

**North Highline  
Governance Study**

**FINAL REPORT  
COMPILATION**

*January 5, 2006*

*North Highline  
Unincorporated Area Council*



**Nesbitt Planning  
and Management, Inc.**

**In conjunction with  
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# REPORT EXECUTIVE SUMMARY

## Study Commission

Under the provisions of our State's Growth Management Act and by broad consensus of city and county governments, local governmental services to urban areas are to be provided by cities by the year 2012. Some of these urban but currently unincorporated areas will incorporate to form new cities; others will annex into existing cities. In either case, areas which are fundamentally urban in nature will not remain unincorporated permanently. In King County, there are ten major unincorporated urban areas, of which North Highline is one of the largest. King County is energetically seeking the shift of local services in these areas to cities.

King County budget shortfalls in recent years have made incorporation or annexation of the largest remaining PAA's defined in the King County Comprehensive Plan a very high priority for the county. In 2004, King County escalated conversations with cities about annexing these potential annexation areas and announced possible financial incentives where annexations or incorporations occur. The County also stated that it could no longer afford to provide urban levels of service in unincorporated areas within the urban growth areas and would reduce services in the remaining PAA's. King County has indicated that the gap between the County's revenue generated in North Highline and the County's cost of providing services to North Highline is approximately \$7 million annually.

The **North Highline Unincorporated Area** is located south of the City of Seattle, north of Burien and north and west of the Cities of Sea-Tac and Tukwila. Surrounded by these jurisdictions, it is defined as an urban unincorporated "island." Its population is 32,500, making it approximately equal in population to the adjacent city of Burien. North Highline has 12,000 households and a taxable assessed valuation of \$1.86 billion, with taxable retail sales of \$129 million annually.

Governance of North Highline has been analyzed about ten times from a number of different perspectives over the last twelve years. The studies include various annexation analyses by Seattle, Burien, and King County; demographic and revenue analyses; and two incorporation studies, including this one. Some of the work has included public surveys. Nonetheless, at the beginning of 2005, this body of analysis had not resulted in any clear public consensus on what form of government would be desirable or fiscally feasible for North Highline.

This current governance study was therefore commissioned by the King County Council in April, 2005 to build upon the past studies where appropriate, to educate the public about governance options, and to facilitate the development of consensus where possible. Specifically, the study was to investigate whether incorporation might be financially viable if different taxes and/or service assumptions were included in the incorporation proposition. The study is primarily a fiscal analysis of the feasibility of incorporating the North Highline unincorporated area, but also includes some information related to the potential annexation of the area to either Burien or Seattle.

The North Highline Unincorporated Area Council (UAC) served as the study's advisory committee.

## Study Design and Execution

This study was structured as a series of “building blocks,” each of which was reviewed sequentially by the North Highline Unincorporated Area Council (UAC) to assure that Council members and the wider public understood the components before moving to the next report topic. Each report was posted on the internet for public access as soon as it was presented to the UAC.

The first report, Fiscal Bases, established the baseline for the remainder of the study by reconciling the fiscal bases generated by the previous studies. This compilation was made to assure there would not be conflicting sets of data and that future conclusions would be founded on a high level of confidence in the core bases. These fiscal bases include parameters such as population, households, taxable assessed valuation, taxable retail sales, gross business income, real estate sales, and utility tax bases.

These fiscal bases were then used to derive the core revenues that would be generated upon incorporation. Core revenues were described in the Draft Revenue Report.

To generate estimated expenses of incorporation, the UAC discussed levels of service that they would assume for the new city and provided level of service direction to the study. The costs of providing these levels of service were described in a Draft Cost Report.

Next, a Fiscal Balance Report was generated, describing the gap between core revenues and estimated costs for incorporation and providing a tool to test other options by modifying some of the assumptions to reduce costs and/or increase revenues. The effects of various levels of utility tax and business and occupation tax were included in this paper to supplement the previous core revenues.

