# Lacey City Council Worksession Agenda

Refer to the bottom of the agenda for meeting information.

| Tuesday, December 9, 2025 | 6:00 PM | Council Chambers and Online |
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1. **Call to Order**
2. **Roll Call**
3. **Land Acknowledgement**

   We, the City of Lacey, are on the ancestral land of the Tribal People of the Treaty of Medicine Creek, including the Nisqually Indian Tribe and Squaxin Island Tribe. We acknowledge and remember those Tribal People not recognized today who were absorbed or relocated into other tribes for survival. We recognize the ancestors and their descendants who are still here. We recognize and respect the Tribal People of the Treaty of Medicine Creek as the traditional stewards of this land since time immemorial and their role today in taking care of these lands in perpetuity. We recognize and have the responsibility to call attention to the histories of dispossession, forced removal, and abridged treaty rights that allowed our nation, state, and city to develop as they have today. We recommend that community members read the Medicine Creek Treaty of 1854.
4. **Approval of the Agenda**
5. **Public Comment**

   Refer to the bottom of the agenda for instructions on how to provide public comment.
6. **Agenda Items**

   A. **Five-Year Economic Development Strategy Proposal**
   Sarah Schelling, Current Planning and Economic Development Manager
   Brittany Bagent, Project Director, ECOnorthwest

   B. **Water Resources Presentation**
   Vince McGowan, Water Resources Manager

   C. **2026 Business & Occupation Tax Model Ordinance Change**
   Troy Woo, Finance Director
   Chelsea Yarwood, Accounting Manager

   D. **Designated Reserve Discussion**
   Troy Woo, Finance Director
7. **Adjourn**

## Meeting Information:

### Attendance (Remote or In-Person)

The public may attend the meeting in-person, or you may view or listen to the meeting using one of the following platforms:

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| In-Person: | Council Chambers at Lacey City Hall<br>420 College Street SE, Lacey, WA 98503 |
| Zoom: | https://us02web.zoom.us/webinar/register/WN_XIAZmte9RKaGV90LD6g_cQ |
| Website: | https://cityoflacey.org/government/public-meetings/ |
| Facebook: | https://www.facebook.com/cityoflacey |
| YouTube: | https://www.youtube.com/watch?v=B5dFyTu4rU4 |
| Phone: | (888) 788-0099 or (877) 853-5247 (Webinar ID 838 3194 4363) |

### Verbal Public Comment

Each speaker is limited to three minutes. Comments are welcome on matters connected to City business or specific agenda items.

Prior to starting your comments, please provide your:

a. Name
b. City of residence or connection to the City
c. Topic or subject matter of your comments

Those wishing to provide verbal public comment may do so in-person or by Zoom:

| | |
|---|---|
| In-Person: | Use the sign-up sheet located in the Council Chambers. |
| Zoom: | Preregister using the following Zoom link no later than two hours prior to the meeting:<br>https://us02web.zoom.us/webinar/register/WN_XIAZmte9RKaGV90LD6g_cQ<br><br>Instructions and access details will be provided once registration is complete. |

### Written Public Comment

Public comments may also be submitted by email to PublicComment@cityoflacey.org. The commenting period will close two hours before the meeting time. Written comments will be provided to the City Council electronically prior to the meeting. Comments will not be addressed during the Council meeting; however, comments received will be added to the official record.

LACEY CITY COUNCIL WORKSESSION
**December 9, 2025**

**SUBJECT:** **Economic Development Five Year Strategic Plan**

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**BRIEFING:** **The City Council will be briefed on the draft Economic Development Strategic Plan, 2026 – 2030. Formal action is not requested.**

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**STAFF CONTACT**: Rick Walk, City Manager RW
Vanessa Dolbee, Community and Economic Development Director VD
Sarah Schelling, Current Planning and Economic Development Manager SS
Wesley Nguyen, Economic Development Coordinator WN

**ORIGINATED BY**: Community and Economic Development Department

**ATTACHMENTS**: 1. Economic Development Strategic Plan, 2026 - 2030C

**FISCAL NOTE:** The 2025 Budget appropriate $65,000 for the development of the 5-year Economic Development Strategy. Funds for implementation of the Economic Development Strategy will be determined by future City Council action.

**WORK PLAN GOAL AREA:** Create: Be the Place to Play, Live, Work and Gather

**PRIOR REVIEW**: City Council Worksession briefing on May 27, 2025; Planning Commission briefing on October 22, 2025

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**BACKGROUND:**

The City of Lacey Economic Development Strategy is a five-year plan designed to guide the City's efforts to strengthen and diversify the local economy, enhance quality of life, and position Lacey as a vibrant regional hub for innovation, opportunity, and community. This initiative was led by the Community and Economic Development Department in partnership with ECOnorthwest, and developed through robust stakeholder engagement, data analysis, and alignment with the City's Comprehensive Plan update and other adopted plans, including the Woodland District Strategic Plan, Branding Guide, and Depot District Subarea Plan.

The Strategy builds upon prior direction from City Council and its purpose is to provide a clear and actionable roadmap with measurable goals, defined roles, and a practical implementation framework that City staff and partners can begin using immediately.

In May 2025, City staff and the ECOnorthwest consultant team presented the initial framework for the Economic Development Strategy to the Lacey Council. Since then, the team has conducted targeted stakeholder interviews, and engaged an advisory group of local business owners, and regional economic development partners to identify goals and strategies that ensure local priorities and perspectives are reflected in the final plan. The consultant team also conducted a comprehensive economic and demographic analysis, identified the City's comparative strengths and challenges, and developed actionable strategies that align with Lacey's vision.

The resulting Strategy identifies 12 targeted actions that could be implemented over the next 5 years. The City will lead implementation in close partnership with regional organizations, businesses and community groups. The plan also clarifies City roles and responsibilities relative to these partners and establishes an implementation framework to track progress and prioritize initiatives based on impact, feasibility, and available resources.

**Strategic Goals and Vision:**
The Strategy focuses on three overarching goals:

1. Define and promote Lacey's new economic identity.

2. Expand Lacey's local economy by supporting the growth of small businesses, entrepreneurs, existing, and new employers.

3. Enhance quality of life and attract visitors and talent by investing in bold placemaking.

Implementation will occur in three phases over 5 years—launching foundational actions in Year 1, deepening partnerships and scale programs in Years 2–3, and evaluate and adapted in Years 4–5.

Actions include expanding cultural and community events such as the Lacey Night Market, supporting workforce training and childcare initiatives, advancing equitable economic development policies, and revitalization of key commercial areas such as Lacey Midtown.

Not all actions can be implemented at once, and current economic development staffing levels may be insufficient to accomplish all actions. As such, prioritizing key actions and establishing a work program for economic development will be the next step in selecting a focused list of actions that can be implemented with existing City resources.

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**NEXT STEPS:**
After discussion and direction by City Council, the plan be added to a future Council meeting during the City Manager's report for formal acceptance by the Council.

Lacey 2030: Innovation, Opportunity, Community

# ECONOMIC DEVELOPMENT STRATEGIC PLAN

November 2025

Prepared by

ECOnorthwest

Prepared for

CITY OF LACEY

## ACKNOWLEDGMENTS

ECOnorthwest prepared this report with support from the guidance and input of several partners, including economic development staff at City of Lacey and an advisory group made up of representatives from Port of Olympia, Thurston Economic Development Council, MJR Development, Providence Hospital, and Twinstar/Peak Credit Union. We appreciate additional stakeholders and community leaders who provided critical input, including representatives from SWAE Night Market, Pacific Mountain Workforce Development, St. Martin's University, Jerk an' Tingz, MultiCare, and Capital Development Company.

That assistance notwithstanding, ECOnorthwest is responsible for the content of this report. The staff at ECOnorthwest prepared this report based on their general knowledge of economic development, community assets, housing, employment, and regional economies. ECOnorthwest staff contributing to this study included Brittany Bagent, James Kim, and Mackenzie Visser. ECOnorthwest also relied on information derived from government agencies, private statistical services, the reports of others, interviews of individuals, or other sources believed to be reliable. Any statements nonfactual in nature constitute the authors' current opinions, which may change as more information becomes available.


For more information about this report please contact:


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# INTRODUCTION

## Lacey, Washington, has a unique role in the Puget Sound region.

Known for its balance of business accessibility, a welcoming environment, and relative affordability, Lacey offers residents and businesses an attractive place to plant roots and grow. Its location near the state capitol in Olympia and easy access to Interstate 5, neighboring communities, and the Port of Olympia strengthen its appeal as both a well-connected community and a center for industrial and commercial growth.

Now, thanks to the City's past economic development plans and efforts, Lacey is a rising leader in the region that is set up for success. In recent years, Lacey has become the largest city and a new center for growth in Thurston County. Industrial developments in Hawks Prairie have attracted new jobs and households. The City is plugged into effective collaborations with businesses and economic development community partners across Thurston County. Small businesses, microenterprises, immigrants, and diverse groups of people are coming to Lacey to start their new chapters.

Lacey can lean into this momentum to further shape its future. Lacey's residents and businesses are eager to celebrate its diversity and growth which sets them apart from neighboring cities. Entrepreneurs who want affordable spaces and growing businesses that want new talent, may not yet see the opportunities in Lacey, but that will begin to change as the City continues to promote its local strengths. People are longing for local destinations and new experiences rather than outdated commercial and business districts. To fully realize its potential, Lacey will need an economic development strategy that strengthens its visibility across the region and positions it as a destination for innovation, opportunity, and community life.

## KEY GOALS OF THE STRATEGY

1. **Define and promote Lacey's new economic identity.**
2. **Expand Lacey's local economy by supporting the growth of small businesses, entrepreneurs, existing and new employers.**
3. **Enhance quality of life and attract visitors and talent by investing in bold placemaking.**

This economic development strategic plan builds on data analysis and stakeholder engagement to develop a series of actions the City can implement in the next 5 years.

# PURPOSE OF THE STRATEGY

## This strategy provides a clear, practical framework and specific actions for the City's economic development efforts over the next five years.

It is designed to be both aspirational and action-oriented, outlining a long-term vision while giving City staff, elected leaders, and organizational partners a framework to prioritize their work, coordinate effectively, and measure progress.

Economic development is inherently collaborative—duplicating efforts or working in isolation can dilute impact and limit outcomes. This strategy aligns the work of multiple partners and targets Lacey's resources toward the most impactful projects and programs. By combining data-informed analyses, deep community engagement, and a shared vision for the future, the economic development strategy positions Lacey to strengthen its role as a regional leader and a place where people choose to live, work, and invest.

The strategy and its actions are aligned with the City's long-term vision and priorities and it is informed by multiple discussions with key stakeholders, partner organizations, and an Advisory Group established to discuss early research then refine recommendations. It establishes a common understanding between the City staff and community members, and it prioritizes the City's next steps to build a thriving economy in a changing world.

# KEY QUESTIONS ADDRESSED IN THE STRATEGY

## Effective strategic plans begin by asking the right questions.

In Lacey's case, the Advisory Group and project team explored what the City's next wave of economic growth could and should look like. The questions shaped the strategy's structure and focus, ensuring it responds directly to Lacey's unique opportunities and challenges.

### Some questions were forward-looking...

- **What policies and investments could shape Lacey's economic trajectory over the next decade?**
- **How can older commercial areas be revitalized to meet changing market needs?**
- **What industries and retail sectors offer the best opportunities for diversification?**

**Answering these questions helped to structure and focus the final strategies.**

### Others were grounded in the City's existing strengths and activities...

- **Which programs—like training, business advisory services, community events, and direct business support—should continue or expand?**
- **Where are there gaps that could require new initiatives or partnerships?**

# RESEARCH AND ANALYSIS

## A successful strategy must be built on a clear understanding of local conditions.

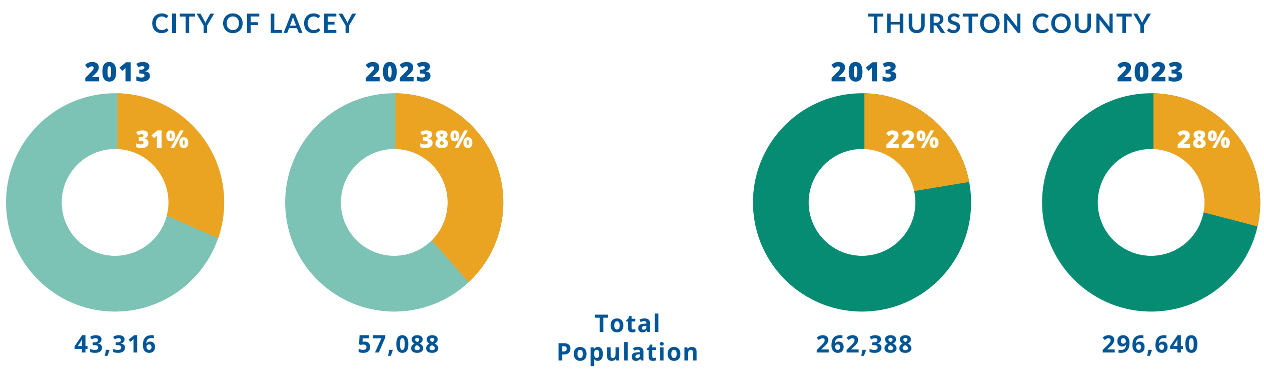
The City's economic profile reveals a number of defining trends. Highlights from the demographic and economic analysis (Appendix B) are discussed below.

## DEMOGRAPHIC DIVERSITY

Lacey is becoming **more diverse**, with a population that is getting **older** and households that are getting **smaller.**

### Growing diversity Is a regional trend Lacey can embrace.

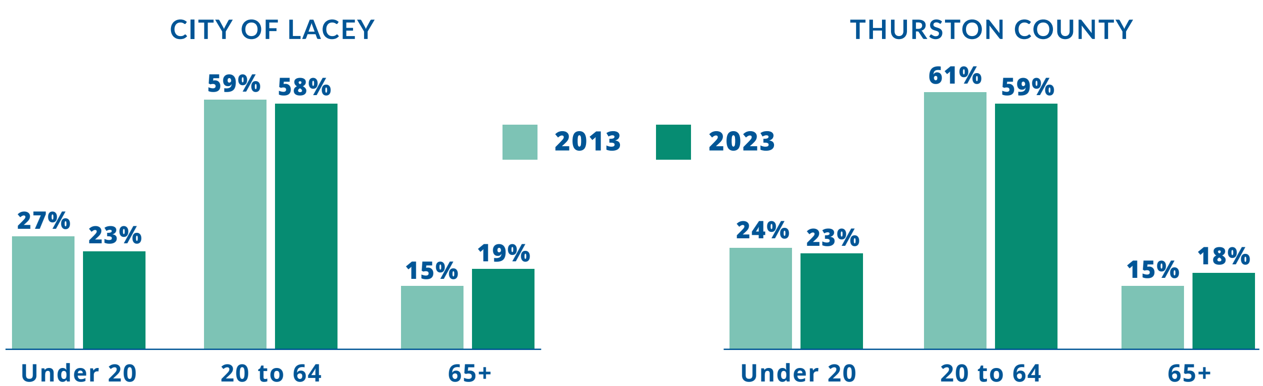
**Exhibit 1. Share of People Identifying as Not White**




Source: ACS 5-year estimates, DP05

### Lacey's recent growth has been led by older adults ages 65 and up.

**Exhibit 2. Share of Residents by Age Category**



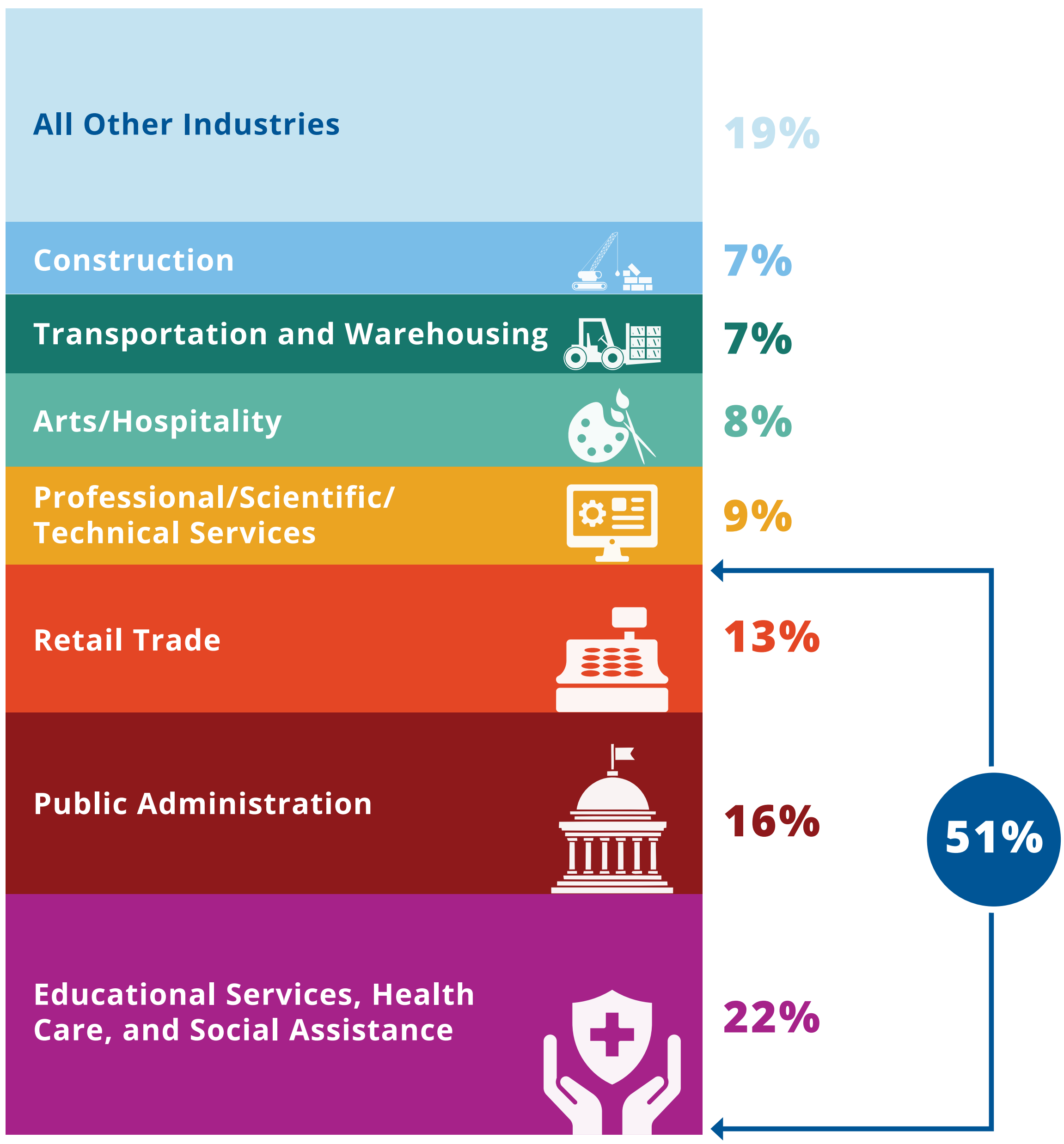

Source: ACS 5-year estimates, DP05

## INDUSTRY AND EMPLOYMENT

About half of Lacey residents work in **retail, government, education,** and **healthcare**. More diverse employment opportunities can support greater economic resilience and upward mobility.

