

*Serving our customers*

# Public Utility Board – Study Session System Development Charges Update

February 11, 2026

- ❖ System Development Charges

- ❖ One-time fees for new or upsized meters to cover the cost of system upgrades or expansion
- ❖ Last updated in 2019

- ❖ Revised System Development Charges

- ❖ Presented at PUB Study Session on October 22, 2025
- ❖ Presented to GPFC on November 4, 2025
- ❖ Presented for 1<sup>st</sup> reading at PUB on November 5, 2025
- ❖ Approved on 2<sup>nd</sup> reading by PUB on December 10, 2025 (U-11573)
- ❖ Presented for 1<sup>st</sup> reading to City Council on January 6, 2026

# SDC Update

## Concerns expressed by City Council

- ❖ Impact on Home in Tacoma densification efforts
- ❖ Impact on affordable housing
- ❖ Combined impact with new Drainage and Wastewater SDCs and traffic impact fees



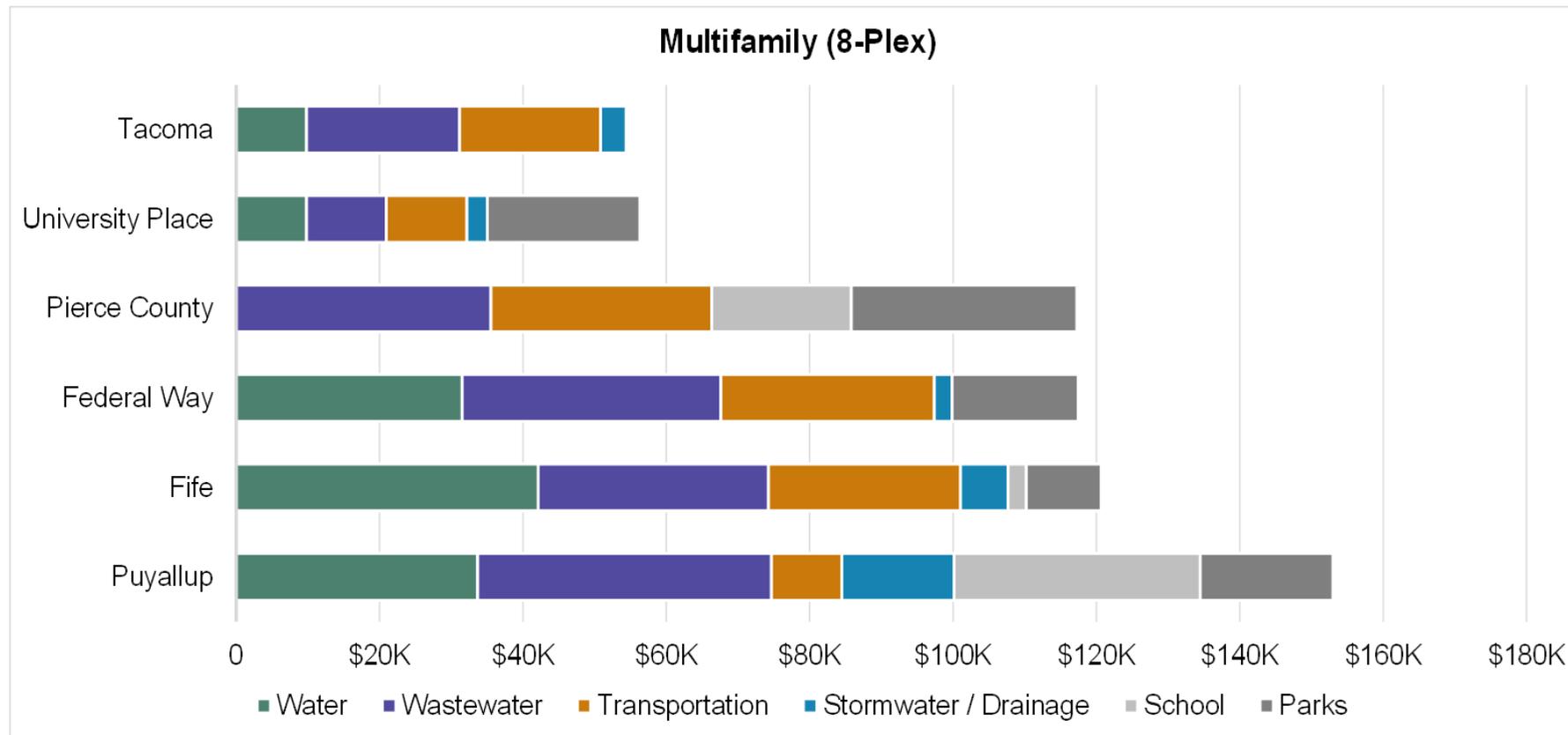
## How we're addressing concerns

- ❖ Impact on Home in Tacoma densification efforts –
  - ❖ Provided additional information about minimal impact on infill/increased density projects because most projects use existing meters which are not subject to SDCs
- ❖ Impact on affordable housing –
  - ❖ Proposing to waive SDCs for affordable housing and offset waivers with CHIP funds.
  - ❖ Community and Economic Development (CED) has successfully applied for and received CHIP funds for multiple affordable housing projects.
