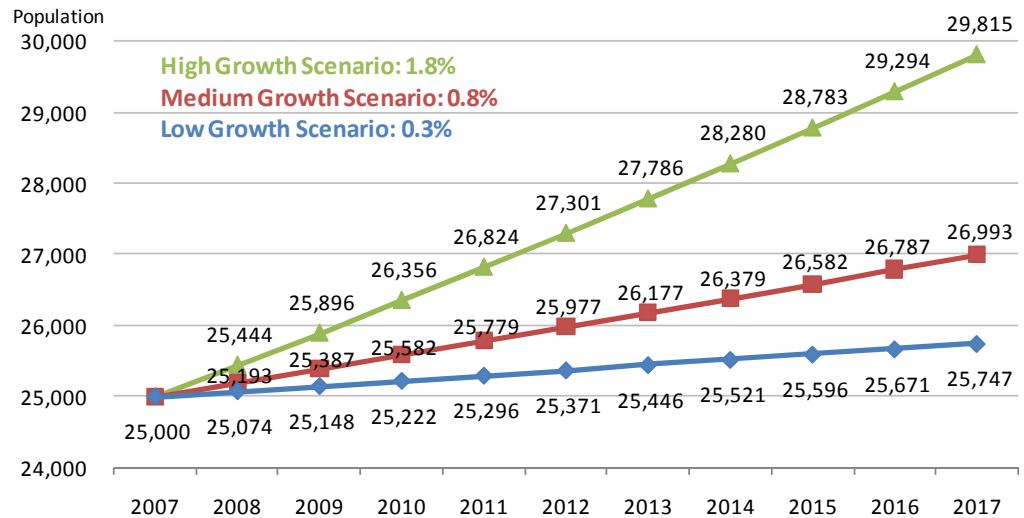
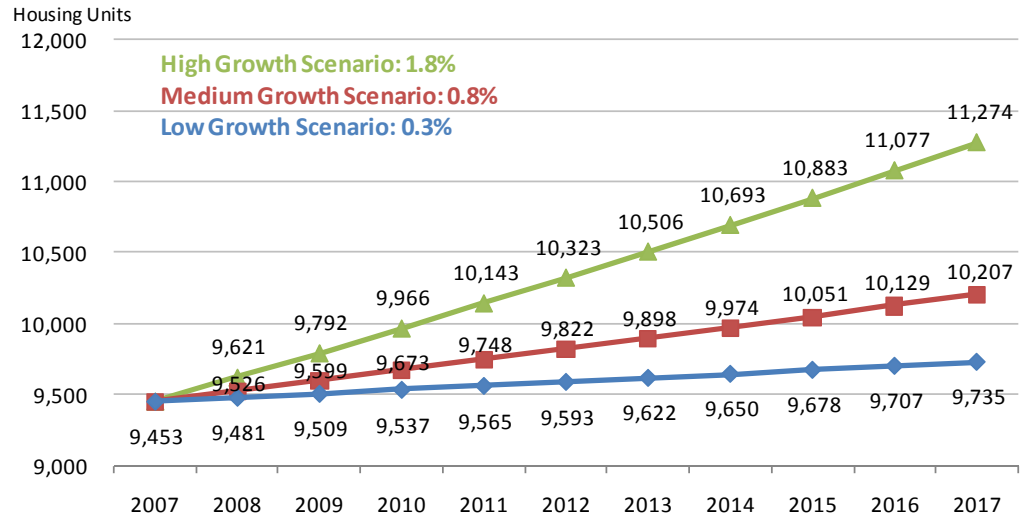


Exhibit 38.
Fairwood Incorporation Area Ten Year Housing Unit Growth
Forecasts, 2007-2017



Low growth scenario forecasts were obtained from King County Countywide Planning Policies. Medium growth scenario forecasts were obtained from Puget Sound Small Area Forecasts. High growth scenario forecasts represent historical compounded annual growth rates for the Fairwood area from 2000 to 2007. See **Appendix C** for more information on population baseline, forecast and methodologies for the Fairwood area.

Location and most desirable future location of community facilities

Existing public facilities in the Fairwood Area include schools, a water treatment plant and a King County sheriff's office. A location well suited for community facilities would be in close proximity to the intersection of Petrovitsky Road and 140th Way SE. This area is considered the "center" of Fairwood. Existing commercial facilities, coupled with higher residential densities around the periphery, make this area an ideal location for administrative offices of the City. It is assumed that Fairwood will contract services such as fire, water and sewer, health, solid waste, and libraries therefore the development of new municipal facilities in the Fairwood area would be limited.

Municipal services and needs

A complete description of municipal service responsibilities appears in Section 2 of this study.

Effect of ordinances, governmental codes, regulations and resolutions on existing uses

If Fairwood incorporates it would adopt its own comprehensive plan and development regulations pursuant the GMA and King County Countywide Planning Policies. These policies could result in different densities in residential and non-residential areas and may include mixed-use policies in the commercial area to accommodate population growth targets.

Upon incorporation, Fairwood could contract for a county level of services by policy or ordinance. In this case, the level of service would not change in the Fairwood area unless the contract specified a different level of service.

Present cost and adequacy of governmental services and controls in area

As noted elsewhere, many services will continue to be provided by the same agencies (i.e., water, sewer, fire protection, library, schools), therefore there is no need to analyze present versus future costs and adequacy of those services.

This analysis assumes that an incorporated city of Fairwood would offer levels of service similar to those now provided by the comparable city of Maple Valley at similar levels of taxation. Section 4 of our study includes current tax and fee rates for the Fairwood area. Section 5 describes the cost of services for Fairwood, based in large part on the costs per capita (and thus levels of service) provided by Maple Valley.

Prospects of governmental services from other sources

Upon incorporation, the City of Fairwood would most likely provide or contract for law enforcement, streets and roads, stormwater, land use planning and regulation, human services and administration services. Several other public services in the Fairwood area would likely continue to be provided by the County or regional service providers. These services include public health (King County), solid waste collection (Waste Management, Kent-Meridian Disposal, and SeaTac Disposal), solid waste transfer and disposal (King County), transit (Sound Transit and King County Metro), water and sewer (Cedar River Water and Sewer District and Soo Creek Water and Sewer District), Fire (Fire districts 40 and 37), library (King County Library System) and regional parks and recreation (King County) services.

Probable future needs for such services and controls

It is anticipated that as a new city matures it will take on some of the public services previously delivered by contracted service providers. Future needs will depend on the demand for higher levels of service and the desire to exercise more control over City services.

Probable effect of proposal or alternative on cost and adequacy of services and controls in area and adjacent area

Incorporation based on the Maple Valley revenues and costs would include a small increase in taxes (the utility tax) and a large increase in public safety services. The revenues and costs of City of Fairwood are included in Sections 4 – 6 of our study.

King County states that providing county services to areas scattered throughout the county is a costly endeavor that will likely increase over the coming years. Revenues generated that fund county services, will likely be insufficient to cover the costs of providing public services at such a large fragmented geographic scale. Decisions whether or not to contract with county service providers upon incorporation may impact the cost of service. County costs will be reduced if the county is no longer obligated to serve the area while costs will likely remain similar if service continues. However, these decisions also affect revenues. If the county no longer serves the area it will receive no revenue, but the city would pay the county if it contracted for the service.

The effect on the finances, debt structure, and contractual obligations and rights of all affected governmental units

State law establishes the rights of affected governments concerning finances, debt structure and contractual obligations in the event of incorporation.

Incorporation of Fairwood has no impact on the debt structure or contractual obligations of the City of Renton.

Incorporation would affect the fiscal management of King County. Short-term effects of incorporation would likely be minimal for King County, especially if the City of Fairwood continues to contract for county services. The fiscal burden of servicing the Fairwood area would decrease over time for King County, as the City begins to provide more of its own services. Capital facilities debt financing would decrease for King County, as this could be the responsibility of the City of Fairwood depending on whether or not the City takes on a portion of the County's pre-existing debt.

The effect of the proposal or alternative on adjacent areas, on mutual economic and social interests, and on the local governmental structure of the county

Incorporation of Fairwood would be consistent with the policies and goals of the Growth Management Act and Countywide Planning Policies. The structure of King County to provide local government services would be enhanced by relieving the County of the responsibility for most urban services in the Fairwood area, and allowing the County to focus on its

primary role as a provider of regional services. The incorporation poses no conflict with mutual economic or social interests.

OBJECTIVES OF THE BOUNDARY REVIEW BOARD

Washington law, RCW 36.93.180, describes the objectives of the boundary review board:

“The decisions of the boundary review board shall attempt to achieve the following objectives:

- “(1) Preservation of natural neighborhoods and communities;
- “(2) Use of physical boundaries, including but not limited to bodies of water, highways, and land contours;
- “(3) Creation and preservation of logical service areas;
- “(4) Prevention of abnormally irregular boundaries;
- “(5) Discouragement of multiple incorporations of small cities and encouragement of incorporation of cities in excess of ten thousand population in heavily populated urban areas;
- “(6) Dissolution of inactive special purpose districts;
- “(7) Adjustment of impractical boundaries;
- “(8) Incorporation as cities or towns or annexation to cities or towns of unincorporated areas which are urban in character; and
- “(9) Protection of agricultural and rural lands which are designated for long term productive agricultural and resource use by a comprehensive plan adopted by the county legislative authority.”

APPENDIX A: KEY INPUTS AND ASSUMPTIONS

Fairwood Baseline Data		SOURCE
Total Fairwood Assessed Value (2007)	\$2,292,105,525	King County Assessor's Dept, Community Attributes
Residential Assessed Value (2007)	\$2,134,532,100	King County Assessor's Dept, Community Attributes
Commercial Assessed Value (2007)	\$52,973,000	King County Assessor's Dept, Community Attributes
Fairwood Parks Acres	-	King County Parks Dept. email, 11/20/08
Sales Tax to City of Fairwood	1.0%	WA Department of Revenue
Fairwood Taxable Retail Sales (2007)	\$110,215,708	WA Department of Revenue Custom Data Request
ASSUMPTIONS: DEVELOPMENT AND FINANCE		SOURCES & ASSUMPTIONS
City Share of Property Tax Millage Rate	1.6000	Assumed to be same as the County Road Levy
Total Assessed Value per Housing Unit	\$225,000	King County Assessor's Dept, Community Attributes
Estimated Sale Value per Housing Unit	\$305,000	King County Office of Management and Budget, Community Attributes, Windermere Real Estate
Appreciation Rate	0.000%	Community Attributes estimate
Construction Cost as % of AV	80%	Community Attributes estimate
Frequency of Residential re-sales (yrs)	11	King County Office of Management and Budget, Community Attributes
Annual Residential Turnover Rate (% of homes resold each year)	9%	King County Office of Management and Budget, Community Attributes
Annual Commercial Turnover Rate (% of properties resold each year)	3%	King County Office of Management and Budget, Community Attributes
Combined Turnover Rate (Weighted Residential and Commercial)	9%	King County Office of Management and Budget, Community Attributes
Maple Valley Baseline Data		
Maple Valley 2007 Population	20,020	Office of Financial Management (OFM)
Maple Valley 2006 Population	19,140	Office of Financial Management (OFM)
Net New Maple Valley Population in 2007	880	Office of Financial Management (OFM), Community Attributes

APPENDIX B: ALTERNATIVE SCENARIOS

This appendix presents two alternative scenarios of the financial feasibility of incorporation. The body of our study contains the “baseline” scenario. It reflects the outcomes that we consider to be the most likely. The two scenarios in this appendix are defined as the “*pessimistic scenario*” and the “*optimistic scenario*.” Each scenario is compared to the baseline scenario referred to in the body of the report.

The purpose of testing alternative scenarios is to examine the underlying impacts of key assumptions used to estimate Fairwood’s costs and revenues if incorporated. We do not alter all of the assumptions, nor do we assume that the baseline is the median of the three scenarios for each variable that we modify. The analysis presented in the body of this report aims to capture the most realistic scenario for a future City of Fairwood. The goal of pessimistic scenario aims to examine the impacts of slowed population growth while the optimistic scenario aims to capture the impacts of improved economic conditions. **Exhibit B-1** below demonstrates the key assumptions analyzed for alternative scenarios.

Exhibit B-1.
Comparison of Key Assumptions Used in Sensitivity Analysis

Assumptions	Baseline Scenario	Pessimistic Scenario	Optimistic Scenario
Population growth rate	1.8%	0.3%	1.8%
Local retail sales capture	21%	21%	26%
Property tax base amount	\$ 2,292,105,525	\$ 2,292,105,525	\$ 2,555,558,700
Property tax base year	2007	2007	2008

Pessimistic Scenario

The only assumption changed in the pessimistic scenario is the population growth rate. In the pessimistic scenario, we chose the “low growth” rate of 0.3 percent compounded annual population growth instead of the 1.8 percent “high growth” rate modeled in the body of the report. The low growth scenario represents King County Countywide Planning Policy growth targets for the Fairwood area. Growth targets represent the minimum growth Fairwood is required to accommodate in coming years. As mentioned earlier, the high growth represents historical growth from 2000 to 2007.

Population growth for Fairwood is the single most significant input that drives the feasibility analysis. The per capita comparable city approach is used to calculate many costs and estimates of revenue for the Fairwood area, thus population growth drives virtually a significant portion of municipal costs and revenues. The intention of changing only the growth rate in the pessimistic scenario is to isolate the fiscal impacts of growth, all else considered.

Optimistic Scenario

The optimistic scenario aims to demonstrate the fiscal impacts of improved economic conditions in the Fairwood area. The growth rate is held constant at 1.8 percent, but sales tax and property tax revenue grows with a more robust economy.

The first assumption that is changed pertains to sales tax revenue. Under the optimistic growth scenario, local retail establishments are assumed to capture a five percent greater share of residents' spending power, as a result local retail sales tax revenues increase. This adjustment assumes that residents will "buy local" more frequently with a desire to support the local economy and reduce personal carbon footprints. **Exhibit B-2** below shows an estimate of retail sales trade area capture for the Fairwood area within the three-county (King, Pierce and Snohomish) region.

Exhibit B-2. Fairwood Trade Area Capture Analysis for Retail Sales, 2007

Population	
Fairwood Population 2007	25,000
3-County Population, 2007	3,338,024
Taxable Retail Sales (TRS)	
Fairwood TRS, 2007	\$110,215,708
3-County TRS, 2007	\$71,425,120,950
Per Capita TRS	
Fairwood TRS per capita	\$4,409
3-County Average TRS per capita	\$21,397
Fairwood trade capture	
100% Capture for Fairwood	\$534,935,646
Actual Capture for Fairwood 2007	21%
TRS trade area capture assumptions	
Baseline Scenario (stays same)	21%
Pessimistic Scenario (stays same)	21%
Optimistic Scenario Trade Capture	26%
Optimistic taxable retail sales	\$ 139,083,268

The second assumption changed in the optimistic scenario is the base year from which Fairwood could assess property taxes. In the baseline scenario, the base year for assessing property taxes begins in 2007. The total assessed value at that time was \$2.3 billion. In the optimistic scenario, the base year for assessing property taxes begins in 2008 with a total assessed value at that time of \$2.56 billion.

Property taxes collected by local governments are capped. The property taxes collected on existing real property cannot exceed one percent (cap of one percent) more than last year's total property tax proceeds. All new construction however, is taxed at last year's levy rate. By adjusting the base

year from which property taxes are assessed in Fairwood, we recognize that the one percent cap on property tax revenues paid on existing development begins a year later.²⁶ This enables Fairwood to collect property taxes on a greater assessed valuation base in the optimistic scenario compared to the baseline or pessimistic scenarios.

Comparison of Alternative Scenarios

Exhibit B-3 below shows a comparison of revenues and expenditures for the baseline, pessimistic and optimistic scenario.

