

# **Recently approved annexations by the City of Federal Way:**

## Analysis of the North Lake, Parkway, and Redondo East Annexations in comparison to the East Federal Way PAA remainder

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- A. Demographic and Revenue Statistics
- B. Commercial Property Statistics
- C. Parcel Analysis Statistics
- D. Ten year projection of new construction valuation

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- C. Redondo East

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## Federal Way Annexation Statistics

2003-2004 Assessor and King County Budget Office estimates

	Population	Assessed Valuation	Per Capita Assessed Valuation	Acres	Density	Sales Tax	Per Capita Sales Tax
<i>Outside of East Federal Way major PAA</i>							
Redondo East	260	11,189,004	43,035	49.50	5.3	222,850	857.12
<i>Inside East Federal Way major PAA</i>							
North Lake	600	65,029,000	108,382	354.61	1.7	38,540	64.23
Parkway	1,264	81,089,500	64,153	230.37	5.5	21,100	16.69
Total	1,864	146,118,500	78,390	584.98	3.2	59,640	32.00
East Federal Way Major PAA	21,500	1,396,600,000	64,958	5,045.69	4.3	667,149	31.03
Remainder	19,636	1,250,481,500	63,683	4,460.71	4.4	607,509	30.94

Federal Way recently annexed three small areas bordering to the east and west of the city. Two of these three areas, North Lake and Parkway, are part of a larger potential annexation area, known as East Federal Way or Southwest King County. The remainder of East Federal Way will remain unincorporated, with no announcement or timetable for annexation.

### Disconnect between revenue and cost

The cost of providing government services never precisely matches the revenue generated from tax collections, particularly in smaller geographical areas. Washington's tax structure places heavy emphasis on sales and use taxes. While over sixty percent of the initial incidence of the sales tax falls on consumers, less than a fifth of sales tax revenue is generated in residential areas. Sales taxes are generally levied at the point of sale. As a consequence, most sales tax revenue, and almost all use tax, is realized in commercial areas.

Although commercial and industrial areas place some demands on government services, residential areas require the largest investments in police, parks, and other municipal services. Thirty years ago, Washington's cities and counties relied almost entirely on property taxes. But starting with a half percentage point of local option sales tax authority in 1976, expanded in 1983 and 1990, local governments have become increasingly reliant on sales taxes. At the same time, limitations on property taxes, particularly passage of Initiative 747 in 2001, has forced municipal governments to look to sales taxes, as well as business and utility taxes, to cover costs.

## Comparison of commercial property incidence

2003 Assessed Valuation

	Percentage Commercial Parcels	
	Number	Value
North Lake	0.71%	3.12%
Parkway	0.56%	6.35%
Redondo East	29.82%	59.10%
East Federal Way PAA Remainder	0.24%	2.38%

### Selective annexation

The practice of “cherry-picking” emerged in Washington state in response to the incentive of local option sales tax authority. In 1986, sales tax receipts in the unincorporated area were only slightly below the per capita average King County cities. Today, per capita unincorporated collections are only 24.4 percent of the city median. In 2003, the city of Federal Way collected 3.8 times as much per person sales tax revenue as the County did in unincorporated King County.

Clearly some cities have engaged in selective annexation to augment tax revenue while minimizing service costs. Some jurisdictions have sought to phase annexation to reduce startup costs, but there has been as much successful experience with larger scale integration. In the end, most cities have focused on the narrow interests of current residents.

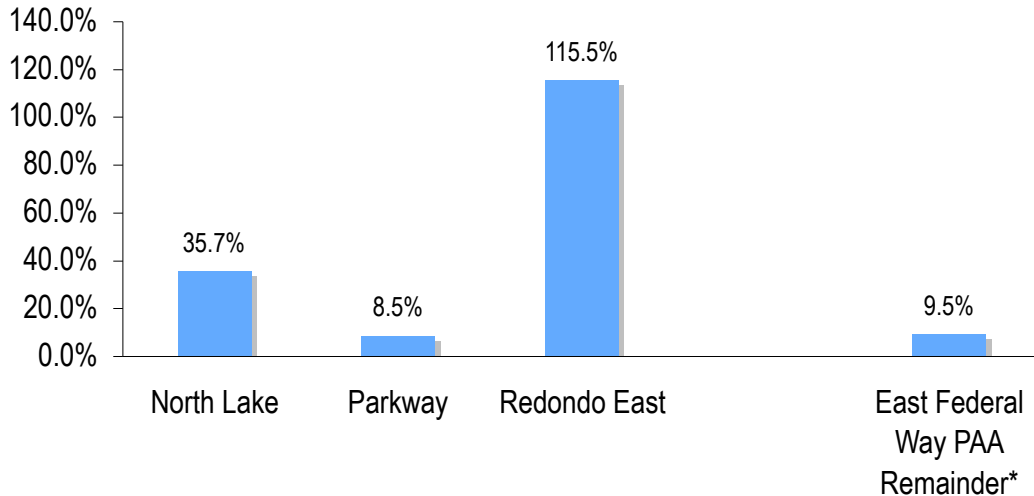
### Utilitization and Development Assessment