  - ❖ Tacoma Water, Environmental Services (ES) and CED working together to minimize administrative burden on affordable housing providers.
  - ❖ Waivers require code updates, coordination among ES, Water, CED, Permitting and Legal
  - ❖ Will bring SDC waiver proposal to PUB and Council by end of 2026

# SDC Update

## How we're addressing concerns

- ❖ Combined impact with new Drainage and Wastewater SDCs and traffic impact fees



*\*Uses Tacoma Water's final 2030 multifamily SDC rate after 5-year phase-in*

## ❖ Next Steps

- ❖ City Council Study Session on February 10, 2026 (slides attached)
- ❖ PUB Study Session on February 11, 2026
- ❖ Potential 2<sup>nd</sup> reading by City Council on February 24, 2026 (depending on extent of proposed changes)
- ❖ Potential reconsideration by PUB (depending on extent of proposed changes)
- ❖ Potential SDC waiver proposal to PUB and Council by end of 2026

## ❖ Questions and Discussion

The following slides were presented by ES to Council on February 10, 2026 and are being provided for your reference.

# SDC PROPOSAL REVIEW

- **Water, wastewater & stormwater systems need capacity upgrades as Tacoma grows and densifies**
- **Adopt and adjust System Development Charges (SDCs) to meet this need**
  - One-time charge for new and upsized connections