### Lacey's workers are concentrated in a few key sectors.

**Exhibit 3. Employment Industries of Lacey Residents**

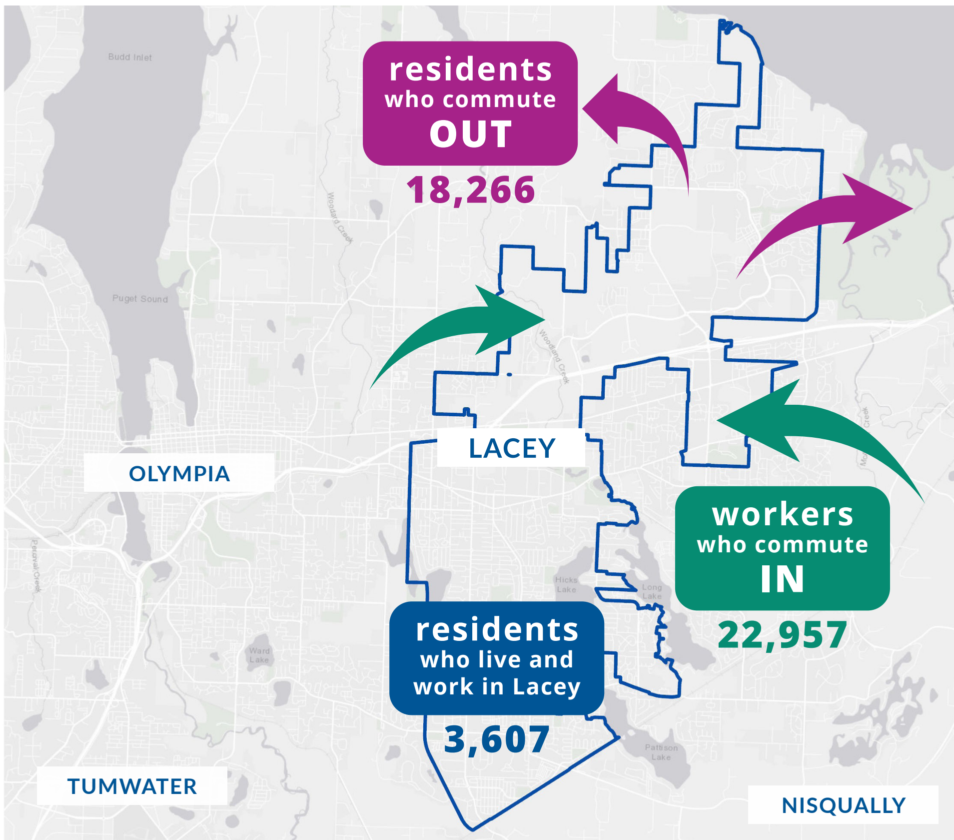



Source: ACS 5-year estimates, DP03

## REGIONAL CONNECTIVITY

Like many cities in Washington, most residents commute out for work and most workers commute in from elsewhere, reflecting Lacey's integration into the **regional economy.**

**Exhibit 4. Commute Patterns of Lacey Workers**




## RETAIL DYNAMICS

There are opportunities to meet Lacey residents' demand for **local dining** and **shopping**.

**Exhibit 5. Retail Consumption Patterns**

### People come to Lacey for...

- General Merchandise
- Building Materials
- Groceries
- Sporting Goods
- Jewelry

### People leave Lacey for...

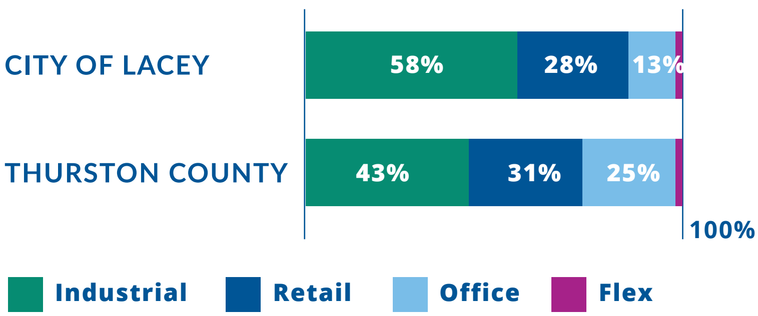
- Restaurants and Cafés
- Clothing Stores
- Specialty Markets/Groceries
- Entertainment and Leisure
- Auto Dealers

## REAL ESTATE MARKET

Certain areas such as Hawks Prairie are thriving and commanding higher commercial rents, while others like Lacey Midtown are in transition and poised for revitalization.

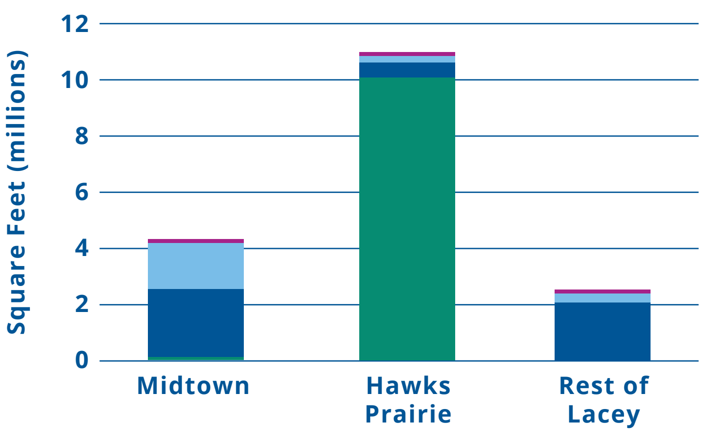
### Industrial growth in Hawks Prairie has led to the need for a new focus on retail and/or office.

**Exhibit 6. Types of Commercial Real Estate**




Source: CoStar, March 2025

**Exhibit 7. Commercial Real Estate Inventory by Planning Area**




Source: CoStar, March 2025

# KEY ENGAGEMENT THEMES

The consultant team conducted a series of **twelve in-depth stakeholder interviews** to gather insights on opportunities, challenges, and priorities directly from organizations and community members involved in the local and regional economy. The outreach and stakeholder interviews surfaced four consistent themes. These themes are reflected in the strategy framework, where they translate directly into goals and targeted actions. Additional details about engagement themes are available in Appendix C.

## 1. ELEVATING LACEY'S VISIBILITY AND IDENTITY

Lacey is viewed as the region's economic growth center, yet its identity could be more visible and clearly communicated to attract investment and talent.

**Actions 1A, 1B, and 1C** in this strategy focus on defining and promoting Lacey's economic identity, celebrating its diversity through cultural events, and adopting an economic development strategy that reflects community values.

## 2. STRENGTHENING AND SUPPORTING LACEY'S WORKFORCE

Lacey's location, relative affordability, and quality of life attract workers, but recruitment and retention are challenged by housing and childcare gaps.

This strategy calls for convening partners working in education, workforce, and industry to align training with local needs, designating liaisons to strengthen employer relationships, and exploring targeted incentives to support priority occupations. **Actions 1D, 2A, 2B, 2C, and 2D** support employers and workers in Lacey.

## 3. CREATING VIBRANT SPACES AND COMMUNITY AMENITIES

Distinct neighborhoods, upgraded infrastructure, and community events are strengths, but more dining, entertainment, and gathering spaces are needed to enhance livability.

Actions include activating underused spaces with pop-up retail or cultural programming, strengthening year-round event calendars, and advancing placemaking projects in key commercial hubs. **Actions 3A, 3B, 3C, and 3D** align with this theme about placemaking.

## 4. EXPANDING OPPORTUNITIES FOR SMALL BUSINESSES

Stakeholders praised Lacey's approachable business support and programming, but they noted there is limited affordable space for small and micro-enterprises.

The action matrix includes expanding platforms like the Night Market, improving connections between entrepreneurs and resources, and exploring creative approaches to affordable commercial space development. **Actions 1A, 2A, 2B, 2D, 3A, 3B, 3C, and 3D** can support small business growth.

# SWOT SUMMARY

**To ground Lacey's economic development strategies in reality, the Advisory Group assessed Lacey's strengths, weaknesses, opportunities, and threats (SWOT).**

The SWOT exercise provided an opportunity for the Advisory Group to collectively reflect on Lacey's unique strengths, current challenges, and the external trends shaping its economic future. While the research and analysis presented earlier offers important insights, it is often lagging and incomplete. For that reason, it was critical to supplement the research with the on-the-ground perspectives of local leaders.

By engaging diverse voices, the SWOT process ensured that the strategic plan was grounded in both quantitative evidence and the lived experience and expertise of community stakeholders. This exercise was not only important for surfacing consensus around the City's competitive advantages and areas of vulnerability, but also for fostering shared ownership of the plan. The insights generated through the SWOT analysis directly informed the development of strategies and actions which helped to ensure they were realistic, targeted, and responsive to both opportunities and risks identified by those closest to the local economy.


## STRENGTHS

**Localized assets and advantages the community can build upon.**

- Lacey's location near Joint Base Lewis-McChord (JBLM), the state capital, and Pierce County and direct access to I-5 provide a clear advantage for both employers and residents.
- The City has a reputation for being business-friendly and supportive of entrepreneurs, with resources such as Thurston EDC Center for Business and Innovation and Lacey MakerSpace supporting small businesses and microenterprises.

## OPPORTUNITIES

**External trends or conditions the community can leverage.**

- Ensuring diverse representation in public gatherings and highlighting multicultural retailers can reinforce Lacey's identity as an inclusive and welcoming place.
- Lacey can attract new residents leaving larger cities by leveraging its location and lower cost of living.
- Lacey can incentivize entrepreneurs to stay and build out a more robust creative economy.
- Targeted efforts can attract industries that provide higher-paying jobs and diversify the local economy.

## WEAKNESSES

**Internal limitations or gaps that hinder performance.**

- From the perspective of residents and visitors, Lacey does not have a clear central business hub or a main street area, making it harder to establish a strong identity or a focal point.
- Long-term growth might be difficult to sustain with limited industry diversity and relatively fewer higher-paying jobs.
- There is also a perception that younger people are moving out of Lacey, highlighting the importance of amenities that support quality of life.

## THREATS

**External challenges or risks that could negatively impact success.**

- The lack of a clear brand identity and cultural center may leave Lacey vulnerable to being overshadowed by neighboring communities that are growing and diverse.
- Economic factors outside the City's control such as tariffs and infrastructure condition of I-5 can affect travel and access to/from the city.
- Shifting politics and the changing preferences of younger generations may also reshape expectations for how the city grows and evolves.

# VISION STATEMENT

Building on the SWOT analysis and information learned through engagement, the Advisory Group and the project team developed a vision statement for the economic development strategy. The vision statement captures the community's aspirations for Lacey's long-term future and sets the tone for the actions described in the strategy. It also guides the recommended priorities, investments, and partnerships.

**By 2045, Lacey will be a vibrant city with an authentic identity in a rapidly changing region where everyone can live, work, shop, play, and imagine a better future.**

**Fueled by innovation, creativity, diversity, and regional collaboration, Lacey will cultivate a resilient economy that broadens opportunity and supports shared prosperity. Thriving small businesses, a supportive business culture, and local commercial hubs integrated into surrounding neighborhoods will create spaces for gathering, daily needs, and bold placemaking.**

# STRATEGY FRAMEWORK

**The strategy creates a clear framework that connects goals to specific actions and implementation plans. This framework helps prioritize work, coordinate efforts, and adjust course as needed.**

GOALS

1 **Define and promote Lacey's new economic identity.**

It responds to the call for a stronger identity and visibility.

2 **Expand Lacey's local economy by supporting the growth of small businesses, entrepreneurs, existing and new employers.**

It builds on the entrepreneurial energy in the community while proactively supporting businesses that want to expand in Lacey.

3 **Enhance quality of life and attract visitors and talent by investing in bold placemaking.**

It focuses on place-based investments that make Lacey's neighborhoods and commercial areas vibrant and connected.

## ACTIONS

Strategic actions that support economic development goals.

## DESCRIPTIONS

Each action in the matrix is paired with a short description that explains the rationale behind its inclusion. This field provides additional context, outlines the reasoning and thought process, and clarifies language that may be technical, industry-specific, or unfamiliar to broader audiences. The goal is to make the intent of each action clear, accessible, and easier to understand within the overall strategy.

## METRICS

Each action includes suggested metrics to help staff and partners track progress. In the first year of implementation, staff should establish a baseline for each metric. From there, set realistic goals for year-over-year change, whether that means doubling business participation, steadily increasing community engagement, or another measurable outcome. With these metrics in place, staff can more easily see which actions are advancing as intended and which may require additional focus or resources.

## RECOMMENDED NEXT STEPS

This section outlines concrete, sequenced actions for the City and its partners to pursue. The sequencing suggests some next steps can be easier to accomplish earlier, while other actions may need to wait until later in the five-year implementation period. Staff can begin each step and highlight dependencies where certain actions should come first. Priorities and resources may shift over time, so adjustments to the timeline should be expected.

## RECENT ACCOMPLISHMENTS

Identified for each action is a recent City action that is related to the action. The examples show that the actions align with City's previous or ongoing efforts.

## ROLES

**City Lead:** The City will serve as the primary lead for implementation of designated actions, meaning that staff will be responsible for initiating, coordinating, and driving the effort forward. Responsibilities may include setting timelines, advocating for resources, facilitating stakeholder engagement, and ensuring accountability. The City will often leverage external support and will be the central organizing force and decision-maker.

**City Support:** In this role, the City will not lead the action directly but will play a meaningful supporting role alongside a partner organization or agency. Support may include helping to convene stakeholders, provide staff time or communication support, advocate for policy change, or contribute financial or other in-kind resources.

**Partners:** A list of key organizations is included, but this list is not exhaustive. Staff and project leads should regularly revisit and expand the list of partners throughout implementation to ensure that the right voices are at the table, particularly those representing emerging industries and evolving local priorities.

**Resources:** Each action will require a different level of effort from the City. Some will require reprioritizing existing resources, while others may require new expenditures.

| | |
|---|---|
| **$** | Build on existing policies/programs |
| **$$** | Establish new policies/programs |
| **$$$** | Capital expenditures |

**Best Practices:** Other cities have successfully implemented similar actions, offering concrete examples for Lacey to learn from. These examples show how communities addressed comparable challenges and achieved measurable results. When staff find an example relevant, they should contact the project or initiative leads directly to learn how they designed the program, what they discovered during implementation, and what they would do differently.

# IMPLEMENTATION AND TIMELINE

## Implementing this strategy means turning shared aspirations into tangible results.

Many of the actions in **Appendix A** are designed to produce early wins, including visible changes or initiatives in the first 12 to 18 months that demonstrate progress and build momentum. Examples include expanding the Night Market, hosting cultural celebrations that highlight diversity, launching business outreach campaigns, and piloting new placemaking projects.

Over time, more complex initiatives such as exploring a new indoor food and cultural gathering space, pursuing affordable commercial space strategies, and aligning workforce training systems will create lasting impact. Regular progress reviews, transparent reporting, and adaptive management will keep the strategic plan relevant and ensure that Lacey remains on track toward its vision.

### Implementation is expected to occur over three phases:

- **Year 1:** Launch foundational actions and build momentum.
- **Years 2–3:** Deepen partnerships and scale programs.
- **Years 4–5:** Evaluate and adapt; continue progress.

**The City will lead implementation in close partnership with regional organizations, businesses, and community groups.** Clear roles, established timelines, and measurable outcomes will keep the work coordinated and accountable. By treating this strategic plan as a living tool that is adaptable yet focused, Lacey can position itself for a dynamic and resilient economic future.

# NEXT STEPS FOR CITY COUNCIL

This strategy document identifies 12 targeted actions that could be implemented over the next 5 years. However, not all actions can be implemented at once, and the current economic development staffing level may be insufficient. **To fully implement the actions that the City would lead, the City would need to acquire or reassign a City staff member.**

- **Identify staffing resources**
- **Prioritize key actions**
- **Establish a work program**

**In the meantime, the City can select a shorter list of actions that could be implemented with existing City resources.** The City's economic development team can then create a work program to prioritize the key actions. Once additional resources become available, the team can pursue remaining actions or improve the quality of delivering the prioritized actions.