August 2004 Visual Survey

	North Lake	Parkway	Redondo East	East Federal Way PAA Remainder*
<b>Current Utilization</b>				
Good	27.0%	93.6%	63.8%	36.0%
Fair	61.7%	4.8%	12.1%	44.1%
Below Average	11.3%	1.7%	24.1%	19.9%
<b>Redevelopment Threshold</b>				
Five year	10.4%	0.8%	20.7%	5.8%
Ten year	40.4%	1.1%	24.1%	13.4%

## Comparison of Projected New Construction

2005-2015 Cumulative Forecast



## New Construction Assessed Valuation Projection

Projected growth, 2005-2015

	North Lake	Parkway	Redondo East	East Federal Way PAA Remainder*
2004 AV	65,029,000	81,089,500	11,189,004	1,250,481,500
Forecast				
Median	35.7%	8.5%	115.5%	9.5%
Confidence Interval	4.1%	0.5%	4.4%	1.1%
Annualized Revenue Impact Relative to overall PAA growth rate				
UAL	35,586	(3,696)	25,586	(30,482)
Federal Way	22,690	(2,357)	16,314	(19,436)

### East Redondo, North Lake, and Parkway

While not egregious by historical standards, each of the current annexations has particular advantages. Taking these areas diminishes the value of the remainder of the East Federal Way PAA.

An unincorporated island on the northwest side of Federal Way, East Redondo is separate from the East Federal Way PAA. This area is characterized more by potential than anything else, with a sales tax base that is likely to grow substantially with redevelopment.

The North Lake and Parkway areas are almost entirely residential. Both are likely to see some commercial development in the coming years, while a substantial part of North Lake is likely to experience residential redevelopment.

A visual survey of the following areas was conducted in July and August of 2004.

## **North Lake**

The North Lake area sits to the east of the Weyerhaeuser complex, which runs the entire length of the area under consideration. North Lake is a developing residential area, with a few pockets of older and rundown homes. The homes with lakefront property generally are set well back from the road with lots of trees surrounding them; this gives the impression that the area is fairly wooded. A few lots have been collecting junk and appear run down, while other homes appear quite nice.

The northwest end of the area is under development, with many of the houses completed, and a new road linking the west end of 321<sup>st</sup> and 322<sup>nd</sup> streets. Surrounding this new residential development however are older and poorer houses. Military Rd and Peasley Canyon Rd both seem to draw a lot of traffic. Nearly the entire eastern portion of the North Lake area is a very steep wooded area, and almost all of it is for sale. It appears that it would be very difficult to develop these lots, and nearly impossible to use Peasley Canyon Rd for access. There is a very nice new development of homes in the south end of the area off of Military Rd, and also the apartments at the north end of the area are very nice, also on Military Rd.

The majority of the area between Military Rd and 38<sup>th</sup> Av S. is residential areas currently under construction. There are a few wooded plots of land mixed in with the houses to the southeast of the apartments in the north, and also there are some wooded plots bordering the Weyerhaeuser land. Slightly to the west, across Weyerhaeuser Way, are some cleared and leveled commercial areas for sale.

The houses in this area seemed sparser than in the Parkway development, and less community oriented. Much of the landscaping and maintenance appears to have gone unattended to. There are many for sale signs here on older houses, which may indicate that people are not happy in this area.

Military Rd is only one lane in either direction, with no possibility of a middle turn lane. The parcels of land that lie on Military Rd however seem generally very level and could easily be turned into commercial spaces. Less than a minute to the north on Military Rd lies the shopping hub of Federal Way, and it seems possible that some of this business will spill over into this closely neighboring area. There are many spots in this area that could be developed, and many houses in need of care. Particularly appealing is the area in the north, near the new apartment complex, where many of the existing residences are dilapidating.