These analytical reports were accompanied throughout the study with a strong public involvement program – portions of which were conducted as part of this study and portions of which were independent of this study but conducted concurrently. The UAC hosted a series of public study sessions during July through September with Seattle, Burien, King County and the fire, water, sewer and library districts serving North Highline. These separate study sessions allowed discussion of the relevant governance issues and services provided by each jurisdiction.

As part of the governance analysis, a door-to-door survey was conducted during the month of May to determine the public’s original opinions of incorporation and annexation (without benefit of the study’s findings.) The 1,562 people contacted randomly during the survey represented a cross-section of the North Highline population and constituted a sample far greater than necessary for strict statistical validity. Every neighborhood was involved, yielding a good range of ages and racial and ethnic backgrounds. Each survey respondent was asked if s/he would like to be kept informed of the study as it progressed . . . and very gratifying 700+ persons so requested, leading to construction of a substantial mailing and email list. The email list was used to notify these individuals of subsequent UAC meetings at which the governance study was discussed.

In early August, four focus groups were identified from among survey respondents who indicated a willingness to participate. The purpose of the focus groups was to identify what factors would: (1) shift opinion from “remain unincorporated” to either incorporation or annexation to Burien or to Seattle and (2) whether, if North Highline were annexed, there would be interest in splitting the area between the two

annexing cities. Participants in the focus groups included representation from the neighborhoods of Boulevard Park, White Center, Shorewood, Top Hat and Salmon Creek.

In September, the UAC sponsored a public meeting to discuss potential desired levels of service. The UAC wanted the public feedback for directing the study's level of service assumptions to analyze cost of incorporation. A mailing to each household in the area was done to advertise this meeting.

In October, the UAC discussed all of the data and public comments they had received and determined that incorporation would not be financially feasible. They identified their interests and a set of related questions for the potential annexing cities, Burien and Seattle. The cities' responses to those questions were reviewed by the UAC in early November. Following that review, the UAC made a preliminary recommendation that North Highline should annex to Burien. This preliminary recommendation was made subject to public review and comment through a second public survey and a public meeting.

The second door-to-door survey was conducted in November and included 775 participants (with 658 completed surveys), with emphasis on reaching residents of apartment buildings and a more ethnically and racially diverse population than in the first survey, as well as reaching a broad base of neighborhoods. The households approached by the surveyors also received a notice of two public meetings, one sponsored by King County to explain the governance options and why they are important; and the second sponsored by the UAC to receive oral comments regarding the UAC's preliminary recommendations.

In November, the UAC also sponsored the second public meeting following the King County-sponsored meeting to describe the governance options and the reasons a change is necessary. These meetings were also advertised by a mailing to every household in the area, in addition to the fliers left behind by surveyors.

## Study Findings

The first significant finding in this study was that the data in past studies were remarkably consistent. The Fiscal Bases report shows that when examined side by side, each of the prior analyses resulted in comparable fiscal parameters, including population, households, taxable assessed valuation, taxable retail sales, gross business income, real estate sales, and utility tax bases. Thus, there is considerable agreement about the bases for the remaining fiscal analysis.

The culminating finding is that a new City of North Highline would face severe and presumably unsurmountable fiscal challenges. The shortfall of the revenues under the base case is \$6.7 million annually in the general fund and \$3.2 million annually in the capital funds, given realistic service needs and revenue potential. Even under assumptions of substantial new taxes and curtailed services, a budget could not be constructed which covered annual cost and provided for a reasonable program of capital improvements.

Public response during the initial survey indicated that nearly half of those surveyed (42%) prior to the availability of analytical findings would prefer to remain unincorporated, with only a small number (3.7%) indicating a preference for incorporation. There was a split between those who preferred annexation to Burien and those who preferred annexation to Seattle (20.7% and 17.1%, respectively.) Police and schools were identified as the most significant services to those surveyed.