Exhibit B-3
Fairwood Total Revenues and Expenditure Estimates, Baseline, Pessimistic and Optimistic Scenarios, 2010 and 2015

Comparisons of Impacts	2010			2015		
	Baseline Scenario	Pessimistic Scenario	Optimistic Scenario	Baseline Scenario	Pessimistic Scenario	Optimistic Scenario
Growth Metrics						
Population	26,356	25,222	26,356	28,783	25,596	28,783
Housing Units	9,966	9,537	9,966	10,883	9,678	10,883
General Fund						
Property Tax Revenue	\$3,930,409	\$3,710,820	\$4,287,334	\$4,285,169	\$3,765,134	\$4,642,094
Sales Tax Revenue	\$2,494,678	\$2,149,995	\$2,799,011	\$2,583,663	\$2,162,197	\$2,898,909
Total General Fund Revenues	\$8,626,970	\$7,625,445	\$9,288,229	\$9,415,036	\$7,736,462	\$10,104,319
Public Safety Expenditures	\$3,022,315	\$2,892,276	\$3,022,315	\$3,300,626	\$2,935,164	\$3,300,626
Public Works Expenditures	\$1,991,016	\$1,947,824	\$1,991,016	\$2,083,458	\$1,962,069	\$2,083,458
Total General Fund Expenditures	\$7,537,076	\$6,905,406	\$7,537,076	\$8,132,266	\$6,991,688	\$8,132,266
General Fund Balance	\$1,089,894	\$720,040	\$1,751,153	\$1,282,770	\$744,774	\$1,972,053
Street Fund						
Street & Transportation Fund Revenue	\$1,460,420	\$721,039	\$1,460,420	\$1,594,792	\$729,703	\$1,594,792
REET Fund Revenue	\$1,302,760	\$1,025,514	\$1,400,281	\$1,420,723	\$1,039,990	\$1,518,243
Street Fund Grants	\$0	\$0	\$0	\$863,490	\$767,880	\$863,490
Total Street Fund Revenue	\$2,763,180	\$1,746,552	\$2,860,701	\$3,879,004	\$2,537,572	\$3,976,525
Street Fund Expenditures	\$1,229,500	\$1,229,500	\$1,229,500	\$1,229,500	\$1,229,500	\$1,229,500
Street Fund Balance	\$1,533,680	\$517,052	\$1,631,201	\$2,649,504	\$1,308,072	\$2,747,025
Surface Water Mgmt. (SMW) Fund						
SWM Fund Revenues	\$1,140,621	\$1,091,522	\$1,140,621	\$1,245,575	\$1,107,661	\$1,245,575
SWM Fund Expenditures	\$306,066	\$306,066	\$306,066	\$306,066	\$306,066	\$306,066
SWM Fund Balance	\$834,555	\$785,456	\$834,555	\$939,509	\$801,595	\$939,509

²⁶ Indeed, the first year of incorporation could well be even more than one year later, in which case the assessed value base could be even higher, depending on the housing market.

Impacts of the Pessimistic Scenario on Incorporation

Lower population growth (0.3%) for Fairwood translates to lower revenues but also lower costs than estimated in the baseline scenario. Population in 2010 would be approximately 1,100 people fewer than assumed in the baseline scenario. There would also be about 430 fewer housing units.

Under the pessimistic scenario, general fund revenues would be approximately one million dollars or 12 percent lower than the baseline scenario in 2010. The two largest sources of general revenue, property tax and sales tax would be approximately \$220,000 (6 percent) less and \$345,000 (14 percent) less in this case. General fund expenses would be approximately \$632,000 less under the pessimistic scenario in 2010, due to the fact that there are fewer people to serve. The two major expenses, police and public works, would be about four percent and two percent less respectively. While the \$1.1 million surplus in general fund revenues in 2010 was estimated in the baseline scenario, the pessimistic scenario shows that surplus to shrink by nearly a third to \$720,000.

The difference between funding and costs available for streets shrinks in the pessimistic scenario. Costs stay fixed in the pessimistic scenario because the projects and needed street maintenance stay the same, but revenues decline by over one million or 37 percent. Under the pessimistic scenario, revenues for street capital investments outweigh capital project costs by \$517,000 compared to \$1.5 million under the baseline scenario. Surface water management costs also remain constant under the pessimistic scenario while revenues decline by \$50,000.

Impacts of the Optimistic Scenario on Incorporation

Continued population growth at historical levels combined with increased local retail sales and a 2008 base year for levying property taxes increases revenues significantly while costs remain the same. Under the optimistic scenario, general fund revenues would be approximately \$661,000 or 8 percent greater than the baseline scenario in 2010. Property tax and sales tax revenues would be approximately \$356,000 (9 percent) greater and \$304,000 (12 percent) greater in this optimistic case. General fund expenses would remain a constant \$7.5 million dollars under the optimistic scenario in 2010. The surplus in general fund estimated for 2010 would increase by over \$661,000 compared to what is estimated in the baseline case.

The difference between funding and costs available for local streets widens in the optimistic scenario. Costs stay fixed in the optimistic scenario, but real estate excise tax revenues increase by nearly \$98,000. Under the optimistic scenario, revenues for street capital projects outweigh costs by \$1.6 million compared to \$1.5 million under the baseline scenario. Surface water management costs and revenues remain constant under the optimistic scenario.

APPENDIX C: FAIRWOOD POPULATION BASELINE, FORECASTS AND METHODOLOGY

Appendix C presents an overview of methodologies used to (1) estimate baseline population and demographic data for the Fairwood Incorporation Area and (2) estimate future population growth scenarios.

Baseline Population and Demographic Data Calculations for the Fairwood Incorporation Area

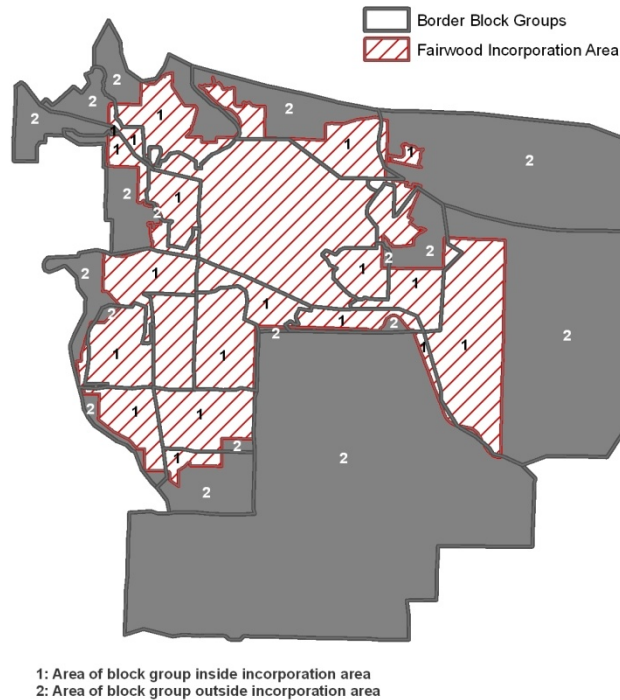
Currently, there are no existing sources of population or demographic data published specifically for the Fairwood Incorporation Area, therefore existing data sources were tailored to best represent current and future conditions in the Fairwood area.

Demographic statistics for the Fairwood Incorporation Area are estimated using a fairly simple methodology involving US Census block groups, county parcels, and county assessor's data. The Census and Washington State Office of Financial Management (OFM) publish population and housing estimates by block group. The Fairwood incorporation area is covered by 28 block groups. Of these 28 block groups, 9 are completely contained by the incorporation area while the remaining 19 fall somewhere along the incorporation area boundary.

In addition, King County tax assessors' parcel data provide a reliable means to understand how many housing units are in the Fairwood study area. The study area includes 7,311 parcels (King County 2007, CAI 2008). In addition to being useful for counting housing units, the parcel and housing unit data provide a convenient means to allocate block group data to areas within and outside the Fairwood proposed incorporated area.

As shown in **Exhibit C-1**, each of the 19 "border block groups" is divided into two sections: 1) the area inside the incorporation area and 2) the area outside the incorporation area.

Exhibit C-1 Fairwood Incorporation Area and US Census Block Groups



Sources: King County 2007, U.S. Census 2000, Community Attributes 2008

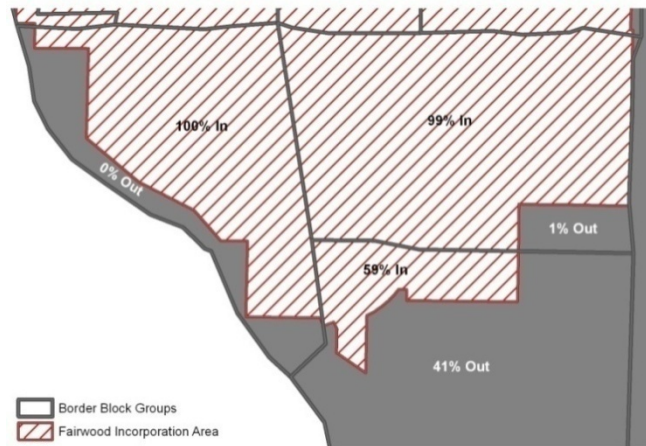
Using 2007 King County assessor's data, the number of housing units can be calculated for the "inside incorporation area" and "outside incorporation area" of each of the 19 block groups. As shown in **Exhibit C-2** parcels can be assigned in or out of the study area based on the area in which each parcel's centroid falls. (A centroid is the geographic center of a polygon.)

Exhibit C-2 Parcel Centroids Assigned To Block Group Areas



Housing-unit counts are then aggregated for the parcel centroids inside and outside the block group. (Parcel centroids do not necessarily correlate to housing units. Some parcels may have multiple units, while others will have none.) The resulting housing-unit counts for both halves of each block group can be used to assign a “% of units in incorporation area” ratio to each “border block group”, as shown in **Exhibit C-3**.

Exhibit C-3
Percentage of Units in Incorporation Area Ratios



In order to estimate the population and other demographic statistics of each block group area inside the incorporation area, known statistics for each block group are multiplied by the “% of units in incorporation area” ratio. Statistics for the entire incorporation area are then estimated by summing the resulting totals to the known statistics of the block groups that are completely contained by the incorporation area. **Exhibit C-4** lists the fields summed for the incorporation area and the respective sources of the data.

Exhibit C- 4
Variables and Respected Sources

Variable	Source Agency	Source Data
2007 Population	Office of Financial Management	Small Area Estimate Program: 2007 Block Group Estimates
2007 Housing Units	Office of Financial Management	Small Area Estimate Program: 2007 Block Group Estimates
2000 Median Household Income	US Census Bureau	Summary File 3
2000 Sex Distribution	US Census Bureau	Summary File 3
2000 Age Distribution	US Census Bureau	Summary File 3
2000 Race Distribution	US Census Bureau	Summary File 3
2000 Education Attainment Distribution	US Census Bureau	Summary File 3

Exhibit C-5 displays the population and housing unit results as well as the source data used to achieve the given estimates.

Exhibit C-5
Population and Housing Unit Estimates,
Fairwood Proposed Incorporation Area, 2007

		(1)	(2)	(3)	(4)	(5)	(6) = (5) / (4)	(7) = (6) * (2)	(8) = (6) * (3)
	Block Group	Entire Block Group			In Incorporation Area				
		OFM 2007 Population	OFM 2007 Housing Units	2007 Parcel Housing Units	2007 Parcel Housing Units	% of Units	OFM 2007 Population	OFM 2007 Housing Units	
Block Groups 100% Contained	530330257024	415	159	119	119	100%	415	159	
	530330293042	1,235	399	225	225	100%	1,235	399	
	530330319071	894	320	379	379	100%	894	320	
	530330319072	443	172	154	154	100%	443	172	
	530330319075	518	185	317	317	100%	518	185	
	530330319081	841	416	164	164	100%	841	416	
	530330319082	697	235	188	188	100%	697	235	
	530330319083	1,467	676	225	225	100%	1,467	676	
	530330319084	1,482	685	97	97	100%	1,482	685	
Block Groups Partially Contained	530330257022	1,066	381	327	170	52%	554	198	
	530330257025	686	214	264	121	46%	314	98	
	530330258041	960	328	374	0	0%	0	0	
	530330258043	502	176	160	160	100%	502	176	
	530330258044	1,081	396	371	227	61%	661	242	
	530330293043	1,827	840	135	122	90%	1,651	759	
	530330293044	1,036	355	571	571	100%	1,036	355	
	530330293072	693	216	222	222	100%	693	216	
	530330293073	1,738	573	539	533	99%	1,719	566	
	530330293074	724	248	222	132	59%	431	147	
	530330318001	695	259	189	3	2%	11	4	
	530330319061	1,314	493	434	199	46%	603	226	
	530330319062	2,022	729	722	412	57%	1,154	416	
	530330319073	2,089	900	347	147	42%	885	381	
	530330319074	2,086	749	543	543	100%	2,086	749	
	530330319076	1,410	448	389	389	100%	1,410	448	
	530330319091	1,497	600	263	263	100%	1,497	600	
	530330319092	483	169	202	202	100%	483	169	
	530330319093	1,331	456	421	421	100%	1,331	456	
Totals		31,232	11,775	8,563	6,705		25,013	9,453	

Sources: King County 2007, Washington State Office of Financial Management 2007, Community Attributes 2008

Population Growth Scenario Calculations for the Fairwood Incorporation Area

Baseline population estimates placed the 2007 population of Fairwood at approximately 25,000 versus 22,100 in 2000. For the purposes of analyzing incorporation feasibility, we project the fiscal implications of growth using population forecast scenarios. **Exhibit C-6** below shows the population growth rates applied in this incorporation study and **Exhibit C-7** demonstrates the detailed calculations and sources for calculating compounded annual growth rates (CAGR). As the basis for this incorporation study we have opted to use a high-growth scenario of 1.8% compounded annual population growth.

Exhibit C-6. Estimated Fairwood Population Growth Scenarios

Fairwood Population Growth Scenarios	CAGR
Low-Growth Scenario (King County Growth Targets)	0.3%
Medium-Growth Scenario (PSRC Forecasts)	0.8%
High-Growth Scenario (Continued Historic Growth Rate)	1.8%

The low growth scenario is based on previous growth targets adopted by in King County, Countywide Planning Policies. It should be noted that King County and local cities are currently in the process of establishing new 20-year growth targets to be released in 2009, resulting in new growth targets that Fairwood would need to accommodate. Revisions to current established growth targets are driven by two primary factors.

1. The Office of Financial Management's (OFM) newly published forecasts predict higher growth rates for King County than previously anticipated.
2. The Puget Sound Regional Council's (PSRC) Vision 2040 establishes a new growth targeting process.

King County and local cities are adjusting growth targets to accommodate higher growth forecasts by OFM while integrating a new targeting processes set forth by PSRC. As a result, growth targets for the Fairwood Area previously estimated, along with those estimated in this incorporation study, may differ from those published by King County in 2009.

Exhibit C-7. Fairwood Growth Forecast Scenario Calculations

Growth Forecast Scenario Calculations Table

Low-Growth Scenario (King County Housing Targets)

2001- 2022 Renton PAA Household Targets	1,739
Fairwood's Share of Buildable Land (Rough Estimate/ King Co.)	33%
Fairwood Share of Household Targets	574
Annual Household Growth 2001 - 2022 (Average)	27
Fairwood Persons per household, 2000	2.7
Annual Population Growth (Average)	74
2014 Population Based on Household Target Growth	25,520
Annual Population Growth Rate based on Household Targets	0.3%

Medium-Growth Scenario (PSRC Forecasts)

PSRC Weighted FAZ Population Forecast, 2000-2020 cagr	0.8%
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High-Growth Scenario (Continued Historic Growth Rate)

2000 Population (US Census, OFM Est.)	22,100
2007 Population (Community Attributes's Est.)	25,000
Historic compounded annual growth rate, 2000 - 2007	1.8%

In **Exhibit C-7** above, the low growth scenario utilizes household growth forecasts for the City of Renton Potential Annexation Areas (PAA) established by the King Countywide Planning Policies. Household targets for Renton PAA represent combined land area for the Benson Hill, East Renton, West Hill and Fairwood PAAs. Overall Renton PAAs are expected to accommodate 1,739 new households from 2001 to 2022. To assign Fairwood's "share" of anticipated new households, the percentage of combined buildable lands capacity in Renton PAA located in the Fairwood Incorporation Area was calculated as roughly 33%. Fairwood's portion of buildable land capacity (33%) is multiplied by the total PAA growth target (1,739), resulting in approximately 570 new households anticipated in the Fairwood Area between 2001 and 2022. Based on an average household size of 2.7 persons specified in the King County Master Plan Housing Technical Appendix, we estimate that annual population of approximately 74 persons or 0.3% annual compounded population growth.

The medium growth scenario of 0.8% utilizes the Puget Sound Regional Council's Forecast Analysis Zone (FAZ) estimates for the Fairwood area. FAZ population forecasts from 2000 – 2040 were obtained for each FAZ and customized to the Fairwood Incorporation Area using a weighted sum and averaging approach using a GIS.

The high growth scenario of 1.8% compounded annual population growth represents historical population trends from 2000 to 2007. Population for 2000 and 2007 were customized for the Fairwood area using Office of Financial Management block group population estimates.

APPENDIX D: IDENTIFICATION OF COMPARABLE CITY FOR FAIRWOOD INCORPORATION STUDY

This study uses the “comparable city” method to develop estimates of most costs and revenues for Fairwood. The premise of this method is that another city that is comparable to the Fairwood area can provide revenue and cost data that is a reliable indicator of Fairwood’s revenues and costs.

In coordination with the incorporation proponents (Fairwood Municipal Initiative) and the Boundary Review Board’s subcommittee for Fairwood, the City of Maple Valley was chosen as the most comparable city to a potential City of Fairwood. This appendix outlines the criteria used to select the City of Maple Valley. The comparable cities included in this analysis are (in alphabetical order):

- Black Diamond
- Bothell
- Burien
- Carnation
- Covington
- Des Moines
- Kenmore
- Lake Forest Park
- Maple Valley
- Newcastle
- Pacific
- SeaTac

Exhibit D-1 provides basic characteristics of the Fairwood Incorporation Area and selected comparable cities. The 2007 population of Fairwood is 25,013 compared to nearly 20,000 in the City of Maple Valley. While cities such as SeaTac and Des Moines maintain a similar 2007 population when compared to the Fairwood area, the physical make-up of these communities differs significantly from Fairwood. Maple Valley’s population and development characteristics are comparatively representative of Fairwood. In 2007, there were approximately 9,450 housing units in Fairwood compared to 7,067 in the City of Maple Valley. Each community has similar median household incomes and similar persons per housing unit ratio (2.6 for Fairwood and 2.8 for Maple Valley).