Lacey 2030: Economic Development Strategic Plan

# APPENDIX A

# GOAL 1: DEFINE AND PROMOTE LACEY'S NEW ECONOMIC IDENTITY

## ACTION 1A: Celebrate and promote Lacey's diversity with cultural events and community storytelling that bring people into the city

Lacey's population and businesses are growing more diverse which is a distinctive economic asset that enhances the city's competitiveness, cultural vibrancy, and appeal to new residents, visitors, entrepreneurs, and employers. Lacey is viewed as being an inclusive and welcoming place, but these strengths are not always messaged or widely known outside of the community. To fully leverage this strength, the City should develop and implement a public narrative that elevates diversity as a core part of Lacey's economic identity. This narrative can reinforce the City's values, strengthen civic pride, and attract businesses and talent seeking an inclusive environment.

| | |
|---|---|
| **Metric** | Number of city-sponsored cultural events (estimate attendees when feasible) |
| **Recommended Next Steps** | 1. Expand on the Night Market and other community events by adding rotating cultural themes.<br>2. Create a "Faces of Lacey" entrepreneur series by profiling diverse small business owners and startup founders in newsletters and digital platforms.<br>3. Develop a diversity-forward marketing campaign on the City's website that highlights Lacey's diverse businesses, cultural events, and community leaders through storytelling and testimonials. |
| **Recent Accomplishments** | The Night Market recently hosted a themed cutural event that drew over 10,000 people. |
| **City Role** | City lead |
| **Potential partners to engage** | Thurston EDC, Port of Olympia, St. Martin's University, business owners, Night Market, and local cultural and heritage-based organizations |
| **Resources** | $ (Building on existing policy/program) |
| **Best Practice Location(s)** | Bellevue, Bothell, Redmond, Shoreline, National |
| **Best Practice Description** | Cities have strengthened their economic development strategies by weaving diversity and inclusivity into their public identity. For example, national efforts like Welcoming Week, launched by Welcoming America, provide a framework for communities to highlight inclusivity through events that foster connection between immigrants and non-immigrants. |
| **Best Practice Web Link** | https://welcomingamerica.org/initiatives/welcoming-week |

# GOAL 1: DEFINE AND PROMOTE LACEY'S NEW ECONOMIC IDENTITY

## ACTION 1B: Define and adopt an economic development vision

Lacey is the largest city in Thurston County and now has both assets and partnerships that can play a stronger regional role. There are regional growth opportunities Lacey is well-positioned for. At the same time, most community members and stakeholders want the city's identity to be focused on local commercial hubs, businesses, and gathering spaces that serve city residents. To move forward with clarity, the City needs to define a shared strategic direction for economic growth.

| | |
|---|---|
| **Metric** | Number of leaders and community members engaged in the visioning process |
| **Recommended Next Steps** | 1. Convene City Council members and senior department leads for a facilitated workshop to arrive at a common understanding of Lacey's economic identity and its neighborhood identities and define a vision for economic development building on the vision in Lacey's Economic Development Strategy.<br>2. Ask community members and local employers for their input on the vision statement via a survey and/or public meetings.<br>3. Integrate into the city's economic development planning and decision-making processes a refined version of the vision statement. |
| **Recent Accomplishments** | Through the Economic Development Strategy process, developed draft language for an economic development vision. |
| **City Role** | City lead |
| **Potential partners to engage** | Community members, small and large employers, branding experts |
| **Resources** | $ (Building on existing policy/program) |
| **Best Practice Location(s)** | Boise, ID |
| **Best Practice Description** | Boise's Vista Vision Neighborhood Plan shows the importance of adopting a clear vision statement to guide economic development and placemaking. City leaders recognized that without a unifying identity, the corridor's growth risked being fragmented, so they created a shared statement that established priorities and rallied stakeholders. |
| **Best Practice Web Link** | https://www.cityofboise.org/media/2108/vista_neighborhood_plan.pdf |

# GOAL 1: DEFINE AND PROMOTE LACEY'S NEW ECONOMIC IDENTITY

## ACTION 1C: Communicate Lacey's economic identity with targeted investors and developers

Lacey can strengthen its investor and developer recruitment by clearly communicating its vision and brand. For those looking to deploy their capital, community identity and vision are key factors they consider—alongside market conditions and financial feasibility.

| | |
|---|---|
| **Metric** | Number of investors and developers engaged in economic identity work |
| **Recommended Next Steps** | 1. After developing an economic development vision, simplify it into a clear brand and integrated into a pitch to communicate with potential investors and developers.<br>2. Meet with brokerage firms that offer advisory services to tell them about Lacey's brand and strengths and how they can invest capital that complements local businesses.<br>3. Maintain clear, accessible websites with opportunity site maps, permitting guides, and local data. |
| **Recent Accomplishments** | Lacey is leading Thurston County's national rankings (#1 for density of middle class, #2 for hotspot for economic growth, #2 for women's business travel destination, and #8 for overall economic performance) |
| **City Role** | City lead |
| **Potential partners to engage** | Thurston EDC |
| **Resources** | $$ (Starting new policy/program) |
| **Best Practice Location(s)** | Tacoma, WA |
| **Best Practice Description** | Tacoma has successfully advanced its investor recruitment efforts by creating a prospectus for its Opportunity Zone, giving investors a concise and compelling profile of economic opportunities. This clear communication of vision and assets helps investors quickly understand where and how to direct their capital. |
| **Best Practice Web Link** | https://makeittacoma.com/wp-content/uploads/2019/03/Tacoma-OZ-Prospectus-Final-1.pdf |

# GOAL 1: DEFINE AND PROMOTE LACEY'S NEW ECONOMIC IDENTITY

## ACTION 1D: Partner with the Port of Olympia and Thurston EDC to ensure the City of Lacey has dedicated access to Foreign Trade Zone (FTZ) expertise to support local businesses and raise awareness of FTZ benefits.

Foreign Trade Zone designation can be a powerful tool to help Lacey businesses compete globally by reducing costs, streamlining customs processes, and attracting new investment. With the Port of Olympia and Thurston EDC moving forward on a shared FTZ staff position, it is essential that Lacey is a visible and proactive partner. This ensures city staff, council, and local businesses have a direct resource to navigate FTZ opportunities, while positioning Lacey as a leader in leveraging trade tools to grow jobs and expand its economic base.

| | |
|---|---|
| **Metric** | Number of Lacey businesses engaged on FTZ opportunities annually and at least two updates provided to City Council per year on FTZ outreach and outcomes |
| **Recommended Next Steps** | 1. Meet with the Port of Olympia and Thurston EDC to formalize Lacey's role and level of support for the shared FTZ position.<br>2. Clarify expectations for how the FTZ expert will support Lacey specifically (staff resource, council updates, business outreach, website content, etc.).<br>3. Enter into a formal partnership or MOU that includes Lacey's role, contribution, and communication protocols.<br>4. Schedule biannual progress reports to City Council and regular check-ins with city staff to ensure alignment and accountability. |
| **Recent Accomplishments** | Staff reviewed with the Port the FTZ process. There is ongoing coordination with the Port and the EDC. |
| **City Role** | City support |
| **Potential partners to engage** | Port of Olympia, Thurston EDC |
| **Resources** | **$$** (Starting new policy/program) |
| **Best Practice Location(s)** | Everett, WA |
| **Best Practice Description** | Everett has strengthened its trade and logistics sector by partnering with the Port of Everett and Snohomish County to jointly market its Foreign Trade Zone (FTZ). The City also hosts quarterly business roundtables, creating an accessible forum to answer questions and build stronger relationships with companies interested in international trade. |
| **Best Practice Web Link** | https://lynnwoodtimes.com/2024/07/02/foreign-trade-zone-roundtable/ |

# GOAL 2: EXPAND LACEY'S LOCAL ECONOMY BY SUPPORTING THE GROWTH OF SMALL BUSINESSES, ENTREPRENEURS, EXISTING AND NEW EMPLOYERS

## ACTION 2A: Empower and scale home-based businesses and microenterprises by leading them through microenterprise accelerator programs.

Home-based businesses and microenterprises are often led by women, immigrants, and BIPOC entrepreneurs, and they form a vital and growing part of Lacey's economy. Thurston EDC's business assistance programs would help businesses formalize their operations, increase their business capacity, and transition into storefronts. The City can encourage small and new businesses to grow by helping them prepare for and participate in the EDC's programs. The City can also leverage the Washington State Cottage Food Law to support food-based businesses operating from home.

| | |
|---|---|
| **Metric** | Number of participating home-based businesses and microenterprises |
| **Recommended Next Steps** | 1. Provide coaching and technical assistance for businesses interested in joining the Night Market or participating in Thurston EDC's business assistance programs like Washington APEX Accelerator, Business Enterprise Startup Training (BEST), Quick Startup, and Pop-Up Markets.<br>2. Collaborate with Thurston EDC, Lacey MakerSpace, and Pacific Mountain Workforce Development Council to tailor curriculum for home-based businesses and microenterprises, covering topics such as licensing, branding, digital marketing, zoning, and cottage food production rules.<br>3. Build relationships with local foundations or landlords who might be willing to provide discounted pop-up spaces for program participants.<br>4. Consider providing interpretation, translation, and childcare as needed to reduce barriers to participation in business assistance programs.<br>5. Recognize and celebrate program graduates. Invite program alumni to mentor future participants or co-host events to build a peer support network. |
| **Recent Accomplishments** | Coordinated with the EDC to clarify roles and identify unique actions that the City can take. |
| **City Role** | City lead |
| **Potential partners to engage** | Thurston EDC, Lacey South Sound Chamber, Thurston County Chamber, Night Market, PacMountain, Makerspace, credit unions, and Enterprise for Equity |
| **Resources** | **$$** (Starting new policy/program) |
| **Best Practice Location(s)** | Thurston County, WA |
| **Best Practice Description** | The Washington APEX Accelerator assists businesses through the government-contracting marketplace. The EDC participates with the Pierce County microenterprise accelerator program and provides mentoring, counseling, and technical assistance for positioning small businesses for government contracting opportunities. |
| **Best Practice Web Link** | https://businessresources.thurstonedc.com/programs/washington-apex-accelerator |

# GOAL 2: EXPAND LACEY'S LOCAL ECONOMY BY SUPPORTING THE GROWTH OF SMALL BUSINESSES, ENTREPRENEURS, EXISTING AND NEW EMPLOYERS

## ACTION 2B: Strengthen and Expand the City's Business Retention & Expansion (BRE) program by creating a business resource navigation team

To ensure that Lacey's existing businesses remain a vital and growing part of the local economy, the City should formalize and expand its Business Retention & Expansion (BRE) program by establishing a Business Resource Navigation Team. This team would serve as a proactive, cross-functional unit that coordinates directly with city departments and regional partners to support businesses navigating site expansion, permitting, workforce challenges, and infrastructure needs. This may require designating a special projects position. The desired outcome for this action is to ensure that Lacey expands job opportunities with living wages so employees can afford to live and work in the city.

| | |
|---|---|
| **Metric** | Number of business owners that City of Lacey's BRE team meets with and offers support |
| **Recommended Next Steps** | 1. Designate a Business Resource Navigation Lead position that can coordinate city resources and regularly coordinate with partner organizations.<br>2. Identify a network of people that can function as the Business Resource Navigation Team as needed. Include representatives from city departments and regional partners and setup a protocol for quick internal coordination when businesses identify barriers.<br>3. Develop a suite of business-facing materials including key city contacts, step-by-step guidance for common business needs, available incentives or programs, and local testimonials to build visibility. Consider translating materials into primary languages spoken throughout Lacey then distribute materials when meeting with targeted businesses, at City events, and through partner networks.<br>4. Regularly analyze business feedback to identify pain points in permitting, space constraints, or infrastructure investments and share findings with Council to guide zoning reforms, tenant improvement incentives, or flexible land use policy updates. |
| **Recent Accomplishments** | Coordinated with the EDC to clarify roles and identify unique actions that the City can take. |
| **City Role** | City lead |
| **Potential partners to engage** | Thurston EDC, Thurston County Chamber |
| **Resources** | $ (Building on existing policy/program) |
| **Best Practice Location(s)** | Spokane Valley, WA |
| **Best Practice Description** | Spokane Valley created a Rapid Response Team to fast-track projects, helping businesses navigate permitting, public works, planning, and other processes to quickly establish or expand their operations. This initiative was especially effective in supporting the launch of the American Aerospace Materials Manufacturing Center Tech Hub, ensuring employers had direct assistance to overcome barriers and accelerate investment. |
| **Best Practice Web Link** | https://aerospacetechhub.com/phase-2-pr/<br>Other city resources: https://www.spokanevalleywa.gov/178/Business-Resources |

# GOAL 2: EXPAND LACEY'S LOCAL ECONOMY BY SUPPORTING THE GROWTH OF SMALL BUSINESSES, ENTREPRENEURS, EXISTING AND NEW EMPLOYERS

## ACTION 2C: Strengthen regional business recruitment support

Lacey should continue its active role in business recruitment efforts while also ensuring that the City's own economic development goals are reflected in regional outreach and attraction strategies. The City should also be prepared to respond quickly to direct inquiries from prospective businesses by sharing tailored information and connecting them with the Thurston EDC.

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| **Metric** | Number of businesses that relocate to Lacey resulting from recruitment support |
| **Recommended Next Steps** | 1. Continue active engagement with Thurston EDC's business recruitment team by attending events, hosting joint site visits, and collaborating on sector strategies that align with Lacey's priorities.<br>2. Work with Thurston EDC to ensure Lacey's available sites, infrastructure investments, and workforce assets are reflected in regional promotional materials.<br>3. Maintain an updated concise, visually compelling one-pager that showcases priority development sites, infrastructure strengths (i.e. I-5 access, utilities, broadband), workforce pipeline, and business friendly policies so materials are ready for site selectors and businesses that reach out.<br>4. Establish a clear internal process for handling relocation or expansion inquiries ensuring timeline and coordinated responses, then connect interested businesses with the Thurston EDC for deeper discussions.<br>5. Build Lacey's economic development expertise by participating in conferences and other professional development events targeted toward practitioners. |
| **Recent Accomplishments** | There is ongoing coordination with the EDC. |
| **City Role** | City support |
| **Potential partners to engage** | Thurston EDC |
| **Resources** | $ (Building on existing policy/program) |
| **Best Practice Location(s)** | Portland, OR |
| **Best Practice Description** | Prosper Portland's Business Advancement Team provides direct support to businesses who sell goods and services outside of the region and provide additional programming for businesses in the city's target industries. The team focuses on attracting traded sector businesses through recruitment and expansion support and growing traded sector jobs while supporting diverse hiring. They lead this work in partnership with regional organizations charged with bi-state business recruitment including Greater Portland Inc. |
| **Best Practice Web Link** | https://prosperportland.us/our-work/business-advancement-team/ |

## GOAL 2: EXPAND LACEY'S LOCAL ECONOMY BY SUPPORTING THE GROWTH OF SMALL BUSINESSES, ENTREPRENEURS, EXISTING AND NEW EMPLOYERS

### ACTION 2D:
### Partner to strengthen the region's childcare ecosystem

Access to affordable, high-quality childcare is critical to workforce participation, talent retention, and inclusive economic growth. Businesses across the region have identified childcare as a top barrier for employee recruitment and stability. Therefore, the City of Lacey should actively partner with regional stakeholders leading solutions that address childcare availability and affordability, especially as implementation of new state legislation accelerates.

| | |
|---|---|
| **Metric** | Number of priority sites identified to support childcare in Lacey |
| **Recommended Next Steps** | 1. Support Thurston EDC and ReadyNation's business roundtables via outreach to employers, developers and providers.<br>2. Coordinate with the City's Planning Department to identify potential regulatory adjustments and anticipate needs related to infrastructure or site design.<br>3. Identify and promote priority sites for childcare development by considering small-scale or mixed-use models to expand access.<br>4. Share information about available incentives and technical assistance for new or expanding childcare operators. |
| **Recent Accomplishments** | There is ongoing coordination with the EDC. In compliance with SB 5509, the City is updating its development regulations to allow childcare centers in more places. |
| **City Role** | City support |
| **Potential partners to engage** | Thurston EDC, Thurston Childcare Action Council |
| **Resources** | $ (Building on existing policy/program) |
| **Best Practice Location(s)** | Walla Walla Valley, WA |
| **Best Practice Description** | The Walla Walla Valley addressed childcare barriers through a multi-sector partnership that brought together cities, business leaders, school districts, and health systems to advocate for and invest in childcare solutions. This collaboration aligned local governments, employers, and education providers to better match services with site-specific needs while reflecting community values. |
| **Best Practice Web Link** | https://outsidewallawalla.com/grow-them-wild/ |

# GOAL 3 ENHANCE QUALITY OF LIFE AND ATTRACT VISITORS AND TALENT BY INVESTING IN BOLD PLACEMAKING (LOCAL COMMERCIAL HUBS & COMMUNITY GATHERING SPACES)

## ACTION 3A: Support experiential retail, entertainment destinations, and creativity in Midtown with investments in public spaces and zoning code updates that allow temporary uses

Lacey's Midtown has served as a local hub for workers, shoppers, students, and visitors. As the area transitions from traditional shopping and employment uses to an innovation district, the City needs to help create spaces where people visit frequently and for multiple reasons.

| | |
|---|---|
| **Metric** | Number of pop-ups, festivals, and outdoor markets permitted per year |
| **Recommended Next Steps** | 1. Update land use and zoning codes to allow mixed-use development and flexible, temporary uses in Midtown such as pop-ups, festivals, and outdoor markets.<br>2. Invest in public spaces that support social interaction, activate the nighttime economy and promote walkability through features like lighting, plazas, and interactive art.<br>3. Establish a Midtown Experience Council or working group of local stakeholders (businesses, artists, students, property owners) that can coordinate programming, events, and marketing. This inaugural volunteer group would last 12 to 24 months. |
| **Recent Accomplishments** | Development Procedures code update will be modifying an existing chapter of the city code to allow for more temporary uses. Council has prioritized efforts to upgrade park, develop banners. |
| **City Role** | City lead |
| **Potential partners to engage** | City staff, MJR, Capital Development Company |
| **Resources** | **$$$** (Capital expenditures) |
| **Best Practice Location(s)** | Everett, WA; Tacoma, WA |
| **Best Practice Description** | Everett's Special Event Permit Program has helped transform its urban districts into vibrant destinations by simplifying the process for hosting activities ranging from block parties to concerts. By making events easier to organize, the city encourages frequent, diverse community gatherings that draw residents and visitors alike.<br>Tacoma has activated its urban districts by simplifying the permitting process for temporary uses of the public right-of-way, making it easier for businesses, organizations, and community members to host pop-up events and activities. This flexibility has allowed neighborhoods to test new ideas, bring people together, and create lively, people-centered spaces. |
| **Best Practice Web Link** | https://www.everettwa.gov/195/Special-Events<br>https://www.tacomavenues.org/special-events-and-film-permits |

# GOAL 3 ENHANCE QUALITY OF LIFE AND ATTRACT VISITORS AND TALENT BY INVESTING IN BOLD PLACEMAKING (LOCAL COMMERCIAL HUBS & COMMUNITY GATHERING SPACES)

## ACTION 3B: Activate the Karen Fraser Trail as a catalyst for Depot District revitalization

The Karen Fraser Trail is a significant asset that is under-leveraged in the City's placemaking and economic development toolkit. Enhancing this trail segment can increase foot traffic, support small business visibility, improve public safety and aesthetics, and elevate the Depot District's appeal to residents, visitors, and entrepreneurs. The City should invest in trail-facing improvements to invite engagement between the trail and adjacent businesses. These improvements can strengthen the neighborhood's identity, promote healthy and outdoor recreation, and build stronger economic linkages between the Food Truck Depot and nearby retail and services.

| | |
|---|---|
| **Metric** | Number of new art installations along Karen Fraser Trail |
| **Recommended Next Steps** | 1. Design a pilot program that provides technical assistance to property owners and business owners adjacent to the trail for improvements including facade enhancements, signage, and public art, landscaping, lighting, and outdoor seating.<br>2. Issue a call for public art and trail activation strategies from local artists to create murals, sculptures, or interactive signage along the corridor.<br>3. Explore partnership opportunities with Olympia Federal Savings and other community lenders to create a low-interest loan program for implementation.<br>4. Program seasonal events or pop-up activations to encourage trail usage and increase business visibility. |
| **Recent Accomplishments** | The City has not yet decided on an economic development action related to trails. |
| **City Role** | City lead |
| **Potential partners to engage** | Olympia Federal Savings and other community lenders |
| **Resources** | $$$ (Capital expenditures) |
| **Best Practice Location(s)** | Bellingham, WA |
| **Best Practice Description** | Bellingham leveraged its waterfront trail system through Waypoint Park & Waterfront Trail Events, activating the area with rotating pop-ups, art markets, food trucks, and live performances. This strategy tied into broader redevelopment goals while generating immediate visibility, momentum, and entrepreneurial opportunities in a transitioning district. |
| **Best Practice Web Link** | https://www.bellingham.org/explore-bellinghams-waterfront- |

# GOAL 3

## ENHANCE QUALITY OF LIFE AND ATTRACT VISITORS AND TALENT BY INVESTING IN BOLD PLACEMAKING (LOCAL COMMERCIAL HUBS & COMMUNITY GATHERING SPACES)

## ACTION 3C: Invest in vibrant, year-round gathering spaces and community programming that enhance livability

Quality of life is a key driver of economic competitiveness. To retain and attract talent, make memorable places for visitors, and create more opportunities for small businesses, Lacey should invest in spaces that enhance livability and strengthen neighborhood identities. Building on the success of the Food Truck Depot and events such as the Night Market, the City can expand its presence in "third spaces" and explore new destinations that support connections, entrepreneurship, and a strong sense of place.

