



# North Lake Annexation

## Financial Analysis

July 2025

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### BACKGROUND

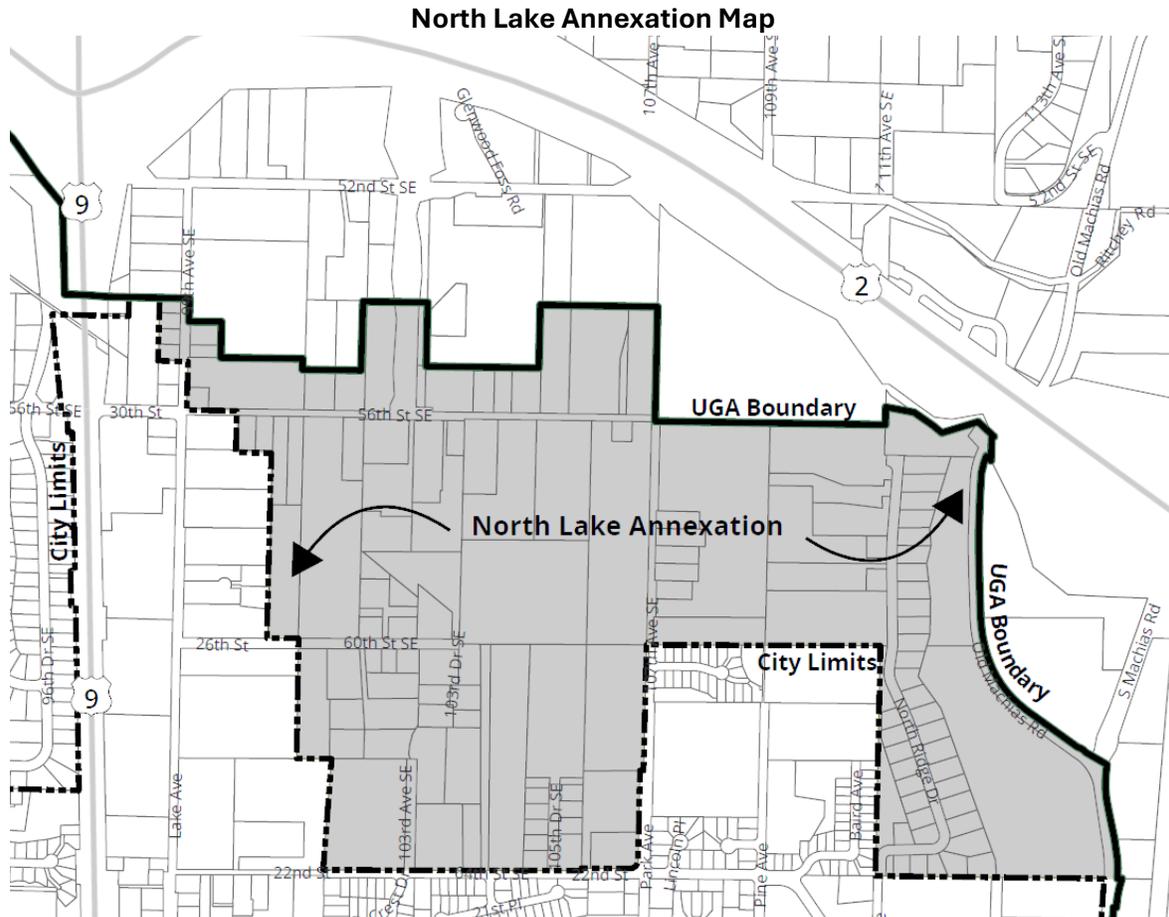
The City of Snohomish sits above an agricultural floodplain at the confluence of the Snohomish and Pilchuck Rivers, in the central Puget Sound region of Western Washington. It is located along the US-2 corridor between the cities of Everett and Monroe and is bisected by SR-9 between the cities of Lake Stevens and Woodinville. While Snohomish was the first incorporated city in the county, it has grown and developed at a much slower pace than its neighboring cities and Snohomish County overall. This can be partly attributed to its location off the I-5 corridor and the construction of the US-2 bypass in the 1980s that eliminated most through-traffic from the highway. The city's focus on maintaining its small-town feel is another strong factor.

According to the 2024 Comprehensive Plan, the incorporated city is 2,571 acres, with another 1,065 acres of unincorporated urban growth area (UGA). The 2020 population was 10,126 City residents. The Comprehensive Plan shows the UGA has sufficient capacity to accommodate population and employment projections for the twenty-year planning period, with consideration for encumbrances such as environmental constraints, infrastructure, and existing development.