Fairwood and Maple Valley are also primarily residential in nature. Maple Valley has a slightly higher employment base and employment to housing unit ratio (3,561, 0.50) compared to the Fairwood area (2,178, 0.23) in 2007.

Exhibit D-1. Comparable City Characteristics

	2007 Population	2007 Housing Units	2000 Median Household Income	2007 Total Employment	Employment to Housing Units
Fairwood	25,013	9,453	71,127	2,178	0.23
Black Diamond	4,120	1,590	67,092	559	0.35
Bothell	32,291	13,614	59,264	11,321	0.83
Burien	31,410	14,023	41,577	11,682	0.83
Carnation	1,897	655	60,156	288	0.44
Covington	17,121	5,651	63,711	3,803	0.67
Des Moines	28,468	11,775	48,971	5,539	0.47
Kenmore	19,952	8,256	61,756	4,319	0.52
Lake Forest Park	12,749	5,224	74,149	1,523	0.29
Maple Valley	19,992	7,067	67,159	3,561	0.50
Newcastle	9,526	3,902	80,320	1,724	0.44
Pacific	6,458	2,318	45,673	1,500	0.65
SeaTac	25,530	10,346	41,202	28,746	2.78
Source	OFM, 2007	OFM, 2007	US Census, 2000	PSRC, 2007	PSRC 2007, OFM 2007

Exhibit D-2 provides a comparison of development characteristics. Fairwood and Maple Valley are both similar in land area, encompassing 4,012 acres and 3,628 acres respectively. Both areas have similar level of density represented by existing floor-to-area ratios (Fairwood 0.11, Maple Valley, 0.10) and land area with low improvement-to-land value ratios (Fairwood 1,339 acres, Maple Valley 1,280 acres). 2007 Aggregate Assessed Value is also similar in the communities; \$2.3 billion for Fairwood and \$2.0 billion for Maple Valley respectively.

Exhibit D-2. Comparable City Development Characteristics

	Gross Land Area (Acres)	Number Of Parcels	Density (Floor-To- Area Ratios)	Vacant Land (acres)*	Redevelopable Land (acres)*	Total Vacant and Redevelopable (acres)*	Vacant and Low- Improvement Value Land (Acres)	Total 2007 Assessed Value
Fairwood	4,012	7,311	0.11	109	301	410	1,339	\$ 2,292,105,525
Black Diamond	4,304	1,821	0.01	624	55	679	3,100	\$ 523,062,065
Bothell	3,630	4,779	0.12	161	177	339	1,484	\$ 2,361,021,240
Burien	4,757	9,969	0.15	49	220	268	1,152	\$ 3,604,201,400
Carnation	747	698	0.05	23	21	45	359	\$ 193,521,300
Covington	3,742	6,106	0.08	152	389	541	1,471	\$ 1,732,238,414
Des Moines	4,185	8,426	0.13	97	180	277	1,096	\$ 2,481,886,400
Kenmore	3,948	6,688	0.10	106	307	413	1,972	\$ 2,540,870,333
Lake Forest Park	2,299	4,901	0.13	51	88	139	1,115	\$ 1,985,973,400
Maple Valley	3,628	7,247	0.10	10	31	41	1,280	\$ 1,971,265,100
Newcastle	2,854	3,570	0.08	106	147	253	1,155	\$ 1,720,515,550
Pacific	1,168	1,776	0.08	26	104	130	444	\$ 402,138,600
SeaTac	6,587	6,551	0.11	62	409	472	1,815	\$ 4,061,039,688
Source	King County, 2007	King County, 2007	King County, 2007	King County, 2007	King County, 2007	King County, 2007	King County and CAI, 2007	King County, 2007

Exhibits D-3 through D-5 present demographic characteristics for the comparable cities. Fairwood and Maple Valley maintain very similar demographic characteristics. Fairwood has a slightly more diverse population and generally maintains a slightly higher degree of education attainment.

Exhibit D-3. Comparable City Demographic Characteristics

	Sex		Age									
	Male	Female	0 - 9	10 - 14	15 - 17	18 - 24	25 - 34	35 - 44	45 - 54	55 - 64	65 - 74	75+
Fairwood	50%	50%	14%	8%	5%	8%	12%	19%	17%	9%	4%	2%
Black Diamond	52%	48%	17%	7%	6%	8%	14%	19%	14%	8%	4%	4%
Bothell	48%	52%	13%	7%	5%	9%	14%	19%	16%	8%	5%	5%
Burien	49%	51%	12%	6%	3%	7%	13%	18%	16%	10%	7%	7%
Carnation	49%	51%	21%	9%	5%	6%	16%	24%	11%	4%	2%	3%
Covington	52%	48%	18%	10%	6%	7%	15%	21%	13%	5%	3%	1%
Des Moines	48%	52%	13%	7%	4%	8%	15%	17%	13%	8%	6%	8%
Kenmore	50%	50%	13%	7%	5%	7%	14%	18%	18%	8%	7%	4%
Lake Forest Park	49%	51%	11%	7%	4%	6%	10%	17%	21%	11%	7%	5%
Maple Valley	50%	50%	19%	10%	4%	5%	16%	22%	13%	6%	2%	2%
Newcastle	49%	51%	15%	6%	3%	7%	16%	22%	16%	8%	5%	2%
Pacific	50%	50%	18%	9%	5%	10%	17%	19%	12%	5%	3%	2%
SeaTac	52%	48%	13%	7%	4%	11%	16%	17%	14%	8%	5%	4%
Source	US Census, 2000		US Census, 2000									

Exhibit D-4. Comparable City Race Demographic Characteristics

	White	Black	Indian	Asian	Pacific Islander	Latino	Other	Mixed
Fairwood	77%	4%	0%	13%	0%	4%	1%	5%
Black Diamond	91%	0%	3%	2%	0%	8%	2%	2%
Bothell	86%	1%	1%	8%	0%	4%	2%	3%
Burien	75%	5%	1%	7%	1%	11%	6%	5%
Carnation	93%	1%	1%	2%	0%	4%	2%	2%
Covington	88%	2%	0%	3%	0%	4%	2%	4%
Des Moines	75%	7%	1%	8%	1%	7%	3%	4%
Kenmore	87%	1%	1%	7%	1%	4%	1%	3%
Lake Forest Park	84%	1%	0%	9%	1%	1%	1%	4%
Maple Valley	92%	1%	1%	3%	0%	3%	1%	3%
Newcastle	74%	1%	0%	19%	0%	5%	3%	4%
Pacific	87%	1%	2%	4%	0%	7%	2%	5%
SeaTac	62%	9%	1%	12%	2%	13%	7%	6%
Source	US Census, 2000							

Exhibit D-5. Comparable City Educational Attainment Characteristics

	< High School	High School	Some College	Bachelors	> Bachelors
Fairwood	6%	20%	35%	29%	10%
Black Diamond	12%	29%	36%	15%	7%
Bothell	6%	21%	34%	29%	9%
Burien	15%	27%	36%	15%	6%
Carnation	10%	24%	36%	24%	6%
Covington	9%	26%	40%	20%	5%
Des Moines	12%	26%	39%	16%	7%
Kenmore	7%	16%	35%	27%	14%
Lake Forest Park	7%	15%	27%	30%	21%
Maple Valley	6%	18%	44%	24%	8%
NewCastle	4%	12%	29%	39%	15%
Pacific	15%	40%	36%	7%	3%
Seatac	19%	31%	35%	11%	4%
<i>Source US Census, 2000</i>					

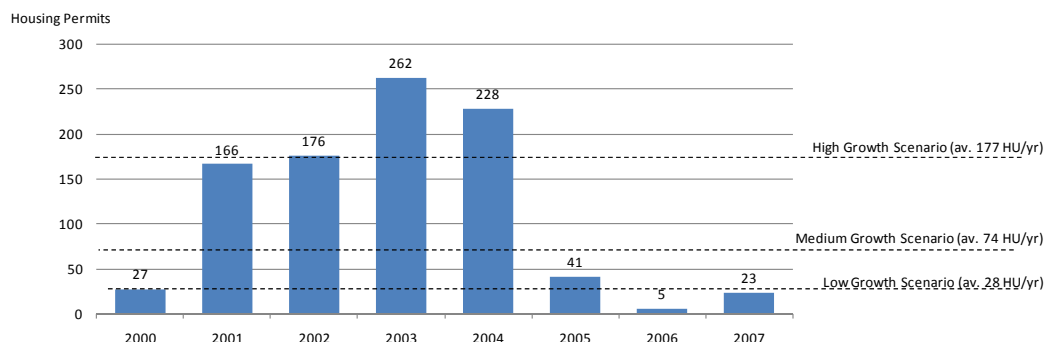
APPENDIX E: ADDITIONAL MARKET CONSIDERATIONS

Demand for housing and commercial activity affects the revenues received from Fairwood, as well as the demand for services. Key market considerations and indicators are included in early sections of this report. Population trends and forecasts (**Appendix C**) and retail sales analyses (**Appendix B, Exhibit B-2**) provide important market assessments and direct analysis of market impacts on revenues. This section provides additional market considerations and provides market context for key revenue and costs.

BUILDING ACTIVITY

Exhibit E-1 shows the number of new housing units permitted each year in the Fairwood Area for 2000-2007. The building permit was provided by Puget Sound Regional Council. Historical residential building activity indicates that the actual number of housing permits exceeded our high growth estimate in some years and has been less in other years. We conclude that the estimates in the preliminary study are reasonable estimates for a typical (average) year.

Exhibit E-1
Fairwood Residential Housing Permit Data, 2000 - 2007



Source: PSRC, Community Attributes

REAL ESTATE CONDITIONS

Exhibit E-2 and E-3 below show sales of real properties in the Fairwood Incorporation Area for 2007 and 2008. Sales data for Fairwood were provided King County Office of Management and Budget and Records Office, which gathered the data to track real estate excise tax revenues.

In 2007, 341 properties were sold totaling over \$200 million, representing 9 percent of the total assessed value base in the Fairwood area. Most of the sales were residential properties (328), while one commercial property and 12

vacant properties were sold. Total sales values were 1.4 times higher than assessed values.

Exhibit E-2
Fairwood Real Property Sales, 2007

Land Use	Commercial	Residential	Vacant	TOTAL
Sale Amount	\$ 1,440,000	\$ 194,544,083	\$ 4,418,200	\$ 200,402,283
Number of Sales	1	328	12	341
Average Sale Price	\$ 1,440,000	\$ 593,122	\$ 368,183	\$ 587,690
Assessed Value (AV) of Sales	\$ 1,166,400	\$ 139,257,000	\$ 2,635,300	\$ 143,058,700
Average AV of Sales	\$ 1,166,400	\$ 424,564	\$ 219,608	\$ 419,527
Total Assessed Value by Land Use	\$ 52,973,000	\$ 2,134,532,100		\$ 2,292,105,525
Sale Value as a % of Total AV	3%	9%		9%
Sale:AV Ratio	1.23	1.40	1.68	1.40
Frequency of resales (years)	37	11		11

Source: King County Office of Management and Budget, King County Assessors Office, King County Office of Recorder and Community Attributes

In 2008, 201 properties were sold at prices totaling \$78.6 million (including only typical market-based transactions, sometimes referred to as “arms length”). Residential properties accounted for all 201 transactions in Fairwood in 2008. Sales value accounted for 3 percent of the assessed value base, down 6 percent in 2007. Sales values were higher than assessed values again in 2008, down from 1.4 times greater than assessed value to 1.1 in 2008.

Exhibit E-3
Fairwood Real Property Sales, 2008

Land Use	Residential
Sale Amount	\$ 76,890,021
Number of Sales	201
Average Sale Price	\$ 382,537
Assessed Value (AV) of Sales	\$ 70,280,000
Average AV of Sales	\$ 349,652
Total Assessed Value by Land Use	\$ 2,384,562,100
Sale Value as a % of Total AV	3%
Sale:AV Ratio	1.09
Frequency of resales (years)	31

Source: King County Office of Management and Budget, King County Assessors Office, King County Office of Recorder and Community Attributes

Real estate trends were used to inform modeling of future tax revenues. The 2007 sale value as a percentage of total assessed value (9%) is used as a turnover rate to calculate resale REET revenues. This means that 9% of the assessed value base in Fairwood is expected to sell each year. The ratio of sales value to assessed value was used to adjust assumptions for construction based sales taxes. The average sale to assessed value ratio from 2007 to 2008 (1.25) is used to adjust the total assessed value per housing unit (\$225,000) to

an average sale value of \$305,000 per housing unit. A scan of Windermere Real Estate's listing of available properties in Fairwood shows many properties currently for sale in this price range.

Exhibit E-4 provides information on multi-family vacancy rates in the Fairwood area and aims supplements findings in previous exhibits. Real estate firms combine data for the Fairwood market with the Renton market for multi-family properties. Vacancy rates for apartments in the Renton area have been stable for the past two years between 3.8% and 5.2%, in line with vacancy rates in surrounding communities (**Exhibit E-4**).

Exhibit E-4
Multi-Family Vacancy Rates, Comparable and Surrounding Cities, 2007Q3 - 2008Q2

	2007, Q1	2007, Q2	2007, Q3	2007, Q4	2008, Q1	2008, Q2	2008, Q3	Avg. Rate
Bothell	3.44%	2.94%	2.88%	3.88%	4.57%	6.70%	4.42%	4.12%
Burien	3.80%	9.70%	3.53%	4.38%	4.31%	2.68%	6.72%	5.02%
Des Moines	4.93%	4.50%	5.39%	5.02%	4.84%	5.76%	4.32%	4.97%
Renton	5.10%	4.00%	4.40%	3.78%	5.35%	4.67%	5.52%	4.69%
Kent	4.79%	3.95%	4.15%	4.36%	4.56%	4.15%	4.99%	4.42%

Source: Colliers International, Community Attributes.

EMPLOYMENT GROWTH

Fairwood is a bedroom community with a relatively low jobs-to-housing ratio (0.23 jobs for every housing unit compared to 1.4 jobs to every housing unit countywide). Employment in Fairwood would be expected to be similar to population growth in the community. Puget Sound Regional Council employment forecasts for the surrounding area suggest growth in Retail of 1.0% and Services of 2.0% per year from 2010 through 2040. PSRC forecasts for Retail and Services region wide are 1.1% and 1.8%.

Exhibit E-5
PSRC Fairwood Employment Projections (FAZ Fairwood #3416)

	2000	2010	2020	2030	2040
Manufacturing	19	25	34	44	56
WTCU	64	73	89	106	126
Retail	907	958	1,067	1,172	1,286
FIRES	884	1,027	1,287	1,554	1,871
Gov/Ed.	578	664	725	764	806
TOTAL	2,452	2,747	3,202	3,640	4,145

Source: PSRC, Community Attributes

The commercial center in Fairwood serves local residents with consumer goods and services. The center is not a regional shopping destination and it too would be expected to grow in line with the local population (though a redevelopment strategy for the area could potentially increase the

commercial district's vitality as a town center). Other jobs in the community reflect an assortment of consumer and professional services.

With no major employer or industry, one would expect employment in the community to continue to serve the local population. The existing commercial center does appear to offer an attractive sense of place. The area could conceivably grow further with planning and investments geared toward creating a stronger sense of place, along the lines of a town center. Center planning and economic development strategies could increase employment and economic activity in a new City of Fairwood.

APPENDIX F: INCORPORATION PROCESS AND ROLE OF BOUNDARY REVIEW BOARD

INCORPORATION PROCESS

The State of Washington, through the provisions of Chapter 35 and 35A RCW provide for the creation of new cities through a petition process initiated by residents of the area proposed to be incorporated. RCW 35.02.030 requires that the petition:

- (1) Indicate whether the proposed city or town shall be a non-charter code city operating under Title 35A RCW, or a city or town operating under Title 35 RCW;
- (2) Indicate the form or plan of government the city or town is to have;
- (3) Set forth and particularly describe the proposed boundaries of the proposed city or town;
- (4) State the name of the proposed city or town;
- (5) State the number of inhabitants therein;
- (6) “Pray” the city or town be incorporated.

The process set out in the incorporation statutes for initiating incorporation is shown in **Exhibit F-1**. In 1994 the legislature adopted SHB 2176 that changed the process for handling of petitions (see steps 3 & 4 in **Exhibit F-1**). The bill also provided a priority process for competing annexations and incorporations, whereby annexations initiated within 90 days of the start of the incorporation process would have priority over the incorporation effort.

Exhibit F-1: Incorporation Process

- STEP 1: Interested persons or groups determine boundaries to be proposed for new city, form of government proposed, etc. as prescribed in RCW 35.02.030.
- STEP 2: Proponents file notice of the proposal with County legislative authority. Legislative authority advises Boundary Review Board of notice. Pay \$100 filing fee.
- STEP 3: BRB holds preliminary hearing on the proposal within 30 days of Step 2.
- STEP 4: On day after meeting in Step 3, Auditor assigns petition a number. Proponents must finalize legal description to be used on petition at that time.

