

State of the Cities:  
Empowering  
Washington  
cities & towns  
2025 report



STRONG CITIES | GREAT STATE

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AWC serves its members through advocacy, education, and services. Founded in 1933, AWC is a private, nonprofit, nonpartisan corporation that represents Washington's cities and towns before the state legislature, the state executive branch, and with regulatory agencies. Membership is voluntary. However, AWC consistently maintains 100% participation from Washington's 281 cities and towns.



# Introduction

The Association of Washington Cities (AWC) first released its State of the Cities report in 2005. The project was relaunched, pre-pandemic, in January 2020 and was designed to reflect the current fiscal conditions, costs, and service challenges of Washington's 281 cities and towns and to communicate these links, including economic connections between the health of cities and the state. Now, in 2025, we reflect on 20 years of work and look ahead to the challenges and opportunities facing municipal leaders serving their communities.

This report presents a comprehensive overview of the conditions that impact our cities and towns today, as well as over the last five years, and considers what challenges and opportunities city leaders must anticipate in the near future.

Data for this report comes from a variety of sources including AWC's annual City Conditions Survey. For more information on the State of the Cities research, visit our website, [wacities.org](http://wacities.org).



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this report.

## Cities and towns— Innovation and leadership

As the government closest to the people, cities and towns bring crucial value to our entire state. Cities and towns drive population growth, create economic prosperity, and protect our health, safety, and environment. Investing in our state's 281 cities and towns benefits every Washingtonian.

In the past five years, local governments have navigated a worldwide pandemic, growing political divisions and incivility, a rising public health and housing crisis, and economic uncertainty. As always, cities and towns have strived to rise to the occasion and meet these challenges head-on through innovative solutions that match their unique community attributes and needs.

In 2025, cities and towns are being asked to do more than ever before to meet the diverse needs of their communities and drive the well-being of our state. While city leaders are often held back by a lack of resources and limits on their ability to make decisions locally, they continue to approach those challenges through strong leadership, dedication, and innovation.

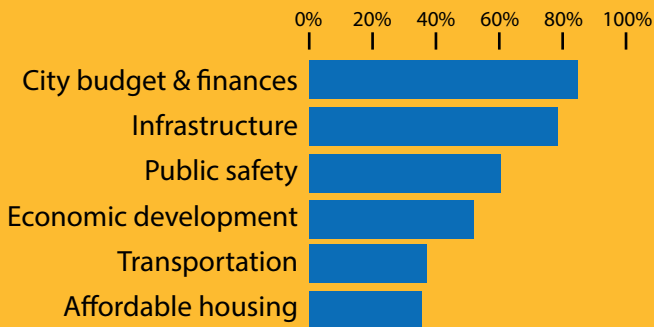
Perhaps one of the most impressive qualities of city and town leaders is their ability to problem-solve. Our communities have faced a laundry list of challenges over the last decade that most could have never imagined—and local leaders continue to roll up their sleeves and come up with creative, cost-effective solutions for their communities.

Today's city leaders put in the work every day and are asking for additional tools and resources from their partners in state and federal government—with the promise to magnify that trust and investment and do remarkable things for their communities. When city leaders are empowered to meet local needs, they come through with creativity and commitment.

Working together, the future of Washington cities and towns remains bright.



### Top city priorities for 2025




## Cities and towns drive the state's economic health

Basic municipal services like streets, utilities, parks, and public safety impact the daily lives of city residents. Cities also drive commerce and population growth in our state, enhancing quality of life while also building the health of our state's economy, empowering both our communities and our state to thrive.

**281**   
cities and towns

### Cities drive the state's economy

**85%**   
of all retail sales occur in cities.

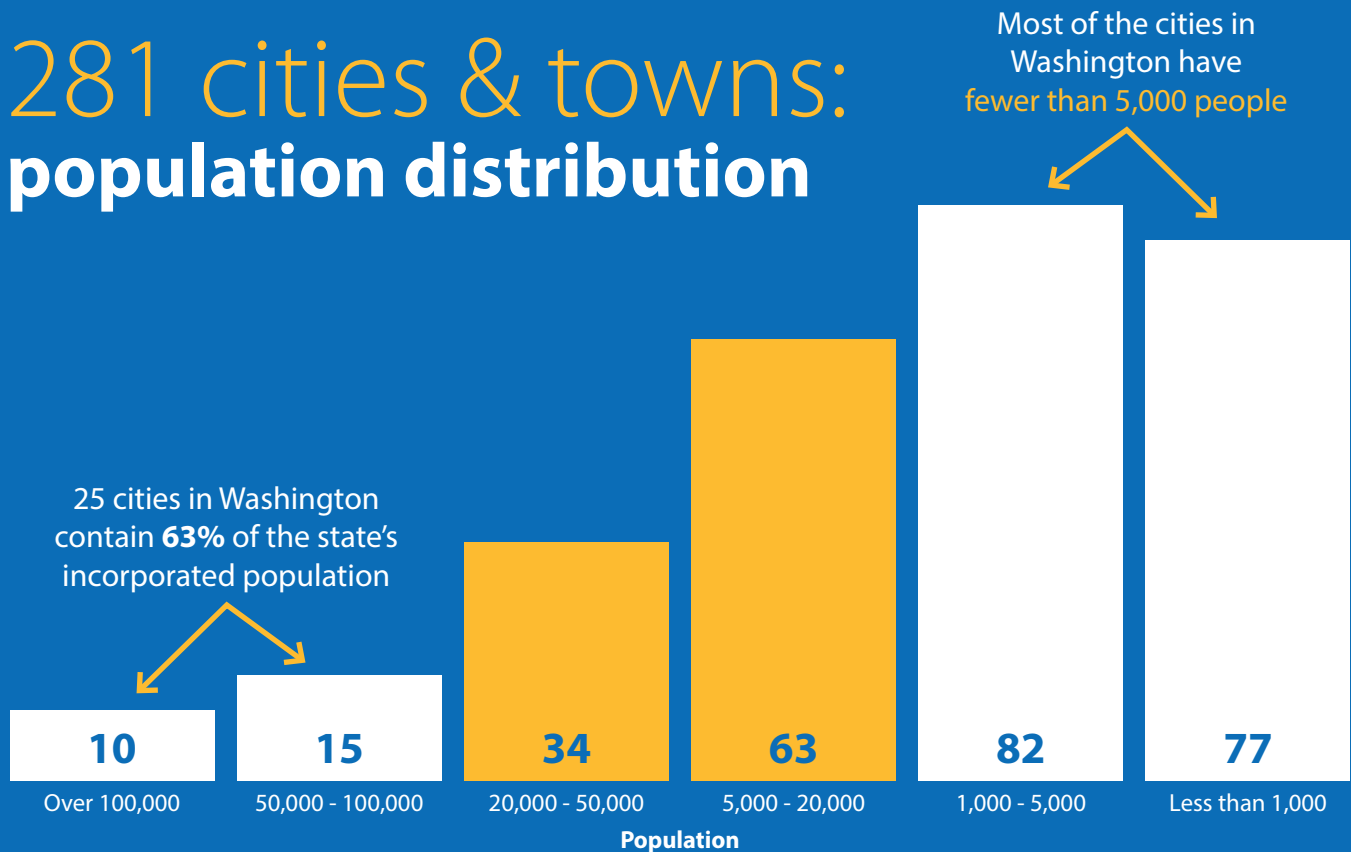
**\$4.6**   
billion of the state's B&O tax is generated in cities.

### Cities generate the state's annual revenue

**\$11.1**   
billion in sales tax is sent to the state general fund from within cities.

**\$3.2**   
billion in property tax for state school levy comes from within cities.

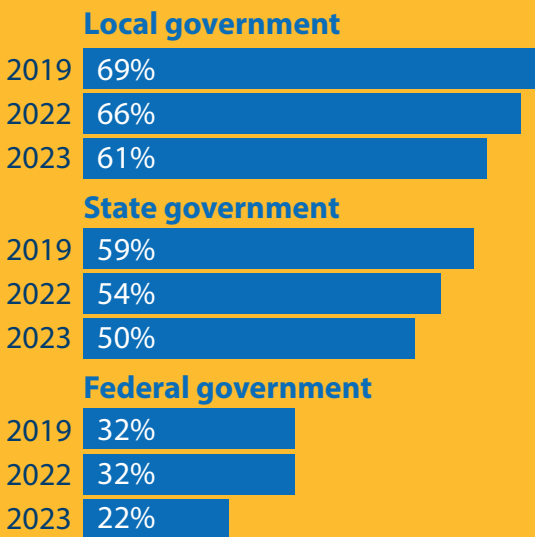
## 281 cities & towns: population distribution



Source: Office of Financial Management

## Americans' opinions of government have become more negative, but local government remains the most trusted

*Favorability percentage*



*Source: Pew Research Center, survey of U.S. adults*

While favorability ratings for each form of government have gone down since 2019, city governments consistently score higher than their state or federal counterparts. City leaders have direct connections with their communities and therefore do better in opinion polls that gauge trust in government.

## People live, work, and play in cities and towns

The majority of Washington's more than 8 million residents choose to live in cities, and those who don't often have a strong association with their nearby city or town. While cities provide crucial services, they also provide an intangible sense of belonging that creates connections and builds true communities of interdependent people sharing a common bond. Even though it may feel like those bonds have frayed a bit given recent political discord, cities and towns are still at the heart of community. People expect more from city and town leaders than ever before. They expect them not only to provide core services, but to solve some of the persistent challenges facing society such as homelessness and poverty.

## The government closest to the people

City and town leaders can expect to have a conversation with residents about any manner of issues at their local grocery store, dog park, or just walking down Main Street. These connections also give city leaders an opportunity to be responsive to new or evolving local needs in ways state and federal government often cannot be.

## Washington's population is growing and urbanizing

As of April 2024, Washington's population was just over 8 million people, with nearly 5.3 million (or 66%) living in cities. Some of our fastest-growing cities are smaller to mid-sized cities in all corners of the state, where the impact of growth can be daunting without adequate services and infrastructure.

Washington can expect to add another 1.8 million people by 2050, and the majority of them will choose to live in one of our 281 cities and towns. Collaboration between cities and other local governments as well as with the state will be the key to preparing for this continued growth. Together, we can thrive by making sure that Washington is welcoming to our new residents and continues to be a great place to live, work, and play for everyone.