| | |
|---|---|
| **Metric** | Number of "third spaces" identified or programmed |
| **Recommended Next Steps** | 1. Deepen City engagement in existing events by collaborating with partners to activate parks and underused spaces for programming that reflects Lacey's cultural diversity.<br>2. Work with planners to identify and assess a potential permanent location for the Food Truck Depot that provides access, visibility, and proximity to complementary uses such as housing and parks.<br>3. Explore the potential for an indoor destination such as a food hall, taproom, incubator, cultural market, or hybrid event venue by assessing demand and financial viability and potential anchor tenants.<br>4. Highlight third space developments in talent and business recruitment messaging and use storytelling to position Lacey as a vibrant, inclusive place for talent. |
| **Recent Accomplishments** | The City has started the process for a feasibility study of a permanent food truck plaza |
| **City Role** | City lead |
| **Potential partners to engage** | City staff, neighborhood groups, businesses, event coordinator, Thurston EDC, small businesses |
| **Resources** | **$$$** (Capital expenditures) |
| **Best Practice Location(s)** | Tumwater, WA |
| **Best Practice Description** | Tumwater's Craft District demonstrates how investing in "third spaces" can strengthen community identity and create new opportunities for entrepreneurship. By clustering multiple vendors around a central common area, including breweries, restaurants, bakeries, and boutique services, the Craft District offers both a destination for visitors and a hub of everyday activity for residents. |
| **Best Practice Web Link** | https://www.experienceolympia.com/directory/tumwater-craft-district/ |

## GOAL 3 ENHANCE QUALITY OF LIFE AND ATTRACT VISITORS AND TALENT BY INVESTING IN BOLD PLACEMAKING (LOCAL COMMERCIAL HUBS & COMMUNITY GATHERING SPACES)

### ACTION 3D: Support development by providing incentives for local businesses throughout the city

For many small businesses and new business owners, a key barrier is the cost of getting started. They often need small spaces to test their ideas before growing their businesses. Near-term costs may seem daunting for entrepreneurs who are not certain about how soon they will reach profitability. The city can assist in this process for businesses in targeted neighborhood-centered commercial hubs.

| | |
|---|---|
| **Metric** | Number of new business licenses processed for local business owners |
| **Recommended Next Steps** | 1. Offer permit fee waivers or utility rebates (water, sewer, stormwater) to property owners who lease at below-market rents to small or underrepresented businesses (e.g., BIPOC-owned, first-time business owners).<br>2. Explore operating a pilot program for year-round pop-up shops that offer spaces under 100 sq. ft.<br>3. Identify place-based eligibility requirements to ensure City-supported new businesses are located in commercial corners of neighborhoods that lack strong identity. |
| **Recent Accomplishments** | The Night Market has been a low-barrier path for food service businesses to get started. |
| **City Role** | City lead |
| **Potential partners to engage** | City staff, small business owners |
| **Resources** | **$$$** (Capital expenditures) |
| **Best Practice Location(s)** | Mesa, AZ<br>Bothell, WA |
| **Best Practice Description** | Mesa, Arizona, has supported entrepreneurship in its Midtown district by offering development incentives, including expedited permit reviews and reduced water rates, to lower the barriers for new businesses. These tools give small businesses and startups the breathing room they need to test ideas and grow while keeping near-term costs manageable.<br>Bothell's Pop Shops on Main program helps new entrepreneurs start by providing an affordable space, shared utilities, and technical resources. Instead of paying traditional rent, participants contribute a small share of their monthly revenue while also gaining access to business workshops, peer roundtables, and coaching. |
| **Best Practice Web Link** | https://www.mesaaz.gov/Business-Development/Urban-Transformation/Downtown-Incentives<br>https://www.bothellwa.gov/Faq.aspx?QID=752 |

Lacey 2030: Economic Development Strategic Plan

# APPENDIX B

# Appendix B: Lacey Demographic and Economic Analysis

## Lacey 2030: Innovation, Opportunity, Community

**Economic Development Strategic Plan 2026-2030**

This document presents a summary of current demographic and economic conditions that will shape Lacey's future growth and development. This analysis is the first step in a broader analysis of Lacey's economic landscape. Next steps involve interviews with business community members and the development of an economic development strategy. This work also aligns with the timeline and goals of Lacey's ongoing Comprehensive Plan update.

## Key findings

**Demographic and housing trends in Lacey reveal shifting community needs and opportunities for targeted policy responses.** Lacey is becoming increasingly diverse with a growing share of Hispanic/Latino and foreign-born residents. Additionally, the city's aging population is expanding at a faster rate than the county's, suggesting a need for targeted senior services and amenities. The rental housing market also tells two stories: the housing stock is slightly more affordable compared to the rest of the county and attractive for workers in the region, and there are many senior living communities that meet a specific demand.

However, the city's workforce patterns demonstrate a heavy reliance on nearby employment centers, with most residents commuting outside Lacey for work, especially in health care and government sectors. Moreover, the largest employers in Lacey are in retail, government, and education industries, and there is a greater concentration of industrial space (i.e., warehousing and distribution) in Lacey. These economic patterns point to a continued need for transportation investments to support Lacey's economic growth. They also suggest a potential need to diversify the employment base by attracting higher-wage jobs.

**Lacey's economy remains highly dependent on sales tax revenue**, which has become more pronounced over the past decade and now comprises nearly half of the city's total tax revenue (general fund). However, retail leakage persists in key categories. Because other cities in Washington are also reliant on sales tax revenue, Lacey must continue to compete for more retail spaces and activities. This makes it difficult to prioritize attracting employers in higher-wage industries.

**Resident surveys and other data show that many people frequently leave Lacey** for specialty markets, higher-quality restaurants and cafés, clothing, entertainment (e.g., bookstores, theaters), and personal services (e.g., salons, medical), highlighting the need for a more diverse and attractive retail environment that reflects more closely the ongoing demographic shifts in Lacey. The city's commercial real estate market reflects similar dynamics. While retail demand is strong in areas like Hawks Prairie, vacancy issues remain in Lacey Midtown.

Still, because Lacey operates in a regional economy, many people living outside Lacey shop in Lacey's general merchandise stores. For example, about half of visitors to Lacey's shopping areas originate from Olympia, while around 20 percent originate from Lacey.

Lacey's economic profile is shaped by a high reliance on external employment centers, especially in health care and government sectors, with the majority of residents commuting outside the city for work. Sales tax remains the city's largest revenue source, driven partly by construction activity and partly by general merchandise, which generates many visits and sales from people living outside Lacey. But there are retail leakages in categories such as restaurants, auto dealerships, and apparel. The city's commercial real estate market reflects these dynamics: industrial space (in Hawks Prairie) is in strong demand, retail lease rates are comparatively high, and office and retail vacancies remain concentrated (in Lacey Midtown). These geographic variations provide context for further analysis of future development opportunities and inform considerations for strategic planning and investment.

**The proposed Quiemuth Village development may be a part of the answer.** The development could add retail spaces while improving retail diversity. Moreover, it could be a catalyst for other developments near it. There are ongoing constructions and development proposals for retail, hotel, and residential uses on surrounding properties. In the short-term, these developments could generate new sales tax revenues from construction and furnishing activities. In the long-term, they can add to the City's sales tax revenues from retail and lodging tax revenues. New housing would not only generate more property taxes but also create the demand to support the new retail spaces. When more information about the proposed Quiemuth Village development is available, the City should re-evaluate the mix of retail, residential, and non-residential uses and consider complementary land uses and economic opportunities that could locate around the Quiemuth Resort and Village projects.

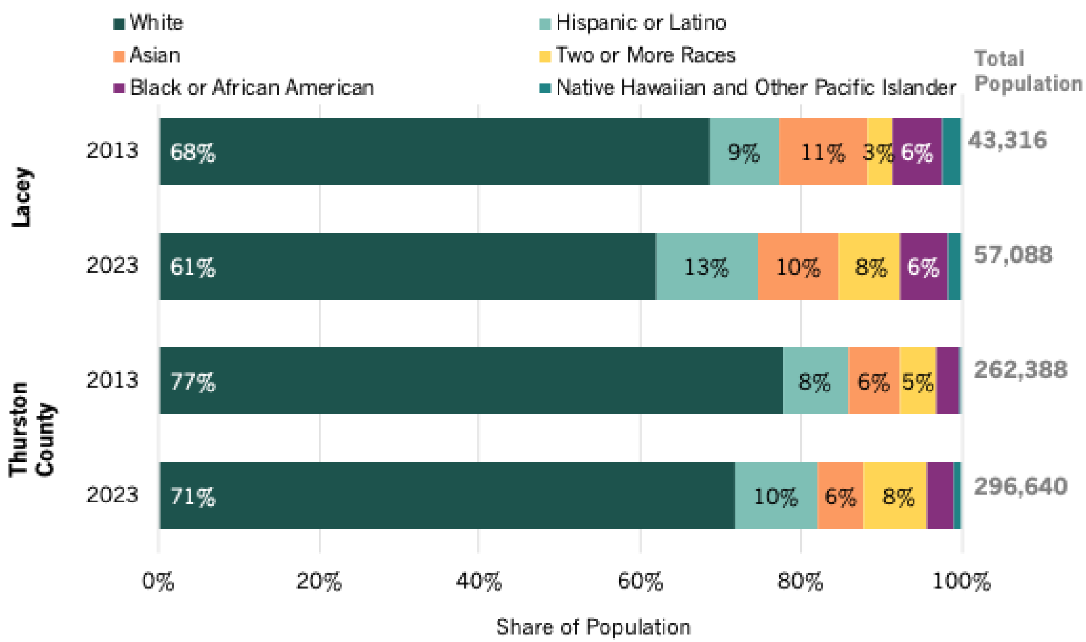
This document is organized into the following sections.

# 1. Community Context

Since 2013, Lacey has become more diverse, with a growing share of Hispanic or Latino residents and foreign-born residents. While household incomes have risen, they have not kept pace with the rest of Thurston County, suggesting economic growth has been somewhat slower in the city. This trend may be influenced by a rising senior population, a slight increase in single-person households, and a lack of notable increase in the share of people completing a bachelor's degree or higher compared to the county. Also, rental units are more prevalent, and housing prices are lower in Lacey. These factors indicate Lacey is a growing community that is experiencing demographic shifts while being positioned as more affordable and less cost-prohibitive compared to the rest of Thurston County.

## Population Demographics

**Exhibit 1. Race/Ethnicity by Geography, 2013-2023**

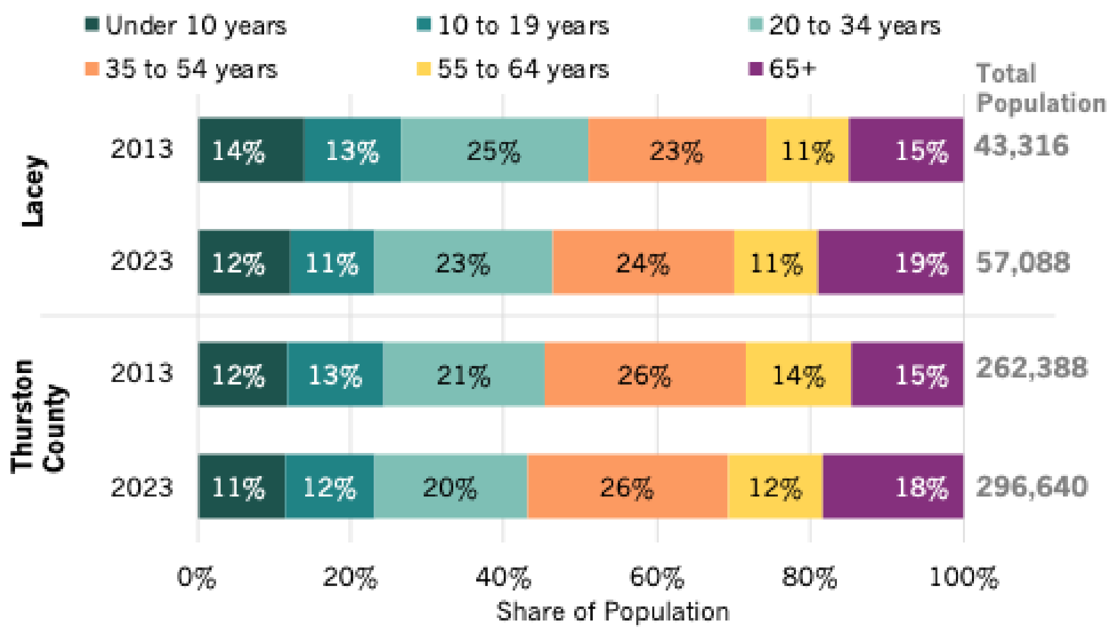



Source: ACS 5-year estimates, DP05.

Over the past 10 years Lacey and Thurston County saw a decline in the share of White population, decreasing 7 percentage points in Lacey and 6 percentage points in the county. During the same period, the Hispanic or Latino population grew more in Lacey (from 9 percent to 13 percent) than in Thurston County (from 8 percent to 10 percent), highlighting a faster rate of diversification in the city.

These trends suggest that both the city and county are becoming more racially and ethnically diverse, and Lacey experienced a slightly more pronounced demographic shift.

**Exhibit 2. Age Distribution by Geography, 2013-2023**




Source: ACS 5-year estimates, DP05.

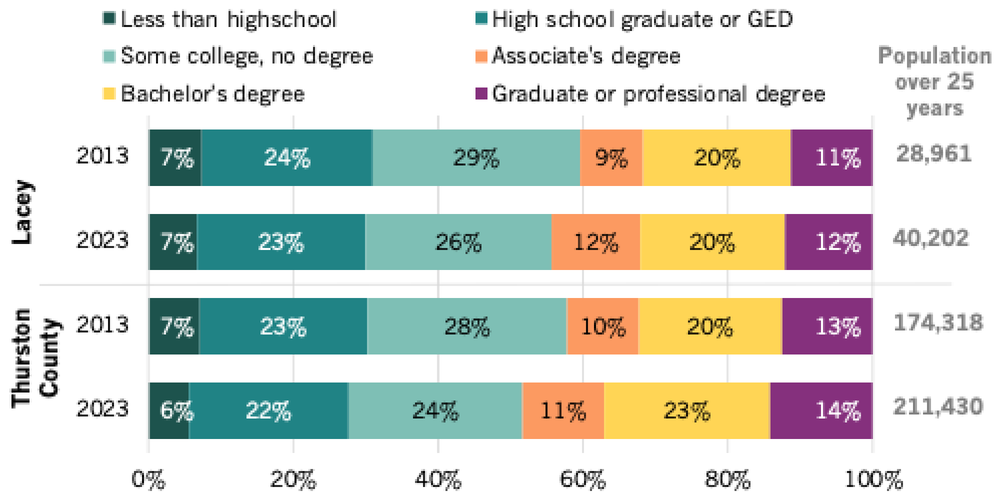
Between 2013 and 2023, both Lacey and Thurston County experienced a slight decline in younger populations (those under 34 years). The senior (65+) population increased in both areas, indicating an aging trend. The senior population in Lacey is growing at a slightly faster pace. If current trends continue, seniors could account for 23 percent of Lacey's population by 2050, outnumbering residents under age 18.[1]

## Educational Attainment

Educational attainment has stayed relatively stable since 2013. Thurston County showed a slight increase in higher education levels, particularly in bachelor's degrees. However, Lacey showed a slight increase in associate's degrees. This trend suggests that while educational attainment is slowly changing in the region, the educational profile is slightly different in Lacey. This may have implications for the types of jobs and skillsets that are growing.

[1] ECOnorthwest's population projection tool using cohort change ratio.

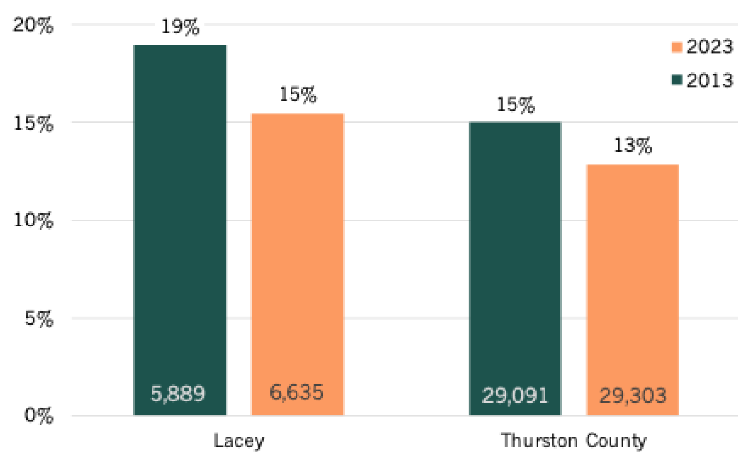
**Exhibit 3. Educational Attainment by Geography, 2013-2023**




Source: ACS 5-year estimates, S1501

## Specific Population Characteristics

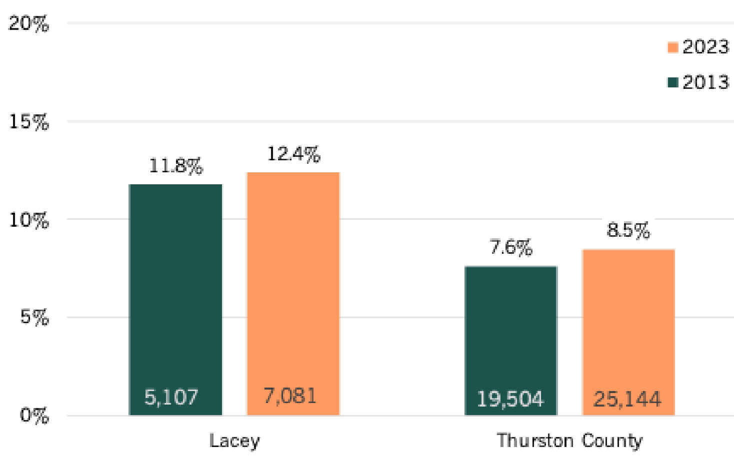
**Exhibit 4. Veteran Share of Population over 18**




Source: ACS 5-year estimates, DP02

Lacey and Thurston County both experienced a decline in the share of veterans between 2013 and 2023, with Lacey dropping from 19 to 15 percent and the county decreasing from 15 to 13 percent. Given Lacey's proximity to Joint Base Lewis-McChord (JBLM), the city has historically had a higher veteran population. However, the decline in veteran representation may reflect broader demographic shifts, including an aging veteran population and fewer transitioning service members settling in the area.