- STEP 5: Proponents seek signatures, must have 10% of registered voters signed no later than 180 days (or next business day) after preliminary meeting in Step 2. (RCW 35.02.020 A)
- STEP 6: With signatures completed, proponents file formal notice of intention triggering the BRB review process.
- STEP 7: BRB decides whether to invoke jurisdiction within 45 days of receipt of formal notice of intention.
- STEP 8: If BRB invokes jurisdiction, it holds hearings, conducts necessary studies, and makes a recommendation about the proposal. The BRB may amend boundaries pursuant to statutory requirements and criteria (RCW 36.93.010 et seq., as amended by SHB 2176) as part of its approval.
- STEP 9: County legislative authority sets election date at next special election held at least 60 days after BRB action. (RCW 35.02.078 as amended by SHB 2176)

ROLE OF KING COUNTY BOUNDARY REVIEW BOARD IN INCORPORATIONS

Although the title of the King County Boundary Review Board (BRB) suggests that it is a county agency, the BRB for King County and all other counties with populations of 210,000 was created directly by the Legislature. The applicable statutes are codified in Chapter 36.93 RCW. The statute specifies that counties with a population of one million or more have an eleven member BRB, appointed as follows:

3 persons appointed by the governor

3 persons appointed by the county “appointing authority”

3 persons appointed by the mayors of the cities and towns located within the county, and

2 persons shall be appointed by the board from nominees of special districts in the county.

The Boundary Review Board’s task is to review certain annexations to cities and special purpose districts, incorporations of new cities, and the creation of new special purpose districts. The cases over which the BRB has jurisdiction are set out in Chapter 36.93.090 RCW, as follows:

“The board may review any such proposed actions pertaining to:

(1) The:

(a) Creation, incorporation, or change in the boundary, other than a consolidation, of any city, town, or special purpose district;

(b) consolidation of special purpose districts, but not including consolidation of cities and towns; or

(c) dissolution or disincorporation of any city, town or special purpose district, except that a board may not review the dissolution or disincorporation of a special purpose district which was dissolved or disincorporated pursuant to the provisions of Chapter 36.96 RCW: PROVIDED, That the change in the boundary of a city or town arising from the annexation of contiguous city or town owned property held for a public purpose shall be exempted from the requirements of this section; or

(2) The assumption by any city or town of all or part of the assets, facilities, or indebtedness of a special purpose district which lies partially within such city or town; or

(3) The establishment of or change in the boundaries of a mutual water and sewer system or separate sewer system by a water district pursuant to Chapter 57.08.065 RCW or Chapter 57.40 RCW, as now or hereafter amended; or

(4) The establishment of or change in the boundaries of a mutual sewer and water system or separate water system by a sewer district pursuant to Chapter 56.20.015 RCW or Chapter 56.36 RCW, as now or hereafter amended; or

(5) The extension of permanent water or sewer service outside of its existing corporate boundaries by a city, town, or special purpose district.

Certain exemptions from BRB jurisdiction are also set out in Chapter 36.93.105 RCW.

While the Board is authorized to review any of the above actions, it does not formally do so unless one of the following occurs within forty-five days of the filing of a “notice of intention” by the jurisdiction proposing the action:

- Five board members request review (with significant exceptions)
- Any governmental unit affected requests review
- A petition requesting review is filed and signed by 5% of the registered voters in the area, or the owners of 5% of the assessed valuation in the area.
- A majority of the board members concur with a request from 5% of the registered voters residing within 1/4 mile of the proposed action

The objectives of the BRB are set out in Chapter 36.93.180 RCW, which reads as follows:

Chapter 36.93.180 RCW Objectives of boundary review board. The decisions of the boundary review board shall attempt to achieve the following objectives:

- (1) Preservation of natural neighborhoods and communities;
- (2) Use of physical boundaries, including but not limited to bodies of water, highways, and land contours;
- (3) Creation and preservation of logical service areas;
- (4) Prevention of abnormally irregular boundaries;
- (5) Discouragement of multiple incorporations of small cities and encouragement of incorporation of cities in excess of ten thousand population in heavily populated urban areas;
- (6) Dissolution of inactive special purpose districts;
- (7) Adjustment of impractical boundaries;
- (8) Incorporation as cities or towns or annexation to cities or towns of unincorporated areas which are urban in character; and
- (9) Protection of agricultural and rural lands which are designated for long term productive agricultural and resource use by a comprehensive plan adopted by the county legislative authority.

The Boundary Review Board statute also provides also provides guidelines for the BRB's to use in pursuing the state objectives as follows:

Chapter 36.93.170 RCW Factors to be considered by board - Incorporation proceedings exempt from state environmental policy act. In reaching a decision on a proposal or an alternative, the board shall consider the factors affecting such proposal, which shall include, but not be limited to the following:

- (1) Population and territory; population density; land area and land uses; comprehensive plans and zoning, as adopted under Chapter 35.63, 35A.63, or 36.70 RCW; comprehensive plans and development regulations adopted under chapter 36.70A RCW; applicable service agreements entered into under chapter 36.115 or 39.34 RCW; applicable interlocal annexation agreements between a county and its cities; per capita assessed valuation; topography, natural boundaries and drainage basins, proximity to other populated area; the existence and preservation of prime agricultural soils and productive agricultural uses; the likelihood of significant growth in the area and in adjacent incorporated and unincorporated areas during the next ten years; location and most desirable future location of community facilities;

(2) Municipal services; need for municipal services; effect of ordinances, governmental codes, regulations and resolutions on existing uses; present cost and adequacy of governmental services and controls in area; prospects of governmental services from other sources; probable future needs for such services and controls; probable effect of proposal or alternative on cost and adequacy of services and controls in area and adjacent area; the effect on the finances, debt structure, and contractual obligations and rights of all affected governmental units; and

(3) The effect of the proposal or alternative on adjacent areas, on mutual economic and social interests, and on the local governmental structure of the county.

The provisions of Chapter 43.21C RCW, State Environmental Policy, shall not apply to incorporation proceedings covered by Chapter 35.02 RCW.

The BRB is also to act consistent with the Growth Management Act, particularly with regard to the Urban/Rural line. (Chapter 36.93.157 RCW) In other words, the BRB cannot allow the annexation or incorporation of rural areas.

The BRB, then, has potential jurisdiction over the incorporation and annexation alternatives, and may also play a role in the Status Quo alternatives with regard to changes to any of the special purpose districts.

APPENDIX G: KING COUNTY'S COUNTYWIDE PLANNING POLICIES RELATED TO ANNEXATION AND INCORPORATION

3. Joint Planning and Urban Growth Areas around Cities

The Growth Management Act requires each County to designate Urban Growth Areas, in consultation with cities. Within the Countywide Urban Growth Area, each city will identify land needed for its growth for the next 20 years. Although the Growth Management Act does not explicitly equate Urban Growth Areas with municipal annexation areas, the Urban Growth Areas around cities may be considered potential expansion areas for cities.

- FW-13 Cities are the appropriate provider of local urban services to Urban Areas either directly or by contract. Counties are the appropriate provider of most Countywide services. Urban services shall not be extended through the use of special districts without the approval of the city in whose potential annexation area the extension is proposed. Within the Urban Area, as time and conditions warrant, cities should assume local urban services provided by special purpose districts.
- LU-31 In collaboration with adjacent counties and cities and King County, and in consultation with residential groups in affected areas, each city shall designate a potential annexation area. Each potential annexation area shall be specific to each city. Potential annexation areas shall not overlap. Within the potential annexation area the city shall adopt criteria for annexation, including conformance with Countywide Planning Policies, and a schedule for providing urban services and facilities within the potential annexation area. This process shall ensure that unincorporated urban islands of King County are not created between cities and strive to eliminate existing islands between cities.
- LU-32 A city may annex territory only within its designated potential annexation area. All cities shall phase annexations to coincide with the ability for the city to coordinate the provision of a full range of urban services to areas to be annexed.
- LU-33 Land within a city's potential annexation area shall be developed according to that city's and King County's growth phasing plans. Undeveloped lands adjacent to that city shall be annexed at the time development is proposed to receive a full range of urban services. Subsequent to establishing a potential annexation area, infill lands within the potential annexation area which are not adjacent or which are not practical to annex shall be developed pursuant to interlocal agreements between the County and the affected city. The interlocal agreement shall establish the type of development allowed in the potential annexation area and standards for that development so that the area is developed in a manner consistent with its future annexation potential. The interlocal agreement shall specify at a minimum the applicable zoning, development standards, impact mitigation, and future annexation within the potential annexation area.

- LU-34 Several unincorporated areas are currently considering local governance options. Unincorporated Urban Areas that are already urbanized and are within a city's potential annexation area are encouraged to annex to that city in order to receive urban services. Where annexation is inappropriate, incorporation may be considered.

Development within the potential annexation area of one jurisdiction may have impacts on adjacent jurisdictions.

- LU-35 A jurisdiction may designate a potential impact area beyond its potential annexation area in collaboration with adjacent jurisdictions. As part of the designation process the jurisdiction shall establish criteria for the review of development proposals under consideration by other jurisdictions in the impact area.
- RF-4 Each city with a potential annexation area shall enter into an interlocal agreement with the County for defining service delivery responsibilities. A financing plan for investments in the annexation areas shall be included in the interlocal agreement for capital facilities and service delivery. Level-of-service standards and financial capacity should be considered for each area, together with density issues and phasing of developments.
- RF-5 In order to transition governmental roles so that the cities become the provider of local urban services and the County becomes the regional government providing Countywide and rural services, unincorporated Urban Growth Areas are encouraged to annex or incorporate within the 20-year timeframe of these Policies. To achieve this goal, all cities that have identified potential annexation areas shall enter into interlocal agreements with King County that includes a plan for development standards and financing of capital and operating expenditures during the period prior to annexation.

APPENDIX H: KING COUNTY POLICIES AND PROGRAMS RELATED TO ANNEXATION AND INCORPORATION

King County has a number of adopted policies and programs that consider annexations and incorporations in light of the State's Growth Management Act requirements. The following information is intended to clarify King County's role as a local government in annexation or incorporation of unincorporated areas within of the Urban Growth Boundary and provide information to assist the public in making thoroughly informed decisions about governance.

I. The Annexation and Incorporation Process

The annexation and incorporation process is a **citizen driven process**. Washington State law requires that the residents of a community initiate both annexation and incorporation proposals. The Boundary Review board acts on specific proposals according to RCW 35.02 and 36.93.

II. Adopted Annexation and Incorporation Policies

State law requires the development of **countywide planning policies** that establish a framework to develop and adopt consistent comprehensive plans in both the County and suburban cities. In 1994, King County Council and the suburban cities of King County adopted and ratified the Countywide Planning Policies. Relevant policies are attached and are summarized below.

- The policies require each city to adopt, in consultation with residential groups in the affected area, a potential annexation area. (LU-31)
- Within a potential annexation area, cities must adopt criteria for annexation and a schedule for providing urban services and facilities. (LU-31)
- One goal of the relevant policies is elimination of unincorporated urban islands between cities. (LU-31)
- Urbanized areas that fall within a city's potential annexation area are encouraged to annex to that city in order to receive urban services. Where annexation is inappropriate, incorporation may be considered. (LU-34)
- Unincorporated areas are encouraged to annex or incorporate with the 20-year timeframe of the Countywide Planning Policies. (RF-5)
- Each city with a potential annexation area shall enter into an interlocal agreement with the County for defining service delivery responsibilities. (RF-4)

The **King County Comprehensive Plan** incorporates the vision described by the Countywide Planning Policies and uses it to guide growth and development for residents of the unincorporated area. The Plan emphasizes a planning process to ensure delivery of appropriate levels of service to urban areas and the transition from County government to city government through the annexation and incorporation process. Relevant Comprehensive Plan policies are summarized below.

- Policy U-302 directs King County to favor annexation over incorporation within the Urban Growth Area. Incorporations should be supported only when annexation is not appropriate and when the formation of new cities is necessary to assure adequate facilities and services for growth consistent with the King County Comprehensive Plan Countywide Planning Policies.
- King County will not support annexations or incorporations that apply zoning to maintain or create permanent, low-density residential areas.

The King County Comprehensive Plan defines Potential Annexation Area (PAA) as the area the city is expected to annex within the next 20 years and calls for interlocal agreements between the city and the County to address timing, transition, and service issues in the PAA.

APPENDIX I: FAIRWOOD MODEL SPREADSHEETS

The Fairwood Budget Spreadsheets are grouped into three components:

1. Inputs and Assumptions
2. Supporting Calculations
3. Summaries and Findings

1. Inputs and assumptions. This component documents important inputs and assumptions that provide the foundation for analyzing incorporation feasibility. Inputs include three categories: comparable city data, Fairwood current conditions data, and development and finance assumptions.

The model incorporates future population and employment growth scenarios, which serve as the basis for projecting future municipal costs and revenues. The employment growth scenarios are driven by the population growth scenarios. The model includes low, medium and high growth scenarios for both. The body of this report relies on the low-growth scenarios, serving as the “baseline” scenario, for discussion purposes.

See **Appendix A.** for a detailed list of input and assumptions and their associated sources.

2. Supporting Calculations. Key drivers are calculated from 2007 to 2015 that include forecasts on population, housing units, construction activity and assessed values in Fairwood.

Per capita multipliers are then applied to Fairwood’s key driver forecasts to provide an estimate of municipal costs and revenues for the Fairwood Incorporation Area.

3. Summary of Findings and Conclusions. The last step in the fiscal model is to summarize detailed calculations and determine conclusions. Graphs and summary tables are provided that compare costs and revenues from 2010 to 2015.

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Tab	Content	Description	Type
1	User Guide	An introduction to the model with important caveats and guidelines for model interpretation and use	Directions
2	2010 General Fund Rev./Exp. Balance	A summary table and graph that shows 2010 total general revenue funds and expenditures for the City of Fairwood. Estimates for the general revenue fund are based on selected growth scenarios in Fairwood and comparable public finances experienced in the City of Maple Valley	Summary
3	Inputs and Assumptions	A "one stop shop" for all inputs and assumptions used to build the Fairwood fiscal model.	Assumptions
4	Scenario Chooser	The scenario modeler allows the analyst to specify a low, medium or high growth scenario in order to examine the fiscal implications of future growth.	Assumptions
5	Sensitivity Analysis	Currently a place holder for assumptions included in the Appendix A. Sensitivity Analysis in the draft report. The user may change the assumptions and scenario chooser to replicate this scenario. (Currently disconnected from model)	Assumptions
6	Key Drivers	A data table that summarizes projected population, housing units, construction activity, and assessed value which drive cost and revenue projections. The "Drivers Data Table" updates based on the growth scenario specified.	Detailed Calculations
7	Budget Summary	A summary of estimated future revenues and expenditures for the City of Fairwood, 2010 - 2015. Fiscal implications of growth are estimated using comparable public finances experienced by the City of Maple Valley and growth scenarios for the City of Fairwood.	Detailed Calculations
8	Revenues Projections	A data table that calculates revenue projections by detailed budget line item for the City of Fairwood 2010 - 2015. The revenue projections customize Maple Valley's 2007 budgeted revenue sources to provide tailored estimates for the City of Fairwood based on the specified growth scenario.	Detailed Calculations
9	Property Tax Revenues	A data table that calculates property tax revenue based on the current assessed valuation of real property and anticipated new construction within Fairwood's jurisdictional boundaries	Detailed Calculations
10	Retail Sales Tax Revenues	A data table that provides customized base data from DoR on taxable retail sales in the Fairwood area as well as summary calculations on anticipated streamlined sales tax revenues	Detailed Calculations

Table of Contents

Tab	Content	Description	Type
11	SST Estimates	A data table that uses spending data from claritas in the 98058 ZIP code to estimate sales tax revenues incurred by the City of Fairwood from online or delivery purchases outside the jurisdictional boundary	Detailed Calculations
12	REET Revenues	A data table from King County with actual REET revenues for the Fairwood Incorporation area from 2006 to 2008	Detailed Calculations
13	Operating Expenses Projection	A data table that calculates expenditure projections by detailed budget line item for the City of Fairwood 2010 - 2015. The cost projections customize Maple Valley's 2007 budgeted cost centers to provide tailored estimates for the City of Fairwood based on the specified growth scenario.	Detailed Calculations
14	Capital Expenses	A detailed data table with planned capital expenditures in the Fairwood Area. Capital expenditures were obtained from interviews with King County staff and King County Capital Facilities Plans. Capital costs include in stormwater management, roads maintenance and road capital investments for 2010 - 2015	Detailed Calculations
15	Comparable Cities Table	A supporting data table that compares demographic trends in Fairwood with other similar cities	Supporting Data
16	Market Analysis	A supporting data table with calculations for market factors that may influence incorporation feasibility	Supporting Data
17	Land Demand Analysis	A supporting data table with calculations for land required to accommodate population and housing unit projections	Supporting Data

Tab 1. User Guide

Color Coding: Through out the data model, data are shaded to distinguish between official values (gray) which have been previously adopted by government sources and estimated values (green) that are calculated using official data sources. Estimated values aim to customize existing official data sources for the Fairwood Incorporation Area in order to accurately project the fiscal implications of future growth. Cells shaded rose are for future use only. These cells are place holders to anticipated revenues and expenditures as Fairwood matures as a city.