*Recovers a Fair Share of  
Utility System Cost*



*Funds Capital Projects &  
System Expansion*



*Revenue Scales with  
the Rate Of Growth*



*Insulates Ratepayers  
from the Cost of Growth*



*Common Industry  
Funding Mechanism*



*Growth Pays for  
Growth*

# CAPITAL FUNDING GAPS

## 🏢 City is changing (Home in Tacoma)

- Capacity issues from densification

## ⚖️ Equity and Affordability

- Customer base has lower ability to pay

## 🔧 End of lifecycle for major sewer system components

- Significant capital investment needed

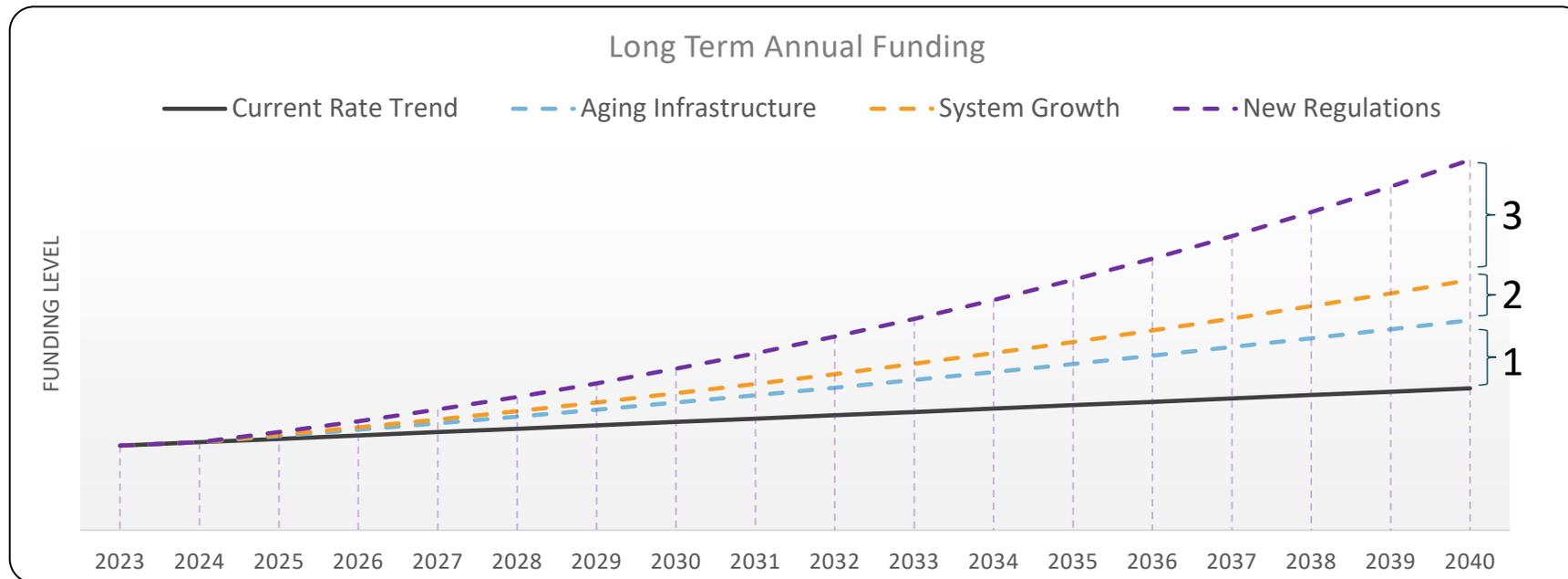
## 💧 Department of Ecology General Nutrient Permit

- City engaged in several lawsuits; outcome and impacts not yet known



# ES CAPITAL FUNDING GAPS

1. Funding to maintain existing systems
2. Funding to increase system capacity
3. Funding to meet future regulations

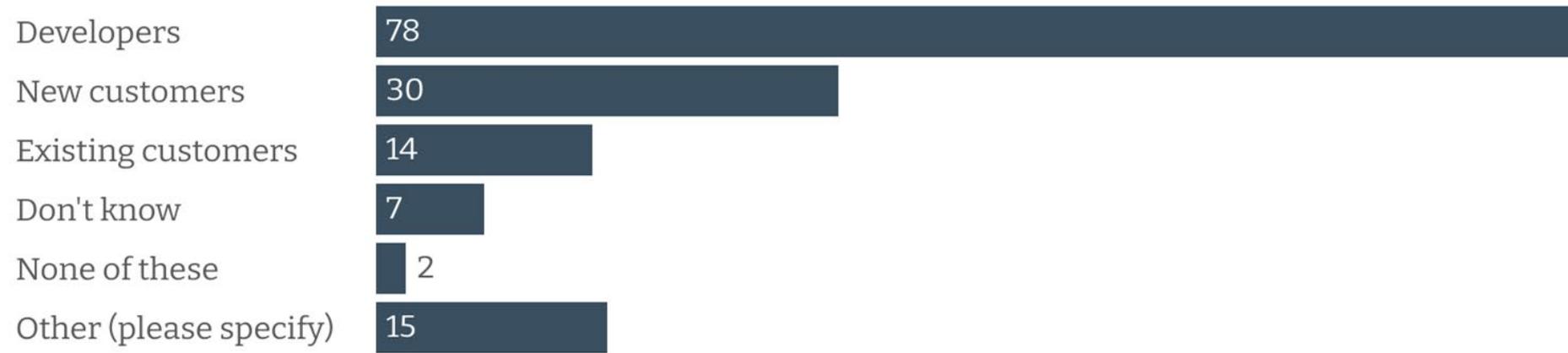




## Community consensus: growth should pay for growth.

**As Tacoma grows and additional sewer infrastructure is needed, who do you think should pay for the new sewer capacity costs? Select all that apply.**