The north end of this area is ripe for further development, however the southwest end is a bit secluded and run down at the moment to be of much developmental value.

The lake itself seems to be fairly well buffered from expansion and is not likely to be widely accessible in the near future.

Pockets of distressed housing:

- Between 322<sup>nd</sup> and 321<sup>st</sup> streets
- Military Rd. near 325<sup>th</sup> st
- Northeast corner of S 328<sup>th</sup> and 322<sup>nd</sup> streets

Lots of wooded areas on the east side of Military Rd. up to 326<sup>th</sup> st.

Businesses in North Lake:

- Kelly Gardens (3909 Military Rd)
- Shell Gasoline (32002 Peasley Canyon)
- North Lake (33228 38<sup>th</sup> Ave S.)

## **Parkway**

Parkway can be divided into three distinct areas. The eastern part that parallels Enchanted Parkway and the southern area are mainly wooded and undeveloped except for one auto repair shop. The center residential area consists of upscale newly completed housing and a reasonably priced new condominium complex. The western area consists of larger residential plots of land.

The Enchanted Village and Wild Waves Water Park lie directly to the north of this area, just before Interstate 5. The nearest freeway exit is slightly to the north, although the main traffic flow seems to take a lot of cars down Enchanted Parkway and directly past the Parkway area. As previously mentioned, however, the only business on this route is an underutilized auto repair shop. The remainder of the land is heavily wooded with forty

to fifty foot trees and a fair amount of ground cover. As a consequence, it is difficult to ascertain the grade of any these parcels, although any level plots should have good access Enchanted Parkway. Improvements would be needed to this two-lane road to address difficulties with entering or exiting any businesses here. According to employees of Enchanted Village, substantial backups occur on this road during peak commute period, indicative of plenty of potential exposure.

The residential area in the center of Parkway is dominated by well maintained and landscaped lots with two to three car garages. The desirability of the neighborhood is underlined by the utter absence of for-sale signs; the few homes that have gone on the market in the last year literally sold within hours of listing. The infrastructure in the area is excellent, with new roads and sidewalks along with several small parks. There are no apparent areas for potential subdivision or additional development.

The western part of Parkway is characterized by older but well maintained homes on considerably larger lots. Many of these residential parcels feature horses and small grazing pastures. The parcels lining Milton Road in general have an uneven grade with steep slopes from the road to many of the lots. A few gulches and bogs make business development impractical, but would not prevent subdivision of some of the parcels.

Milton to the south has little visible economic growth and a railroad right of way makes connection difficult beyond Milton Road and Enchanted Parkway. There were few businesses whatsoever in this area, except for Enchanted Village itself. There is some economic activity to the north on Enchanted Parkway, although it seems unlikely to draw business into the Parkway area.

To the south of the railroad tracks is a large residential development, although in general this development is less extravagant as that in Parkway. There is also some housing development to the east. This influx of residencies inflates the demand for services such as grocery stores and other businesses, and the most sensible location for such business would be in the east part of the concerned area on Enchanted Parkway. The proximity of the fun park also boosts the sensibility of food services. This area however is heavily wooded and could be very difficult to tame. There are also no existing symbiotic business possibilities in the immediate area. The potential exists although it appears that initial ventures could be risky in the short run.

Businesses in Parkway:

- Leo's Affordable Used Auto
- Astro Auto Wrecking  
(shared complex at 37307 Enchanted Parkway)

## **Redondo East**

Redondo East is an economically stagnant but nonetheless promising area that lies between two already developed areas on Pacific Highway. Failed businesses dot the narrow north strip that is squeezed between low-end middle class housing to the west and Pacific Highway to the east. An abandoned warehouse and a mobile-home park comprise the two largest lots in the north end. Just across 272nd Street to the north is a flourishing hub of businesses, mainly chain stores and fast-food restaurants. Across Pacific Highway to the east are residential and commercial developments, a likely driver of future growth in Redondo East.

The southern half of Redondo East is exclusively residential, and the parcels of land bordering Pacific Highway are heavily wooded and too steep to warrant significant development. The southern part of Redondo East is dominated by a newly completed housing development project. An abundance of trees and dead-end roads imbue the area with a peaceful suburban feel despite the close proximity of the highway.

Pacific Highway is a heavily traveled thoroughfare leading into the heart of Federal Way, providing good access to businesses in the northern half of Redondo East from both directions outside of peak commute periods. A stoplight at 272nd Street and Pacific Highway provides reasonable exposure to local business signs from automobile traffic. This intersection is just a few blocks from Interstate 5. Direct access from the 272nd Street exit makes the northern end of Redondo East a prime area for commercial development.