**1.8 million more people by 2050**



1.8 million more people is the equivalent of adding another Spokane, Vancouver, Tacoma, Yakima, Seattle, Bellingham, Kennewick, and Olympia combined.

## Cities and the state working together

'We are one Washington' is a common refrain, best achieved by cities and the state working in concert for the benefit of all our residents. Areas where cities and towns have consistently identified that state action can help with long-standing needs include:

- Greater investment in local infrastructure
- Local revenue options and flexibility
- Revising the property tax revenue cap

Local leaders have earned the trust of state government with a plethora of local community-based decisions about revenue and services that meet the unique needs of their cities and towns and contribute to a strong state.

Recently, cities have been taking on new and more diverse service demands beyond their traditional roles. In addition to public safety, infrastructure, parks, economic development, and other traditional services, today's cities and towns are responding to calls to increase affordable housing, ensure access to reliable broadband service, and provide behavioral health and other human services. Local governments are looking to the state to partner in new ways to meet the ongoing demand as well as emerging challenges that face not just individual cities, but the state as a whole.

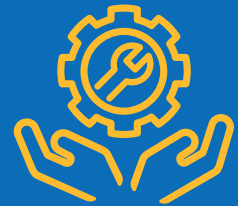
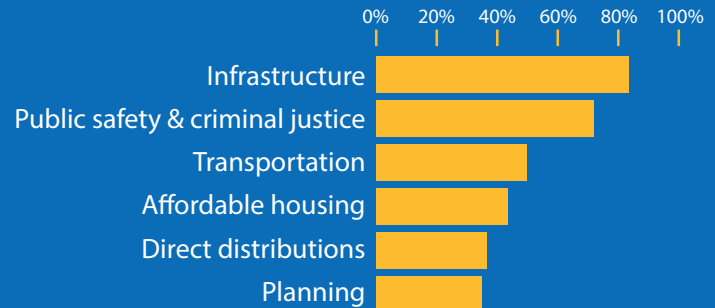
Our local leaders are committed to working collaboratively to serve their communities and move our state forward. To continue to build this partnership, local leaders ask state leaders to:

- Trust and respect locally elected leaders and allow them to make decisions that recognize the unique attributes of Washington's 281 cities and towns—and celebrate those differences and the strength they bring to our state.
- Proactively reach out, engage, and partner with cities and towns on policy and funding decisions.
- Empower cities and towns with tools and resources that help them serve their communities.

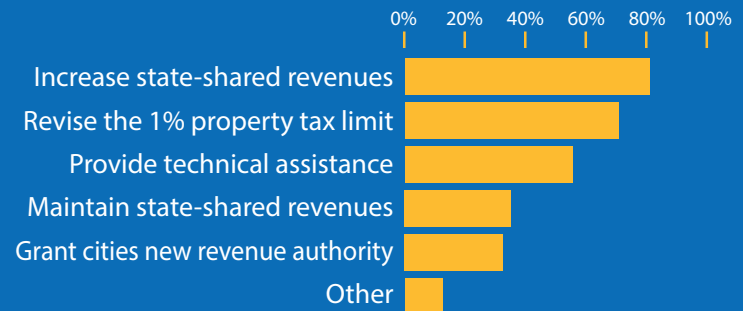
Washington cities and towns are the backbone of our state. Together with strong, collaborative partners we can accomplish great things.



## Top 5 areas cities would like to see increased funding

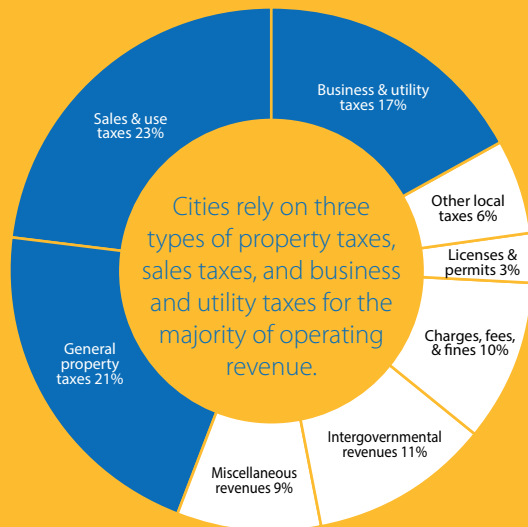


## Which state actions would help your city meet unmet needs?

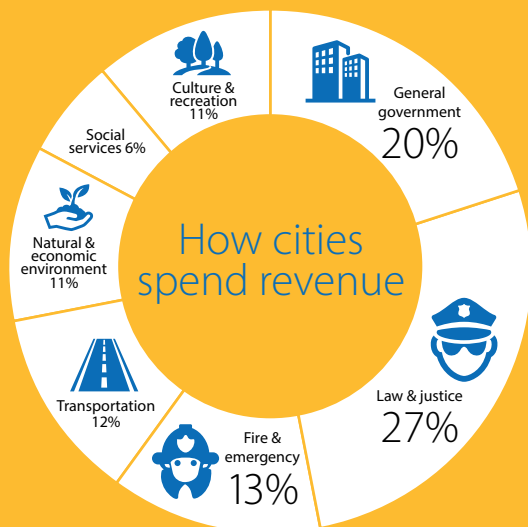


**71%** of cities say that changing the arbitrary 1% property tax limit would help meet community needs.

Cities have three major revenue sources to pay for a broad range of city services: property taxes, business and utility taxes, and sales taxes.



Source: State Auditor's Office; revenues, general fund, & special revenue



Source: State Auditor's Office; revenues, general fund, & special revenue

# Budgets & finances

## Increasing demands for services and decades of structural unsustainability

City finances have undergone wide swings in the last five years due to changes in the economy, historic inflation, the ongoing impacts of the pandemic, and historic levels of federal assistance. With the COVID-era funds from the American Rescue Plan Act (ARPA) drying up, city services put in place to respond to community needs (like the housing and opioid crises) are still necessary, but funding is increasingly strained. In addition, changes to downtown business districts and higher consumer reliance on online sales—which grew an average of 17% per year in Washington from 2019 to 2023—have changed the retail cores in cities reliant on sales taxes.

At the same time, inflation and new services drive additional demands on already stretched budget capacity. In the most recent City Conditions Survey, 61% of cities reported that revenues were not keeping up with expenses. Of those respondents, 85% cited increased costs, 62% cited long-term ongoing structural challenges, and 20% cited a short-term economic downturn.

The 2023 average basic sales tax revenue per capita for cities was 6% less than in 2019. In addition, small and low-tax-base cities have experienced a \$20 million decrease in state assistance from the 2021-23 to 2023-25 bienniums.

### Cities & towns need:

- **Ongoing fiscal sustainability:** Cities need stable revenue sources that keep up with the costs of services. Cities, especially small and low-tax-base cities, need increased state-shared revenues to keep providing essential services in their communities.
- **Local revenue options and flexibility:** Local officials need more flexible options that work in their unique local economies and for their community's needs.
- **More flexibility in the property tax:** Cities need a property tax revenue cap that keeps up with inflation and population growth.

**61%** of cities report that projected revenues for 2025 are falling short of expenses.

## Fiscal sustainability and the arbitrary 1% property tax limit

Without new options for revenues, the arbitrary property tax limit erodes the ability of city elected officials to meet their community needs.

Property tax continues to be one of the largest revenue sources for cities in Washington, comprising 21% of city operating revenues. This revenue supports critical city services, including transportation infrastructure and public safety.

Since 2001, annual property tax increases have been arbitrarily capped at 1%, which prevents cities from keeping pace with inflation and population growth, and increases reliance on less stable and more regressive funding sources like utility and sales taxes.

### In over two decades since 2001:

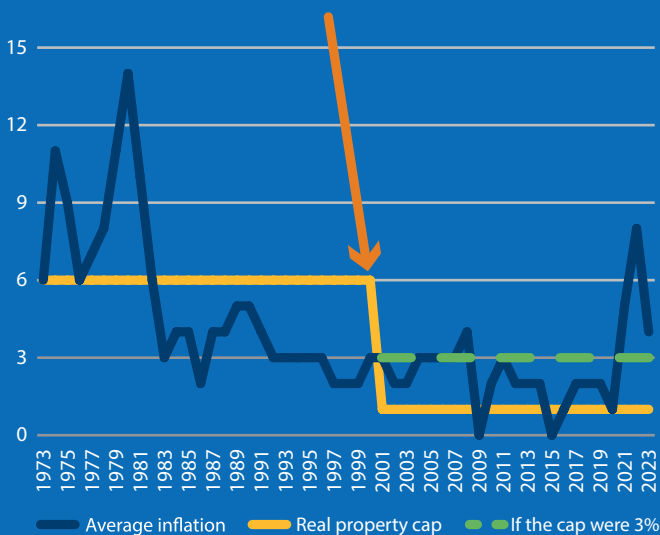
- City population has grown 48%
- Inflation (CPI) has grown 79%
- Municipal cost index has grown 96%

Cities have the option of levy lid lifts and excess levies. However, both require voter approval, which itself can be costly and must usually be for a limited purpose in order to gain voter approval. In addition, neither lid lift option permanently changes the annual percentage increase allowed. Increased assessed valuation driven by a rising real estate market doesn't necessarily increase revenues, because of how property tax is calculated.

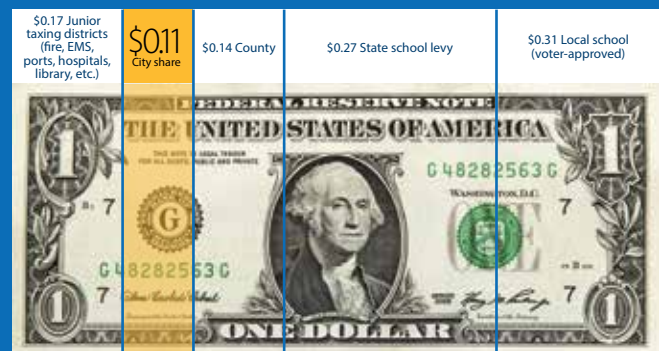
Meanwhile, residents may have seen increases in their total tax bill as the state exempted itself from the 1% limit and added a second state property tax levy to fund the court-mandated "McCleary fix" to address school funding. Since 2017, state and local school levies have increased from 54% to 58% of the total property taxes collected, while the city portion has declined from 14% to 11%.

While not a complete solution to the unsustainable revenue gap for cities, the local option to tie levy increases to a moderate rate more closely linked to inflation would provide more stable and reliable property tax growth. That would be a key step to invest in city needs for core infrastructure, housing, human services, and public safety to serve the shared residents of our cities and our state.