Please familiarized yourself with the color coding scheme before using the model.

Color Coding Scheme		
Data Inputs	Sources	User Specifications
Official Values	Data obtained by official data sources such as OFM, PSRC, King County, or Maple Valley	Do Not Change
Inputs and Estimates	Data calculated from official data sources such as OFM, PSRC, King County or Maple Valley	User may change estimated values as new data become available or to test variations in scenarios
For Future Use Only	Data not applicable to Fairwood within the near future but will be in the long run, see comments in individual cells (reb tab in upper right corner)	User may fill in these data sources in the future, see comments in individual cells (reb tab in upper right corner)

Modeling Future Growth Scenarios (Tab 4)

Tab 4. Inputs, Assumptions and Scenario Modeler contains all official values and estimated values from which future public revenues and costs associated with growth are modeled. The "application" column explains the relationship between each input or assumption and other components of the model. The "source" column explains the source of the data inputs and assumptions. For estimated data values, the source column identifies official data sources that were customized for Fairwood.

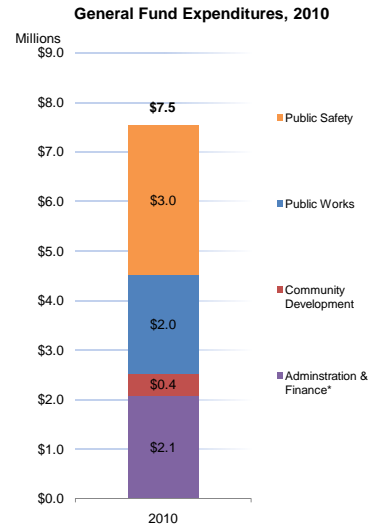
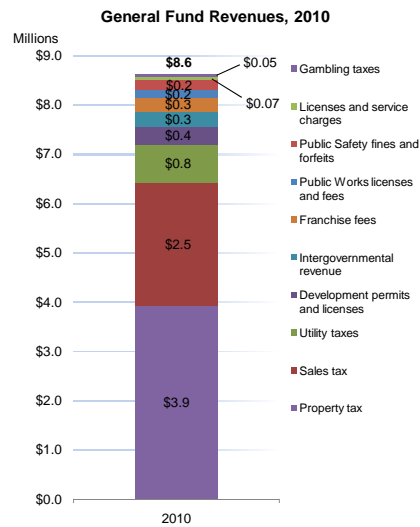
The "Scenario Chooser" found in in this tab allows analysts to estimate fiscal implications of three future growth scenario; low, medium and high. Choose the future growth scenario by hovering over the bottom right corner of the "Scenario Chooser." The scenario chooser selects the growth rate in cells B-28 through B-30 to project population in the Population Forecasts Data Table. Users may specify alternative growth rates by keying in compounded annual growth rates in cells B23-B30.

Tab 2. Fairwood General Fund Summary, 2010

2010 GENERAL FUND REVENUES		
2009 General Fund Revenues	Total	% Total
Property tax	\$ 3,930,409	46%
Sales tax	\$ 2,494,678	29%
Utility taxes	\$ 769,601	9%
Development permits and licenses	\$ 360,346	4%
Intergovernmental revenue	\$ 299,123	3%
Franchise fees	\$ 292,056	3%
Public Works licenses and fees	\$ 157,378	2%
Public Safety fines and forfeits	\$ 209,337	2%
Licenses and service charges	\$ 65,919	1%
Gambling taxes	\$ 48,124	1%
TOTAL G.F. REVENUES	\$ 8,626,970	100%
Available for local discretion	\$ 1,089,894	

2010 GENERAL FUND EXPENDITURES		
2009 General Fund Expenditures	Total	% Total GF
Public Safety	\$ 3,022,315	40%
Public Works	\$ 1,991,016	26%
Community Development	\$ 444,491	6%
Human Services	\$ -	0%
Parks & Recreation	\$ -	0%
Administration & Finance*	\$ 2,079,254	28%
TOTAL G.F. EXPENDITURES	\$ 7,537,076	100%
Cost-Revenue Funding Gap	\$ -	

*Includes Council, Manager, Attorney, Clerk



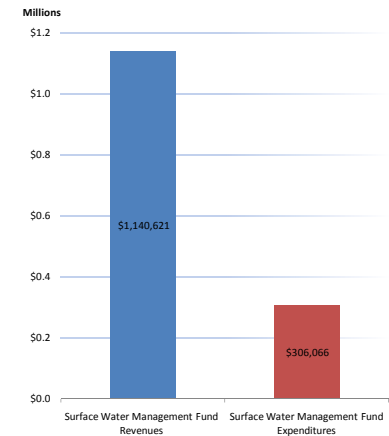
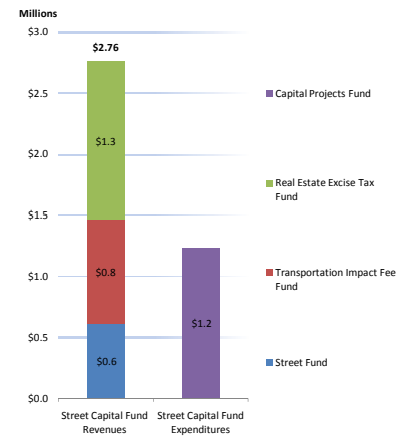
Tab 2. Fairwood Capital Funds Summary, 2010

2010 STREET CAPITAL FACILITIES FUNDS REVENUES		
Funds for street capital investment	Total	% Total
Street Fund	\$ 610,547	22%
Transportation Impact Fee Fund	\$ 849,873	31%
Real Estate Excise Tax Fund	\$ 1,302,760	47%
Capital Projects Fund	\$ -	0%
Street Capital Fund Revenues	\$ 2,763,180	100%
Available for local discretionary spending	\$ 1,533,680	

2010 STREET CAPITAL FACILITIES FUNDS EXPENDITURES		
Funds for street capital investment	Total	% Total
Street Fund	\$ -	0%
Transportation Impact Fee Fund	\$ -	0%
Real Estate Excise Tax Fund	\$ -	0%
Capital Projects Fund	\$ 1,229,500	100%
Street Capital Fund Expenditures	\$ 1,229,500	100%
Cost-Revenue Funding Gap	\$ -	

2010 STORMWATER MANAGEMENT FUND REVENUES		
Surface Water Management Fund Revenues	\$ 1,140,621	100%
Available for local discretionary spending	\$ 834,555	

2010 STORMWATER MANAGEMENT FUND EXPENDITURES		
Surface Water Management Fund Expenditures	\$ 306,066	100%
Cost-Revenue Funding Gap	\$ -	



Tab 3. Inputs and Assumptions

Fairwood Baseline Data		APPLICATION	SOURCE
Total Fairwood Assessed Value (2007)	\$2,292,105,525	Property tax base growth (Tab 9)	King County Assessor's Dept.
Residential Assessed Value (2007)	\$2,134,532,100		
Commercial Assessed Value (2007)	\$52,973,000		
Fairwood Parks Acres	-	Parks operating expenses (Tab 13)	King County Parks Dept. email, 11/20/08
Sales Tax to City of Fairwood	1.0%	Streamlined Sales Tax Revenue (Tab 11)	WA Department of Revenue
ASSUMPTIONS: DEVELOPMENT AND FINANCE		APPLICATION	SOURCES & ASSUMPTIONS
City Share of Property Tax Millage Rate	1.6000	Property tax base growth (Tab 9)	Assumed to be same as the County Road Levy
Assessed Value per Housing Unit	\$225,000	Property tax base growth (Tab 9)	King County Assessor's Dept, Community Attributes
Estimated Sale Value per Housing Unit	\$305,000	Sales Tax Revenue and REET Revenue Growth (Tab 8)	King County Office of Management and Budget, Community Attributes
Assessed Value Revaluation Rate	0.000%	Property tax base growth (Tab 8)	Community Attributes estimate
Construction Cost as % of AV	80%	Property tax base growth (Tab 8)	Community Attributes estimate
Frequency of Residential re-sales (yrs)	11	REET Revenue Growth (Tab 8 & 12)	King County Office of Management and Budget, Community Attributes
Annual Residential Turnover Rate (% of homes resold each year)	9%	REET Revenue Growth (Tab 8 & 12)	King County Office of Management and Budget, Community Attributes
Annual Commercial Turnover Rate (% of properties resold each year)	3%	REET Revenue Growth (Tab 8 & 12)	King County Office of Management and Budget, Community Attributes
Combined Turnover Rate (Weighted Residential and Commercial)	9%	REET Revenue Growth (Tab 8 & 12)	King County Office of Management and Budget, Community Attributes
ASSUMPTIONS: BASELINE POPULATION AND HOUSING		APPLICATION	SOURCES & ASSUMPTIONS
Est. Fairwood Population, 2007	25,000	All tabs (4-13)	OFM, Community Attributes (Tab 9 Comp Cities)
Est. Fairwood Housing Units, 2007	9,453	All tabs (4-13)	OFM, Community Attributes (Tab 9 Comp Cities)
Est. Average Persons per Housing Unit, 2007	2.6	All tabs (4-13)	OFM, Community Attributes (Tab 9 Comp Cities)
Maple Valley Baseline Data for Model Reference			
Maple Valley 2007 Population	20,020	Per capita driver calculation for Revenues (Tab 8) and Operating Expenses (Tab 13)	Office of Financial Management (OFM)
Maple Valley 2006 Population	19,140	Per capita driver calculation for Revenues (Tab 8) and Operating Expenses (Tab 13)	Office of Financial Management (OFM)
Net New Maple Valley Population in 2007	880	Per capita driver calculation for Revenues (Tab 8) and Operating Expenses (Tab 13)	Office of Financial Management (OFM), Community Attributes
Maple Valley Parks Acres	150	Park operating expense driver calculation (Tab 13)	

Tab 4. Scenario Chooser

FUTURE SCENARIO MODELER

Fairwood Population Growth Scenarios

Low-Growth Scenario (King County Housing Targets)	0.3%	All tabs (5-10)
Medium-Growth Scenario (PSRC Forecasts)	0.8%	All tabs (5-10)
High-Growth Scenario (Continued Historic Growth Rate)	1.8%	All tabs (5-10)

Scenario Chooser

High-Growth Scenario

Instructions for using the Scenario Chooser: Choose the future growth scenario by hovering over the bottom right corner of the "Scenario Chooser." The scenario chooser selects the growth rate in cells F-5 through F-7 to project population in the data table below. Users may specify alternative growth rates by keying in compounded annual growth rates in cells B23-B30.

Growth Forecast Scenario Calculations Table

Low-Growth Scenario (King County Housing Targets)

2001- 2022 Renton PAA Household Targets	1,739
Fairwood's Share of Buildable Land (Rough Estimate/ King Co.)	33%
Fairwood Share of Household Targets	574
Annual Household Growth 2001 - 2022 (Average)	27
Fairwood Persons per household, 2000	2.7
Annual Population Growth (Average)	74
2014 Population Based on Household Target Growth	25,520
Annual Population Growth Rate based on Household Targets	0.3%

Medium-Growth Scenario (PSRC Forecasts)

PSRC Weighted FAZ Population Forecast, 2000-2020 cagr	0.8%
---	------

High-Growth Scenario (Continued Historic Growth Rate)

2000 Population (US Census, OFM Est.)	22,100
2007 Population (Community Attributes's Est.)	25,000
Historic compounded annual growth rate, 2000 - 2007	1.8%

Annual Growth Forecast Projections Data Table

												Growth, 2007-2015
Forecasted Population		2000	2007	2008	2009	2010	2011	2012	2013	2014	2015	
Low-Growth Scenario	0.3%	22,100	25,000	25,074	25,148	25,222	25,296	25,371	25,446	25,521	25,596	596
Medium-Growth Scenario	0.8%	22,100	25,000	25,193	25,387	25,582	25,779	25,977	26,177	26,379	26,582	1,582
High-Growth Scenario	1.8%	22,100	25,000	25,444	25,896	26,356	26,824	27,301	27,786	28,280	28,783	3,783
New Population		2000	2007	2008	2009	2010	2011	2012	2013	2014	2015	Average
Low-Growth Scenario				74	74	74	74	75	75	75	75	75
Medium-Growth Scenario				193	194	195	197	198	200	202	203	198
High-Growth Scenario				444	452	460	468	477	485	494	503	473
												Growth, 2007-2015
Housing Units		2000	2007	2008	2009	2010	2011	2012	2013	2014	2015	
Low-Growth Scenario	0.3%		9,453	9,481	9,509	9,537	9,565	9,593	9,622	9,650	9,678	225
Medium-Growth Scenario	0.8%		9,453	9,526	9,599	9,673	9,748	9,822	9,898	9,974	10,051	598
High-Growth Scenario	1.8%		9,453	9,621	9,792	9,966	10,143	10,323	10,506	10,693	10,883	1,430
Housing Unit Growth		2000	2007	2008	2009	2010	2011	2012	2013	2014	2015	Average
Low-Growth Scenario				28	28	28	28	28	28	28	28	28
Medium-Growth Scenario				73	73	74	74	75	76	76	77	75
High-Growth Scenario				168	171	174	177	180	183	187	190	179

Tab 5. Sensitivity Analysis

Comparison of Key Assumptions Used in Sensitivity Analysis			
Assumptions	Baseline Scenario	Pessimistic Scenario	Optimistic Scenario
Population growth rate	1.8%	0.3%	1.8%
Local retail sales capture	21%	21%	26%
Property tax base amount	\$ 2,292,105,525	\$ 2,292,105,525	\$ 2,555,558,700
Property tax base year	2007	2007	2008

City of Fairwood Total Revenues and Expenditure Estimates, Low and High Growth Scenario, 2010 & 2015

Comparisons of Impacts	2010			2015		
	Baseline Scenario	Pessimistic Scenario	Optimistic Scenario	Baseline Scenario	Pessimistic Scenario	Optimistic Scenario
Growth Metrics						
Population	26,356	25,222	26,356	28,783	25,596	28,783
Housing Units	9,966	9,537	9,966	10,883	9,678	10,883
General Fund						
Property Tax Revenue	\$3,930,409	\$3,710,820	\$4,287,334	\$4,285,169	\$3,765,134	\$4,642,094
Sales Tax Revenue	\$2,494,678	\$2,149,995	\$2,799,011	\$2,583,663	\$2,162,197	\$2,898,909
Total General Fund Revenues	\$8,626,970	\$7,625,445	\$9,288,229	\$9,415,036	\$7,736,462	\$10,104,319
Public Safety Expenditures	\$3,022,315	\$2,892,276	\$3,022,315	\$3,300,626	\$2,935,164	\$3,300,626
Public Works Expenditures	\$1,991,016	\$1,947,824	\$1,991,016	\$2,083,458	\$1,962,069	\$2,083,458
Total General Fund Expenditures	\$7,537,076	\$6,905,406	\$7,537,076	\$8,132,266	\$6,991,688	\$8,132,266
General Fund Balance	\$1,089,894	\$720,040	\$1,751,153	\$1,282,770	\$744,774	\$1,972,053
Street Fund						
Street & Transportation Fund						
Revenue	\$1,460,420	\$721,039	\$1,460,420	\$1,594,792	\$729,703	\$1,594,792
REET Fund Revenue	\$1,302,760	\$1,025,514	\$1,400,281	\$1,420,723	\$1,039,990	\$1,518,243
Street Fund Grants	\$0	\$0	\$0	\$863,490	\$767,880	\$863,490
Total Street Fund Revenue	\$2,763,180	\$1,746,552	\$2,860,701	\$3,879,004	\$2,537,572	\$3,976,525
Street Fund Expenditures	\$1,229,500	\$1,229,500	\$1,229,500	\$1,229,500	\$1,229,500	\$1,229,500
Street Fund Balance	\$1,533,680	\$517,052	\$1,631,201	\$2,649,504	\$1,308,072	\$2,747,025
Surface Water Mgmt. (SMW) Fund						
SWM Fund Revenues	\$1,140,621	\$1,091,522	\$1,140,621	\$1,245,575	\$1,107,661	\$1,245,575
SWM Fund Expenditures	\$306,066	\$306,066	\$306,066	\$306,066	\$306,066	\$306,066
SWM Fund Balance	\$834,555	\$785,456	\$834,555	\$939,509	\$801,595	\$939,509