When these survey findings were tested in focus groups to determine what factors would shift opinion from “remain unincorporated” to either incorporation or to annexation to Burien or to Seattle and whether, if North Highline were annexed, there would be interest in splitting the area between Seattle and Burien, results were inconclusive. A theme in each group was that when it was understood that King County would not be likely to maintain the current level of services, annexation was more accepted. Services were very important to all participants. However, among the oldest participants, there was a strong preference for no change in status; and no new information appeared to shift opinions toward an annexation or incorporation option, not even the potential for reduction in levels of service. Among those who would shift toward supporting annexation to Burien, the ability to have greater representation in Burien than in Seattle and the similarity of Burien to North Highline, both in likely levels of service and in culture, were the deciding factors. Among those who would shift to support annexation to Seattle, the primary reason was that Seattle could improve services. For the focus group participants, the concept of splitting North Highline to annex a portion to Seattle and a portion to Burien was not widely rejected, but no suggestion of where to split was identified in any of the groups.

Among the more than 200 participants at the September public meeting regarding levels of service, police and fire were described by those attending as the most important services. Social services followed in priority, which in turn were followed by utilities (streets, water, sewer), planning/code enforcement and parks. Generally, people expressed support for the existing levels and providers of police and fire services.

Following a review of the financial analysis, the UAC concluded that incorporation would not be financially feasible. They made a preliminary recommendation for annexation to Burien based on several factors. They felt that:

- North Highline citizens would have greater local control in governance with Burien, as they would constitute 1/2 of Burien, as opposed to 1/20 of Seattle.
- Annexation to Seattle could increase property values to the point that homes in the area would no longer be affordable.
- There would be lower taxes in Burien relative to Seattle (this is primarily utility taxes but also B and O taxes).
- Annexation to Burien would allow continuity of police and fire service with the existing providers.
- Annexation to Burien would facilitate retaining the "small town" culture of the area, compared to Seattle, the "big city".

While the vote to reject incorporation as a governance option and recommend annexation to Burien was not unanimous, there was a strong majority who endorsed this preliminary decision.

When this preliminary recommendation was introduced to the public for feedback in the second survey, over 60% of those responding indicated that they would support the UAC’s conclusions. A large majority of those participating indicated that they would support the UAC’s preliminary recommendation to annex to the City of Burien, given that becoming a new City and staying unincorporated are not options. The number of participants in this survey was lower than in the first survey because of weather, early darkness during November, and the shorter period of time available within which to survey; however, the number of participants still far exceeded the number needed for statistical validity.

Participants in the November public meeting indicated a split between those who supported the UAC's preliminary governance recommendation and those who did not, with the latter in a slight majority. In any event, it is important to note that the approximately 30 participants who spoke at the meeting and 67 who submitted feedback sheets totaled far less than that of the 775 people reached in the second survey.

Following a review of the data from the second survey and public meeting, on December 3 the UAC made its final recommendation to King County and the public to pursue annexation to Burien. Detailed comments were given by each of the UAC members outlining their rationales, and these comments are available in the minutes of that meeting.



# GUIDE TO STUDY REPORTS AND MEETINGS

## Technical Reports

### 1. Fiscal Bases Report [7/21/05]

This report is the first building block in the series of papers prepared by Nesbitt Planning & Management, Inc. to analyze the financial implications of the North Highline unincorporated area governance options. The fiscal parameters reviewed in this report include population, households, taxable assessed valuation, taxable retail sales, gross business income, real estate sales, and utility tax bases. This report also describes a series of governance analyses for North Highline that were prepared by either King County, Seattle or Burien and compares the fiscal parameters described in these prior studies. Additionally, this report describes the Growth Management Act and King County countywide planning policy basis for examining incorporation and annexation. The Fiscal Bases report of this study compared the data of the other work and found it all to be quite consistent, with minor differences due to different subarea boundaries and years performed.

#### Findings

The past studies are remarkably consistent. The North Highline unincorporated area has a population of 32,500 and 12,090 households. The area has a taxable assessed valuation of \$1.86 billion. It generates annual taxable retail sales of \$129.7 million and annual real estate sales of \$207.7 million.