EMBOLDresearch



# WASTEWATER PROJECTIONS

## Capacity needs have cascading impacts on CTP

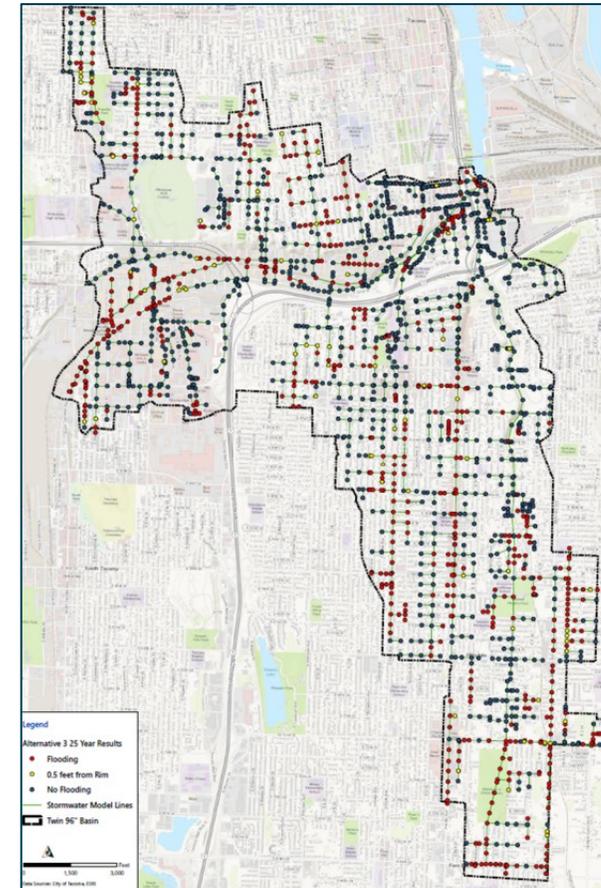
- Solids capacity upgrades
- New secondary clarifiers
- Grit system upgrade
- TAGRO relocation

Target Date for  
Phase 1: 2040



# STORMWATER PROJECTIONS

HIT high-growth scenario simulations show **664** manholes flooded during a major storm



# WATER PROJECTIONS

Integrated Resource Plan (IRP) projects the need for *additional sources* out into the future



Expanded Groundwater



Eagle Lake



Additional Storage Facilities



Additional Water Storage  
Project Phase 2



OASIS Project

# WATER CAPITAL NEEDS

## System-Wide Requirements

- Pipeline 1 Pressurization
- PFAS Treatment
- Tacoma Water Operations Warehouse Expansion
- Wellfield Development
- Backbone infrastructure replacement and expansion