**Exhibit 5. Foreign Born Share of Population over 18**

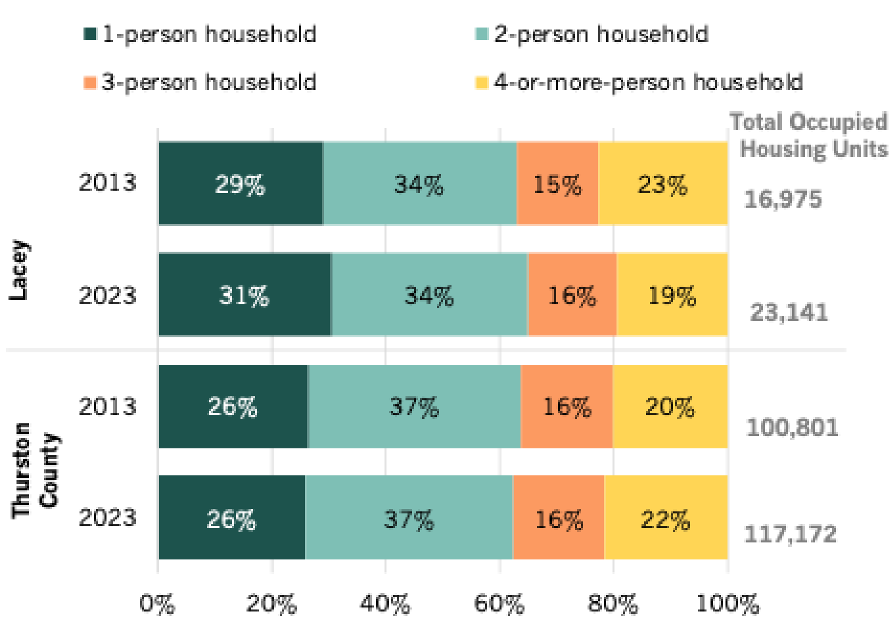



Source: ACS 5-year estimates, DP02

Between 2013 and 2023, the foreign-born population increased in both Lacey and Thurston County, with Lacey rising from 11.8 to 12.4 percent and the county from 7.6 to 8.5 percent. The increase in foreign-born residents suggests a growing diversity in the region, potentially contributing to shifts in local workforce and cultural dynamics.

## Household Characteristics

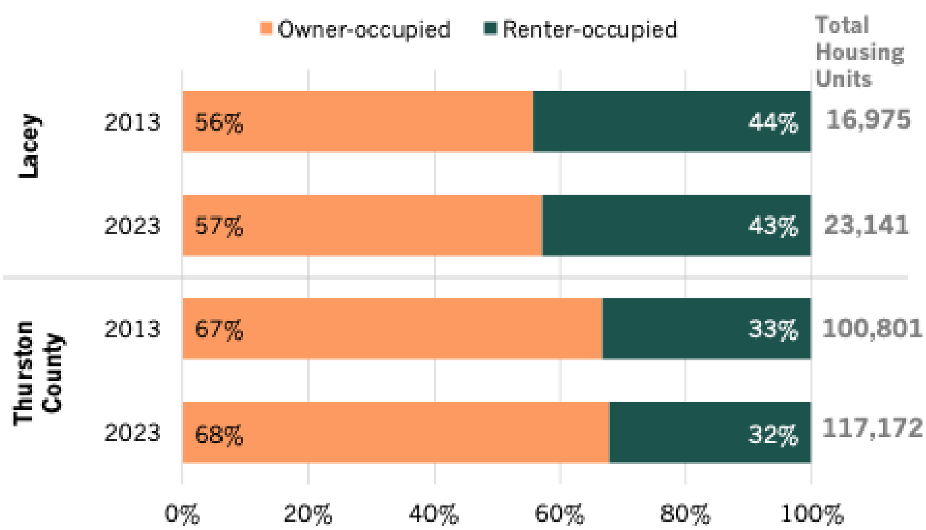
**Exhibit 6. Household Size by Geography, 2013-2023**




Source: ACS 5-year estimates, S2501

Household composition in both Lacey and Thurston County remained relatively stable between 2013 and 2023, with two-person households continuing to be the most common. Lacey saw a slight increase in one-person and three-person households, while the share of four-or-more-person households declined from 23 to 19 percent, indicating a small shift toward smaller households. Despite these minor changes, overall household size distributions have remained consistent, even as the total number of occupied housing units grew in both the city and county.

**Exhibit 7. Household Tenure by Geography, 2013-2023**




Source: ACS 5-year estimates, DP04

Lacey has a higher proportion of renter-occupied housing (43 percent) compared to Thurston County (32 percent). The ratio of renters to owners has stayed consistent in both Lacey and Thurston County over the past 10 years.

## Housing Prices

Mortgage payments and housing sales prices in Lacey are generally lower than in Thurston County.

**Exhibit 8. Mortgage Payments and Home Sales Price, 2025**

| | AVERAGE MONTHLY MORTGAGE PAYMENT | MEDIAN SALES PRICE |
|---|---|---|
| **Lacey** | $2,075 | $510,000 |
| **Thurston County** | $2,200 | $540,000 |

Source: ACS 5-year estimates, DP04; Redfin, March 2025

Typical rent payments also tend to be lower in Lacey than in Thurston County. As suggested by the numbers Exhibit 9, the rents of many units in Lacey are somewhat lower than similar units in Thurston County, on average. One-bedroom units tend to be much lower because there are many older, smaller units. But the average rents in Lacey's senior living communities are much higher. These units skew the average rent in Lacey upwards.

**Exhibit 9. Average Asking Rent Per Unit**

| | STUDIO | 1 BEDROOM | 2 BEDROOMS | 3 BEDROOMS |
|---|---|---|---|---|
| **Lacey, Excluding Senior Living** | $1,423 | $1,182 | $1,710 | $1,963 |
| **Thurston County** | $1,525 | $1,552 | $1,783 | $2,057 |
| **Difference** | -7% | -24% | -4% | -5% |

| | STUDIO | 1 BEDROOM | 2 BEDROOMS | 3 BEDROOMS |
|---|---|---|---|---|
| **Lacey, Senior Living Only** | $3,285 | $3,509 | $3,823 | N/A |

Source: CoStar, March 2025

## Household Income

**Exhibit 10. Median Household Income and Compound Annual Growth Rate**

| | Median Houshold Income | | |
|---|---|---|---|
| Geography | 2013 | 2023 | CAGR |
| Lacey | $ 58,800 | $ 87,300 | 4.0% |
| Thurston County | $ 62,200 | $ 94,000 | 4.2% |

Source: ACS 5-year estimates, DP03.

Median household incomes in both Lacey and Thurston County have grown between 2013 and 2023. Thurston County retained a consistent higher median household income over the 10-year period.

The compound annual growth rate (CAGR) for household income in Lacey was 4.0 percent, slightly lower than Thurston County's 4.2 percent, indicating that while both areas experienced strong income growth, households in Lacey experienced a slightly slower pace.

# 2. Economic Context

Lacey operates in a regional economy where people cross jurisdictional borders for work. This is more pronounced in Lacey likely because there are large public sector and health care employers in Olympia, such as the state government, Providence St. Peter Hospital, and Kaiser Permanente.

## Unemployment Rate

The unemployment rate is an indicator of the strength of the labor force. While a rate that is specific to Lacey is not available, regional figures can suggest the health of Lacey's workforce. The unemployment rate in Thurston County was 4.6 percent by the end of 2024. While this level is similar to the statewide average, it is noticeably higher than in the Seattle metropolitan area, which tracks with the national average.

**Exhibit 11. Unemployment by Region, December 2024**

| REGION | UNEMPLOYMENT RATE |
|---|---|
| **Thurston County** | 4.6% |
| **Washington** | 4.5% |
| **Seattle-Tacoma-Bellevue Metropolitan Area** | 4.0% |

Data Source: Washington Employment Security Department

## Employers and Employment

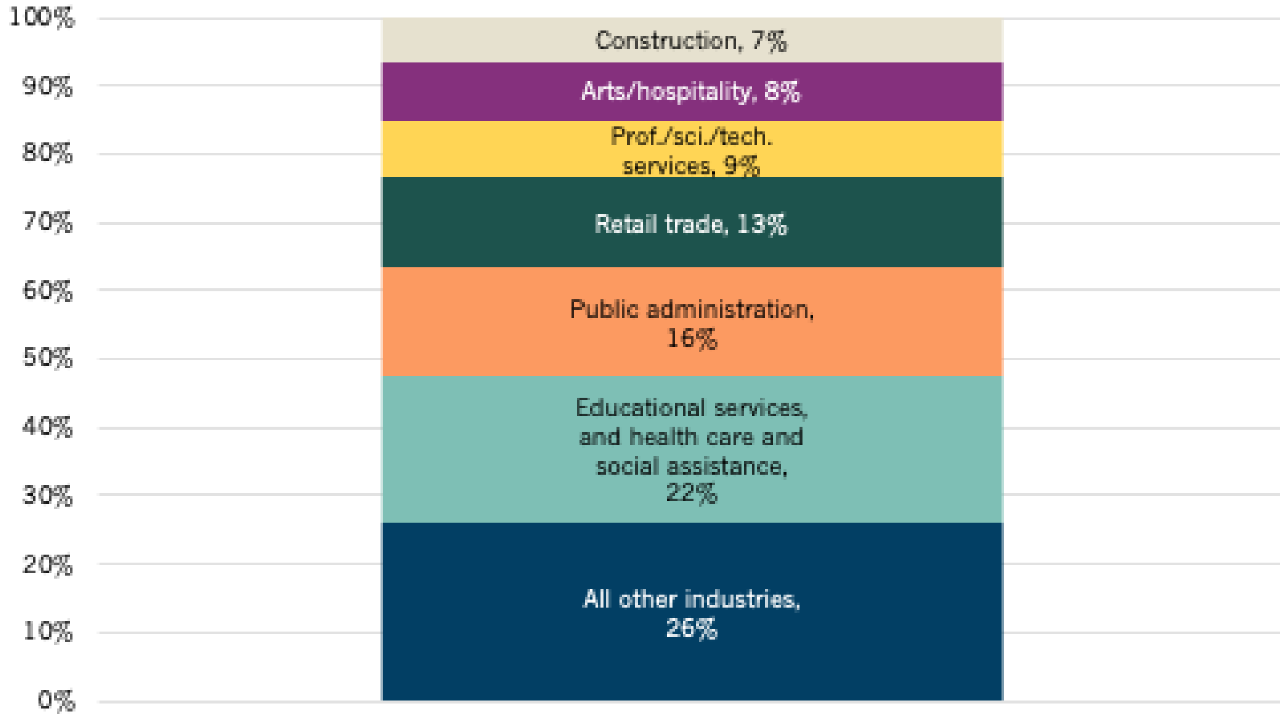
According to the City's latest annual financial report, the largest employers in Lacey are in the following industries[2]:

- Retail (12.1 percent of local employment): For example, Amazon, PetSmart, Harbor Wholesale, Medline Industries, and Walmart
- Government (8.4 percent): State of Washington and City of Lacey
- Education (7.7 percent): North Thurston Public Schools and St. Martin's University

However, Lacey residents work in a variety of industries as shown in Exhibit 12. About half work in retail, government (public administration), education, or health care industries, while the other half work in other industries like professional, scientific, and technical services or construction, for example.

[2] *2023 Annual Comprehensive Financial Report.* City of Lacey, WA, 2023.

**Exhibit 12. Employment Industries of Lacey Residents**




Source: ACS 5-year estimates, DP03

A key contrasting point between the two datasets—who works in Lacey versus where Lacey residents work—is that a disproportionate share of Lacey's residents works in government (public administration), education, or health care industries. For example, about 8 percent of employment in the city is in government, but about 16 percent of Lacey residents work in government. This difference is likely due to the presence of large employers just across the border in Olympia, namely the State of Washington, Providence St. Peter Hospital, and Kaiser Permanente. A share of Lacey residents commute into Olympia to work at state government offices or health care service providers.

## Commute Patterns

Lacey is similar to most cities in the region: most people live and work across jurisdictions. Most residents (83.5 percent) leave Lacey to work elsewhere, and most workers in Lacey (86.4 percent) come from elsewhere. This is a long-term, regional pattern, rather than a new phenomenon. The commuting pattern is mirrored in nearby cities, with an exception in Olympia, where a third of the employed residents work in the city.

Top origins and destinations are local population centers where there are greater employment options: Olympia, Tacoma, Tumwater, and Seattle.

**Exhibit 13. Commute Patterns in Lacey and Nearby Cities**

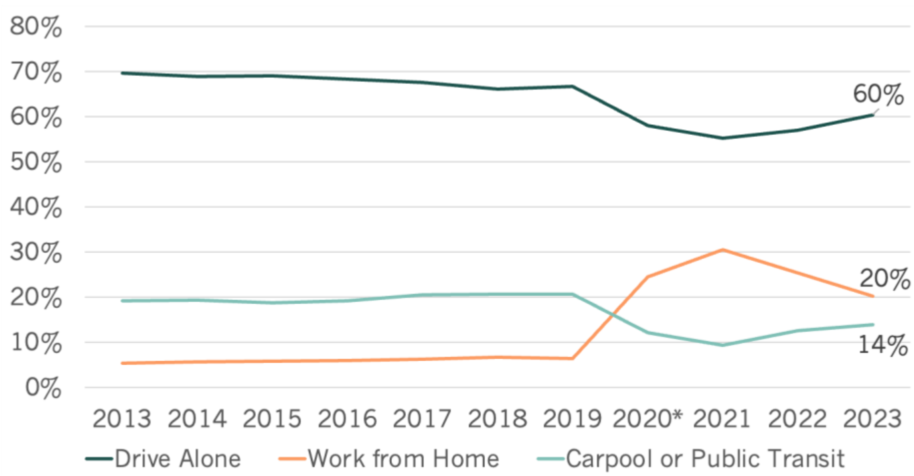
| | RESIDENTS LEAVING FOR WORK | | WORKERS FROM ELSEWHERE | |
|---|---|---|---|---|
| | 2012 | 2022 | 2012 | 2022 |
| **Lacey** (58,300 people) | 83.1% | **83.5%** | 85.4% | **86.4%** |
| **Olympia** (55,700 people) | 64.4% | 67.1% | 83.7% | 86.3% |
| **Tumwater** (27,200 people) | 81.6% | 83.0% | 90.8% | 92.3% |
| **Lakewood** (62,300 people) | 80.4% | 85.0% | 86.5% | 87.4% |

Source: U.S. Census Bureau, LEHD Origin-Destination Employment Statistics and QuickFacts

A key policy implication for the City of Lacey is transportation needs. Because Lacey and the broader regional economy depend on connections between cities and markets, Lacey's residents and workers will continue to look for more efficient transportation options. Economic growth in Lacey will be closely tied to internal connections within the city as well as intercity connections.

## Remote Work Trends

**Exhibit 14. Commute Options, Puget Sound Region**




The COVID-19 pandemic accelerated the shift to remote and hybrid work. Although the share of remote jobs peaked in 2021 then declined, it appears to have stabilized at roughly 20 percent. While Exhibit 14 lacks 2024 data, anecdotal evidence supports that this trend has held steady.

*Data for 2020 is less reliable due to limitations in the ability to survey households during lockdowns and social distancing measures. The 2020 data in this exhibit is estimated based on 2021 data.
Source: ACS 5-year estimates, B08301

## At-Home Employment

According to business registration data, which includes self-reported information about business size, about 40 percent of businesses are home-operated businesses.[3] These small businesses are generally self-operated or employing one or two other people. About half of the businesses are in the following industries[4]:

- Health care and social assistance (16 percent)[5]
- Professional, scientific, technical services (15 percent)[6]
- Retail (13 percent)
- Construction (10 percent)

[3] Lacey endorsement data provided by the City of Lacey, March 2025.
[4] Lacey endorsement data provided by the City of Lacey, March 2025.
[5] Such as in-home care services and continuing care at retirement communities and assisted living facilities. This reported statistic may be inaccurate since the data is based on self-reported responses.
[6] Such as accounting, consulting, computer science, and photography.

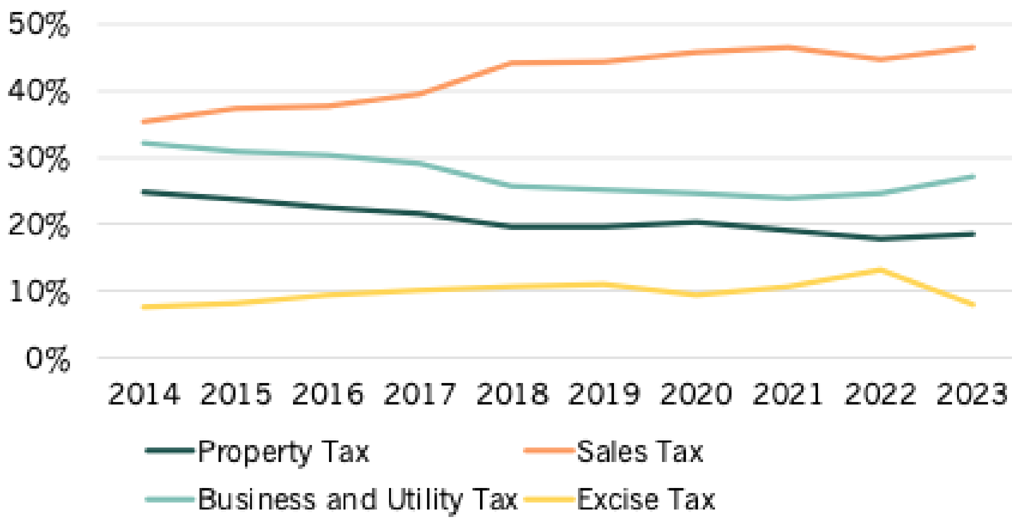
# 3. Retail Development Opportunities

Sales tax is the largest component of the City of Lacey's tax revenues. It is driven partly by retail activity, and nearby cities are competing for it. In order to determine how Lacey can become a local destination, we evaluated three data points: retail leakage, retail void, and community feedback on Neighborhood Commercial Districts.

## Sales Tax Trends

The main source of government revenue is sales tax, and it is growing. Comparing Lacey's four types of taxes in Exhibit 15, sales tax was the largest component in 2014 (35 percent) and is still the largest component (46 percent by 2023).