The city boundaries were originally established in 1890 and were redefined in 1900 to a smaller area. A series of piecemeal annexations starting in the 1950s saw the city slowly begin to grow northward. The current city limits were established in 2013 following the most recent annexation in the southwest corner under Ordinance 2249. There are now five pockets of contiguous unincorporated urban growth areas around the city that were consolidated into four distinct areas in 2021 under a subareas analysis intended for annexation planning. They are Central West, North Corner, North Lake, and South.

## NORTH LAKE

The North Lake area is generally north of 22<sup>nd</sup> Street to the UGA boundary on the east side of SR-9. It encompasses the entirety of the contiguous UGA in this area and is approximately 241 acres in size.



The area has 122 households according to the Snohomish County Assessor’s database. Based on an average household size of 2.81 estimated for Snohomish’s UGA by the 2023 report, *Housing Characteristics and Needs in Snohomish County* (aka the HO-5 report), the estimated population is 343 residents in the annexation area. This means the annexation will result in an approximate 10% increase in the city boundaries and a 3% increase in population.

The annexation area is characterized by large-lot single family homes and unused land. No commercial uses are present. The Buildable Lands Analysis conducted by Snohomish County evaluates urban densities throughout the county on a parcel-by-parcel basis to determine whether there is sufficient suitable land to accommodate growth targets in UGAs. The most recent analysis was conducted in 2021. Parcels with additional development potential are classified into four categories: vacant, partially used, redevelopable, and pending. Pending parcels are those with applications for new construction in process. Redevelopable parcels have existing structures that

are likely to be demolished and replaced with more intensive uses. Partially used parcels are more likely to have existing structures remain, with new development constructed on another portion of the site. Because some of North Lake was rezoned in 2024, the buildable analysis was re-evaluated to determine the development potential under new zoning assumptions. According to the 2021 Buildable Lands data for this area, there are 160 acres classified as partially used, 3 acres classified as vacant, and 42 acres classified as redevelopable.

Taking the zoning designations into consideration, new development potential in the area is as many as 2,100 new dwelling units. It is important to note that this estimate is capacity only and could take decades to be developed. It is likely, based on current market conditions and regulatory limitations, that townhomes and small-lot single family homes will be favored over apartment buildings, which will be permitted in a portion of the annexation area.

The North Lake Annexation area currently has 12,047 feet of roadway with streetlights, 23 street signs, 15 stormwater catch basins, and 7,155 feet of drainage ditches. Properties in the area are not currently connected to municipal utility systems. There are a variety of small water districts purchasing water from the City of Everett, and on-site septic systems.

## **EXPENSES**

Anticipated expenses are categorized into one-time costs to process the annexation and ongoing operational expenses. One-time costs include professional services costs for surveying, legal fees, and application fees, totaling approximately \$6,500.

There are no City-provided water or sewer systems in the area at this time. Although this will change as development occurs over time, no budgeted expenses are anticipated for the 2027-2028 biennium. City Public Works crews will begin maintenance responsibilities of the streets in the area upon annexation, and the storm system in January 2026. Anticipated operational needs include cleaning ditches and maintaining existing storm systems, potholing, patching, street sweeping, snow and ice removal, and electricity for streetlights.

There are currently no planned capital projects for this area. There is a City-owned property slated for future park development located just outside the annexation boundary that will serve the area. Transportation improvements are based on levels of service, which are anticipated to change over time. Multimodal improvements are required for street design. Revenues from impact fees will generate some of the needed funding for future capital projects to accommodate growth.

The Public Works Department estimates one new full-time employee (FTE) and an additional vehicle will be necessary to offset the additional workload. Costs are estimated to include a one-time investment of \$75,000 for the vehicle, an annual expense of \$97,500 for wages and benefits, and \$10,620 in ongoing costs for electricity and maintenance. Other City departments require no additional personnel. Likewise, the Snohomish Police Department and Fire District #4 have indicated no change in costs to serve the annexation area.

Total costs are estimated to be an initial investment of \$81,500 and ongoing operational expenses of \$108,120 annually.

## REVENUES

### Property Taxes

The annexation area is primarily (87%) in Snohomish County Tax Code Area (TCA) 03665, with 19 parcels (13%) located in TCA 05726. The Snohomish County property tax levy rate in TCA 03665 is \$10.063 per thousand dollars of assessed value and in TCA it is \$8.564. The City of Snohomish property tax levy rate is \$9.712 per thousand dollars of assessed value. For the majority of residents in the annexation area, property tax bills will initially decrease.