## The arbitrary 1% property tax cap created a structural inflationary deficit in 2001



## Cities receive only 11 cents of each property tax dollar



Source: Department of Revenue



## State-shared revenue

The state provides a crucial source of ongoing, reliable funding through certain shared revenues. These include liquor and cannabis revenue as well as criminal justice funding. These sources don't change much over time. Cities and towns would benefit from enhancing this vital funding.

**82%** of cities in the 2024 AWC City Conditions Survey say they support increasing state-shared revenues.

## Federal pandemic funding like ARPA is ending, but associated service needs are not

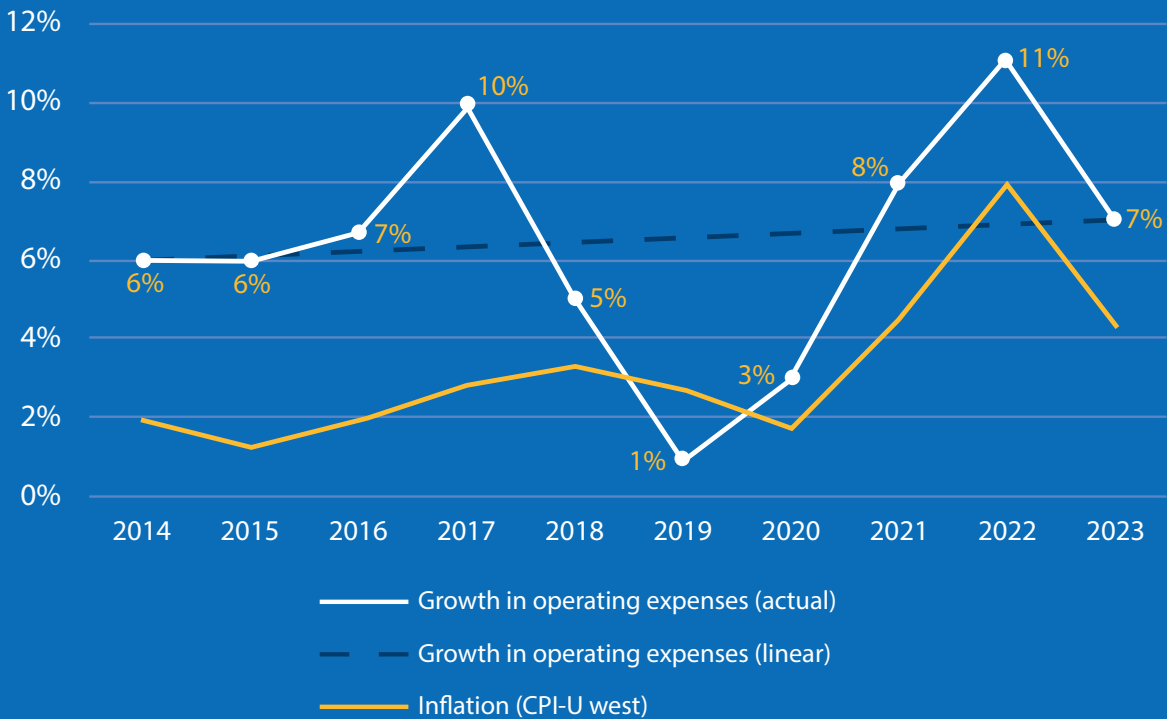
The federal government made historic investments in local governments during the pandemic, which allowed cities to maintain services and meet the needs of their communities under extreme challenges, disruptions in the economy, and shifts in employment. As the funding is drawing to a close, many of the associated service needs remain.

From 2018 to 2023, the portion of city revenues from intergovernmental revenues increased from 8% to 13%. This change was largely driven by historic levels of federal assistance bridging financial gaps in response to the changes to local downtowns and economies resulting from the pandemic. That federal funding is ending.

## Inflation and city expenses contribute to structural imbalance

Costs of services also drive the structural imbalance for cities. Over the last several years, inflation, workforce competition, and increased costs for infrastructure and liability coverage have contributed to those ongoing challenges.

## City operating expense growth vs. inflation 2014 - 2023



*\*Numbers are rounded to nearest whole number.*

**Between 2014 and 2023, operating expenses in cities grew faster than inflation. Expenses increased by 82%, while inflation grew 37%, an average of 3% per year.**

## Conclusion

The structural imbalance between cities' revenue options and cities' increasing need to fund critical services for residents, as well as increasing costs, means that in many cities, critical needs are not being met. A strong state requires healthy and robust cities—and local resources lead to growth in both population and service requirements to keep our economic engines humming. Imbalances in funding will have negative impacts for the state as a whole.

Cities and the state need to work together to build strong partnerships that enable greater diversity in funding sources—and that those revenue sources be stable and keep pace with the increased costs of providing services and changing economic cycles.

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Cities have diverse community needs and revenue structures. 19% of cities, ranging in population from 45 to 755, have operating expenses under \$500,000.

# Public safety

## Local public safety and criminal justice services are evolving to keep up with new challenges and fewer resources

Public safety is frequently cited as a high priority for local leaders and the communities they serve. Over the last few years, there has been significant change in the expectations of how public safety is addressed. The mission of city and town first responders has changed, and new challenges continue to arise, especially for police departments. Communities continue to ask a lot of their local police and other first responders, and cities and towns are at the forefront of those developments.

### Cities & towns need:

- Increased state funding and additional local revenue options to ensure that public safety and the criminal justice system have the necessary resources to function well.
- Ongoing and sustainable training for law enforcement officers, particularly for the Criminal Justice Training Commission (CJTC) Basic Law Enforcement Academy (BLEA) to ensure officers get high-quality training in a timely manner.
- More focus on wellness and injury prevention for first responders.

### Funding public safety and criminal justice

In 2023, 62% of all commissioned police officers were employed by cities, and 70% of cities had their own police department.

Public safety remains a top priority, with 72% of cities that responded to the City Conditions Survey identifying public safety as one of their city's top priorities for 2025. This prioritization is reflected in city operating budgets, as salaries related to public safety services such as police, fire and emergency services, emergency management, courts, and city-run jails make up nearly half of all city general fund expenses.

The majority of public safety funding typically comes from a city's general tax revenues, though there are some other dedicated funding sources like state-shared revenues, optional local sales taxes, grants, and fines and fees.



Source: State Auditor's Office



Source: Office of the State Actuary

## The changing role of local police

The public safety landscape is changing. Populations are changing, expectations are changing, demands are increasing, and with that, law enforcement and the criminal justice system continue to evolve, too. According to the Washington Crime Report from the Washington Association of Sheriffs & Police Chiefs, the years following the start of the COVID-19 pandemic saw increased crime rates, but 2023 finally saw the overall crime rate decline by 8.5%. In addition, a number of new policies were adopted in Washington during that time, changing the requirements for the way police officers do their jobs in the field, including use of force, use of certain equipment, use of body-worn cameras, and liability.

The lack of public access to behavioral health services and the increase in individuals experiencing behavioral health crises have had significant impacts on policing and emergency response. First responders are increasingly dispatched to behavioral, mental health, and substance use crises. A 2021 report by the American Psychological Association found that nationally, behavioral health crises and substance use account for roughly 20% of 911 calls.

In cities across the state, extreme disparities exist in access to behavioral health resources and drug treatment. While this is a challenge, it has created an opportunity to provide new training to officers and to pair them with experts in behavioral health response.

Some cities are adopting alternative response programs that complement or replace a traditional law enforcement response with one that takes a more holistic approach to an individual's needs. Cities responding to the 2023 AWC City Conditions Survey include a few types of alternative response programs in use:

- **Arrest and jail alternatives:** 25% of respondents have an arrest and jail alternatives program like Law Enforcement Assisted Diversion (LEAD) to divert nonviolent, low-level offenders to support services to help them overcome challenges and avoid arrest or jail time.
- **Co-response:** 39% of respondents pair a behavioral health or mental health co-responder with law enforcement when appropriate. Another 19% of cities have fire-based co-responders (e.g., Community Assistance Referral and Education Services, or CARES).
- **Other programs:** 16% of respondents operate mobile crisis response. Additionally, 25% of respondents offer pretrial diversion, and 27% operate a therapeutic, community, or substance use disorder court.



## Salaries for city police have risen over 22% in 5 years

Year	2020	2024
Average annual salary for city police	\$80,028	\$98,016
5-yr % change	---	22.48%

Source: AWC Salary Benefit Survey, 2020-2024

## Recruiting and retaining first responders

While cities and towns are generally able to maintain fire personnel staffing, they face persistent vacancies in law enforcement. Washington continues to maintain one of the lowest ratios of police officers to residents in the country, where we have 1.3 police officers per thousand people, compared to the national average of 2.3.

68% of Washington cities see hiring new officers as a major challenge. While the problem may be particularly pronounced in Washington, it is not unique to our state. A 2024 national survey by MissionSquare found that 68% of public sector employers had a hard time filling police positions.

The introduction of BLEA regional academies is a positive development, encouraging recruitment by allowing more police recruits to get their training closer to home rather than waiting for limited slots at the main CJTC facilities. Cities continue to pursue more regional academy options to complement the main training facilities.

More cities are offering financial recruitment and retention incentives for police officers.

- 42% offer financial hiring incentives for lateral transfers.
- 29% offer financial incentives for new hires.
- 24% offer financial incentives for retaining existing officers.

The focus on well-being for first responders and other public safety workers, such as 911 telecommunicators, is also increasing. These uniquely challenging jobs can affect both physical and mental well-being, and local leaders are committed to supporting first responder wellness and to adopting programs that help these crucial public servants stay healthy and on the job. This includes a long-term effort to change the workplace culture and encourage first responders to seek care early. Strong partnerships with the state's workers' compensation program are particularly important to help with injury prevention and wellness programs. The Department of Labor & Industries' Firefighter Injury and Illness Reduction (FIIRE) Program partners with cities to provide grant funding to purchase safety equipment and implement safety best practices.

### Washington's police officer to population ratio has decreased

By comparison, the national rate is 2.3 police officers per 1,000 residents.

For every 1,000 residents:

In 2000:



In 2023:



### One-third of officers are near retirement



Source: Washington Dept. of Retirement Systems, 2023

## Looking at the criminal justice system holistically

In addition to providing policing and emergency services, cities are important partners to counties and the state in maintaining the overall criminal justice system.