**Exhibit 15. Lacey Tax Revenues From Fiscal Years 2014 to 2023**



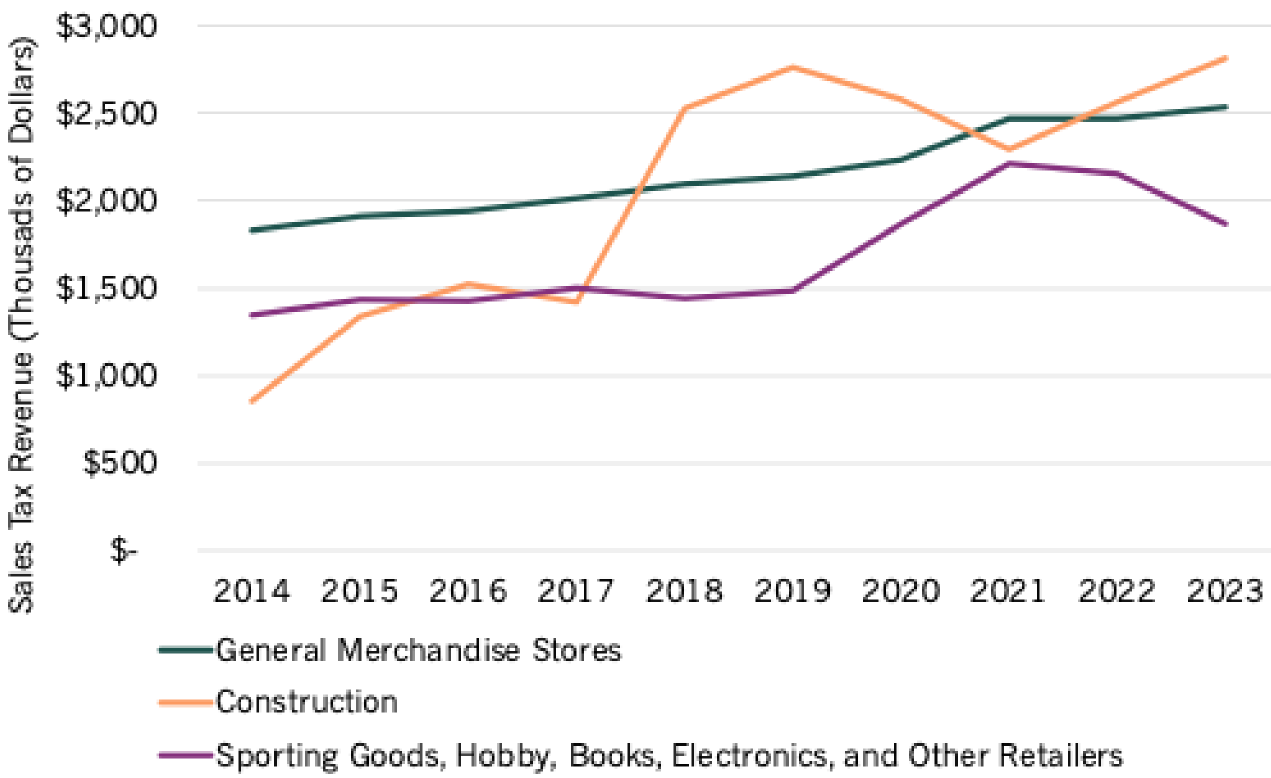

Source: *2023 Annual Comprehensive Financial Report.* City of Lacey, WA, 2023

Exhibit 16 shows the top three components of Lacey's sales tax revenue. It shows that the key drivers sales tax revenue are the following industry categories:

- General Merchandise Stores: This is usually the largest component, except when there is strong construction activity. This category includes wholesalers and large retailers—like Walmart and Target—but does not include grocery-only stores or department stores.
- Construction: This category of sales tax revenues is sensitive to economic cycles, rising when there is strong construction activity and falling during economic downturns. So, it provides a less steady source of sales tax revenues.

- Sporting Goods, Hobby, Books, Electronics, and Other Retailers: This category includes stores that sell specialized goods and occupy large building footprints, usually.

**Exhibit 16. Lacey Sales Tax Revenue for Top Three Industry Categories**




Source: *2023 Annual Comprehensive Financial Report.* City of Lacey, WA, 2023

Sales tax is also an important driver of local tax revenues in other cities in the region. Exhibit 17 compares Lacey to three other cities: Olympia, Lakewood, and Federal Way. In all of these cities, sales tax makes up between 39 and 46 percent of tax revenues.

Exhibit 18 also shows the size of each city's tax revenue compared to the population size.

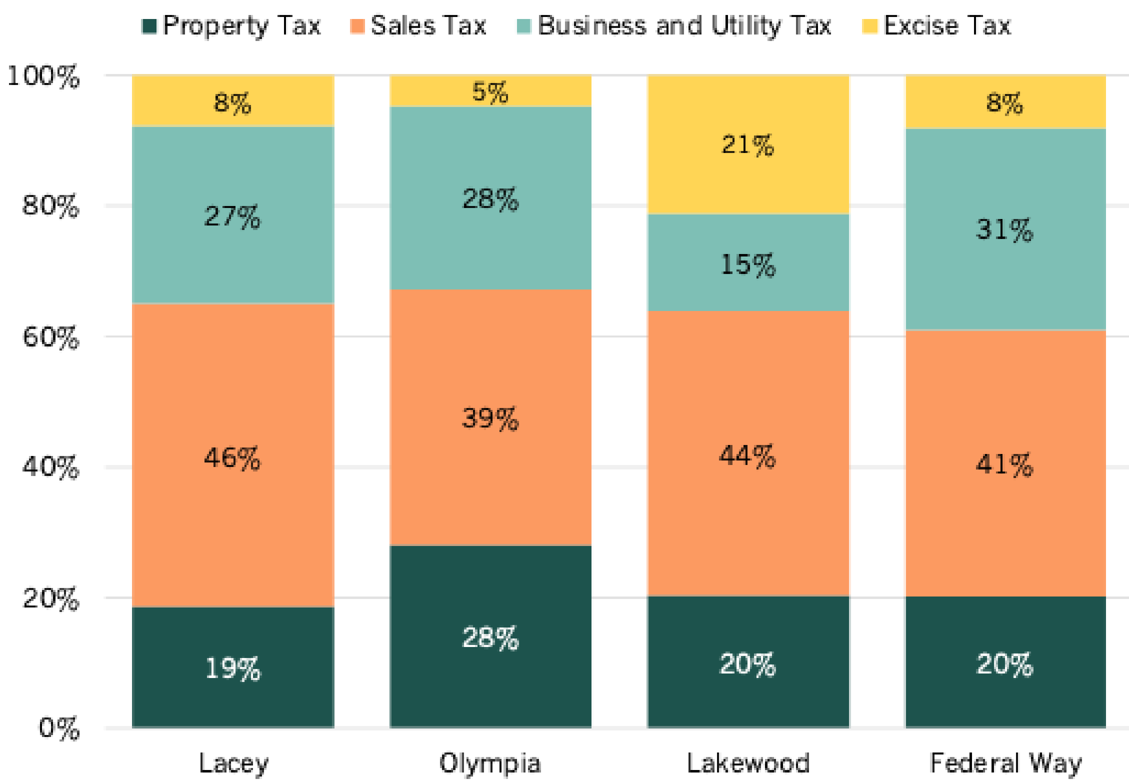
Comparing these two exhibits there are a few notable differences about the comparison cities when compared to Lacey:

- In Olympia, property tax revenues make up a greater share of the city's tax revenues. This is partly because property values are higher and partly because there are higher density developments.
- In Olympia, the tax revenue per capita is about twice as large. This is not just because property values are typically higher in Olympia. This is because there are

much more taxable economic activities happening in Olympia (i.e., more properties, more retail and auto sales, more business revenues, etc.).

- About half of the excise tax revenues in Lakewood is attributable to gambling taxes. Lakewood's gambling tax rates vary from 2 percent of net receipts for amusement games to 5 percent of gross receipts for bingo games and 11 percent of gross receipts for card games.[7]
- While the tax revenue components are similar between Lacey and Federal Way, the per-capita tax revenue is lower in Federal Way.

**Exhibit 17. Tax Revenues by Source in Lacey and Comparison Cities in 2023**




Source: *2023 Annual Comprehensive Financial Report.* City of Lacey, WA, 2023; *2023 Annual Comprehensive Financial Report.* City of Olympia, WA, 2023; *2023 Annual Comprehensive Financial Report.* City of Lakewood, WA, 2023; *2023 Annual Comprehensive Financial Report.* City of Federal Way, WA, 2023.

**Exhibit 18. Average Tax Revenues per Capita in Lacey and Comparison Cities in 2023**

| LACEY | OLYMPIA | LAKEWOOD | FEDERAL WAY |
|---|---|---|---|
| $834 | $1,698 | $613 | $612 |

Source: *2023 Annual Comprehensive Financial Report.* City of Lacey, WA, 2023; *2023 Annual Comprehensive Financial Report.* City of Olympia, WA, 2023; *2023 Annual Comprehensive Financial Report.* City of Lakewood,

[7] City of Lakewood. "Taxes and Fees in Lakewood." https://cityoflakewood.us/finance/taxes-fees-in-lakewood/

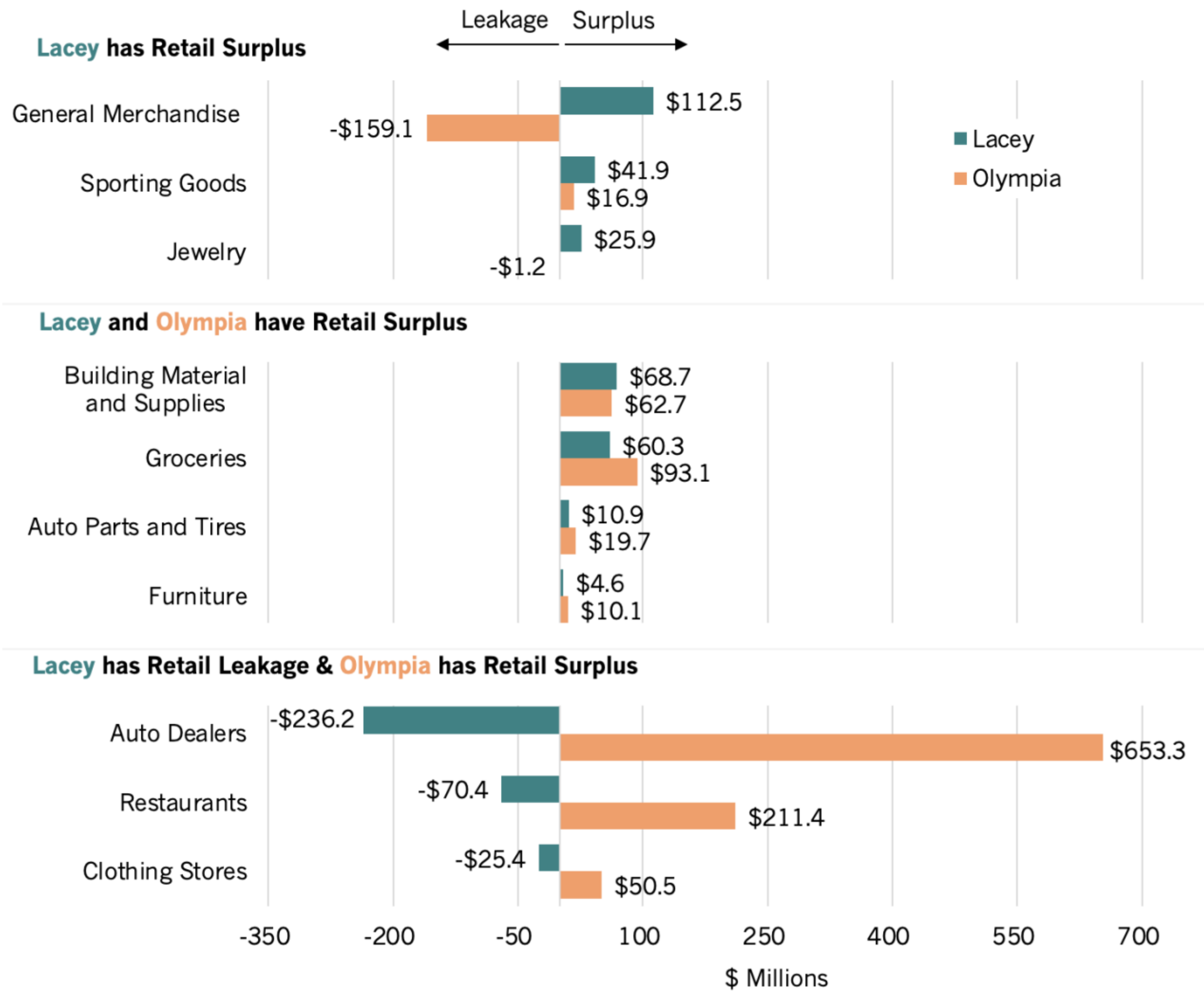
WA, 2023; *2023 Annual Comprehensive Financial Report.* City of Federal Way, WA, 2023; U.S. Census Bureau Quick Facts

## Retail Leakage

Retail leakage[8] occurs when residents do not have competitive opportunities to purchase goods locally and must travel outside the primary market area (or purchase online) to find desired products. Exhibit 19 shows that there is an observed retail surplus across a few retail categories in Lacey. Olympia is offered as a comparison, but retail leakage from Lacey does not necessarily flow to Olympia.

[8] Retail leakage shows an existing gap, representing the difference between demand and supply within specific geographic boundaries. A **negative value** represents leakage of retail opportunity outside the market area, and potential for that demand to instead be met locally. A **positive value** represents a surplus of retail sales, a market where customers are drawn in from outside the market area.

**Exhibit 19. Retail Surplus and Leakage by City**




Data source: Claritas

Lacey outsells Olympia in general merchandise (which includes stores such as Target and Walmart and excludes general grocery stores and department stores), sporting goods, and jewelry. Lacey and Olympia perform similarly on retail sales in building materials, groceries, auto parts, and furniture. However, there is retail leakage from Lacey when it comes to auto dealers, restaurants, and clothing stores. While there may be a higher barrier to entry for auto dealers because of high capital costs and limited franchise opportunities, these data points suggest Lacey could focus on growing the diversity of its restaurant and apparel store options.

## Foot Traffic and Visitors

There are several key retail areas in Lacey, including South Sound Center and Market Square (along Sleater Kinney Road SE), Hawks Prairie Village Mall (along Marvin Road NE), and Summerwalk Village (on College Street SE and Yelm Highway SE). Visits per year to these retail areas range from 5 to 12 million. Around 50 percent of visitors to these shopping areas originate from Olympia, and around 20 percent originate from Lacey. As a local destination for general merchandise, many people living outside Lacey shop in Lacey's stores. Most visitors are at home prior to visiting the retail area and return home post shopping.[9]

Place.ai's Void Analysis tool[10] suggests types of businesses that may be lacking in particular areas. In South Sound Center and Hawks Prairie Village Mall, the five most common types of businesses that seemed to be lacking are the following.

- Restaurants (e.g., American, Mexican, seafood)
- Groceries (e.g., ethnic/international, independent/local)
- Attractions (e.g., bowling, museum, etc.)
- Cannabis dispensaries
- Cafés/bakeries

While these data points alone do not lead to conclusive findings, they provide an additional perspective for identifying retail development opportunities in Lacey.

## Neighborhood Commercial District Survey

At the end of 2022, the City of Lacey conducted a survey of its residents, workers, and visitors to gather community perspectives ahead of the next update to its Neighborhood Commercial Districts. A majority of the responses came from residents in Hawks Prairie Planning Area. About half of those who responded were born in 1970 or later (younger than 55 years), and the other half were born earlier than 1970 (55 years or older).
One of the survey questions read: "How often do you travel outside the City of Lacey for your shopping and services-related needs (groceries, home goods, restaurants, gyms, barber, etc.)?" In response, about 45 percent said they traveled outside the city more than once a week, and 79 percent said they did so more than once a month. The responses suggest most people are frequently leaving Lacey to find specific goods or services.

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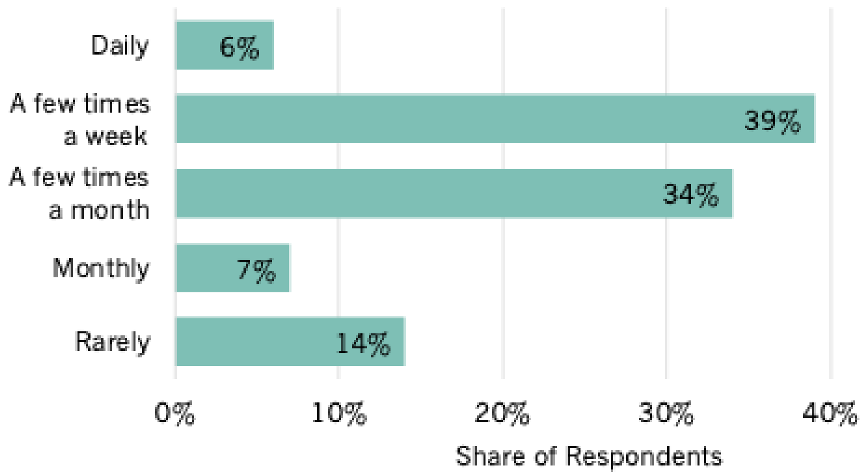
[9] These data points are from Placer.ai.
[10] Placer.ai assesses void by ranking retailers by their relative fit score (based on demographic fit, cannibalization risk, average monthly foot traffic and co-tenancy fit) to see what specific retailers or retail types fill that void.

**Exhibit 20. Frequency of Shopping Outside Lacey**




Source: City of Lacey. Neighborhood Commercial District Survey Results. 2023

Some of the most frequent retail or service-related businesses people sought out included the following.

- **Specialty Markets:** Respondents often travel to communities that offer a wider selection of fresh, organic, or international groceries. A large number of respondents shop at Trader Joe's, Whole Foods, and specialty grocery stores like Asian markets.
- **Restaurants and Cafés:** Dining options are a key reason people visit other areas. Respondents seek out higher-quality restaurants, coffee shops, and unique dining experiences not available locally. Many prefer sit-down establishments over fast-food options.
- **Clothing and Department Stores:** Shoppers frequently visit stores such as Macy's, Nordstrom, and REI for clothing and outdoor gear. Many noted that their local options are limited, and they travel to other areas for better selection and quality.
- **Entertainment, Leisure, and Personal Services:** People frequently visit bookstores, movie theaters, hair salons, medical services, and family-friendly attractions. Some noted a desire for more entertainment options and specialized providers, such as boutique gyms and holistic health services, closer to home.

## 4. Commercial Real Estate Inventory and Trends

Retail rents are typically higher in Lacey than in the rest of Thurston County, suggesting a relatively strong demand for retail spaces. Highest asking rents are observed in Hawks Prairie. Lacey's industrial (i.e., warehouse) spaces are larger, reflecting the presence of large logistics facilities in Hawks Prairie.

Weakness in Lacey's commercial real estate is concentrated in Lacey Midtown. There are retail vacancies, both small and large spaces. While Lacey has made a significant progress in reducing office vacancies over the last ten years, large vacancies remain in state government buildings. However, there are recent developments that suggest Lacey Midtown is in the early stages of ongoing enhancement.

## Commercial Inventory

Exhibit 21 shows the supply of commercial real estate in Lacey and Thurston County. In both places, industrial spaces are the most common, followed by retail and office spaces. Proportionally speaking, there is a greater concentration of industrial space (i.e., warehousing and distribution) in Lacey. There are very few flex spaces, which are adaptable commercial spaces that can function as both office and warehouse/industrial areas.

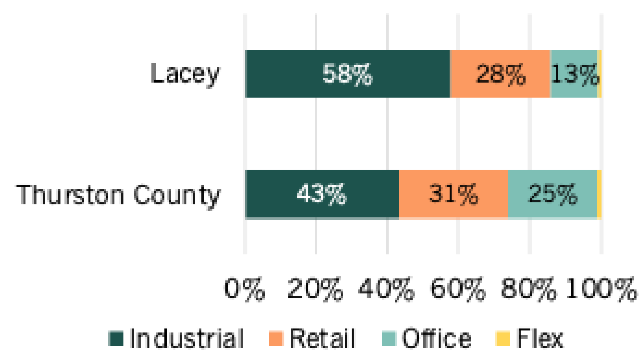
**Exhibit 21. Commercial Real Estate Inventory (Square Feet)**

| | LACEY | REST OF THURSTON COUNTY | THURSTON COUNTY TOTAL |
|---|---|---|---|
| **Industrial** | 10,300,000 | 10,900,000 | 21,200,000 |
| **Retail** | 5,000,000 | 10,000,000 | 15,000,000 |
| **Office** | 2,400,000 | 9,700,000 | 12,100,000 |
| **Flex** | 113,000 | 469,000 | 582,000 |
| **Total** | 17,813,000 | 31,069,000 | 48,882,000 |

Source: CoStar, March 2025

When looking at the makeup of the commercial real estate inventory in each place, Exhibit 22 shows that Lacey has proportionately greater amount of industrial and less amount of office space. This reflects the presence of logistics facilities in Hawks Prairie and office buildings in Olympia.