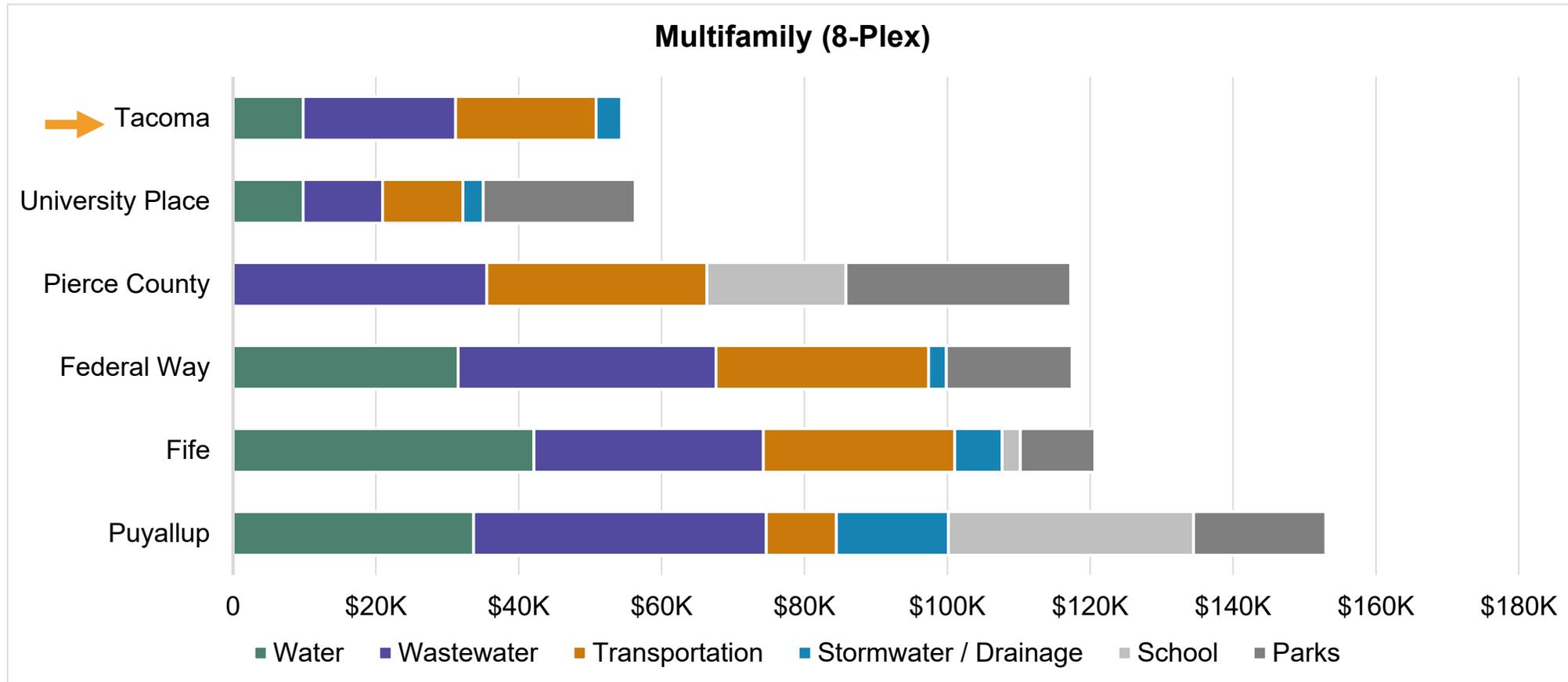
## Region-Specific Requirements

- Cascadia Reservoir and Pump Station
- Second reservoir at Prairie Ridge location



These projects have an estimated cost of **\$225 M**

# FEE STACKING COMPARISON



*\*Uses Tacoma Water's final 2030 multifamily SDC rate after 5-year phase-in*

# EXEMPTIONS



- **RCW 35.92.385 authorizes affordable housing waivers.**  
**However –**
  - *Connection charges waived under this chapter shall be funded using general funds, grant dollars, or other identified revenue stream*
- **Utility rate funds cannot offset waivers, and general fund dollars are extremely limited**
- **Proposal: Leverage grants to fund SDC waivers**

# EXEMPTIONS



- **Commerce CHIP grants**

- Pays infrastructure connection costs for affordable housing, including SDCs
- CED's affordable housing program has successfully applied for multiple CHIP grants
- Must adopt, or plan to adopt, SDC waivers by ordinance for SDCs to be eligible for reimbursement

- **Waivers require code updates, coordination with ES, Water, CED, Permitting, Legal, and Council**

- **Proposal: Develop SDC waiver ordinance in 2026 after passage of SDCs**

# NEXT STEPS



	Date	Step
<input checked="" type="checkbox"/>	August - December 2025	Stakeholder Outreach
<input checked="" type="checkbox"/>	December 2, 2025	First Reading
<input checked="" type="checkbox"/>	February 10, 2026	Council Study Session
	February 11, 2026	PUB Study Session
	February 24, 2026	Second Reading ES & Water
	Quarter 1-2, 2026	Additional Outreach & Education ES
	July 1, 2026	Ordinance Effective Date (If Adopted)