The disadvantages of the area include limited foot traffic and possible competition from similar businesses immediately to the north in already established shopping areas. The narrowness of the commercial plots makes it difficult to group stores together, undermining the likelihood of certain cluster developments. However, the proximity and ease of access to Pacific Highway gives these commercial parcels a substantial advantage over the congested parking lots of the shopping area to the north.

Businesses in Redondo East:

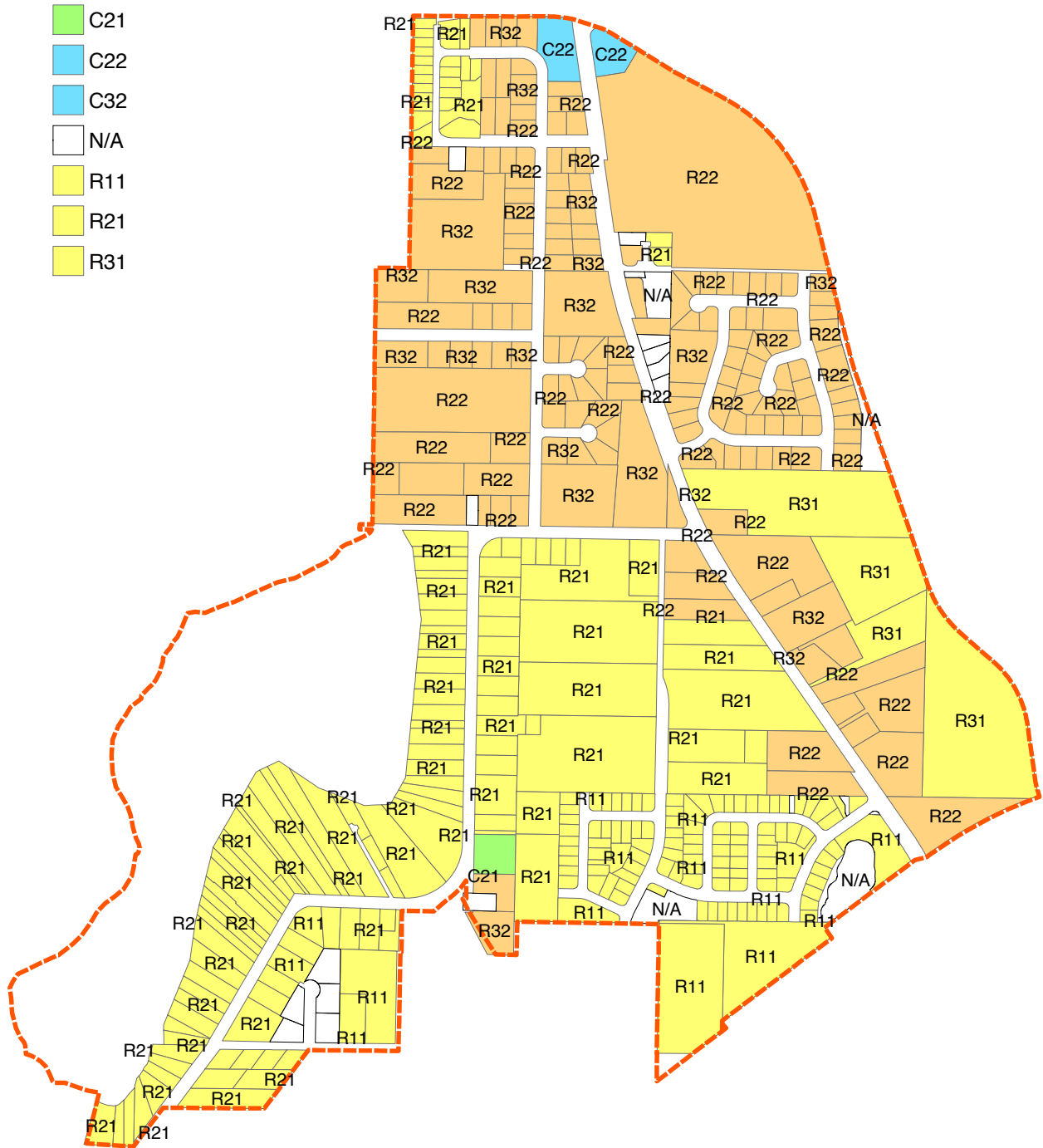
- A New Creation Hair Design
- Action Realty / Crystal Mortgage
- All About Grooming
- Allstate Insurance