100 cities operate their own municipal court, and other cities contract with their county's district court for municipal court services. Cities and towns are generally responsible for misdemeanor cases, while counties handle felony cases.

In today's criminal justice system, cities are also using diversion programs to keep individuals out of the court system and focus on treatment. Some cities are also implementing therapeutic court options like community court, drug court, or veterans courts, with the goal of creating accountability while addressing the root causes of the behavior.

### Conclusion

Washington's cities are at the forefront of our evolving criminal justice system, keeping communities safe and ensuring access to justice. City leaders must be viewed as partners with other local governments and the state to meet the complex challenges inherent in a rapidly shifting public safety environment. One of the biggest obstacles is inadequate funding. Cities need continued engagement and partnership from the state and others to provide resources to meet the needs of our shared constituents.



## 100 cities operate their own municipal court

### Indigent defense in municipal courts

Public defenders play a critical role in criminal justice at both the county and city levels. Every person accused of a crime has a constitutional right to an attorney, regardless of their ability to pay. Cities bear the cost of public defense for indigent defendants in the misdemeanor cases they file.

Currently, public defenders are limited to 300-400 misdemeanor cases per year by the Washington Supreme Court. A proposal introduced in 2024 seeks to limit that number even further, which could require cities and counties to hire many more criminal defense attorneys—if they can find them. Many areas of the state, especially rural areas, are experiencing a shortage of legal services across the board, not only in criminal defense.

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# Human services

## **Cities and towns require substantial partnerships with county, state, and federal entities to ensure that shared residents have access to services**

Even in the face of significant resource constraints, cities are stepping up in innovative ways to provide an unprecedented level of human services. Still, cities cannot do this work alone. They need substantial partnerships to make communities places where all our shared constituents can live, work, and thrive. Cities are innovating and stretching resources to provide critical services to their residents.

Behavioral health is a growing human service need in communities. Law enforcement, fire, and EMS are routinely responding to calls for individuals experiencing behavioral health crises. To best help people in crisis, cities are establishing and expanding a variety of co-responder programs in which mental health professionals respond alongside police, fire, and/or EMS, or even respond without other first responders. These co-responder teams have quickly become a gold-standard best practice for responding to behavioral health crises and a critical part of an effective municipal first response.

Many cities are also feeling the intense pressures caused by a lack of affordable and accessible childcare. We know that economies and communities cannot thrive without access to affordable, quality childcare. While cities are not traditional service providers, many are taking steps to expand childcare access. This includes partnering with statewide organizations to provide training to childcare providers and exploring opportunities to make more land available for childcare facilities. Cities fully support state investments to expand access to childcare and early learning and look forward to working with state and federal partners to increase needed investments that support our youngest residents and families.

A theme with each of these human service demands is cost. At a time when cities are experiencing tremendous fiscal constraints due to systemic limits on revenue, as well as cost increases due to workforce pressures and inflation, cities are also experiencing demand from residents for more services. These services are undoubtedly valuable and make our communities better for all; however, the cost of these services is high, and cities need state partnership to ensure successful support efforts for our shared constituents.



## A path forward: Fife's Jobs Program

This innovative local program takes a systems approach to reintegration into society, providing a job, housing, food, and workforce skills to local unhoused participants accepted into the 12-month workforce development program. The city patched together funding from state and federal grants with direct funding from the county and port to finance the program through 2030.

### Cities & towns need:

- Greater state investments in access to affordable childcare, particularly for middle-income earners, those with nontraditional working hours, and those living in rural areas.
- Fiscal flexibility and resources to meet the demands of our unique communities, whether that be services for refugees and asylum seekers, childcare, youth programs, or other services.
- Increased investments in grant funds for municipal co-responder programs.
- Expansion of access to behavioral health treatment, including crisis stabilization, inpatient treatment, and intensive and ongoing outpatient treatment, with access available across the state.

Cities are stepping up to meet behavioral health needs, but increased state investments are critical to addressing these issues statewide.

Behavioral health services are costly, and resources have not kept up. Most existing programs are patched together with one-time, short-term grant funds. To ensure continuity of services, cities need state funds to provide the ongoing level of service our communities require.

Additionally, cities need robust state investment in behavioral health treatment options. Often, co-responders are left with the untenable choice when responding to an individual in crisis of either taking them to the emergency room or leaving them in place. Neither option will provide the individual with the behavioral health treatment critically needed.

Communities need statewide access to crisis behavioral health treatment, as well as inpatient treatment, intensive and ongoing outpatient treatment, and support if we are going to address the fallout of the drug and behavioral health crisis our state is facing.

### Conclusion

Cities are working continuously to create communities where everyone can live, work, and play successfully. Cities know this is a common goal shared with state and federal partners and look forward to strong continued partnership to address these critical human service needs in our communities.

## **Poulsbo CARES Team Program**

In 2021, the City of Poulsbo launched its Community Assistance, Referral, and Education Service (CARES) program as a part of the Poulsbo Fire Department. The goal of the CARES program is to connect individuals to appropriate care and services and to reduce the impact of nonemergency calls on fire and police departments. The program is staffed by a firefighter or EMT trained in crisis intervention, a social worker, and a substance use disorder professional.

## **Regional Crisis Response Agency**


The communities of Bothell, Kenmore, Kirkland, Lake Forest Park, and Shoreline worked together to create the Regional Crisis Response (RCR, pronounced "racer") Agency. Officially launched in 2023, the new regional partnership provides crisis de-escalation, intervention, and navigation to the system of care. Early data from the new program shows a marked reduction in jail bookings, crisis services events, and emergency department visits.

## **West Plains Crisis Response Team**

In 2023, the Airway Heights Police Department partnered with the Cheney Police Department to form the West Plains Crisis Response (WPCR) Team. The WPCR Team is made up of two mental health clinicians paired with two specially trained police officers who respond to emergency calls from individuals in crisis. The team serves an area of over 20 square miles that includes the communities of Airway Heights, Cheney, Medical Lake, Four Lakes, Reardan, and Tribal communities in the region. In their first year of operations, the team responded to over 1,100 crisis calls and noted a decrease in arrests, use of the 911 system, and recidivism rates.

## **Whatcom County LEAD Program**

All municipal police departments in Whatcom County partnered with the Whatcom County Sheriff's Office to launch a joint Law Enforcement Assisted Diversion (LEAD) program in 2020. The program provides support to individuals who have frequent interactions with law enforcement and who commit low-level criminal offenses resulting from mental and behavioral health challenges, substance use, homelessness, and extreme poverty. A program case manager helps address and eliminate the root causes of criminal behavior, which includes providing participants with assistance in obtaining stable housing, medication management, substance use disorder treatment, and job opportunities.



**Cities are innovators taking on a proactive role in responding to individuals in crisis and providing needed resources. Here are some examples of programs cities have launched to address the unique needs of their communities.**

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# City workforce

## Cities grow, while workforces and budgets stay the same

Combined, cities are the sixth largest employer in Washington, with over 48,300 employees statewide as of 2023—but that number hasn't grown at a rate commensurate with demands for city services (and staff). The role expected of cities and towns is expanding to include a number of areas outside of traditional municipal services, like affordable housing, behavioral health response, environmental regulation, and climate response.

The impacts of expanding roles at cities are added to the impacts of expanding populations. Since 2001, Washington's city-based population has grown by 48% to 5.29 million in 2024, representing the majority of the state's population growth in that time. Meanwhile, city workforces are growing much more slowly.

### City workforce needs and challenges

From public safety to parks to infrastructure and beyond, residents in all our cities rely on the work of dedicated municipal staff. Cities remain a great place to work,

with excellent benefits, stability, and responsive work environment. They also offer people the opportunity to serve their communities in meaningful ways. However, long-term trends like rising costs, plateauing revenue, a wave of retirements, and public sector recruiting challenges continue to impact the municipal workforce.

### Cities & towns need:

- Strong state support to control cost drivers, like pensions and workers' compensation claims, that drive cities' workforce budgets. Include thoughtful consideration of ongoing direct and indirect costs and staffing impacts related to new benefits like the expanded leave programs (Paid Family and Medical Leave and paid sick leave) adopted in the last few years.
- More proactive programs to promote worker safety and prevent skyrocketing workers' compensation claims.
- More resources to hire, compensate, and retain quality public employees, especially law enforcement employees.
- Strong, consistent advocacy from public employers about the benefits of public employment and of cities as quality employers that provide opportunities to serve one's own community.

## Cities are doing more with less For every one city staff:

In 2001:



80

residents served

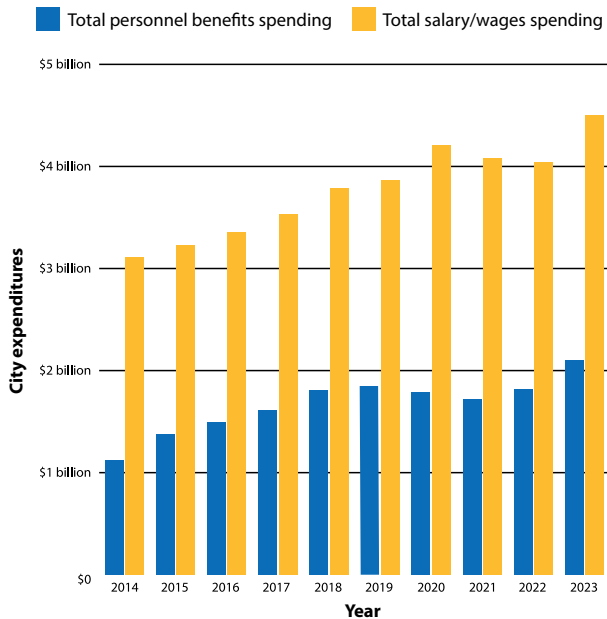
In 2023:



108

residents served

## Growth in city workforce salary/wages and personnel benefits, 2014-2023



Source: Wash. State Auditor's Office, Budgeting, Accounting, and Reporting System (BARS) generally accepted accounting principles (GAAP) data, 2014-2023

## City workforce cost drivers

Workforce costs are consistently among the largest and fastest-growing expenses in a city's budget. Cities are responsible employers, but even with a budget-conscious approach, workforce costs can result in huge expenses that cities have little control over, such as the costs of health plans and state-mandated benefits like pensions, workers' compensation, and unemployment insurance. Nevertheless, cities bear those costs. And while cities can control employee salaries, the need to remain competitive to recruit and retain adequate staff has also driven those costs to increase.