Increased development potential could result in higher assessed property values. As upward trends appear in property sales, the Snohomish County Assessor adjusts the assessed property values in the area. As more units are built, the amount of property tax levied is spread among more taxpayers, potentially lowering each individual tax bill.

Based on the current number of parcels and the assessed value of those parcels, the estimated initial property tax revenue increase is approximately \$90,000 following annexation. After the annexed properties become part of the City's tax base, the increase in property tax revenue is approximately \$15,572 per year under a no-development scenario. Development will lead to higher assessed property values for the area. Under a maximum build-out scenario that consists of a variety of housing types, the potential property tax revenue increase would cap out at approximately \$250,000 per year. A more likely scenario is an annual value between \$15,572 and \$250,000.

### Utilities

Water and sewer connections, and their resulting monthly service charges, are dependent on new development in the area, the type of development proposed, and the number of individual meters (and the size of those meters) required. With so many variables, those revenues are not included in this analysis, although it represents a potentially significant revenue source contributing to the enterprise utility funds.

The City will begin assessing stormwater fees in the area after Snohomish County stops charging their fee in January 2026. Depending on the utility cycle, the first bill will be in either February or March 2026. The current rate is \$30 per billing cycle for a single-family property, or \$15 per month. The projected revenue to the City is approximately \$22,000 per year under a no-development scenario.

### Building Permit Fees

Unlike water, sewer, and stormwater revenues, building permit revenues go to the General Fund. The average permit fee for a new single-family home (including plumbing and mechanical fees) is around \$4,300, which can fluctuate depending on the size of the unit. Permit fees for townhomes and apartments are less per unit and depend on the number of units in the overall building. Based on that information, an estimated average fee is multiplied by the number of projected units to derive potential building permit fees. The potential revenue is estimated to be approximately \$6,600,000 over time. The growth would be over a number of years so the revenue amounts and timing of when those dollars are realized will vary based on a number of factors.

### **Impact Fees**

The City of Snohomish charges Traffic and Park Impact Fees with all new development pursuant to Chapter 82.02 RCW. These fees offset the impact of development through proportionate funds toward mitigating capital improvement projects. Traffic Impact Fees are calculated by new trips during peak hours (4-6 pm on weekdays) generated by the development and Park Impact Fees are based on a sliding scale of added floor area for new residential development. The estimated Traffic Impact Fee is estimated to be over \$10,700,000 and the Park Impact Fee is estimated at approximately \$15,000,000, however this is subject to fluctuation due to the nature of the fee structure and unknown unit sizes.

### **Construction Sales Tax**

The City will see construction sales tax revenues during the period in which the area is under active construction. The estimated revenues are based on recent construction activity elsewhere in the city and are estimated to be around \$70,000 per year on a temporary, and likely sporadic, basis.

### **COST-BENEFIT SUMMARY**

With conservative assumptions that do not include utility connections or utility billing, or other per capita-based revenue sources, the financial benefits of annexation outweigh the increase in cost to serve the area.

### **OTHER BENEFITS**

#### **Environmental**

The purpose of the Growth Management Act (GMA) is to develop urban areas and urban growth areas, to the extent feasible, and thus minimize development pressure on agricultural, resource, natural, and open space lands. New growth is intended to be located where infrastructure and services are already located, or where they can be logically and minimally extended. This avoids long lengths of new roads and utility pipes and keeps natural spaces natural.

#### **Infrastructure accessibility**

The properties in the annexation area are currently served by small water districts and on-site septic systems. While some of these systems are perfectly functional, others may be substandard, with poor flow and pressure, or are nearing the end of their lifespan. Access to municipal utility services is a matter of public health and safety. Since constructing the North Sewer Trunkline just southeast of the annexation area in 2025, there is sufficient sanitary sewer capacity to handle existing development in addition to future growth in this area. The City's water system comes from the same source as the water districts (City of Everett), but the City's standard pipes are generally a larger diameter. City crews have a regular maintenance schedule, maintain high water quality standards, and are available to handle emergencies such as main breaks quickly and efficiently.

#### **City government**

One of the benefits of a small local government is better access to elected representatives and City staff. Staffing is smaller and more responsive, and services are delivered efficiently. Property taxes paid by City residents benefit those residents more directly, as the taxing district is smaller with fewer competing interests than the county at large.