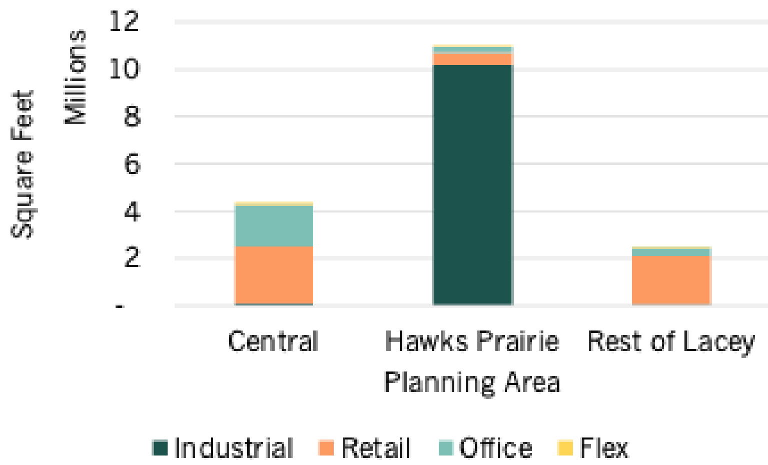
**Exhibit 22. Commercial Real Estate Shares**




Source: CoStar, March 2025

Commercial real estate looks different across Lacey. There is a mix of retail and office in Lacey Midtown and the Depot District areas of the central Lacey. Commercial real estate in northeast Lacey and Hawks Prairie areas is mostly industrial. While there are a couple of retail centers in other parts of Lacey, they are not as large as the retail businesses in Lacey Midtown and the Depot District areas in central Lacey.

**Exhibit 23. Commercial Real Estate Inventory (Square Feet) By Planning Area**




Source: CoStar, March 2025

## Vacancy and Lease Rates

There are a few notable differences in the vacancy and average lease rates between Lacey and the county, which can be observed by comparing the data in Exhibit 24 and Exhibit 25.

- **Industrial:** The average lease rate is lower in Lacey. However, industrial buildings are typically at least twice as large. Since larger spaces tend to have lower per-square-foot lease rates, the lower rate in Lacey is not unexpected.
- **Retail:** The average lease rate is somewhat (7.5 percent) higher in Lacey. At the top end, for example, the asking rate for newest spaces in Hawks Prairie was $44 per sq. ft., as of early 2025. The average building size is slightly higher. This suggests there is a strong demand for retail space in Lacey. However, as shown in Exhibit 28, retail vacancy in Lacey ticked upwards during the second half of 2024. Many of the vacant spaces are in and near the South Sound Center (Lacey Midtown) where properties are older. As shown in Exhibit 29, vacant retail spaces vary widely in size.
- **Office:** The average lease rate is somewhat (7.0 percent) higher in Lacey. The vacancy rate used to be very high (above 10 percent until 2018), but it has come down to a healthy rate (below 4.0 percent) in recent years (see Exhibit 30). Still, about half of the vacant office properties and nearly 75 percent of the vacant office spaces are in state government buildings located in Lacey Midtown.

**Exhibit 24. Commercial Real Estate in Lacey**

| | VACANCY | AVERAGE LEASE RATE ($ PER SQ. FT.) | AVERAGE SIZE (SQ. FT.) |
|---|---|---|---|
| **Industrial** | 5.7% | $8.52 | 106,186 |

| | | | |
|---|---|---|---|
| **Retail** | 5.2% | $24.18 | 13,333 |
| **Office** | 4.0% | $26.30 | 15,686 |
| **Flex** | 0% | $15.11 | 9,417 |

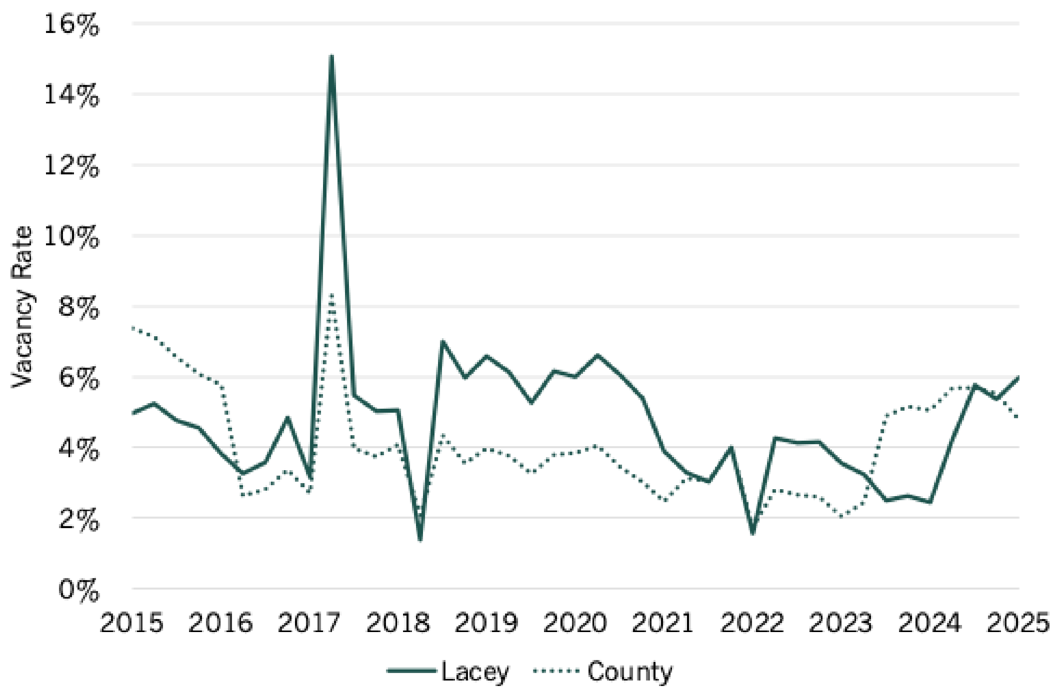
Source: CoStar, March 2025

**Exhibit 25. Commercial Real Estate in Thurston County**

| | VACANCY | AVERAGE LEASE RATE ($ PER SQ. FT.) | AVERAGE SIZE (SQ. FT.) |
|---|---|---|---|
| **Industrial** | 5.4% | $9.45 | 43,802 |
| **Retail** | 3.1% | $22.49 | 10,799 |
| **Office** | 2.8% | $24.58 | 13,067 |
| **Flex** | 1.1% | $15.00 | 13,857 |

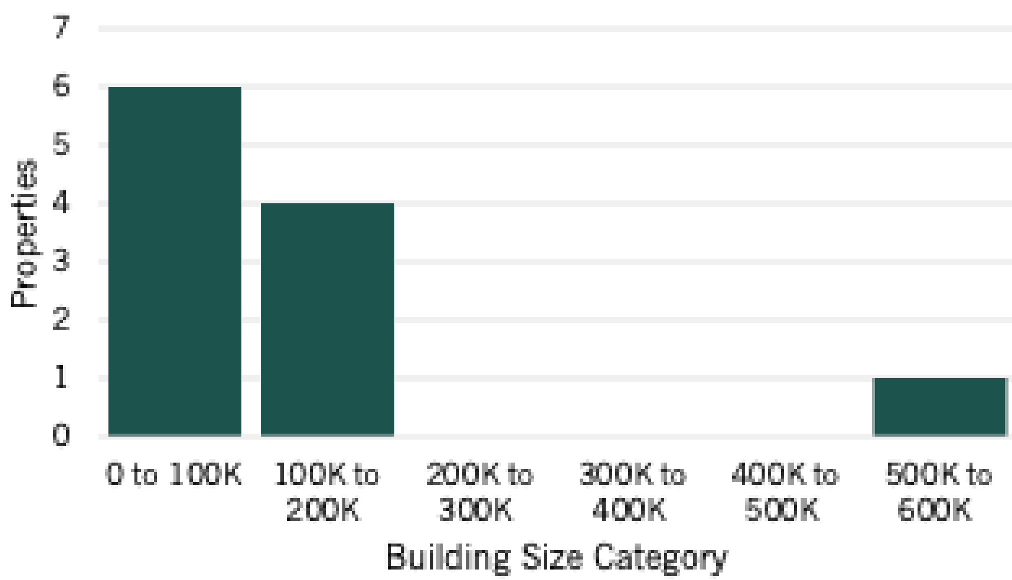
Source: CoStar, March 2025

**Exhibit 26. Industrial Vacancy Rate in Lacey and Thurston County**



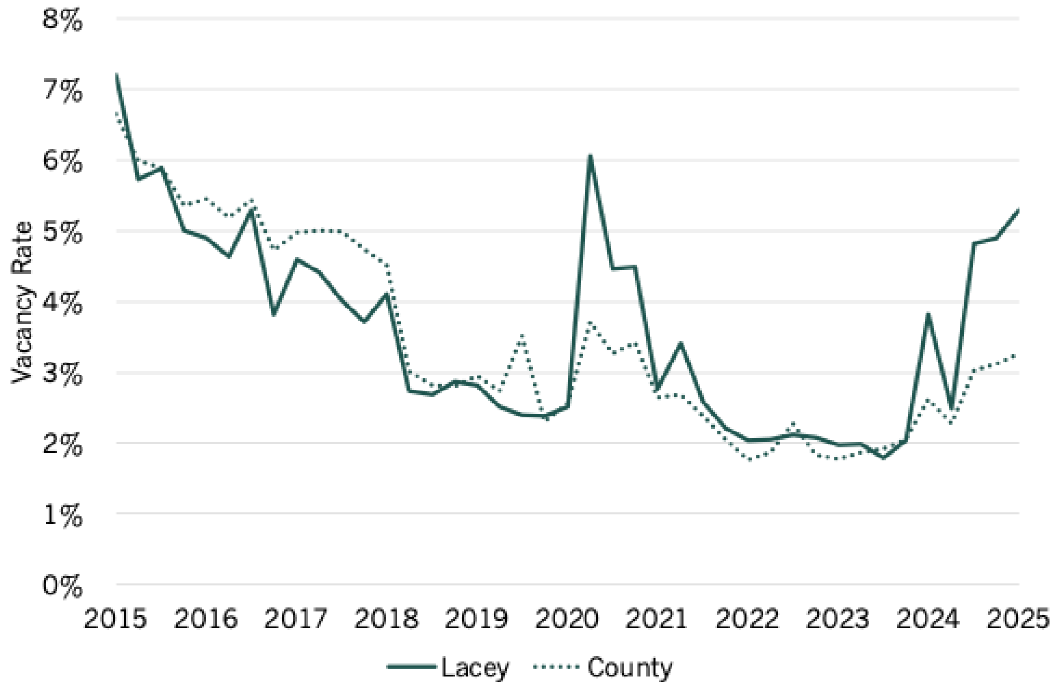

Source: CoStar, March 2025

**Exhibit 27. Industrial Vacant Space (Sq. Ft.) by Building Size Category (Total: 11 Properties)**



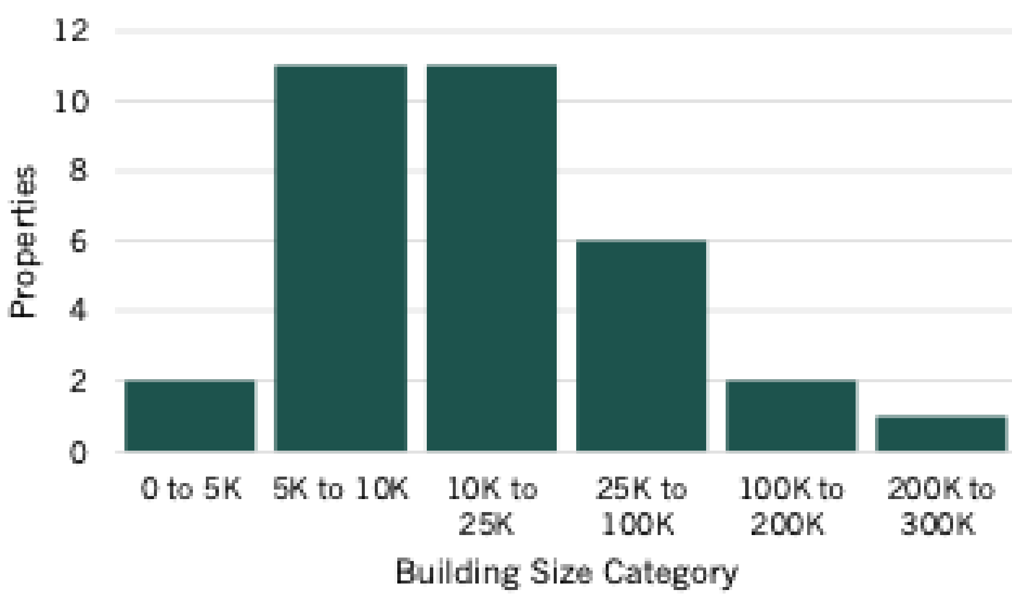

Source: CoStar, March 2025

**Exhibit 28. Retail Vacancy Rate in Lacey and Thurston County**



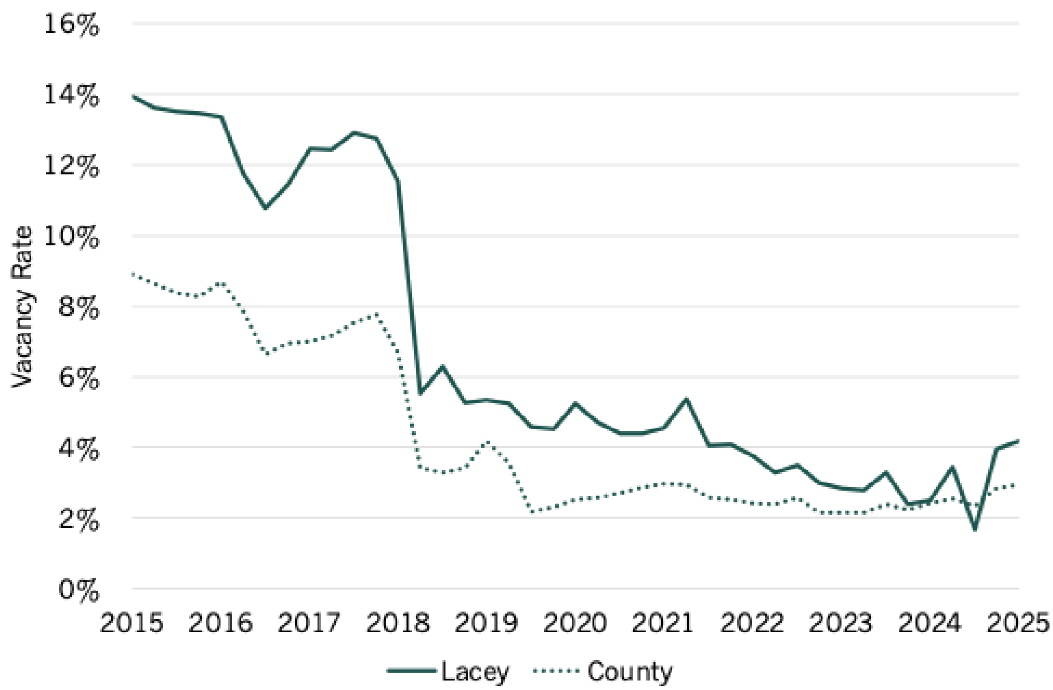

Source: CoStar, March 2025

**Exhibit 29. Retail Vacant Space (Sq. Ft.) by Building Size Category (Total: 33 Properties)**



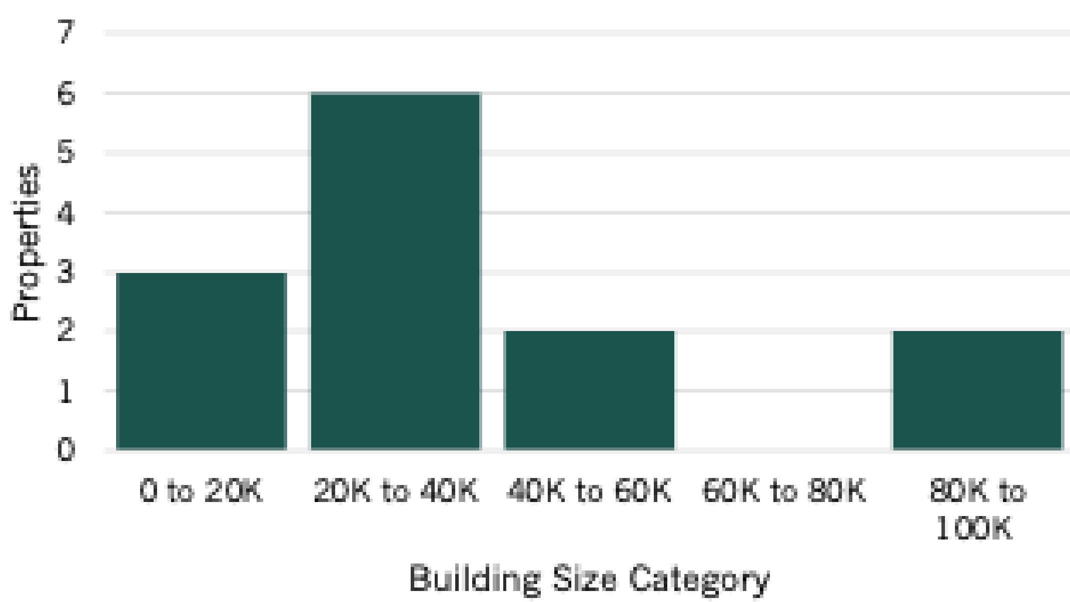

Source: CoStar, March 2025

**Exhibit 30. Office Vacancy Rate in Lacey and Thurston County**




Source: CoStar, March 2025

**Exhibit 31. Office Vacant Space (Sq. Ft.) by Building Size Category (Total: 13 Properties)**




Source: CoStar, March 2025

## Recent Developments

### LACEY MIDTOWN

Although there are notable retail and office vacancies in Lacey Midtown, new developments are slowly starting to replace underutilized buildings.

- New retail: Several buildings along Pacific Ave SE were demolished in 2021 and have been replaced with new retail, such as Banfield Pet Hospital, Chipotle (a fast-casual Mexican grill), Sharetea (a bubble tea shop), and 7-Eleven (a convenience store). There still remains about 1 acre of undeveloped land, which could see a couple of new retail establishments.
- New housing: A new apartment with 50 market-rate units is replacing an old office building on Woodland Square Loop SE. It is expected to open this year.

**Exhibit 32. Pacific Avenue Developments**


Source: CoStar

**Exhibit 33. 629 Building in Lacey Midtown**

Source: CoStar

## HAWKS PRAIRIE

The southern portion of Hawks Prairie area near Marvin Road NE is filing up with neighborhood centers and new retail. There also are new retail developments near the Hawks Prairie area along Martin Way E. These new retail spaces are contributing to both higher retail lease rates and temporary increases in retail vacancies in Lacey.