**Salary and benefits:** In 2023, cities spent a total of \$4.48 billion on employee salaries and wages and \$2.16 billion on employee benefits. **This represents a 46% increase in salary and wages spending and a 90% increase in personnel benefits spending in the 10 years between 2014 and 2023.** These increases in benefits spending have been driven largely by health care costs.

**Pensions:** Most city employees participate in state-run pension programs, and Washington's public pension system is one of the strongest in the United States. As of 2023, the systems that impact most current city employees are either fully, or nearly fully, funded, including the Public Employees' Retirement System (PERS) Plans 2 and 3 (97% funded), Public Safety Employees' Retirement System (PSERS) (96% funded), and the Law Enforcement Officers' and Firefighters' (LEOFF) System Plan 2 (102% funded). The strength of these pension systems is the result of decades of work by policymakers and public employers to ensure that they are doing right by public employees.

Pension program costs are set by the Legislature and are largely out of the control of cities. One example is the additional unfunded liability surcharge (known as the Unfunded Actuarial Accrued Liability, or UAAL) that is tacked onto employer contribution rates for PERS Plans 2 and 3. The UAAL pays for the underfunded PERS Plan 1. The UAAL is set to be phased out, but a proposed ongoing PERS Plan 1 COLA may continue to require future contributions if adopted by the state.

**Workers' compensation:** Over the past few years, workers' compensation rates have jumped significantly with the cost of medical services, especially for certain public employee job classes. Rates for police and firefighters have grown especially quickly, largely driven by increases in claims for post-traumatic stress disorder (PTSD), which was added to the list of presumptive conditions for first responders in 2018. **The average cost of a PTSD claim is around \$690,000.**

### Workers' compensation rate changes

Department	1-yr change, 2024-2025	3-yr change, 2022-2025
City ops, public works, parks	+7%	+22%
City office & admin	+4%	+19%
City fire	+15%	+46%
City law enforcement	+15%	+51%

## Recruitment and retention at cities

Recruiting and retaining qualified city staff has been a growing concern over the last decade, especially in certain job categories like policing, engineering, and planning.

Factors such as the push for more flexible or remote work options, changing jobs more frequently, increased retirements, shifting expectations of younger workers, and evolving technology are now impacting both private and public sector employment. In addition, some workers are shying away from public service out of mistrust for government and increasing hostility towards government employees.

However, there are also areas for opportunity as cities embrace efforts to build more diverse workforces that reflect their local communities. Local officials are reaching out to underrepresented individuals and communities and looking to find those with nontraditional backgrounds, encouraging them to fill these important roles.

## Key city jobs are still hard to recruit for

A recent national survey by Route Fifty found that 18% of young adult respondents (ages 18-36) said they would want to work for local government at some point in their career, and only 38% of respondents knew how to get a job in local government. The positive news here is that cities *do have* a lot to offer and can work to improve this perception through local outreach.

## Conclusion

The dedicated public servants who make up the workforce serving our cities and towns are the key to our communities' success. Unfortunately, public servants are consistently being asked to provide additional, and more complex, services to our diverse communities with fewer resources.

We need to work together to support our workforce and encourage more individuals to seek public sector careers. Encouraging local leaders and our residents to thank and celebrate these local heroes goes a long way to support the challenging work that they do. Local and state leaders should continue to ensure ample and innovative resources to fairly compensate our dedicated public servants and ensure that they have the resources necessary to serve and build our cities and towns.

## Cities report difficulty filling open positions

### In 2023

**66% of city respondents** reported trouble filling vacancies.

City respondents said these four departments were the most difficult to staff up in 2023:

- **84%** Police
- **61%** Public works
- **41%** General government/Admin
- **39%** Community development/Planning

Source: 2023 City Conditions Survey

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# Infrastructure

## City infrastructure is a vital piece of the statewide system

Municipal infrastructure is an integral part of the statewide network, creating connectivity across Washington. Cities and towns manage a set of capital facilities—including streets, bridges, drinking water and wastewater facilities, stormwater collection, culverts, and broadband infrastructure—to provide fundamental public services that support a vibrant economy and sustain a healthy environment.

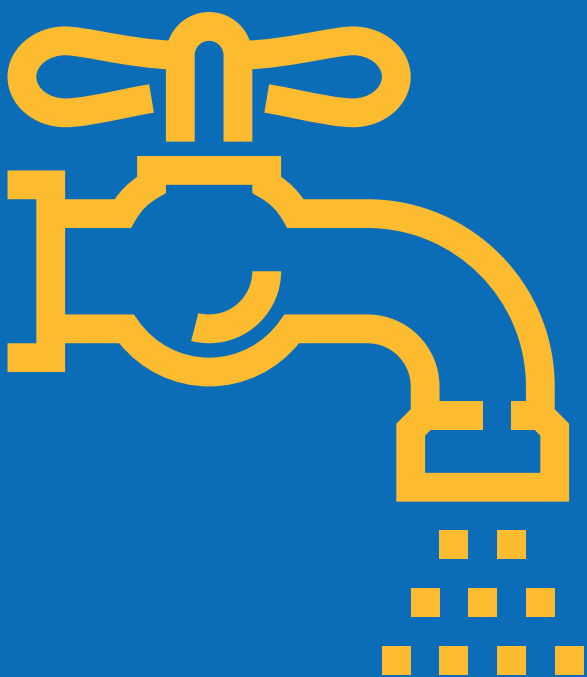
## Infrastructure is a local priority—for all Washington constituents

Local leaders successfully provide their communities with safe and essential utility services and a reliable infrastructure system, often in spite of limited means. Cities and towns consistently rank infrastructure funding as their number one priority, demonstrating their commitment to maintaining and improving infrastructure. However, local revenue sources and available financing tools cannot keep up with need.

In addition, municipal infrastructure systems are aging as the impacts of a growing population, climate change, and new regulatory requirements create added challenges. As the backlog of unfunded need mounts, the costs for cities compound. The lack of sustainable revenue sources for infrastructure and underinvestment from the state are among cities' primary funding hurdles.

In the 2024 City Conditions Survey, respondents indicated that their top infrastructure challenges are:

- The impact of inflation on bids and materials costs.
- The age and state of their water and wastewater infrastructure and facilities.
- Meeting regulatory requirements.



## Cities & towns need:

- Sustainable revenue sources for infrastructure maintenance and operations.
- Direct and meaningful state investments in city infrastructure, including funding for climate resilience, carbon reductions, and sustainable technologies.
- Reliable, robust state funding for the Public Works Assistance Account.
- Additional technical assistance to address challenges like emerging technologies and regulations and to help access state and federal grant funding.

Multiple factors are driving up infrastructure costs for cities and towns:

### Aging infrastructure

City and town infrastructure systems are nearing or exceeding their expected service age and need critical preservation and maintenance. Drinking water distribution systems and production and storage facilities in most of Washington's cities are three or more decades old. Their sewer collection and treatment systems are similarly aged. In a separate survey, city respondents indicated that nearly 70% of projects in need of funding are for repair and replacement of existing systems, while 30% are for new systems.

**In 2023, more than 80% of cities said their aging infrastructure systems need significant repair and that their condition was a "major" concern.**

### Funding constraints and compounding costs

Washington's cities and towns primarily rely on utility rates, general fund revenues, real estate excise taxes (REET), and impact fee revenues for infrastructure improvement. Approximately 40% of cities use federal and state funding sources for projects. This funding can come with higher costs, longer time frames, as well as the need for technical assistance just to apply for some state and federal funding programs.

While the 2021 Bipartisan Infrastructure Law (BIL) has been an important support for cities and towns across Washington, obtaining and managing federal funding is difficult for many local governments. What's more, the BIL does not represent a long-term solution for the structural budget deficit keeping city infrastructure systems perennially underfunded.

## Cities & towns rely heavily on the Public Works Assistance Account for state-level funding:

The Public Works Assistance Account is (PWAA) a primary source of assistance for city infrastructure projects. The account is a state revolving loan fund, managed by the Public Works Board (PWB), that offers low-interest loans and grants to local governments to repair, replace, or create infrastructure. The PWB has awarded over \$3 billion to more than 2,000 local projects since its founding in 1985.

### In the latest PWAA construction cycle:


<b>Total requested:</b> 69 projects at	<b>\$262+ million</b>
<b>Total funded:</b> 51 projects at	<b>\$175+ million</b>
<hr/>	
<b>Left unfunded:</b> 18 projects totaling	<b>\$87 million</b>

When needs outpace existing financing tools, cities must cancel or postpone capital projects, leading to an increase in overall costs long-term, as the price tag on deferred projects compounds. These postponed investments have a statewide economic impact.

### State underinvestment

Washington infrastructure continues to suffer from inadequate investment. The report indicates that aging infrastructure systems and climate change are two important causes of the large funding gap.

After accounting for the city contribution, over 70% of cities report that state and federal assistance does not meet their infrastructure funding needs. Just as many have deferred maintenance on infrastructure projects due to funding constraints in the last five years.



**A recent Environmental Protection Agency (EPA) report to Congress shows that Washington’s financial need over the next 20 years to meet Clean Water Act goals is approximately \$18.6 billion, far exceeding available funding.**

### Infrastructure for housing

Housing and infrastructure are interrelated—some people even view housing as a form of infrastructure. Given the pressing need to increase housing availability and affordability in Washington, some people want to reduce housing costs by shifting infrastructure expenses to other sources, such as city impact fee waivers. As statewide policies take shape, any benefit of reduced development costs should be accrued to the homebuyer or future renter and not only the developer.

Cities support expanding the state’s Connecting Housing and Infrastructure Program (CHIP). CHIP makes meaningful impacts by providing state assistance for infrastructure and hookup costs that affordable housing projects would otherwise have to cover. Cities and towns need more state investment in this type of effort to ensure that infrastructure can keep up with housing development needs.

### Emerging contaminants

Per- and polyfluoroalkyl substances (PFAS) are among the many emerging contaminants increasingly found in water systems. Also called “forever chemicals” because they don’t break down in nature, PFAS are a large, complex group of synthetic chemicals that have been used by manufacturers in consumer products around the world for decades.