[\[To download the full report in “pdf” format from the UAC website, CLICK HERE.\]](#)

### 2. Draft Revenues Report [7/21/05]

This report is the second building block in the series of papers prepared by Nesbitt Planning & Management, Inc. for this governance study. It uses the fiscal bases described in the first paper of this series and estimates the Core Revenues that would be generated by the North Highline area if it were incorporated or if it were annexed to either Burien or Seattle. Core Revenues are those that can be estimated based on existing tax rates.

This paper also illustrates the choices that must be made for taxes such as business and occupation (B and O) tax and utility taxes, if, after incorporation, North Highline wanted to generate additional revenues from these sources. There are also other revenues, such as stormwater fees and recreation program fees, that depend upon levels of service and cost estimates to estimate potential revenues and these are therefore not included in this report.

This report was a draft, subject to discussions with the North Highline Unincorporated Area Council (UAC) regarding what tax level assumptions should be used in cases where the city has a choice.

Because the tax rate is not prescribed by statute, and levels of service must be selected for programs for which fees are established to cover the program costs (*e.g.*, recreation service fees), not all revenues can be estimated until these elements have been determined.

### **Findings**

Incorporation would result in core revenues of \$11.3 million, while annexation to the City of Burien would generate \$10.8 million and annexation to the City of Seattle would generate \$10.6 million.

The North Highline area could also generate an additional \$4.3 million from utility taxes and \$411,000 from B and O taxes, using the assumptions set forth in this paper. This compares to \$2.8 million in utility taxes and \$102,800 in B and O taxes for Burien at its tax rates and \$6.0 million in utility taxes and \$766,000 for Seattle at its tax rates, if annexed to either of those cities. The differences relate to the different rates for each utility as established by each city.

[\[To download the full report in “pdf” format from the UAC website, CLICK HERE.\]](#)

## **3. Introduction To Incorporation Level Of Service [8/18/05]**

The level of service analysis is a component of what ultimately became the third building block of the analysis in this study, the Draft Cost Report. The level of service analysis began with an introduction to the UAC that described what “level of service” means and how services are measured. Specifically, the report and presentation asked the UAC to respond to three questions needed for estimating costs of service for incorporation:

- Should this study use existing King County levels of service or other levels of service?
- If the latter, then should the study assume that Fire, Library, Water and Sewer would remain served by districts (as is) under incorporation?
- What other levels of service should be established for this study?

The report produced for this discussion is a matrix that compares King County’s current levels of service to those of Burien and Seattle.

### **Findings**

Many of the services provided by King County and the cities of Burien and Seattle are similar in scope. Some of the apparent differences are related to measures, as not all jurisdictions use the same parameters to measure the services they deliver. Many of the services provided by King County are regional and are offered to all jurisdictions within the county and not just to unincorporated areas. The comparison shows that the levels of service delivered by Burien and King County are the same for many services. Seattle appears to have a greater range of health and human services than the other two jurisdictions, because it augments the County’s services with additional funding.

[\[To download the full report in “pdf” format from the UAC website, CLICK HERE.\]](#)

#### 4. Level of Service Wall Posters for Key Services [9/15/05]

At the public meeting regarding levels of service, posters were produced to supplement the detailed matrix described above. These posters were copies of slides used in the presentation on level of service for the three most complex services: police, fire and roads.

##### Findings

Among the three jurisdictions of North Highline, Seattle, and Burien:

- Police. The **rate of serious crimes** per thousand people are lowest in North Highline, followed by Seattle and then by Burien and the **number of dispatched calls for police service** per thousand people are lowest in North Highline, followed by Burien and then by Seattle.
- Fire. Response times appear comparable, but difficult to compare definitively, as different providers report different elements to full response times.
- Roads. Road maintenance budgeting is clearly far superior in unincorporated King County than in Seattle or Burien. The rating of road surface conditions appears much better in unincorporated King County than in Seattle. [Data was not available for Burien roads at the time.]