Tab 6. Key Drivers

Summary Data Table of Key Drivers for Selected Scenario

Year	1	2	3	4	5	6	7	8	9
Scenario Modeled	2007 (Estimated)	2008 (Estimated)	2009 (Projection)	2010 (Projection)	2011 (Projection)	2012 (Projection)	2013 (Projection)	2014 (Projection)	2015 (Projection)
High-Growth Scenario	3								
Key Driver									
Total Population	25,000	25,444	25,896	26,356	26,824	27,301	27,786	28,280	28,783
Total Housing Units	9,453	9,621	9,792	9,966	10,143	10,323	10,506	10,693	10,883
Total AV (Total Res. + Cml.)	\$ 2,292,105,525	\$ 2,332,480,525	\$ 2,373,080,525	\$ 2,414,455,525	\$ 2,456,505,525	\$ 2,499,330,525	\$ 2,542,830,525	\$ 2,587,105,525	\$ 2,632,280,525
 New Population	442	444	452	460	468	477	485	494	503
New Housing Units	167	168	171	174	177	180	183	187	190
Residential Const. Value	30,060,000	30,240,000	30,780,000	31,320,000	31,860,000	32,400,000	32,940,000	33,660,000	34,200,000
Residential New AV	37,575,000	37,800,000	38,475,000	39,150,000	39,825,000	40,500,000	41,175,000	42,075,000	42,750,000
Residential Sale Value	50,935,000	51,240,000	52,155,000	53,070,000	53,985,000	54,900,000	55,815,000	57,035,000	57,950,000
 Commerical Const. Value	2,240,000	2,240,000	2,320,000	2,320,000	2,400,000	2,400,000	2,480,000	2,480,000	2,560,000
Commercial New AV	2,800,000	2,800,000	2,900,000	2,900,000	3,000,000	3,000,000	3,100,000	3,100,000	3,200,000
Commercial Sale Value	2,800,000	2,800,000	2,900,000	2,900,000	3,000,000	3,000,000	3,100,000	3,100,000	3,200,000
 Total New Construction Costs	\$ 32,300,000	\$ 32,480,000	\$ 33,100,000	\$ 33,640,000	\$ 34,260,000	\$ 34,800,000	\$ 35,420,000	\$ 36,140,000	\$ 36,760,000
Total New AV (Res. + Cml.)	\$ 40,375,000	\$ 40,600,000	\$ 41,375,000	\$ 42,050,000	\$ 42,825,000	\$ 43,500,000	\$ 44,275,000	\$ 45,175,000	\$ 45,950,000
Total Sale Value	\$ 53,735,000	\$ 54,040,000	\$ 55,055,000	\$ 55,970,000	\$ 56,985,000	\$ 57,900,000	\$ 58,915,000	\$ 60,135,000	\$ 61,150,000
 Re-sale AV (for REET)	\$ 200,402,283	\$ 203,932,331	\$ 207,482,051	\$ 211,099,530	\$ 214,776,026	\$ 218,520,281	\$ 222,323,552	\$ 226,194,583	\$ 230,144,302

Notes:

The model includes a hidden Row 4 that includes column reference numbers for look-up formula used in table

Population and housing units associated with scenario chosen in table

Total sale value used to determine sales tax revenues from new construction

Commercial AV driven proportionally by population growth scenarios; annual data represent annual pro-rating of actual anticipated sales

Tab 7. Budget Summary

Summary Data Table of Fairwood Revenues and Expenditures, 2010 - 2015

	% of ALL Rev. (2010)	% of ALL Exp. (2010)	2010	2011	2012	2013	2014	2015
GENERAL FUND								
REVENUES								
Regular Property Tax - Current	31.4%		\$3,930,409	\$3,998,929	\$4,068,529	\$4,139,369	\$4,211,649	\$4,285,169
Sales Tax	19.9%		\$2,494,678	\$2,539,202	\$2,583,663	\$2,629,580	\$2,677,233	\$2,724,624
Locally Generated								
Construction	2.7%		\$336,400	\$342,600	\$348,000	\$354,200	\$361,400	\$367,600
Taxable Retail Sales	9.3%		\$1,161,938	\$1,182,570	\$1,203,600	\$1,224,981	\$1,246,760	\$1,268,935
Streamlined Sales Tax	3.0%		\$377,567	\$384,272	\$391,105	\$398,053	\$405,130	\$412,336
.1% Criminal Justice	4.9%		\$618,772	\$629,760	\$640,959	\$652,345	\$663,943	\$675,752
Utility Taxes	6.1%		\$769,601	\$783,267	\$797,195	\$811,357	\$825,782	\$840,470
Gambling Taxes	0.4%		\$48,124	\$48,979	\$49,849	\$50,735	\$51,637	\$52,556
Franchise Fees	2.3%		\$292,056	\$297,242	\$302,527	\$307,902	\$313,376	\$318,950
Intergovernmental Revenue	2.4%		\$299,123	\$304,435	\$309,849	\$315,353	\$320,960	\$326,668
Licenses and Service Charges	0.5%		\$65,919	\$67,089	\$68,282	\$69,495	\$70,731	\$71,989
Miscellaneous Revenues	0.0%		\$0	\$0	\$0	\$0	\$0	\$0
General Government Revenues	63.0%		\$7,899,910	\$8,039,142	\$8,179,895	\$8,323,791	\$8,471,368	\$8,620,425
Community Development Permits, Revie	2.9%		\$360,346	\$366,618	\$373,648	\$379,928	\$386,967	\$394,011
Public Safety Fines and Forfeits	1.7%		\$209,337	\$213,054	\$216,843	\$220,695	\$224,618	\$228,614
Public Works Licenses and Fees	1.3%		\$157,378	\$160,142	\$163,113	\$165,925	\$168,943	\$171,987
Parks & Recreation Revenues	0.0%		\$0	\$0	\$0	\$0	\$0	\$0
REVENUES	68.8%		\$8,626,970	\$8,778,956	\$8,933,499	\$9,090,339	\$9,251,897	\$9,415,036
EXPENDITURES								
City Council	1.0%		\$93,181	\$93,181	\$93,181	\$93,181	\$93,181	\$93,181
City Manager	6.2%		\$562,190	\$572,173	\$582,347	\$592,693	\$603,230	\$613,959
City Attorney	3.2%		\$288,138	\$293,254	\$298,469	\$303,771	\$309,172	\$314,671
City Clerk	6.7%		\$611,002	\$621,851	\$632,910	\$644,153	\$655,605	\$667,266
Community Development	4.9%		\$444,491	\$452,221	\$460,918	\$468,648	\$477,345	\$486,041
Finance	5.8%		\$524,743	\$534,061	\$543,558	\$553,214	\$563,049	\$573,064
Human Services	0.0%		\$0	\$0	\$0	\$0	\$0	\$0
Parks & Recreation	0.0%		\$0	\$0	\$0	\$0	\$0	\$0
Public Safety	33.3%		\$3,022,315	\$3,075,982	\$3,130,681	\$3,186,297	\$3,242,945	\$3,300,626
Public Works	21.9%		\$1,991,016	\$2,008,842	\$2,027,010	\$2,045,483	\$2,064,299	\$2,083,458
EXPENDITURES	83.1%		\$7,537,076	\$7,651,565	\$7,769,074	\$7,887,441	\$8,008,827	\$8,132,266
GENERAL FUND BALANCE			\$1,089,894	\$1,127,391	\$1,164,425	\$1,202,899	\$1,243,070	\$1,282,770
STREET FUND								
REVENUES	4.9%		\$610,547	\$621,389	\$632,438	\$643,674	\$655,117	\$666,770
EXPENDITURES		0.0%	\$0	\$0	\$0	\$0	\$0	\$0
STREET FUND BALANCE			\$610,547	\$621,389	\$632,438	\$643,674	\$655,117	\$666,770
TRANSPORTATION IMPACT FEE FUND								
REVENUES	6.8%		\$849,873	\$864,526	\$879,179	\$893,832	\$913,369	\$928,022
EXPENDITURES		0.0%	\$0	\$0	\$0	\$0	\$0	\$0
TRANSPORTATION IMPACT FEE FUND BALANCE			\$849,873	\$864,526	\$879,179	\$893,832	\$913,369	\$928,022
PARK DEVELOPMENT FUND								
REVENUES	0.0%		\$0	\$0	\$0	\$0	\$0	\$0
EXPENDITURES		0.0%	\$0	\$0	\$0	\$0	\$0	\$0
PARKS DEVELOPMENT FUND BALANCE			\$0	\$0	\$0	\$0	\$0	\$0
REAL ESTATE EXCISE TAX FUND								
REVENUES	10.4%		\$1,302,760	\$1,325,423	\$1,348,380	\$1,371,676	\$1,396,793	\$1,420,723
EXPENDITURES		0.0%	\$0	\$0	\$0	\$0	\$0	\$0
R.E.E.T. FUND BALANCE			\$1,302,760	\$1,325,423	\$1,348,380	\$1,371,676	\$1,396,793	\$1,420,723
CAPITAL PROJECTS FUND								
REVENUES	0.0%		\$0	\$0	\$819,030	\$833,580	\$848,400	\$863,490
EXPENDITURES		13.6%	\$1,229,500	\$1,229,500	\$1,229,500	\$1,229,500	\$1,229,500	\$1,229,500
CAPITAL PROJECTS FUND BALANCE			-\$1,229,500	-\$1,229,500	-\$410,470	-\$395,920	-\$381,100	-\$366,010
SURFACE WATER MANAGEMENT FUND								
REVENUES	9.1%		\$1,140,621	\$1,160,878	\$1,181,481	\$1,202,427	\$1,223,828	\$1,245,575
EXPENDITURES		3.4%	\$306,066	\$306,066	\$306,066	\$306,066	\$306,066	\$306,066
SURFACE WATER MGMT. FUND BALANCE			\$834,555	\$854,812	\$875,415	\$896,361	\$917,763	\$939,509
VEHICLE RENTAL FUND								
REVENUES	0.0%		\$0	\$0	\$0	\$0	\$0	\$0
EXPENDITURES		0.0%	\$0	\$0	\$0	\$0	\$0	\$0
VEHICLE RENTAL FUND BALANCE			\$0	\$0	\$0	\$0	\$0	\$0
CENTRAL SERVICES FUND								
REVENUES	0.0%		\$0	\$0	\$0	\$0	\$0	\$0
EXPENDITURES		0.0%	\$0	\$0	\$0	\$0	\$0	\$0
CENTRAL SERVICES FUND BALANCE			\$0	\$0	\$0	\$0	\$0	\$0
UNEMPLOYMENT TRUST FUND								
REVENUES	0.0%		\$0	\$0	\$0	\$0	\$0	\$0
EXPENDITURES		0.0%	\$0	\$0	\$0	\$0	\$0	\$0
UNEMPLOYMENT TRUST FUND BALANCE			\$0	\$0	\$0	\$0	\$0	\$0

Tab 8. Revenue Projections

Detailed Fairwood Revenue Projections Data Table, 2007 - 2015

Description	Maple Valley Reference Value	Revenue Multiplier	Basis for Revenue Multiplier	2009	2010	2011	2012	2013	2014	2015
GENERAL FUND										
GENERAL GOVERNMENT REVENUES				\$ 44.09						
TAXES										
Regular Property Tax - Current	2,547,157.10		AV	\$ 3,863,129	\$ 3,930,409	\$ 3,998,929	\$ 4,068,529	\$ 4,139,369	\$ 4,211,649	\$ 4,285,169
Regular Property Tax - Delinquent										
Sales Tax	1,843,191.82									
Locally Generated Revenues										
Construction		1.00%	Constr.	\$ 331,000	\$ 336,400	\$ 342,600	\$ 348,000	\$ 354,200	\$ 361,400	\$ 367,600
Retail Sales		1.00%	DoR per capita	\$ 1,141,658	\$ 1,161,938	\$ 1,182,570	\$ 1,203,600	\$ 1,224,981	\$ 1,246,760	\$ 1,268,935
Streamlined Sales Tax		14.33	SST per capita estimates	\$ 370,978	\$ 377,567	\$ 384,272	\$ 391,105	\$ 398,053	\$ 405,130	\$ 412,336
.1% Criminal Justice	470,019.10	23.48	Per capita	\$ 607,973	\$ 618,772	\$ 629,760	\$ 640,959	\$ 652,345	\$ 663,943	\$ 675,752
Electric Tax	191,334.62	9.56	Per capita	\$ 247,493	\$ 251,889	\$ 256,362	\$ 260,920	\$ 265,556	\$ 270,277	\$ 275,084
Natural Gas Tax	149,639.78	7.47	Per capita	\$ 193,560	\$ 196,998	\$ 200,496	\$ 204,062	\$ 207,687	\$ 211,379	\$ 215,139
Telephone Tax	243,614.06	12.17	Per capita	\$ 315,116	\$ 320,714	\$ 326,409	\$ 332,213	\$ 338,115	\$ 344,126	\$ 350,247
Gambling Tax	36,554.95	1.83	Per capita	\$ 47,284	\$ 48,124	\$ 48,979	\$ 49,849	\$ 50,735	\$ 51,637	\$ 52,556
TOTAL TAXES	5,481,511.43			\$ 7,118,191	\$ 7,242,812	\$ 7,370,376	\$ 7,499,237	\$ 7,631,041	\$ 7,766,301	\$ 7,902,818
FRANCHISE FEES	221,845.32	11.08		\$ 286,958	\$ 292,056	\$ 297,242	\$ 302,527	\$ 307,902	\$ 313,376	\$ 318,950
TOTAL INTERGOVERNMENTAL	332,766.46	16.62	Per capita	\$ 293,903	\$ 299,123	\$ 304,435	\$ 309,849	\$ 315,353	\$ 320,960	\$ 326,668
TOTAL LICENSES AND SERVICE CHARGES	49,111.94			\$ 64,768	\$ 65,919	\$ 67,089	\$ 68,282	\$ 69,495	\$ 70,731	\$ 71,989
TOTAL MISCELLANEOUS	176,067.98			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL GENERAL GOVERNMENT	6,261,783.13			\$ 7,763,864	\$ 7,899,910	\$ 8,039,142	\$ 8,179,895	\$ 8,323,791	\$ 8,471,368	\$ 8,620,425
TOTAL COMMUNITY DEVELOPMENT	457,397.12	765.35	673,511.55	\$ 354,078	\$ 360,346	\$ 366,618	\$ 373,648	\$ 379,928	\$ 386,967	\$ 394,011
TOTAL PARKS & RECREATION	166,216.01			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL PUBLIC SAFETY	159,797.06			\$ 205,683	\$ 209,337	\$ 213,054	\$ 216,843	\$ 220,695	\$ 224,618	\$ 228,614
TOTAL PUBLIC WORKS	259,121.37			\$ 154,637	\$ 157,378	\$ 160,142	\$ 163,113	\$ 165,925	\$ 168,943	\$ 171,987
TOTAL GENERAL FUND REVENUE				\$ 8,478,262	\$ 8,626,970	\$ 8,778,956	\$ 8,933,499	\$ 9,090,339	\$ 9,251,897	\$ 9,415,036
STREET FUND										
TOTAL STREET FUND	509,603.96			\$ 599,891	\$ 610,547	\$ 621,389	\$ 632,438	\$ 643,674	\$ 655,117	\$ 666,770
TRANSPORTATION IMPACT FEE FUND										
TOTAL TRANS IMPACT FEE FUND	1,139,880.41			\$ 835,220	\$ 849,873	\$ 864,526	\$ 879,179	\$ 893,832	\$ 913,369	\$ 928,022
PARK DEVELOPMENT FUND										
TOTAL PARK IMPACT FEE FUND	27,448.03			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
REAL ESTATE EXCISE TAX FUND										
TOTAL R.E.E.T. FUND	801,278.50			\$ 1,280,437	\$ 1,302,760	\$ 1,325,423	\$ 1,348,380	\$ 1,371,676	\$ 1,396,793	\$ 1,420,723
CAPITAL PROJECTS FUND										
TOTAL CAPITAL PROJECTS FUND	465,410.42			\$ 3,234	\$ -	\$ -	\$ 819,030	\$ 833,580	\$ 848,400	\$ 863,490
SURFACE WATER MANAGEMENT FUND										
TOTAL SURFACE WTR MGT FUND	792,051.45			\$ 1,120,706	\$ 1,140,621	\$ 1,160,878	\$ 1,181,481	\$ 1,202,427	\$ 1,223,828	\$ 1,245,575
VEHICLE RENTAL FUND										
TOTAL VEHICLE RENTAL FUND	116,675.64			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CENTRAL SERVICES FUND										
TOTAL CENTRAL SERVICE FUND	543,959.93			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
UNEMPLOYMENT TRUST FUND										
TOTAL UNEMPLOYMENT FUND	37,833.14			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
GRAND TOTAL REVENUE				\$ 12,317,749	\$ 12,530,771	\$ 12,751,171	\$ 13,794,007	\$ 14,035,528	\$ 14,289,404	\$ 14,539,616

Tab 9. Property Tax Revenues

Property Tax Revenues Estimates Data Table, 2007 - 2015

	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total assessed value	\$2,292,105,525	\$2,332,480,525	\$2,373,080,525	\$2,414,455,525	\$2,456,505,525	\$2,499,330,525	\$2,542,830,525	\$2,587,105,525	\$2,632,280,525
New construction (incl. redevelopment)	40,375,000	40,600,000	41,375,000	42,050,000	42,825,000	43,500,000	44,275,000	45,175,000	45,950,000
City property tax mill rate		1.6000	1.6000	1.6000	1.6000	1.6000	1.6000	1.6000	1.6000
Tax on new construction		64,960	66,200	67,280	68,520	69,600	70,840	72,280	73,520
Unconstrained tax on base a.v.		3,731,969	3,796,929	3,863,129	3,930,409	3,998,929	4,068,529	4,139,369	4,211,649
1% constrained revenues on base a.v.			3,834,898	3,901,760	3,969,713	4,038,918	4,109,214	4,180,763	4,253,765
Minimum revenues on base a.v.			3,796,929	3,863,129	3,930,409	3,998,929	4,068,529	4,139,369	4,211,649
Total city property tax revenues		\$3,796,929	\$3,863,129	\$3,930,409	\$3,998,929	\$4,068,529	\$4,139,369	\$4,211,649	\$4,285,169