**In 2024, the U.S. EPA released the first-ever National Primary Drinking Water Regulation for certain PFAS. The new rule establishes legally enforceable maximum contaminant levels for six PFAS, giving water systems until 2027 to complete required testing, monitoring, and reporting—and until 2029 to implement treatment.**

<b>New EPA regulations introduced</b>	<b>2024</b>
<b>Complete required monitoring and reporting</b>	<b>2027</b>
<b>Implement needed treatment</b>	<b>2029</b>

Municipal water and solid waste utilities, airports, and fire departments are passive receivers of PFAS; they did not produce the chemicals and are not responsible for the pollution. However, they may be held liable for cleaning up contamination. If liability protections for local water systems are not established, cities (and ratepayers) will face significant financial burdens to comply with the drinking water standards.



Estimated statewide costs for treating PFAS in Washington are not yet available; however, the EPA has calculated the costs of treatment nationwide to be \$1.5 billion annually. The National League of Cities and others believe this estimate to be too conservative.

## Conclusion

City and town leaders are stretching available infrastructure dollars as far as they can. They prioritize infrastructure investments for *all* community members, especially those who are historically marginalized or most vulnerable. Cities also address sustainability and climate resilience through resourceful, future-oriented decision-making. With strong partnerships and robust state investments in local infrastructure, cities can continue to contribute to the health of Washington's economy, improve climate resilience and sustainability, and provide quality public services to everyone in Washington.



## Strong partnership leads to climate-resilient city infrastructure

The cities of Aberdeen and Hoquiam in Grays Harbor County have teamed up to form the Flood Protection Project, which will construct two levees, totaling 10.8 miles, to safeguard the region's low-lying areas against repeated, destructive flooding.

The project will improve storm drainage and protect 5,100 properties and 1,354 businesses from flood-related damage, providing stability to the local economy, supporting salmon recovery, and eliminating burdensome and costly flood insurance requirements for residents and business owners. In addition to local funding, the cities have received state and federal funding to cover the estimated \$118 million cost of the project.

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# Local transportation systems

## Cities are good stewards of the statewide system

Local governments are major owners of Washington's transportation infrastructure. Nearly every trip begins and ends with a city or town street. Cities successfully maintain this system—including everything from sidewalks and signage to streetlights and electrical cables—through dedicated preservation, maintenance, and operations.

Maintaining and improving the complex network of local transportation assets is top of mind for cities. Maintenance and preservation is their primary transportation priority, as identified by a staggering 83% of cities in 2023. Pedestrian access and safety is cities' second transportation priority, followed by multimodal infrastructure capacity.

Local leaders work hard to provide their communities with a reliable, safe, and accessible transportation system that supports multimodal users, but as city populations grow and modernize, and climate change impacts increase, so do demands on the transportation system. Equipment, staffing, and construction costs have increased while revenues have declined due to limited funding sources. The result is that local dollars are not sufficient to allow cities to provide the kind of transportation system users expect and deserve.



**Cities and towns own and maintain 740 bridges and more than 25,000 lane miles.**

### Cities & towns need:

- New state and local revenue options that will keep up with inflation and the changing nature of our transportation system.
- Increased state and federal funding for a safe, accessible, resilient transportation system that supports multimodal access.
- Policies that reduce and eliminate traffic fatalities and injuries, while increasing safe, healthy, and equitable mobility for all.

## Critical funding shortage

Approximately 70% of city transportation expenditures are sourced from city general funds. Nearly half of all cities and towns have a transportation benefit district (TBD), which provides a dedicated, though limited, source of transportation funding. On average, TBD revenues cover only 5% of a city's transportation spending. This means road and bridge maintenance compete for funding with public safety, parks and recreation, and other city priorities. In AWC's 2024 City Conditions Survey (CCS), respondents indicated that the funding gap for their transportation preservation and maintenance plans averages over \$16 million annually.

The most recent state transportation funding package did not include an increase in the state motor vehicle tax (gas tax). Without a new or expanded funding source with direct distributions to cities, more traditional funding needs like preservation, maintenance, and operations, were not prioritized. This has further contributed to the backlog of projects at the city level. As the gas tax continues to diminish in revenue-generating power, it is urgent that Washington looks to other sources for transportation dollars.

As the top funder of city projects, the state Transportation Improvement Board (TIB) continues to be a lifeline to city transportation systems. However, state funding for TIB has remained largely stagnant for several years, not keeping pace with rising costs and growing need.

## Traffic safety

In 2023, the Washington Traffic Safety Commission reported on the troubling increase in traffic-related fatalities in the state, citing 810 deaths. Cities are working diligently to make traffic safety improvements, such as narrowing roads, deploying traffic safety cameras, reducing speed limits on roadways, and creating dedicated bike and pedestrian lanes. Their efforts are paying off: 75% of CCS respondents reported no recent increase in traffic-related injuries or fatalities in their jurisdictions.

Updates made in 2024 to the traffic safety camera statute authorized cities to use appropriately trained and certified public works employees to review infractions and to retain 100% of the revenues generated from infractions (with stipulations) for cities. This will help incentivize broader adoption and, paired with consistent maintenance and preservation efforts, will help reduce vehicle-related fatalities and support cities' Vision Zero goals.



**50%** of cities have annual transportation budgets under \$500,000.

**40%** of cities have annual transportation budgets under \$250,000.

**Even with the help of state and federal grants, these dollars do not stretch far enough.**

## Federal support

The 2021 Bipartisan Infrastructure Law (BIL) infused \$1.2 trillion into the federal budget for transportation and infrastructure funding. Some BIL programs successfully reduced the typical barriers and provided more direct distributions and predictable formula funds. As a result, Washington cities have taken advantage of [many funding opportunities](#). To date in Washington, 29 city transportation projects have been awarded BIL funding across 16 cities.

Congress will soon begin to consider reauthorization of the BIL. Cities should engage with their federal delegation to advocate for reauthorization and encourage them to provide more formula funds and direct distribution to local governments.

## Conclusion

It is an uncertain but exciting time for local transportation in Washington as the state explores creative solutions for the funding and safety challenges. Cities are important players, as owners of a large portion of the statewide system and as home to the majority of the state's population. Local leaders are prioritizing transportation infrastructure and seeking funding and partnerships wherever possible. They look to the state to fill in the gaps with significant and direct financial and policy supports. As partners, both city and state are stronger and can achieve the shared goal of a safe, accessible, climate-resilient transportation network for all of Washington.

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## Washington needs a new, sustainable source of transportation funding

The statewide motor vehicle fuel tax has remained at 49.4 cents per gallon since 2016. Cities have received 2.96 cents of the tax per gallon since 2005, with no increase for inflation—a mere 6% of the revenues generated for the state. Twenty years ago, this amount was a more equitable share of the fuel tax for cities. As fuel-efficient and electric vehicles become increasingly prevalent on Washington's roads, the gas tax is a diminishing source of revenue for maintaining state and municipal transportation systems.

## Innovative transportation funding options

As gas tax revenues continue to decline, Washington must find other sources to fund our transportation system.

**A road usage charge (RUC)**, or pay-per-mile system, is one such option. A RUC is a per-mile charge drivers would pay for the use of the roads. It has been [studied in Washington \(https://www.waroadusagecharge.org/\)](https://www.waroadusagecharge.org/) for years and considered as a potential replacement for the gas tax. An RUC would be more equitable than the gas tax, because drivers would pay by miles traveled, not by gallons consumed—a costlier charge for less fuel-efficient vehicles.

**A retail delivery fee (RDF)** is another revenue-generating option. Online retail spending in Washington is high, growing at an average rate of 17% between 2019 and 2023, compared with the U.S. average rate of 15%. A fee on orders of taxable retail items delivered by motor vehicles within the state would link delivery demands with their impacts on the state's roadways. According to recent research, the annual revenue-generating potential of a statewide 30-cent-per-order fee could range from \$49 to \$112 million in 2026 and \$70 to \$160 million in 2030.

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# Housing & the Growth Management Act

## The state needs to shift focus to funding and constructing public housing

Cities are at the forefront of responding to major societal challenges—and there is no greater challenge in many communities than ensuring access to a safe and affordable place to sleep at night. Cities continue to wrestle with two complex and interrelated challenges: a lack of affordable housing and increased homelessness.

While demands on cities to plan for affordable housing have grown more complex and challenging to implement, these plans alone will not be enough to meet the housing needs of Washington's most vulnerable. Affordable housing and homelessness continue to be identified as critical challenges in most cities.

**70% of cities report that the lack of affordable housing is a concern, with 65% expressing concern about homelessness in their communities.**

A major strategy of the state to address these challenges has been to require cities to open up more land for diverse housing types. Cities are now working with their communities on how to meet those requirements.

### Cities & towns need:

- Increased state funding for homelessness crisis response, including expansion of the successful WSDOT Rights-of-Way Safety Initiative to city-owned properties.
- New councilmanic taxing authority to get more housing units built, not just authorized. Examples: an optional real estate excise tax or short-term rental tax.
- New fiscal tools to build infrastructure to support housing development and growth, including increased funding for the Public Works Assistance Account and Connecting Housing and Infrastructure Program.
- Increased focus on addressing barriers to private development of more affordable housing and different types of housing (e.g., middle housing).



**Over the next 20 years, Washington needs 523,324 housing units affordable at 0-50% of area median income.**

**85% of Survey respondents are doubtful that this needed housing being planned for will be built without state or federal funding.**



**Vancouver's Stay Safe Communities** are temporary communities offering homeless residents of the City of Vancouver, Washington greater access to services, increased stability, and safe living conditions to transition out of homelessness. Each Safe Stay has 20 two-person structures, offering shelter for up to 40 residents. A nonprofit operator provides 24/7 on-site management and services.

## **The Rights-of-Way Safety Initiative provides a successful approach to state and local collaboration to address homeless encampments, but challenges remain**

In 2022, the Department of Commerce, in collaboration with the Washington State Department of Transportation, Washington State Patrol, cities, counties, and nonprofits, was tasked by the Legislature with establishing the Rights-of-Way Safety Initiative, a targeted grant program to transition persons residing on state-owned rights-of-way to safer housing opportunities, with an emphasis on permanent housing solutions.

**In two years, all but two of the 49 encampments are closed, with 1,208 people accepting housing and 74% remaining stable and indoors.**

This program should be expanded to city-owned properties. While expanding the program's reach, continued state funding is needed to maintain the success of the program's initial resolved encampments. Cities also need support to address two key challenges highlighted by the program's experience:

- Differing systems of prioritization for those offered housing
- Barriers to siting shelter locations

Traditional homeless response programs use a vulnerability assessment to prioritize individuals for housing; however, the Rights-of-Way Safety Initiative uses site-based prioritization, meaning those who are encamped on the site are directly offered shelter or housing.