[\[To download the full report in “pdf” format from the UAC website, CLICK HERE.\]](#)

#### 5. Costs – Line Item Lists [10/6/05]

This report is the third building block in the series of papers prepared by Nesbitt Planning & Management, Inc. for this governance study. This report examines the costs of providing city services to the North Highline area, should it incorporate. The cost estimates are based on levels of service that were established by the North Highline Unincorporated Area Council (UAC) after discussing the two level of service documents referenced above and the public feedback provided at a public meeting held for that purpose. This report is divided into sections that describe the services that would be provided by North Highline, should it incorporate, at the levels determined by the UAC. For each section, the factors that contribute to the cost estimates are described and the cost of service is itemized.

This report also discusses budgets for cities with populations similar to North Highline. Because there is reasonable similarity in the size and staffing levels of the respective administrative budgets of cities of similar size – and Burien is a city in this size range, Burien’s administrative budget was used to estimate the **administrative costs** under incorporation. However, for **police, public works, parks and social**

**services costs**, the budgets of the comparable cities vary widely based on levels of service in each city and therefore could not be used for development of those budgets. In these cases, King County salaries were used where readily available.

This report addresses the operating budget of the presumed city and does not include the capital improvement program (CIP), which was provided in a subsequent step in the project.

### **Findings**

This analysis shows that the cost of providing city services at levels of service desired by the community, , should North Highline incorporate, would be \$ 15.5 million annually, with one-time startup costs of \$ 1.4 million.

[\[To download the full report in “pdf” format from the UAC website, CLICK HERE.\]](#)

## **6. Draft Costs – With Appendices [10/6/05]**

This report details how the costs reported as “rolled up” in the more condensed “Line Item Lists” [see above] were developed. Each projected department of a City of North Highline is detailed by service area (*e.g.*, for Administration: City Manager, Finance, Legal, Human Resources, etc.) and then further by budget item group (*e.g.*, Salary and Benefits, Training, Supplies, etc.)

[\[To download the full report in “pdf” format from the UAC website, CLICK HERE.\]](#)

## **7. Capital Budget Tables [10/20/05]**

This report prepared an estimate for the capital costs, which a City of North Highline would need to fund in addition to the operating costs listed in the draft cost report. A set of tables of forecast capital costs based on the condition of existing North Highline infrastructure was prepared. The tables project annual capital costs for roads, parks (using increased levels of service suggested by the UAC), and surface water management.

### **Findings**

Capital expenditures for roads, parks and surface water projects in the North Highline area have varied substantially from year to year. Based on recent history , North Highline could expect an *average* capital expenditures for roads , parks of approximately \$4.25 million per year.

[\[To download the full report in “pdf” format from the UAC website, CLICK HERE.\]](#)

## **8. Taxpayer Impact Tables [10/20/05]**

When considering incorporation and/or annexation, there is another balance to consider beyond that of City revenues and costs: how the changes balance for an individual taxpayer. The taxpayer impact tables describe which taxes would change and which would remain the same under incorporation – and for those that change, how much change would occur.

### **Findings**

The taxpayer impact tables show that North Highline taxpayers' net annual property tax payments would go down, from a reduction of \$44 annually upon incorporation to net reductions of \$68 and \$88 annually, respectively, upon annexation to Burien or Seattle. However, utility tax and business and occupation taxes would increase – both with Seattle and somewhat less with Burien. Under the incorporation option even higher utility and business and occupation taxes were not sufficient to balance the new City's costs of services.

[\[To download report in “pdf” format from the UAC website, CLICK HERE.\]](#)

## **9. Fiscal Balance Report [10/20/05]**

The final building block of this study, the Fiscal Balance report, compares the estimated costs of incorporation to the estimated revenues. This is the “bottom line” of the fiscal analysis. This report also provided a tool to analyze the relative impacts of changing certain variables.

### **Findings**

This report shows that the net impact of incorporation would be a \$2.3 million annual deficit in operating and \$3.2 million in capital (or a total deficit of \$5.5 million). in the best case scenario. In other words, the conclusion of this paper is that it is not realistic for North Highline to incorporate; there would be no publicly acceptable means of balancing costs and revenues to break even as a new city.