Fairwood 2007 Assessed Value Data Table					
Levy Code	Parcels	Land AV	Improvements AV	Total AV (2007)	% Total
Null	159	544000	2552000	3096000	0%
4170	25	4689000	3662000	8351000	0%
4250	293	26098700	42571000	68669700	3%
4398	656	67855600	128061200	195916800	9%
4399	2	738500	887000	1625500	0%
5055	2	338000	0	338000	0%
5090	961	75887000	176881100	252768100	11%
5100	2804	339401525	567978800	907380325	40%
5155	4	411000	611000	1022000	0%
5157	1	154000	429000	583000	0%
5160	2403	302857300	549497800	852355100	37%
Total	7,310	818,974,625	1,473,130,900	2,292,105,525	100%

Source: King County Assessor

Tab 10. Retail Sales Tax Revenues

Fairwood Taxable Retail Sales Data Table, 2007

Adjusted Fairwood Taxable Retail Sales	\$ 110,215,708
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Source: WA Department of Revenue Custom Data Request

Fairwood Streamlined Sales Tax Revenue Estimates, 2008

Fairwood Total Purchases	\$ 566,353,100
Percent Purchases for SST	6%
Fairwood SST Expenditures	\$ 36,450,239
SST Revenue	\$ 364,502
SST Per Capita	\$ 14.33

Assumptions for Alternative Scenarios

Fairwood Population 2007	25,000
3-County TRS, 2007	71,425,120,950
3-County Population, 2007	3,338,024
3-County Average TRS per capita	\$ 21,397
Fairwood TRS per capita	\$ 4,409
100% Capture for Fairwood	\$ 534,935,646
Actual Capture for Fairwood 2007	21%
Pessimistic Scenario (stays same)	21%
Optimistic Scenario Trade Capture	26%
Optimistic TRS	\$ 139,083,268

Taxable Retail Sales, 3-County Region

County	TRS 2006	TRS 2007	% Change
King County	\$ 43,431,246,052	\$ 47,178,009,959	8.60%
Pierce County	\$ 12,154,468,767	\$ 12,535,645,654	3.10%
Snohomish County	\$ 10,915,208,712	\$ 11,711,465,337	7.30%
WA Total	\$ 110,515,086,843	\$ 118,242,925,628	7.00%

Source: Washington DOR

Regional Population

	Total Housing Units, 2000	Estimated Change in HU 2000 - 2007	Total Housing Units, 2007	Estimated Occupied HU, 2007	Estimated Vacancy Rate (%) 2007	Estimated Population in HH, 2007	Estimated Avg. HH Size	Est.Total Population, 2007
King	742,237	70,781	813,020	758,322	6.73%	1,820,983	2.401	1,861,226
Kitsap	92,644	9,861	102,505	95,685	6.65%	237,767	2.485	244,827
Pierce	277,060	42,325	319,385	295,017	7.63%	765,827	2.596	790,540
Snohomish	236,205	37,140	273,345	256,538	6.15%	677,168	2.640	686,258
Region Total	1,348,146	160,107	1,508,255	1,405,562	6.81%	3,501,745	2.491	3,582,851

Source: PSRC

Tab 11. Streamlined Sales Tax (SST) Estimates

Fairwood Consumer Purchases and Streamline Sales Tax Revenues Estimates Data Table										
		Claritas 2008 Purchases for 98058 (in thousands)	Claritas 2008 Purchases for 98058 (actual)	2008 Average HH Purchase	2008 Fairwood Total Purchases	Percent Purchases for SST	Fairwood SST Expenditures	SST Revenue		
Code	Description									
	Assumption for Revenue Model				\$ 566,353,100	6%	\$ 36,450,238.50	\$ 364,502		
	Actuals from Claritas-Driven Model	\$ 876,226	\$ 876,226,050	\$ 58,866	\$ 566,353,100	6%	\$ 36,450,238.50	\$ 364,502.39		
1 C1000	FOOD AT HOME	\$ 109,268	\$ 109,268,190	\$ 7,341	\$ 70,626,100	Excluded				
2 C2000	FOOD AWAY FROM HOME	\$ 92,544	\$ 92,543,820	\$ 6,217	\$ 59,816,200	Excluded				
3 C2100	ALCOHOLIC BEVERAGES	\$ 24,381	\$ 24,380,620	\$ 1,638	\$ 15,758,500	0%	\$ -	\$ -		
4 C3100	SMOKING PRODUCTS AND SUPPLIES	\$ 9,927	\$ 9,927,370	\$ 667	\$ 6,416,600	5%	\$ 320,830.00	\$ 3,208.30		
5 C3200	PERSONAL CARE PRODS & SRVCS	\$ 18,430	\$ 18,429,530	\$ 1,238	\$ 11,912,000	5%	\$ 595,600.00	\$ 5,956.00		
6 C4105	ALL DAY CARE	\$ 6,094	\$ 6,094,010	\$ 409	\$ 3,938,900	0%	\$ -	\$ -		
7 C4119	HOUSEHOLD SERVICES	\$ 11,087	\$ 11,086,640	\$ 745	\$ 7,165,900	0%	\$ -	\$ -		
8 C4299	HOUSEHOLD FURNISHINGS AND FURINITURE	\$ 26,120	\$ 26,120,340	\$ 1,755	\$ 16,883,000	50%	\$ 8,441,500.00	\$ 84,415.00		
9 C4600	MAJOR APPLIANCES	\$ 6,051	\$ 6,050,570	\$ 406	\$ 3,910,800	75%	\$ 2,933,100.00	\$ 29,331.00		
10 C4700	SMALL APPLIANCE & HOUSEWARE	\$	Disclaimer: Data purchased from Claritas for this project only. Application of this data to other research is prohibited.			\$ 8,855,700	10%	\$ 885,570.00	\$ 8,855.70	
11 C4800	MISC HOUSEHOLD EQUIPMENT	\$				\$ 6,001,000	15%	\$ 900,150.00	\$ 9,001.50	
12 C4900	HOUSEHOLD REPAIRS	\$				\$ 15,252,300	0%	\$ -	\$ -	
13 C5000	HOUSING EXPENSES	\$ 20,403	\$ 20,403,000	\$ 1,371	\$ 13,187,600	0%	\$ -	\$ -		
14 C5100	WOMEN'S APPAREL	\$ 25,002	\$ 25,002,280	\$ 1,680	\$ 16,160,400	5%	\$ 808,020.00	\$ 8,080.20		
15 C5200	MEN'S APPAREL	\$ 16,684	\$ 16,684,310	\$ 1,121	\$ 10,784,000	5%	\$ 539,200.00	\$ 5,392.00		
16 C5300	GIRLS' APPAREL	\$ 5,226	\$ 5,226,360	\$ 351	\$ 3,378,100	5%	\$ 168,905.00	\$ 1,689.05		
17 C5400	BOYS' APPAREL	\$ 3,947	\$ 3,947,440	\$ 265	\$ 2,551,400	5%	\$ 127,570.00	\$ 1,275.70		
18 C5500	INFANTS' APPAREL	\$ 1,787	\$ 1,786,950	\$ 120	\$ 1,155,000	5%	\$ 57,750.00	\$ 577.50		
19 C5600	FOOTWEAR (EXCL INFANTS)	\$ 8,962	\$ 8,961,750	\$ 602	\$ 5,792,500	5%	\$ 289,625.00	\$ 2,896.25		
20 C5700	OTHER APPAREL PRODS & SRVCS	\$ 25,392	\$ 25,391,560	\$ 1,706	\$ 16,412,000	5%	\$ 820,600.00	\$ 8,206.00		
21 C6200	TV, RADIO & SOUND EQUIPS	\$ 36,254	\$ 36,253,580	\$ 2,436	\$ 23,432,700	10%	\$ 2,343,270.00	\$ 23,432.70		
23 C6322	CLUB MEMBERSHIP DUES/FEES	\$ 2,783	\$ 2,782,580	\$ 187	\$ 1,798,500	0%	\$ -	\$ -		
24 C6323	FEES FOR PARTICIPANT SPORTS	\$ 2,109	\$ 2,108,710	\$ 142	\$ 1,363,000	0%	\$ -	\$ -		
25 C6324	ADMISSION FEES FOR ENTERTAINMENT	\$ 1,116	\$ 1,115,720	\$ 75	\$ 721,200	0%	\$ -	\$ -		
26 C6325	ADMISSION FEES TO SPORTING EVENT	\$ 2,526	\$ 2,525,920	\$ 170	\$ 1,632,600	0%	\$ -	\$ -		
27 C6326	FEES FOR RECREATIONAL LESSONS	\$ 3,207	\$ 3,207,190	\$ 215	\$ 2,073,000	0%	\$ -	\$ -		
28 C6327	MUSIC INSTRUMENT/SUPPLY(INCL RENT)	\$ 644	\$ 643,770	\$ 43	\$ 416,100	10%	\$ 41,610.00	\$ 416.10		
29 C6328	RENTAL AND REPAIR OF MUSICAL INSTRUMENTS	\$ 30	\$ 29,600	\$ 2	\$ 19,100	10%	\$ 1,910.00	\$ 19.10		
30 C6329	SPORTS EQUIPMENT	\$ 15,559	\$ 15,559,110	\$ 1,045	\$ 10,056,700	10%	\$ 1,005,670.00	\$ 10,056.70		
31 C6370	PHOTOGRAPHIC EQUIPMENT/SUPPLIES	\$ 2,022	\$ 2,022,030	\$ 136	\$ 1,306,900	10%	\$ 130,690.00	\$ 1,306.90		
32 C6390	PET EXPENSES	\$ 9,634	\$ 9,633,860	\$ 647	\$ 6,226,900	10%	\$ 622,690.00	\$ 6,226.90		
33 C6400	READING MATERIALS	\$ 10,282	\$ 10,282,260	\$ 691	\$ 6,646,000	10%	\$ 664,600.00	\$ 6,646.00		
34 C6500	EDUCATION	\$ 33,940	\$ 33,939,800	\$ 2,280	\$ 21,937,200	5%	\$ 1,096,860.00	\$ 10,968.60		
35 C6702	VEHICLE PURCHASES AND LEASES	\$ 87,418	\$ 87,418,220	\$ 5,873	\$ 56,503,200	2%	\$ 1,130,064.00	\$ 11,300.64		
36 C6720	BOATS/MOTORS OTHER RVS	\$ 5,386	\$ 5,385,850	\$ 362	\$ 3,481,200	2%	\$ 69,624.00	\$ 696.24		
37 C6721	RENTED VEHICLES	\$ 4,929	\$ 4,928,560	\$ 331	\$ 3,185,600	10%	\$ 318,560.00	\$ 3,185.60		
39 C6735	AUTOMOTIVE MAINTENANCE/REPAIR/OTHER	\$ 35,014	\$ 35,013,640	\$ 2,352	\$ 22,631,300	0%	\$ -	\$ -		
40 C6800	TRAVEL	\$ 33,847	\$ 33,846,750	\$ 2,274	\$ 21,877,000	50%	\$ 10,938,500.00	\$ 109,385.00		
41 C7100	MEDICAL SERVICES	\$ 32,734	\$ 32,733,570	\$ 2,199	\$ 21,157,500	5%	\$ 1,057,875.00	\$ 10,578.75		
42 C7200	DRUGS	\$ 28,930	\$ 28,930,430	\$ 1,944	\$ 18,699,300	Excluded	\$ -	\$ -		
43 C7300	MEDICAL SUPPLIES	\$ 2,798	\$ 2,797,910	\$ 188	\$ 1,808,400	5%	\$ 139,895.50	\$ 1,398.96		
44 C8000	PERSONAL EXPENSES AND SERVICES	\$ 30,846	\$ 30,846,240	\$ 2,072	\$ 19,937,600	Excluded	\$ -	\$ -		
45 C8050	CONTRIBUTIONS ALL	\$ 36,333	\$ 36,333,150	\$ 2,441	\$ 23,484,100	Excluded	\$ -	\$ -		
ZIP Code		Households								
98058		14,885								
Source: Claritas										

Tab 12. REET Revenue Estimates

REET Revenue Estimates for the Fairwood Incorporation Area, 2006 - 2008			
	2006	2007	2008
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>
REET Revenues	\$ 1,025,064	\$ 1,086,499	\$ 440,887
Total Sales	NA	341	357
Taxable Sales		341	156
Taxable Residential Sales		328	151
Taxable Commercial Sales		1	-
Taxable Vacant Sales		12	-

Source: King County Office of Management and Budget, King County Recorder's Office.

Methodology:

Current and historical estimates:

Everytime there's a real estate transaction, the sale price and amount of tax paid is recorded by parcel and sent to King County Office of Management and Budget. (OMB) joins sales by parcel to parcels in the Fairwood incorporation area to calculate the REET revenue generated

Future estimates:

OBM completes county REET forecasts which serves as the basis for estimating REET revenues for specific subareas. County total are allocated based on a weighted average of last year's actual REET revenues and real estate transactions.

2007 Real Estate Excise Tax Metrics

Exempt	Land Use	Sale Amount	Number of Sales	Average Sale Price	Assessed Value (AV) of Sales	Average AV of Sales	Total Assessed Value by Land Use	Sale Value as a % of Total AV	Sale:AV Ratio	Frequency of resales (years)
N	Commercial	\$ 1,440,000	1	\$ 1,440,000	\$ 1,166,400	\$ 1,166,400	\$ 52,973,000	3%	1.23	37
N	Residential	\$ 194,544,083	328	\$ 593,122	\$ 139,257,000	\$ 424,564	\$ 2,134,532,100	9%	1.40	11
N	Vacant	\$ 4,418,200	12	\$ 368,183	\$ 2,635,300	\$ 219,608			1.68	
	TOTAL	\$ 200,402,283	341	\$ 587,690	\$ 143,058,700	\$ 419,527	\$ 2,292,105,525	9%	1.40	11

2008 Real Estate Excise Tax Metrics

Exempt	Land Use	Sale Amount	Number of Sales	Average Sale Price	Assessed Value (AV) of Sales	Average AV of Sales	Total Assessed Value by Land Use	Sale Value as a % of Total AV	Sale:AV Ratio	Frequency of resales (years)
N	Residential	\$ 76,890,021	201	\$ 382,537	\$ 70,280,000	\$ 349,652	\$ 2,384,562,100	3%	1.09	31
Y	Residential	\$ 1,746,306	151	\$ 11,565	\$ 51,178,000	\$ 338,927	\$ 2,384,562,100	0%	0.03	
Y	Vacant	\$ -	5	\$ -	\$ 352,500	\$ 70,500	\$ 32,898,600	0%	0.00	
	TOTAL	\$ 78,636,327	357	\$ 220,270	\$ 121,810,500	\$ 341,206	\$ 2,332,480,525	3%	0.65	30

Source: King County Office of Management and Budget, King County Recorder's Office, King County Assessor, Community Attributes

Tab 13. Operating Expenses

Detailed Operating Expense Projections Data Table									
Description	Maple Valley Reference Value	Maple Valley Cost Allocation	Basis for Cost Multiplier	2010	2011	2012	2013	2014	2015
GENERAL FUND									
City Council									
TOTAL CITY COUNCIL	93,181.45		CC total cost is assumed	\$ 93,181	\$ 93,181	\$ 93,181	\$ 93,181	\$ 93,181	\$ 93,181
City Manager									
TOTAL CITY MANAGER	427,039.04		21.33 per capita	\$ 562,190	\$ 572,173	\$ 582,347	\$ 592,693	\$ 603,230	\$ 613,959
City Attorney									
TOTAL CITY ATTORNEY	218,869.34		10.93 per capita	\$ 288,138	\$ 293,254	\$ 298,469	\$ 303,771	\$ 309,172	\$ 314,671
City Clerk / Information and Personnel Services									
TOTAL CITY CLERK	464,116.65		23.18 per capita	\$ 611,002	\$ 621,851	\$ 632,910	\$ 644,153	\$ 655,605	\$ 667,266
Community Development									
TOTAL COMMUNITY DEVELOPMENT	850,330.44		966.28 Per net new population	\$ 444,491	\$ 452,221	\$ 460,918	\$ 468,648	\$ 477,345	\$ 486,041
Finance									
TOTAL FINANCE	398,594.33		19.91 per capita	\$ 524,743	\$ 534,061	\$ 543,558	\$ 553,214	\$ 563,049	\$ 573,064
Human Services									
TOTAL HUMAN SERVICES	207,474.77		- discretionary (per capita	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Parks & Recreation									
TOTAL PARKS & RECREATION	533,048.78		- per capita - per acre	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public Safety									
TOTAL PUBLIC SAFETY	2,295,748.33		114.67 per capita	\$ 3,022,315	\$ 3,075,982	\$ 3,130,681	\$ 3,186,297	\$ 3,242,945	\$ 3,300,626
Public Works									
TOTAL PUBLIC WORKS	975,480.43		48.73 per capita	\$ 1,991,016	\$ 2,008,842	\$ 2,027,010	\$ 2,045,483	\$ 2,064,299	\$ 2,083,458
TOTAL GENERAL FUND	6,463,883.56		\$ 1,205.04 per capita + - per parks acre	\$ 7,537,076	\$ 7,651,565	\$ 7,769,074	\$ 7,887,441	\$ 8,008,827	\$ 8,132,266
Surface Water Management Fund									
TOTAL SURFACE WATER MANAGEMENT (New Castle Reference)	217,765.00		76.30 per acre	\$ 306,066	\$ 306,066	\$ 306,066	\$ 306,066	\$ 306,066	\$ 306,066
Vehicle Rental Fund									
TOTAL VEHICLE RENTAL FUND	31,029.27		\$ - per capita	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Central Services Fund									
TOTAL CENTRAL SERVICES FUND	549,521.44		\$ - per capita	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unemployment Trust Fund									
TOTAL UNEMP TRUST FUND	2,036.94		\$ - per capita	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
GRAND TOTAL OPERATING FUNDS	7,192,394.70		\$ 1,212.33 per capita - per parks acre	\$ 7,843,142	\$ 7,957,631	\$ 8,075,139	\$ 8,193,506	\$ 8,314,893	\$ 8,438,332