At the local level, these differing and distinct prioritization systems have been challenging to operate. The success of the program requires available shelter and housing at a scale that meets the need; yet siting and funding construction of both remain significant challenges.

## Significant and ongoing amendments to city responsibility for land use planning add complexity without adding needed housing units

Cities and towns have been planning for a moving target in the last few years, due to constant and detailed legislative changes to local land use authority and requirements. Since 2017, the state has passed at least 15 laws related to how cities plan for and accommodate housing for all income levels and the emergency shelters needed in our cities.

This includes:

- Planning for housing needs by income type
- Authorization of middle housing in traditional single-family neighborhoods
- Planning for specific capacity for emergency housing, updating policies
- Adopting timelines for permit processing

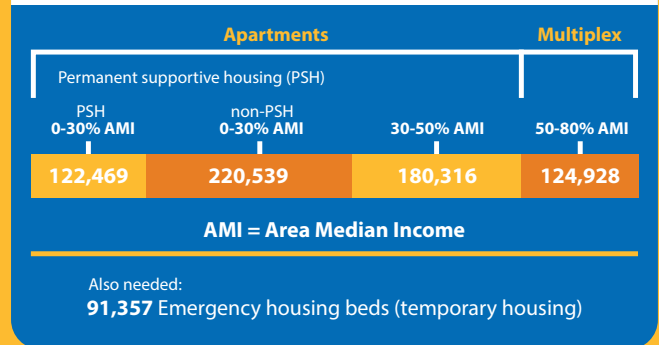
In addition to these new laws, a major new planning responsibility is considering climate mitigation and resiliency.

These are just a few of the significant policies the state has adopted in recent years that are driving significant work in planning departments but are not yet driving housing construction—and may never reach the desired level without legislative work on non-city related barriers to housing construction.

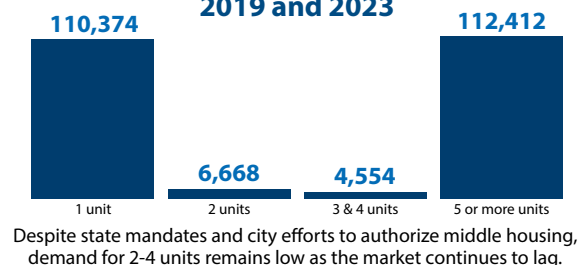
Most of those laws require cities to amend their comprehensive plans and city codes to reflect new state requirements. Statutory changes continued to be made after cities began the two-year process to update their plans. Consequently, city planning staff almost universally report struggling with capacity to complete all the mandatory changes, let alone community priorities.

In some cases, work that was funded by state grants was undone the next legislative session before the grant cycle even ended, due to the prescriptive nature of legislative enactments. Despite financial support from the state in planning grants, city staff and private sector consultants are stretched thin to meet comprehensive plan and statutory deadlines. Additionally, some of the changes seem to negate city efforts to include significant public engagement in comprehensive planning, leading to less community buy-in.

### Almost 650,000 new below market rate homes are needed in the next 20 years



### Housing permits issued between 2019 and 2023



Recent state legislation has treated the housing challenge as uniform and has proposed policies with a one-size-fits-all approach. Cities continue to advocate for acknowledgement of their unique challenges and locally driven solutions, commensurate with the important differences between communities.

Cities need the state to pause on further changes to land use and development regulations, and shift focus to securing dedicated, sustainable resources that will help transition our communities from *planning* for the necessary housing facilities to seeing them *constructed*.

## Cities step up to opportunities

66 cities responded to **HB 1923** (2019) and **HB 2023** (2020), which provided up to \$100,000 in planning grants to adopt new development regulations to increase density, including middle housing, and create tailored housing action plans.

In 2021 and 2022, the state provided \$5.2 million for 72 cities to develop or implement locally created Housing Action Plans.

## More focus is needed to encourage private sector housing development

Although all corners of Washington state face some form of housing supply and affordability challenge, the specifics can vary widely.

- In the hot real estate markets of the central Puget Sound area, the cost of land and competition among more affluent homebuyers drives housing prices up past what moderate-income households can afford.

- Cities on the edges of the most urban parts of the state may have lower land values and more naturally occurring affordable housing, but struggle to achieve growth in the higher-income bands the state asks them to plan for and accommodate.
- In more rural cities, attracting developers to the community is an ongoing challenge.
- Cities that attract tourists struggle with workforce housing shortages and the amount of housing that is dedicated to short-term rentals, often sitting vacant and unproductive for most of the year.

Developers decide to move forward with a particular project based on many factors outside of city authority—chief among them is whether the project is profitable.

The state needs to identify and eliminate industry barriers to building the amount and types of housing needed, including:

- Materials and labor costs
- Scaling up the workforce
- Creating new business models to attract middle-housing developers
- Balancing the need for safety and environmental protection with the costs that those building codes create.

The housing crisis is complex, and more work needs to be done to understand and address the many factors that contribute to the state's underproduction.

## Connecting Housing and Infrastructure Program

Since its inception in 2021, the innovative Connecting Housing and Infrastructure Program (CHIP) has helped fund construction of 8,192 affordable housing units.

## Cities need new revenue tools to promote the construction of housing—especially for our lower-income community members

Deeply affordable housing will not be built by changing zoning laws. Although it's been the focus of several recent legislative sessions, zoning is not the solution to housing affordability.

As reported in the *Harvard Business Review*:

Just because private developers can build housing does not mean they will. Liberalization of zoning regulations appears to increase the supply of housing, but the effect is rather modest.

Yonah Freemark of the Urban Institute—a leading researcher on land-use reforms—told an interviewer, **“[W]e found the average upzoning would result in a 0.8% increase in housing supply in the short-to-medium term after the change, three to nine years after the upzoning.”**

That is not nothing, but hardly lends strong support to the cause of zoning reform.

Increasing affordable housing requires a sustained, innovative approach and must include a funding source. As cities generally do not construct affordable housing or provide direct homeless services, communities need a healthy private and nonprofit development community. Cities need providers willing to serve their communities with the funding necessary to support activities that the private market is not suited to address—namely, deeply affordable housing and emergency housing services. Access to the necessary community capacity varies widely across cities.



Using a locally adopted sales tax for housing (authorized in 2020 by **HB 1590**), Homes First has provided \$410,714 for property acquisition, conversion, and development of affordable low-income single-family rental housing across Thurston County.



In Olympia, using regionally pooled **HB 1406** funding, the Low Income Housing Institute was awarded more than \$1,700,000 to assist in its development of 64 multifamily rental units for homeless seniors and others with incomes at or below 50% AMI. This is the second phase of the project, doubling the capacity of affordable housing on this site, and includes an emergency shelter on the first floor.

## Conclusion

Cities across the state continue to step up to address both the affordable housing and homelessness crises. Cities were early adopters of the new sales tax credit authority provided by the state in 2019 (**HB 1406**) and have proven they will respond when given new options to generate revenue for affordable housing and to shelter the unhoused.

However, cities need increased local options and increased state and federal resources to address the scale of the housing crisis and bring meaningful change at the local, regional, and state levels.

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# Climate change

**Cities are actively responding to a changing climate by adopting policies that reduce emissions, addressing climate impacts, and working to transition to a clean energy economy**

As climate-driven emergencies like wildfires, floods, extreme heat, and drought continue to rise in severity and frequency across the state—posing significant risks to Washington cities and towns—mitigation strategies and increased resiliency are crucial to the preservation of our communities.

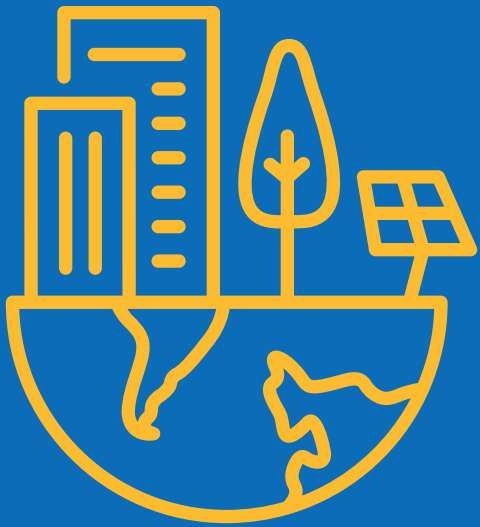
Cities are prioritizing sustainability and climate resilience through resourceful, proactive decision-making. Most jurisdictions across the state have adopted or are planning to adopt climate action plans (CAPs) or have incorporated climate elements into other city plans, policies, and codes—predating the statutory requirement to add a climate element to comprehensive plans under the Growth Management Act (GMA).

Cities and towns vary by size, geographic location, resource availability, population, and more. As a result, each faces uniquely different impacts of climate change. As cities continue to plan for and respond to climate change, they ask the state to be a strong partner by providing meaningful resources, developing adaptive and flexible policies, and seeking feedback and engagement from cities and towns. In doing so, Washington will be better prepared to face the threats of climate change and respond to its impacts.

## **Cities & towns need:**

- Financial resources and technical support for sustainability and resilience planning and implementation.
- Support for locally based carbon emission reductions.
- Investment in efforts to build a green economy.
- Cities and towns are most concerned about flooding and wildfires.
- Funding and technical assistance are the top two supports cities request for implementing their climate action policies.





## Cities have been on the forefront of climate response

Identifying and preparing for risks and costs is at the heart of resilience and sustainability efforts for cities. Thus, risk management, cost impact analysis, and adaptation and mitigation strategies are currently the primary measures cities are taking to prepare for and respond to climate change impacts. Each city's approach is as unique as the community itself.

### How cities are leading:

- The City of Olympia's first assessment of sea level rise was in 1993.
- In 2005, the day the Kyoto Protocol was signed, then-mayor of Seattle Greg Nickels launched the U.S. Mayors Climate Protection Agreement, pledging to meet or beat the Kyoto Protocol targets in their own communities. Thirty-four Washington mayors signed.
- Redmond's 2020 action plan targets community-wide carbon neutrality by 2050 and municipal neutrality by 2030.
- Lakewood won a 2022 Governor's Smart Communities Award for its 2021 Comprehensive Plan—Energy and Climate Change Chapter.
- Thirty-six cities had stand-alone climate action plans by 2023.

## New and evolving state requirements call for state support

Energy, transportation, buildings, and water infrastructure planning and construction are undergoing significant changes in response to climate change. The demand for clean energy, coupled with climate-related impacts to roads and water systems, are changing how local jurisdictions plan and deliver infrastructure and services. These factors raise serious and immediate concerns regarding managing assets, upgrading existing systems, and building new infrastructure to meet tomorrow's needs.