[\[To download the full report in “pdf” format from the UAC website, CLICK HERE.\]](#)

# **Community Involvement and UAC Actions**

## **10. North Highline Survey Report [7/21/05]**

This report describes the results and findings of the survey conducted in May 2005. This survey was designed to determine what North Highline residents' initial inclinations toward governance would be.

This report also describes the demographics of those surveyed and their opinions about current services in the area.

### **Findings**

Regardless of neighborhood, nearly half of the North Highline residents would prefer to remain unincorporated and not change governance; an equal number were split between supporting annexing to Burien and annexing to Seattle, while only 3.7% would support incorporation.

[\[To download the full survey report in “pdf” format from the UAC website, CLICK HERE.\]](#)

## **11. Focus Groups [8/18/05]**

This report describes in detail much of the interaction that occurred in each of the focus groups held during early August 2005. The purpose of the focus groups was to conduct conversations among randomly selected participants to determine what information, if any, would shift public opinion regarding governance. The report provides a number of specific comments made by participants in each group as well as a summary of the outcomes.

### **Findings**

The focus group experience was inconclusive; however, it demonstrated that there would be a public response to additional information, that when it became clear that King County services would like decrease if the area remains unincorporated, many people found annexation a more attractive option.

[\[To download the full report in “pdf” format from the UAC website, CLICK HERE.\]](#)

## **12. Preliminary Recommendations [11/3/05]**

Following presentations and review of the written materials containing the material described above, the North Highline Unincorporated Area council requested additional information from Burien and Seattle related to how each city would approach annexation of North Highline, should that occur. Two documents are available related to this discussion. The first is the matrix comparing the responses of Burien and Seattle to the questions posed by the UAC. The second is the minutes of the meeting at which the UAC made a preliminary recommendation subject to public feedback via a second survey and a public meeting, both of which were to occur in November.

### **Findings**

The UAC voted to recommend preliminarily, subject to additional feedback from the public: 1) That incorporation is not financially feasible; 2) that the area should not be split between Seattle and Burien; and 3) that the area be annexed to Burien.

[\[To download the full matrix in “pdf” format from the UAC website, CLICK HERE.\]](#)

[To download the preliminary recommendations in “pdf” format from the UAC website, go to “Minutes / Archived Minutes / Minutes 2005” and click on the meeting date.]

## **13. North Highline Survey Report – Second Phase [11/30/05]**

This report describes the findings of the second North Highline survey, which was conducted in November 2005 to determine public response to the preliminary UAC recommendation described above.

### **Findings**

Over 60% of the 775 respondents indicated that they would support the UAC’s conclusions.

[\[To download the full survey report in “pdf” format from the UAC website, CLICK HERE.\]](#)

## **14. Governance Study Listening Session – Summary of Responses [11/21/05]**

The UAC sponsored a public meeting at which participants could share their feedback regarding the UAC’s preliminary recommendation to annex to Burien. Over 200 people attended this meeting, and many commented orally. Many of the participants used feedback sheets in lieu of or in addition to providing oral comments. This document is a compilation of the feedback sheets handed in at that meeting.

### **Findings**

Of the 67 individuals who submitted feedback sheets, 55% did not agree that annexation to the City of Burien is a reasonable choice for residents of North Highline, given that becoming a new City and staying unincorporated are not long term options.

[\[To download the full report in “pdf” format from the UAC website, CLICK HERE.\]](#)

## **15. Frequently Asked Questions (FAQ) [11/21/05]**

A handout of Frequently Asked Questions was prepared for those attending the November 21, 2005 public meeting and remains available for those who would like a medium length introduction to this study and related issues.

[\[To download the full report in Word from the UAC website, CLICK HERE.\]](#)

## **16. Final Recommendations [12/1/05]**

On December 1, 2005, the North Highline UAC made its final recommendation. Each of the UAC members described their reasoning. Minutes of that meeting provide information about that discussion.

### **Findings**

A majority of the UAC continued to support annexation to Burien and recommended it be pursued.

[To download the final recommendations in “pdf” format from the UAC website, go to “Minutes / Archived Minutes / Minutes 2005” and click on the meeting date.]