Tab 14. Capital Expenses

Public Works Street Fund Expenditures, 2010 - 2015

Project	2010	2011	2012	2013	2014	2015
General Maintenance	\$834,119	\$834,119	\$834,119	\$834,119	\$834,119	\$834,119
Major Maintenance	\$57,648	\$57,648	\$57,648	\$57,648	\$57,648	\$57,648
Traffic Maintenance	\$95,386	\$95,386	\$95,386	\$95,386	\$95,386	\$95,386
Total Street Expenses	\$987,153	\$987,153	\$987,153	\$987,153	\$987,153	\$987,153

Note: Costs based on actual annual King County Road Maintenance costs (NO annual inflation/growth rate during 2009-2015)

Annual Street Capital Expenditures for First 6 Years of Incorporation

Location	Project Type	County Project #	TNR 2008 Priority	Cost
Petrovitsky & 162 nd PI SE	Traffic Signal	SW-64	High	\$800,000
Petrovitsky Rd from 124 th Ave SE to 143 rd Ave SE	Road Reconstruction	RC-3	High	\$2,302,000
Annual Capital Project Expenditures (over six year period of CIP)				\$517,000
Fairwood Resurfacing Costs (57 Lane Miles) @ \$250,000 + Overlay Preparation				\$14,250,000
Annual Resurfacing Expenditures @ 5% total roads each year				\$712,500
Annual Capital Project Fund Expenditures (over six year period of CIP)				\$1,229,500

STREET CIP PROJECTS (2009-2014)

King County Project #	Project Type	Location	Need Category	NR 2008 Priority	Cost
SW-64	Traffic Signal	Petrovitsky & 162nd PI SE	Safety	High	\$ 800,000
RC-3	Road Reconstruction	Petrovitsky Rd from 124th Ave SE to 143rd Ave SE	Reconstruction	High	\$ 2,302,000
HAL-42	Add Left Turn Lane	129th PI SE & SE 192nd St	Safety	Medium	\$ 543,000
GR-51	Construct Guardrail	SE 192nd St from SR-515 to 148th Ave SE	Guardrail	Medium	\$ 32,000
ITS-23	Intelligent Transportation System*	140th Ave SE / 132nd Ave SE ITS from SE 240th St to SE 192nd St	ITS	Medium	\$ 3,913,000
ITS-24	Intelligent Transportation System	Petrovitsky/Sweeney Rd SE ITS	ITS	Medium	\$ 7,880,000
OP-INT-106	SE Bound Left Turn Lane	From 151st Ave SE and SR-18 Petrovitsky Rd & SE 192nd Dr	Operational	Low	\$ 686,000
OP-INT-85	Pedestrian Crossing Signals	Petrovitsky Rd SE & SE 184th St Crossing	Operational	Low	366000
3P-9965	Construct Sidewalk	SE 183rd St from 142nd Ave SE to 147th Ave SE	Pedestrian	Low	\$ 219,000
3P-9966	Construct AC Walkway	155th PI SE	Pedestrian	Low	\$ 34,000
OP-INT-64	Evaluate for turn/center lanes	Petrovitsky Rd & 162nd PI SE	Operational	TBD	\$ 800,000
CP-15	Major Capacity Improvements	140th Ave SE & Petrovitsky Rd	Capacity	TBD	\$ 3,482,000
TOTAL					\$ 31,057,000

STREET RESURFACING (2009-2014)

MAJOR FUNCTION	COST PER MILE	2009-2014 Cost
Road Resurfacing (57 Lane Miles)	\$250,000 + Overlay Preparation	\$ 14,250,000

Tab 15. Comparable Cities Data Table

Fairwood Comparable Cities Data Table

		Fairwood /1	Black Diamond	Bothell	Burien	Carnation	Covington	Des Moines	Kenmore	Lake Forest Park	Maple Valley	NewCastle	Pacific	SeaTac
2007 Population	CAI, OFM, 2007	25,000	4,120	32,291	31,410	1,897	17,121	28,468	19,952	12,749	19,992	9,526	6,458	25,530
2007 Housing Units	CAI, OFM, 2007	9,450	1,590	13,614	14,023	655	5,651	11,775	8,256	5,224	7,067	3,902	2,318	10,346
2000 Median Household Income	US Census, 2000	\$71,127	\$67,092	\$59,264	\$41,577	\$60,156	\$63,711	\$48,971	\$61,756	\$74,149	\$67,159	\$80,320	\$45,673	\$41,202
<i>Growth Management Act Buildable Lands Report</i>														
Vacant Land (acres)*	King County, 2007	109	624	161	49	23	152	97	106	51	10	106	26	62
Redevelopable Land (acres)*	King County, 2007	301	55	177	220	21	389	180	307	88	31	147	104	409
Total Vacant and Redevelopable (acres)*	King County, 2007	410	679	339	268	45	541	277	413	139	41	253	130	472
Housing Unit Capacity	King County, 2007													
SF Zones	King County, 2007	NA	3,609	1,156	763	588	2,169	1,229	1,739	273	38	724	552	849
MF Zones	King County, 2007	NA	611	295	623	63	4	500	943	152	4	-	8	3,492
MU Zones	King County, 2007	NA	50	1,409	717	148	1,129	1,570	2,341	250	-	779	-	902
Total Housing Units /2	King County, 2007	2,376	4,270	2,860	2,103	799	3,302	3,299	5,023	675	42	1,503	560	5,243
Total Households	King County, 2007	NA	4,165	2,752	2,021	777	3,202	3,171	4,824	649	41	1,450	549	5,006
<i>County Tax Assessor Data</i>														
Gross Land Area (Acres)	King County, 2007	4,012	4,304	3,630	4,757	747	3,742	4,185	3,948	2,299	3,628	2,854	1,168	6,587
Number Of Parcels	King County, 2007	7,311	1,821	4,779	9,969	698	6,106	8,426	6,688	4,901	7,247	3,570	1,776	6,551
Density (Floor-To-Area Ratios)	King County, 2007	0.11	0.01	0.12	0.15	0.05	0.08	0.13	0.10	0.13	0.10	0.08	0.08	0.11
Vacant and Low-Improvement Value Land (Acres)	King County, 2007	1,339	3,100	1,484	1,152	359	1,471	1,096	1,972	1,115	1,280	1,155	444	1,815
Vacant and Low-Improvement Value Parcels	King County, 2007	576	715	2,262	1,342	151	497	1,176	2,751	2,327	1,036	809	389	1,201
Residential AV	King County, 2007	\$2.1 billion	\$0.4 billion	\$1.5 billion	\$2.8 billion	\$0.2 billion	\$1.4 billion	\$2.2 billion	\$2.2 billion	\$1.8 billion	\$1.7 billion	\$1.5 billion	\$0.4 billion	\$1.5 billion
Commercial and Other AV	King County, 2007	\$0.2 billion	\$0.1 billion	\$0.9 billion	\$0.8 billion	\$0.0 billion	\$0.3 billion	\$0.3 billion	\$0.4 billion	\$0.2 billion	\$0.2 billion	\$0.2 billion	\$0.0 billion	\$2.5 billion
Total 2007 Assessed Value	King County, 2007	\$2.3 billion	\$0.5 billion	\$2.4 billion	\$3.6 billion	\$0.2 billion	\$1.7 billion	\$2.5 billion	\$2.5 billion	\$2.0 billion	\$2.0 billion	\$1.7 billion	\$0.4 billion	\$4.1 billion
Total 2007 Employment	PSRC, 2007	2,178	559	11,321	11,682	288	3,803	5,539	4,319	1,523	3,561	1,724	1,500	28,746
Employment to Housing Units	PSRC 2007, OFM 2007	0.23	0.35	0.83	0.83	0.44	0.67	0.47	0.52	0.29	0.50	0.44	0.65	2.78
Average Res. AV		\$225,876	\$280,734	\$108,104	\$201,888	\$233,390	\$244,794	\$184,806	\$262,895	\$347,139	\$243,905	\$382,839	\$152,840	\$147,562
Average AV per HU		242,551	328,970	173,428	257,021	295,452	306,533	210,776	307,761	380,163	278,939	440,932	173,485	392,523

Notes:

1/ Community Attributes estimated values for proposed incorporation areas in some cases.

2/ Fairwood figures includes land outside of proposed incorporation area, in area recently annexed to Renton

Exhibit 11. Fairwood Comparable Cities, Demographic Makeup

		Fairwood	Black Diamond	Bothell	Burien	Carnation	Covington	Des Moines	Kenmore	Lake Forest Park	Maple Valley	NewCastle	Pacific	Seatac
Sex	Male	US Census, 2000	50%	52%	48%	49%	49%	52%	48%	50%	51%	50%	49%	52%
	Female	US Census, 2000	50%	48%	52%	51%	51%	48%	52%	50%	51%	51%	50%	48%
Age	0 - 9	US Census, 2000	14%	17%	13%	12%	21%	18%	13%	11%	19%	15%	18%	13%
	10 - 14	US Census, 2000	8%	7%	7%	6%	9%	10%	7%	7%	10%	6%	9%	7%
	15 - 17	US Census, 2000	5%	6%	5%	3%	5%	6%	4%	5%	4%	3%	5%	4%
	18 - 24	US Census, 2000	8%	8%	9%	7%	6%	7%	8%	7%	6%	5%	10%	11%
	25 - 34	US Census, 2000	12%	14%	14%	13%	14%	15%	14%	10%	16%	16%	17%	16%
	35 - 44	US Census, 2000	19%	19%	19%	18%	24%	21%	17%	18%	22%	22%	19%	17%
	45 - 54	US Census, 2000	17%	14%	16%	16%	11%	13%	18%	21%	13%	16%	12%	14%
	55 - 64	US Census, 2000	9%	8%	8%	10%	4%	5%	8%	11%	6%	8%	5%	8%
	65 - 74	US Census, 2000	4%	4%	5%	7%	2%	3%	6%	7%	2%	5%	3%	5%
	75+	US Census, 2000	2%	4%	5%	7%	3%	1%	8%	4%	5%	2%	2%	4%
Race	White	US Census, 2000	77%	91%	86%	75%	93%	88%	75%	87%	92%	74%	87%	62%
	Black	US Census, 2000	4%	0%	1%	5%	1%	2%	7%	1%	1%	1%	1%	9%
	Indian	US Census, 2000	0%	3%	1%	1%	1%	0%	1%	0%	1%	0%	2%	1%
	Asian	US Census, 2000	13%	2%	8%	7%	2%	3%	8%	9%	3%	19%	4%	12%
	Pacific Islander	US Census, 2000	0%	0%	0%	1%	0%	0%	1%	1%	0%	0%	0%	2%
	Latino	US Census, 2000	4%	8%	4%	11%	4%	4%	7%	4%	3%	5%	7%	13%
	Other	US Census, 2000	1%	2%	2%	6%	2%	3%	1%	1%	1%	3%	2%	7%
Ed Attainment	Mixed	US Census, 2000	5%	2%	3%	5%	2%	4%	4%	3%	4%	4%	5%	6%
	< High School	US Census, 2000	6%	12%	6%	15%	10%	9%	7%	7%	6%	4%	15%	19%
	High School	US Census, 2000	20%	29%	21%	27%	24%	26%	16%	15%	18%	12%	40%	31%
	Small College	US Census, 2000	35%	36%	34%	36%	36%	40%	35%	27%	44%	29%	36%	35%
	Bachelors	US Census, 2000	29%	15%	29%	15%	24%	16%	27%	30%	24%	39%	7%	11%
	> Bachelors	US Census, 2000	10%	7%	9%	6%	6%	5%	7%	14%	8%	15%	3%	4%

Tab 16. Market Analysis

2007 Jobs:Housing Ratio

Fairwood 07	
Jobs	2,178
Housing	9,450
Jobs:Housing Ratio	0.23
King County 07	
Jobs	1,173,579
Housing	812,609
Jobs:Housing Ratio	1.44

**Recent Single Family Detached Home Sales for Zip
Code 98058**

Time Period	Sales	Avg. Price
2007, Q4	8	\$ 478,956
2008, Q1	9	\$ 397,739
2008, Q2	4	\$ 436,809
2008, Q3	8	\$ 515,044

Recent Single Family Detached Home Sales for King

Time Period	Sales	Avg. Price
2007, Q4	403	\$ 588,133
2008, Q1	663	\$ 582,664
2008, Q2	472	\$ 598,236
2008, Q3	315	\$ 561,418

Multi-Family Vacancy Rates, Comparable and Surrounding Cities, 2007Q3 - 2008Q2

	2007, Q1	2007, Q2	2007, Q3	2007, Q4	2008, Q1	2008, Q2	2008, Q3	Avg. Rate
Bothell	3.44%	2.94%	2.88%	3.88%	4.57%	6.70%	4.42%	4.12%
Burien	3.80%	9.70%	3.53%	4.38%	4.31%	2.68%	6.72%	5.02%
Des Moines	4.93%	4.50%	5.39%	5.02%	4.84%	5.76%	4.32%	4.97%
Renton	5.10%	4.00%	4.40%	3.78%	5.35%	4.67%	5.52%	4.69%
Kent	4.79%	3.95%	4.15%	4.36%	4.56%	4.15%	4.99%	4.42%

PSRC Fairwood Employment Projections (FAZ Fairwood #3416)

	2000	2010	2020	2030	2040	CAGR 00-40
Manufacturing	19	25	34	44	56	2.7%
WTCU	64	73	89	106	126	1.7%
Retail	907	958	1,067	1,172	1,286	0.9%
FIRES	884	1,027	1,287	1,554	1,871	1.9%
Gov/Ed.	578	664	725	764	806	0.8%
TOTAL	2,452	2,747	3,202	3,640	4,145	1.3%

17. Land Demand Analysis

Table 1. Land Development Requirements and King County Budget Office Developable Land

Vacant & Redevelopable Land in King County Growth Targets, for Fairwood UGAs		
	Acres	Unit Capacity
Vacant Land	108.5	638
Redevelopable Land Area	301.3	1,738
Total Vacant & Redevelopable Area	409.8	2,376

Development Ratios	
Single Family Residential (R-6)	60%
Multifamily Residential (R-18)	20%
Multifamily Residential (R-24)	20%

Density Assumptions	
	DU/acre
Single Family Residential (R-6)	6.0
Multifamily Residential (R-18)	18.0
Multifamily Residential (R-24)	24.0

New Housing Units (High-Growth Scenario)		
	Annual	6-Year Total
Single Family Residential (R-6)	109	654
Multifamily Residential (R-18)	36	218
Multifamily Residential (R-24)	36	218
Total	182	1,091

Land Requirements (acres); High Growth Scenario		
Single Family Residential (R-6)	18	109.0
Multifamily Residential (R-18)	2	12.1
Multifamily Residential (R-24)	2	9.1
Total	22	121.1

Source: King County Buildable Lands Report, 2008

1/ Includes land outside of proposed incorporation area, in area recently annexed to Renton (NAME?)

Table 2. Housing Permit Activity in Fairwood and Comparisons with Housing Unit Growth Assumptions, 2000 - 2007

Year	New Housing Permits (Actual)	Low Growth Scenario	Medium Growth Scenario	High Growth Scenario
		Average Forecast Est.	Average Forecast Est.	Average Forecast Est.
2000	27	28	75	179
2001	166	28	75	179
2002	176	28	75	179
2003	262	28	75	179
2004	228	28	75	179
2005	41	28	75	179
2006	5	28	75	179
2007	23	28	75	179
Total	928	225	598	1,430

Average new housing units per year	129	28	75	179
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Source: PSRC residential building permits