In addition, cities have recently been subject to significant new state regulations related to climate change, including:

- Clean Buildings Performance Standards (2019, 2022, 2023)
- Clean Energy Transformation Act (2019)
- Climate Commitment Act (2021)
- Organics Management Law (2022, 2024)
- Climate planning under the Growth Management Act (2023)
- Electric utility planning and management for wildfire mitigations (2023)
- Utility shutoff prohibition during extreme heat (2023)
- Clean energy project siting (2023)

Cities supported these changes, with the understanding that the state would provide the technical and financial resources to undertake this important work. In 2024, City Conditions Survey respondents reported lack of expertise and lack of staff as principal reasons for not having yet adopted a climate action plan:

- 72% lack staff capacity to implement climate plans or respond to climate impacts.
- 67% report funding limitations.

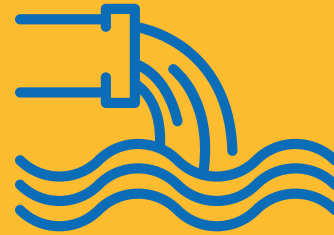
Access to state and federal funding is essential. However, while obtaining funds is an important step, planning for the funds and managing awarded funds often proves challenging for local jurisdictions, especially small cities and towns. Streamlining applications and providing project design, staffing, and implementation support would benefit cities as they navigate the funding search.

### Equity is a key climate consideration

Legislation enacted in 2023 (**HB 1181**) added a climate goal to the GMA and requires local comprehensive plans to include a climate element with resilience and greenhouse gas emissions mitigation sub-elements. Importantly, as noted by the Department of Commerce in its climate element planning guidance:

*[c]ommunities of color, Indigenous peoples, and communities with lower wealth and incomes tend to face the greatest climate risks and are therefore on the frontlines of climate and environmental threats and face greater social, economic, and health issues.*

Providing additional state support to our most vulnerable populations is a key component to ensure communities withstand and recover from climate-driven hazards. Some cities and towns apply an equity lens or equity index in shaping and implementing policy, and when planning and applying for funding. Others lack the technology and resources to do so on their own. Technical assistance from the state is a meaningful contribution and exemplifies the kind of partnership local leaders seek from state government.



The City of Pasco is turning an environmental problem into a climate-benefiting, economic development solution. Located in a region with strong agricultural and industrial presence, Pasco began detecting high levels of nutrients in the city's industrial wastewater. To address the problem, and with funding and technical support from the state and federal governments, the city has invested in a complex, innovative approach: providing expanded treatment for local industries, producing renewable natural gas and algae-based fertilizer from the process, removing CO<sub>2</sub> from the atmosphere, and providing water reuse for local agriculture.



The City of Mount Vernon implemented a multiyear plan to protect its historic downtown from catastrophic flooding. The Downtown Mount Vernon Flood Protection and Revitalization Project included a floodwall that was completed in 2018 and passed its first test during major flooding in 2021.

## Conclusion

Climate change poses enormous challenges to society that demand collaborative solutions. Working together, Washington's state and local governments can plan and implement mitigation measures, build resilience, and invest in sustainable practices and policies. State officials and local leaders have much to learn from one another. Locals know their communities best and are taking creative, resourceful actions on climate issues—while the state has access to funding, technical expertise, and other valuable resources to invest locally.

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# Economic development

## Washington cities and towns thrive when they have options for boosting economic growth and opportunity for residents

Cities drive our state's economy, and to do so they need to attract, grow, and support diverse businesses, commercial centers, and industry in our communities. Local leaders want to ensure residents have local employment opportunities and a healthy and diverse tax base, and regularly name economic development as among their city's highest priorities.

Cities and towns around the state have found innovative ways to partner with their local business communities and invest in opportunities that build their local economies and make the state more competitive. To achieve the shared goal of maintaining and enhancing a robust economy, cities need a more diverse and reliable economic development toolkit to encourage commercial and economic growth in their communities.

**53% of cities indicated in the AWC City Conditions Survey that economic development will be one of their top priorities for 2025.**

### Cities & towns need:

- Protection for the Tax Increment Financing tool to incentivize local investments.
- Access to reliable broadband infrastructure to support a changing work and business environment.
- State support to invest in infrastructure that supports diverse and unique industries.
- More tools to support our state's workforce including increased access to childcare and housing.

### Tax Increment Financing is a new and critical tool for Washington cities

In 2021, one of the biggest economic development news stories in our state occurred when, after decades of effort, AWC and other local government partners were finally able to convince the Legislature to join 48 other states and authorize a property tax-based Tax Increment Financing tool.



Tax Increment Financing (TIF) is an economic development tool that captures a property’s appreciated value by using its increased property taxes to finance infrastructure improvements that benefit a designated area.

Local jurisdictions that have utilized TIF report improved public infrastructure, increased economic activity, and local job growth. Data collected in 2024 shows that cities expect to create more than 10,000 new housing units as well as thousands of temporary and permanent jobs in their communities as a result.

The following cities have begun the process of establishing TIF in their community\*:

City	Completed state treasury analysis	Adopted TIF ordinance	Implemented TIF project
Arlington	●		
Blaine	●		
Chelan	●	●	●
College Place	●	●	●
Federal Way	●	●	●
Kirkland	●	●	●
Lakewood	●	●	
Moses Lake	●		
Pasco	●	●	●
Ridgefield	●	●	●
Walla Walla	●	●	
Wenatchee	●	●	●

\*As of September 30, 2024

### Broadband infrastructure is critical to spur economic development

Sustainable, reliable infrastructure is the foundation for building a robust economy in cities and towns across the state. Today, infrastructure also encompasses broadband access. Cities overwhelmingly report the need for more investment in local broadband internet infrastructure projects to help spur local economic development.

Access to broadband and advanced telecommunications infrastructure is one of the most pressing needs for cities under 7,500 in population. These communities’ economies rely primarily on retail, tourism, and commuter industries.

**31% of cities indicated that their community needs investments in new and upgraded broadband infrastructure in order to meet the needs of their residents.**

## Direct federal funding supports local economic development:

In 2021, Washington cities received more than \$1.2 billion in State and Local Fiscal Recovery Funds (SLFRF) under the American Rescue Plan Act (ARPA). The injection of federal dollars into communities during the pandemic allowed city leaders to make investments and carry out projects that would normally be untenable for city budgets. Below are a few examples of projects carried out by cities and their partners to use SLFRF dollars to invest in local business and economic development.

### City of Dayton (Pop: 2,445) Project: Broadband infrastructure



Dayton partnered with the Port of Columbia to use \$335,000 of the city's ARPA funds to secure a \$2 million state grant to build out local broadband infrastructure. Because of the city's investment, over 1,100 households and 140 businesses will have access to 1 Gbps speeds.

### City of Grandview (Pop: 11,680) Project: Downtown revitalization



Grandview invested 25% of its ARPA funds to revitalize its downtown. Part of the plan included providing five \$10,000 grants to small, local, independent businesses to relocate to the city's downtown. In 2022, the city distributed \$385,000 in funding to dozens of existing local businesses.

### City of SeaTac (Pop: 32,710) Project: Local business support



SeaTac worked with a local economic development group to develop a three-pronged \$3.5 million program for local businesses. The program provides funding for childcare startups, trains local businesses how to transfer businesses online, and creates capital access programs for new businesses.

### City of Sultan (Pop: 7,160) Project: Downtown revitalization



Sultan saw a meteoric rise in population during the pandemic. In just two years, the population grew from 5,000 to over 6,000 (now over 7,000 in 2024). The city invested hundreds of thousands of ARPA dollars to revitalize the city's downtown area as well as support local businesses as the city adjusts to its new population growth.

### City of Port Angeles (Pop: 20,410) Project: Local business support



Port Angeles provided \$500,000 in operational support to a private ferry company that connects the city to Canada. Pre-pandemic, the ferry shuttled 120,000 vehicles and nearly 500,000 people between the U.S. and Canada annually, resulting in a \$64 million economic impact on the city. The city's support helped the company retain 75 full-time staff employed during the pandemic.



## City economic development opportunities require supporting local workforce needs

More and more, cities and towns are looking for opportunities to support and build the local workforce. For needs from affordable childcare to accessible housing, cities are looking to partner with state government and the business community to ensure our residents have the opportunity to benefit from our growing economy.

### Conclusion

Maintaining and enhancing Washington's economy is a widely shared goal. Cities are particularly critical in this quest, because they enable so much of our state's economic activity.

However, cities cannot achieve their full economic development potential without collaboration from the state. Cities need continued state investments in critical traditional infrastructure and new broadband infrastructure to ensure that goods, services, and information can easily flow in and out of Washington communities. Cities and towns look to partner with the state to build and support our workforce.

Every city and town's economic development goals are unique, based on differing strengths and needs—cities need continued collaboration and partnership with the state to achieve these unique goals and ensure a strong state economy with opportunities for everyone.

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# State of the Cities Conclusion: **An opportunity for partnership & empowerment**

The elected officials leading Washington's 281 cities and towns, together with our many dedicated public servants, are committed to serving our communities with determination and care despite limited resources. These remarkable local leaders strive to meet the needs of their cities and towns through creative problem-solving and collaborative partnerships.

Cities and towns are often at the forefront of innovative new projects, programs, and approaches that become models in the state and in the nation—and which make Washington one of the most popular states in which to live, work, and play. In fact, the importance of both recognizing and appreciating the differences that make these leaders' jurisdictions unique cannot be overstated. It is these differences, when acknowledged and leveraged in meaningful ways, that can lead to building opportunities from limited resources.

Washington's local leaders make our state stronger, driving innovation and our economy. Cities and towns are committed partners with the state agencies and Legislature in ensuring that Washington has not just a robust economy, but also a healthy environment, thriving population, and is a place where everyone feels like they belong.

This report highlights numerous opportunities for greater partnership with the state. While often that partnership comes in the form of resources like funding, revenue options, and technical assistance, it should also emphasize respecting the experience and leadership of local officials, who so frequently act as both bridge and catalyst between identifying the needs of our shared constituents and meaningful government response. Washington is lucky to be served by so many dedicated city and town officials. When local and state leaders work cohesively to build meaningful and robust partnerships, we accomplish more—and better—together, so that all of Washington benefits.





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