- Barber Shop (27223 Pacific Highway)
- C Car A-Z Auto Sales
- Carquest
- Cascade Sawing
- Castaway Tavern (includes pull tabs)
- Central Business Services
- Corner Mart
- Crestwood Mobile Home Park
- Emerald Thai II
- Glenn's Auto Repair and Tire Center
- Laundromat (27211 Pacific Highway)
- Lupitas
- Magic Nails
- McDonald's
- Redondo Cleaners
- Redondo Family Grocery
- Sparkle Clean Carwash
- Vann's Tire Center

## **Parcel codes**

The following maps include three character coding for each parcel. The first character is a letter designating residential or commercial/industrial current use. The second character is a qualitative assessment of existing improvements, while the third character denotes the likelihood of redevelopment. Both numerical measures are on a scale of one to three, with one signifying good condition and highest probability of development, respectively.

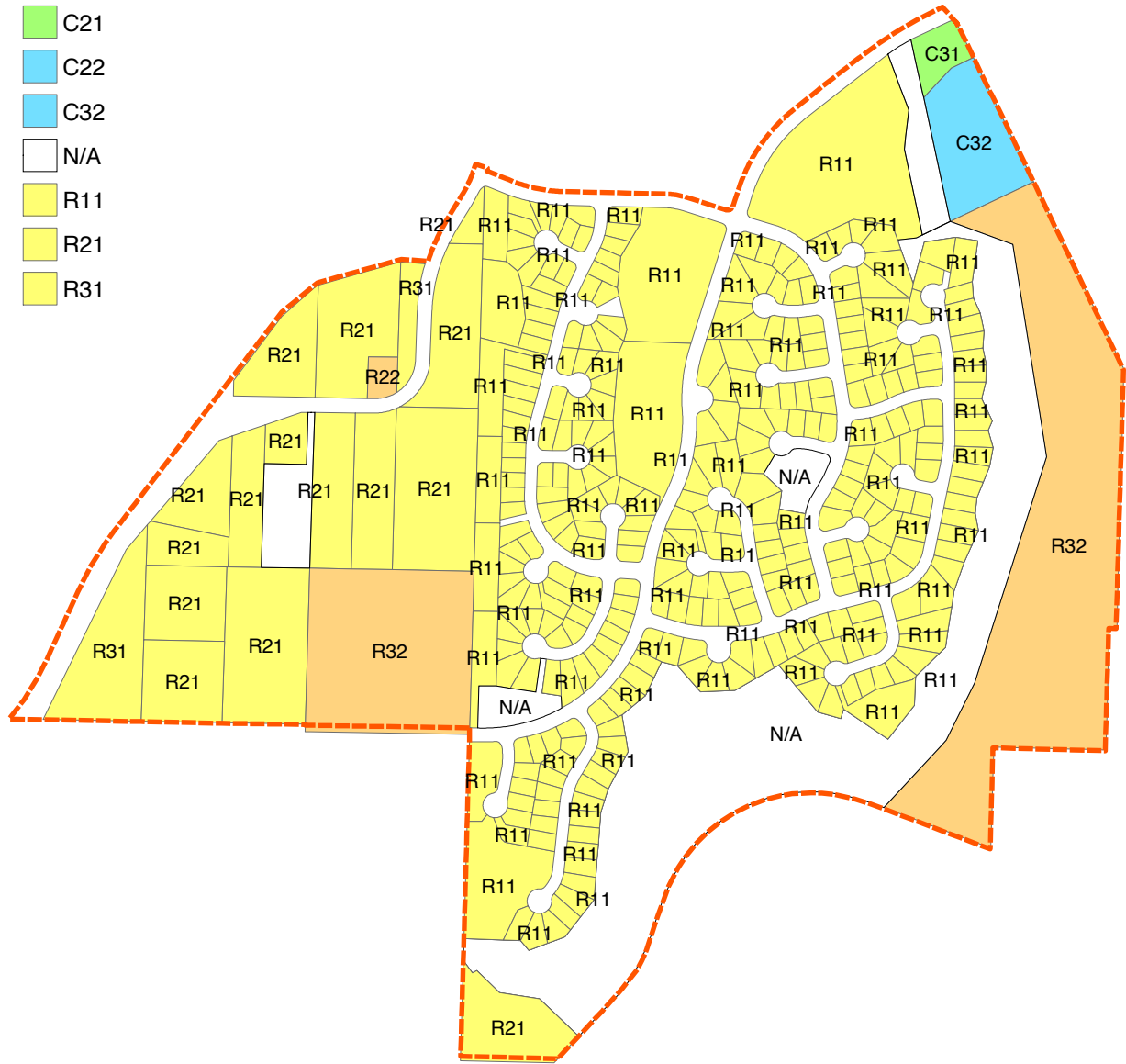
# North Lake



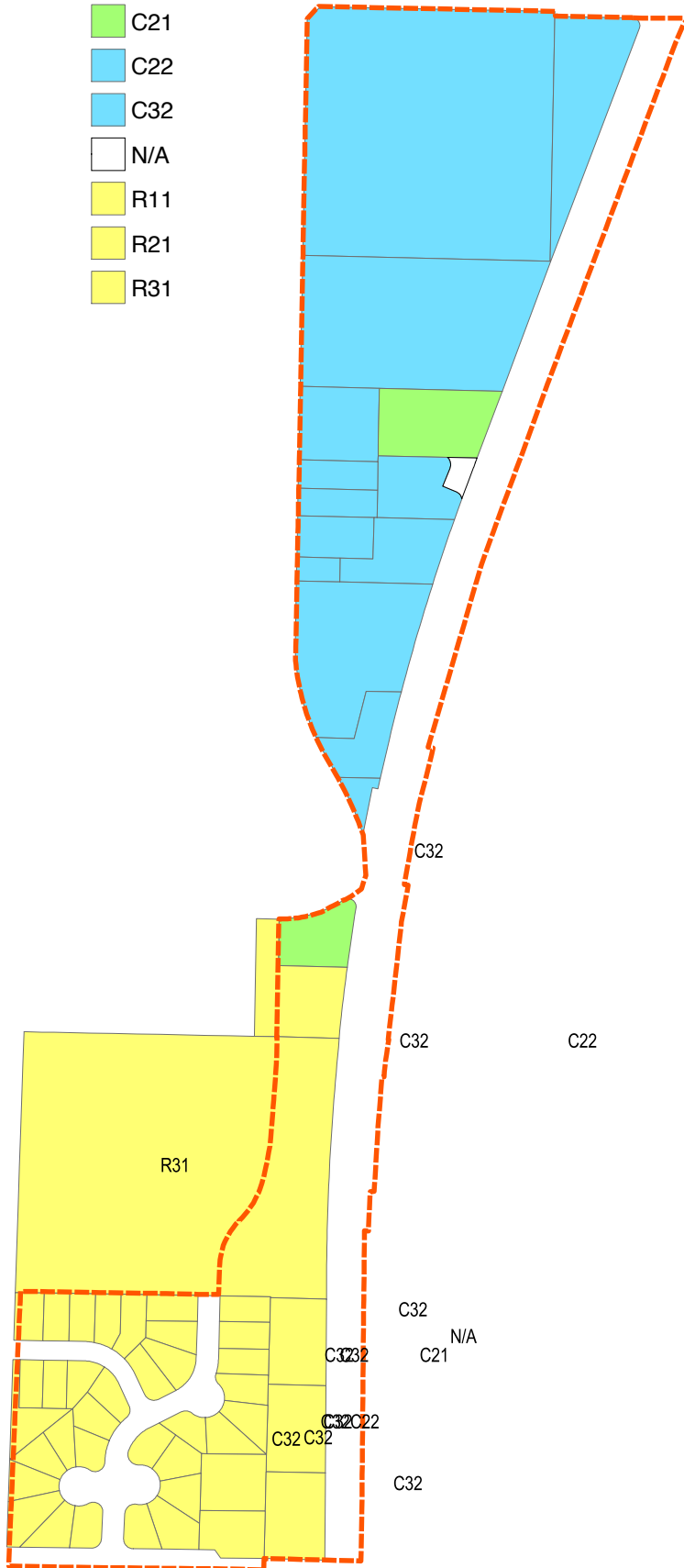


# Parkway

- C21
- C22
- C32
- N/A
- R11
- R21
- R31



# East Redondo



## **County impact**

These annexations will reduce county revenues by \$400,000 to \$650,000 annually. The population covered by this annexation is too small, however, to result in any real expenditure reduction.

## **Conclusion**

Without any indication of further action, these annexations diminish the value of the remainder of the East Federal Way PAA while undermining the county's financial position. Given the strong potential of these areas, a ten year outlook exacerbates this disparity.