Lacey is also beginning to see the development of a new hospitality sector. While many hotels exist next to Lacey Midtown along Interstate 5, new hotels are entering the market in anticipation of Quiemuth Resort and Quiemuth Village projects. There are two proposed developments for hotels along Marvin Rd NE. Residence Inn by Marriott would finish construction by 2026 and have 136 rooms. Homewood Suites by Hilton would finish construction by 2028 and have 142 units.[11]

[11] Information on development proposals are based on data in CoStar.

# 5. Implications of Quiemuth Village Development

The next, large wave of development in Lacey is expected to be the Quiemuth Resort and Quiemuth Village projects. The Nisqually Indian Tribe is planning to develop a casino it would own and operate in the Quiemuth Resort property. The Tribe also purchased a 174-acre property around the Quiemuth Resort property and is planning to develop a mixed-use community that includes a mix of multifamily housing, retail, grocery, and entertainment venues. If the proposed project successfully completes federal review processes and is financed, it could lead to a new economic development opportunity.

The analysis below does not include the Quiemuth Resort property because the fiscal implications for the City of Lacey are expected to be minimal. The analysis assumes the City would not be able to collect taxes, and municipal services would be provided by the Nisqually Indian Tribe.

**Exhibit 34. Property Boundaries for Proposed Quiemuth Resort and Village Developments**


Source: Nisqually Indian Tribe

According to the Environmental Assessment (EA) report submitted to the Bureau of Indian Affairs in August 2024, the proposed development of Quiemuth Village would include a mix of commercial, retail, recreational, lodging, and housing uses. The EA outlined two alternatives. Alternative 1 would have more retail uses and a travel center for fueling trucks. Alternative 2 would have less retail uses but have a school, more outdoor recreational facilities, and a neighborhood gas station.

**Exhibit 35. Land Use Summary for Proposed Quiemuth Village Development**

| LAND USE | ALTERNATIVE 1 COMMERCIAL-HEAVY MIXED-USE | ALTERNATIVE 2 RECREATION-HEAVY MIXED-USE |
|---|---|---|
| **Commercial and Retail** | 929,500 sq. ft. | 588,500 sq. ft. |
| **School** | none | 30,000 sq. ft. |
| **Recreational Facilities** | 7.4 acres | 53.1 acres |
| **Lodging Facilities** | 200 rooms | 200 rooms |
| **Housing** | 320 units | 320 units |
| **Fuel Pumps** | 10 diesel / 16 gasoline (travel center/truck stop) | 10 gasoline (gas station) |
| **Total Parking** | 4,655 spaces | 3,186 spaces |

Source: Quiemuth Village Environmental Assessment, 2024

## Implications for the City of Lacey

As presented above, sales tax is the largest component of the City of Lacey's tax revenues and a key driver of municipal revenues in the region. Therefore, cities are competing to establish local retail destinations that could generate local sales and reduce retail leakage. Moreover, it is important to attract types of retail that the residents want.

The proposed development can be one of the answers to Lacey's retail development needs. Alongside the resort property, the proposed mixed-use neighborhood is not only going to be a regional attraction but also aligned with the City's needs.

- New retail spaces would add opportunities for new retail activities. Alternative 1 would add about 18 percent and Alternative 2 would add about 11 percent compared to 5 million square feet of retail in the city.
- The proposed types of retail include those that residents want, namely retail and dining, upscale grocery, golf, and family entertainment (e.g., theater, bowling alley, arcade).

Additionally, lodging tax could become more important for the City of Lacey. The resort property would be supported by potentially up to 480 new lodging facilities. The Quiemuth

Village development expects 200 rooms, and two adjacent hotels could add 278 rooms if the developments move forward as proposed. These new rooms would more than double the number of hotel rooms in Lacey.[12]

In addition to the retail and hotel developments discussed above, new housing developments near Quiemuth Village are currently under consideration. Ainsley at Lacey would be a 291-unit market-rate apartment located north of Britton Parkway NE and east of Shady Glen Court NE. Plans[13] suggest there would be a second phase of the development, which could add about 260 more units.[14] There are also proposals to build about 400 units along 15th Avenue NE.[15] These would be 3-story apartments[16] located about halfway between Quiemuth Village and Lacey Midtown.

Because the Nisqually Indian Tribe has not yet decided on either of the two proposed alternatives, the City of Lacey is assessing its options while waiting for more information. When a final development proposal is available, the City should re-evaluate the mix of retail, residential, and non-residential uses and consider complementary land uses that could locate around the Quiemuth Resort and Village projects.

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12 According to CoStar, there are 381 hotel rooms in Lacey with an average daily rate of $117 and occupancy rate of 63.6 percent. These number do not include short-term rentals or vacation rentals.

13 City of Lacey. #23-0058 – Britton Place Short Subdivision. https://cityoflacey.org/projects/britton-place-short-subdivision-23-0058/

14 Boone, Rolf. "500-unit apartment proposal in NE Lacey is now official, city information shows." November 27, 2021. https://www.theolympian.com/news/local/article256120642.html

15 Data from CoStar

16 CPH Consultants. Site Plan Review Application Canfield Apartments. August 2, 2024. https://cityoflacey.org/wp-content/uploads/sites/3/2024/10/3-Canfield-Project-Narrative.pdf

Lacey 2030: Economic Development Strategic Plan

# APPENDIX C

# Appendix C: Community Engagement Findings

## Lacey 2030: Innovation, Opportunity, Community

**Economic Development Strategic Plan 2026-2030**

To inform the City of Lacey's Economic Development Strategy, ECOnorthwest conducted a series of twelve in-depth stakeholder interviews to gather insights on opportunities, challenges, and priorities directly from organizations and community members involved in the local and regional economy. While we have anonymized interview findings to encourage transparency, to date, these interviewees have included (in no particular order):

- Michael Cade, Thurston Economic Development Center (EDC)
- Sean Moore, Thurston EDC Center for Business & Innovation
- Mike Reid, Port of Olympia
- Darin Goss, Providence Hospital
- Erika Titus, Providence Hospital
- David Tuyo, Twinstar Credit Union
- Mike Raskin, MJR Development
- Jason Huang, SWAE Night Market
- William Westmoreland, Pacific Mountain Workforce Development
- Nathan Peters, St. Martin's University
- Tevin Campbell, Jerk an' Tingz
- Cecelia Loveless, MultiCare
- Chris Blume, Capital Development Company

We are deeply grateful to these individuals for volunteering their time and expertise to support the project. These conversations (held both virtually and in-person) helped validate the data findings and also provided qualitative nuance, identifying gaps that data alone cannot always reveal. A summary of the key themes discussed in these interviews is below.

## Key Findings

### DEFINING LACEY'S IDENTITY

Lacey is often regarded as the economic engine of Thurston County, characterized by growth in logistics, creative partnerships, and a reputation for inclusivity and diversity. However, stakeholders noted that the city's strengths and identity could be more visible regionally and could be promoted more consistently to attract investment and talent.

- **Lacey is regarded as the primary economic center in the region, with a concentration of growth and resources.** Regional economic development partners described the city as the largest hub of commerce and investment activity in the area, with a significant share of Thurston County's growth occurring in Lacey. Stakeholders pointed to the I-5 diamond interchange as a key investment that unlocked new development opportunities east of the freeway, particularly for warehouse users looking for access to regional transportation corridors.
- **There is an opportunity to strengthen Lacey's economic identity and visibility.** Participants shared that the city's strengths, such as its diversity, military and higher education connections, and logistics access, are not always visible regionally and could be promoted more consistently to attract investment.
- **Market shifts are making Lacey feel more similar to larger communities to the north.** Participants noted that growth in logistics, warehousing, and regional trade is increasing competition for space and shaping Lacey's economic landscape. Some observed that this shift brings new opportunities but also creates pressure on land and infrastructure.
- **The Lacey MakerSpace and other partnerships demonstrate Lacey's collaborative approach to economic development.** Stakeholders described the Lacey MakerSpace as a unique regional asset that combines resources from the City, higher education institutions, and the economic development council to support entrepreneurship, workforce training, and innovation. This model of partnership was highlighted as an example of how major economic development leaders in Lacey work together to create shared spaces, leverage funding, and provide support for both established businesses and early-stage ventures.
- **Lacey's diversity and inclusivity are seen as distinctive strengths.** Stakeholders consistently described Lacey as a welcoming, open-minded community that embraces cultural diversity and new ideas. Small business owners, event organizers, and regional partners highlighted that the city's supportive environment has helped attract entrepreneurs from a wide range of backgrounds and create spaces, such as the Night Market and Food Truck Depot, where diverse vendors and customers feel represented and included.

## FOSTERING SMALL BUSINESS GROWTH

Small businesses and entrepreneurs value Lacey's approachable support systems, including grants and community programming, but could benefit from additional opportunities for community exposure and accessible commercial space.

- **Lacey's support systems are perceived as approachable and practical, offering resources that help small businesses get started, grow, and navigate requirements.** Entrepreneurs shared that grants, business coaching, and connections to resources from the EDC were essential to launching and growing their operations. Business owners and community partners also emphasized that City staff are approachable, responsive, and collaborative, and that Lacey's leadership has consistently fostered a culture of problem-solving and creativity that supports innovation.
- **City initiatives and community programming have provided important platforms for early-stage businesses.** Participants highlighted the Food Truck Depot and Night Market as key venues for building customer bases and increasing visibility, noting that these spaces have supported a diverse group of vendors. Entrepreneurs and event organizers described consistent programming as a primary factor in sustaining sales and building customer relationships.
- **Lack of affordable spaces limits microenterprises from transitioning to small businesses.** Stakeholders, particularly food entrepreneurs, emphasized that while Lacey provides supportive entry points such as grants, the Food Truck Depot, and markets, there are few affordable options for businesses ready to grow beyond mobile operations. Limited and costly commissary kitchens, combined with a shortage of smaller-scale commercial spaces suitable for early expansion, were described as barriers to scaling up.
- **Sustaining growth depends on attracting more residents to live in the community.** Stakeholders noted that long-term demand for business services and lending relies heavily on continued population growth to create new customers, expand the workforce, and generate tax revenue.

## SUPPORTING LACEY'S WORKFORCE

Lacey's location and sense of community are seen as key assets for attracting students and staff. At the same time, employers recognized opportunities to improve recruitment and retention efforts, highlighting gaps in workforce training, housing, and childcare.

- **The city's combination of location, affordability, and access to nature and transportation is seen as an advantage for families and professionals.** Stakeholders cited proximity to I-5, Seattle-Tacoma International Airport, and recreational areas as appealing to employees seeking both convenience and a high quality of life. Additionally, stakeholders mentioned the City's character, sense of community, and school quality help make Lacey an attractive option, especially compared to larger cities with higher costs.

- **Healthcare demand is driving continued investments in clinics and specialty facilities.** Organizations described current and planned projects, including specialty care expansions and new clinics to meet population growth. Several noted that the region's aging population is also contributing to increased demand for healthcare services.
- **Technical and specialized staff often need to be recruited from outside the area.** Employers reported that technology, healthcare, and other specialized roles can be challenging to fill locally, often necessitating regional or national searches.
- **Housing affordability and access to childcare are challenges for recruitment and retention.** Employers consistently identified these issues as the most significant barriers to attracting and keeping employees, noting that even with good wages, employees often commute from other cities because attainable housing or childcare options are limited near their workplaces.
- **Workforce training programs face funding and capacity constraints.** Workforce development stakeholders explained that while the city has good access to training infrastructure, limited funding can make it hard to expand non-degree credential programs. Interviewees also observed that many schools focus heavily on college preparation and could better connect students to careers in logistics, manufacturing, or other technical fields, which are strong industries in Lacey and do not typically require a college degree.

## BUILDING VIBRANT SPACES AND AMENITIES

While Lacey's amenities and community events are important anchors, stakeholders described opportunities to expand dining, entertainment, and gathering spaces to better serve residents and support recruitment.

- **Lacey's multiple neighborhoods create distinct centers of community and commerce.**
  Stakeholders noted that, although Lacey does not have a traditional downtown, it has developed several distinct areas where small businesses, restaurants, and community services are clustered. For example, stakeholders noted that amenities, parks, and streetscape investments have all contributed to establishing Midtown's identity as a vibrant, connected district. These enhancements were described as critical to sustaining long-term interest and fostering a strong sense of place in the area.
- **Infrastructure upgrades are enhancing access and setting the stage for more vibrant commercial hubs.** Stakeholders noted that recent sidewalk and streetscape improvements have supported smaller tenants by improving visibility and walkability

around their businesses. Looking ahead, the proposed roundabout at College Street and Seventh Avenue in Midtown is expected to improve pedestrian access, strengthen connections between Saint Martin's University and Midtown, and contribute to a more cohesive and inviting commercial district.

- **There is interest in holding more frequent and year-round community events.** Stakeholders noted that while summer events are very beneficial, sales tend to decline during the winter months, and holding events more frequently could help maintain revenue and customer engagement throughout the year. Interviewees also suggested that expanding event programming could strengthen neighborhood identity and help attract families and professionals to Lacey.
- **Increased dining, entertainment, and gathering spaces could improve employee retention and appeal to younger professionals.** Several participants noted that additional restaurants, social venues, and nightlife options could support the recruitment of employees and the retention of graduates. Developers also pointed to consistent leasing of new apartments and commercial spaces as evidence of sustained market interest in creative, mixed-use development, emphasizing that projects offering food, recreation, and gathering spaces are outperforming single-use models.

Taken together, these insights highlight both the strengths that position Lacey as a regional economic hub and the areas where targeted investments and policy changes could further strengthen the city's competitiveness. Stakeholders emphasized the importance of maintaining Lacey's collaborative approach to economic development, supporting small business growth through accessible spaces and consistent programming, and investing in workforce readiness, housing, and amenities that make the community attractive to both residents and employers. These themes will help shape an Economic Development Strategic Plan that reflects local values and priorities, complementing additional research to recommend actionable strategies and partnerships that support the city's long-term vision.

**LACEY CITY COUNCIL MEETING**
**December 9, 2025**

**SUBJECT:** **Public Works Water Resources**

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**BRIEFING:** **The City Council will be briefed on the programs and activities administered by the Water Resources Division of the Public Works Department**

**STAFF CONTACT**: Rick Walk, City Manager RW
Scott Egger, Director of Public Works SE
Vince McGowan, Water Resource Manager VMc

**ORIGINATED BY**: Public Works

**ATTACHMENTS**: None

**FISCAL NOTE:** Funds for the water, sewer, stormwater, and reclaimed water utilities account for about $116 million of the $225 million proposed 2026 budget, with about $38 million proposed for spending on critical utility capital projects in 2026. The remainder of the utility budget is expended in Operations, Water Resources, LOTT, and debt service.

**PRIOR REVIEW**: N/A

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**BACKGROUND:**

The Water Resources Division of the Public Works Department provides high quality technical, engineering, and professional services for the water, wastewater, reclaimed water, and stormwater utilities. We collaborate broadly within and outside the City to provide essential utility services that support growth and protect environmental and public health and safety. We provide these services with 17 full-time staff, 2 engineering interns, and 2 part-time staff.

Our services include developing the utility comprehensive plans that inform our capital facilities plan. We work to ensure environmental regulatory compliance for City activities, community education and outreach, planning, design, and project management, development review, and operational support across the utilities.

Water Resources also leads the City's efforts in a myriad of natural resource management issues including watershed planning, water rights management, wastewater reduction, stormwater management, water conservation, water reuse, and drinking, groundwater and surface water quality monitoring and protection. We manage programs that protect our drinking water including cross-connection control and backflow protection, water conservation, wellhead protection, and drinking water distribution system monitoring.

Our stormwater and water conservation teams run volunteer programs and work with other local, state, and federal agencies on regulatory issues, including wetland protection, water quality standards, permitting, and environmental program evaluation. We are the lead entity within the City for salmon recovery efforts. We are active participants in the regional Stream Team education and outreach program, and we support the local South Sound Green watershed education efforts that empower and connect over 100 classrooms and thousands of students in field-based watershed studies annually.

Lacey is fortunate to have a healthy and vibrant natural environment with streams, lakes, wetlands, and underground aquifers that both humans and wildlife rely on. Our role in Water Resources is to guide the protection and use of all our waters so that our generation and future generations can continue to be refreshed and sustained by them.

# LACEY CITY COUNCIL WORKSESSION
**December 9, 2025**

**SUBJECT:** **Briefing on amendments to the State Business and Occupation (B&O) Model Tax Ordinance and required amendment to Lacey Municipal Code 3.02.040**

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**RECOMMENDATION:** At a future meeting, consider adoption of an ordinance amending Lacey Municipal Code 3.02.040 to comply with the Statewide B&O Model Tax Ordinance

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**STAFF CONTACT:** Rick Walk, City Manager RW
Troy Woo, Finance Director TW
Chelsea Yarwood, Accounting Manager CY

**ORIGINATED BY:** Finance Department

**ATTACHMENTS:** 1. Draft Ordinance No. XXXX
2. Model Ordinance Language Changes (pages 6-10)

**FISCAL NOTE:** Not Applicable

**WORK PLAN GOAL AND STRATEGY:** None

**PRIOR REVIEW:** None

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**BACKGROUND:**

Legislation adopted in the 2003 session required the 54 cities with local B&O taxes to adopt a city B&O tax model ordinance (RCW 35.102). The model was updated in 2007, 2012, 2019, and 2023.

In the 2025 legislative session, SB 5814 changed the state's definition of retail sales to include additional services requiring the model to be updated again. The changes are effective January 1, 2026.

A workgroup of city finance directors and tax managers worked with the Association of Washington Cities (AWC) to update section .030 of the model ordinance to draft a straightforward update to incorporate the state's changes to the taxation of certain activities from services to sales. The tax classifications in the model ordinance are required to be based on the state's definitions (RCW 35.102.040).

SB 5814 changed the tax classification for the following services to retail sales:

- Advertising services;
- Live presentations;
- Information technology services;
- Custom website development services;
- Investigation, security, and armored car services;
- Temporary staffing services; and
- Sales of custom software and customization of prewritten software.

The model ordinance changes are as follows:

- Core model ordinance section .030: Definition of "sale at retail"
    - adds new subsection (3) to incorporate changes to professional services.
    - Subsection (6) updates language related to custom software and customization of prewritten software.
    - Subsection (12) updates language related to digital goods and digital automated services.
- Core model ordinance section .030: Definition of "sale at wholesale": adds language to parallel updates to software in retail sales (6).
- Technical change: section .030 "sale at retail": (1) moves misplaced language to correct typo created when extended warranties were added to the model.

The proposed changes will impact Lacey Municipal Code (LMC) 3.02.040. The detailed proposed changes to the model ordinance are provided in the attached document, mostly shown on pages 6-10.

It is recommended that City Council direct staff to prepare an ordinance updating the Business and Occupation Tax code provisions to be consistent with the model ordinance as required by State code.

ORDINANCE NO. 16**

CITY OF LACEY

AN ORDINANCE OF THE CITY OF LACEY RELATED TO BUSINESS AND OCCUPATION TAX, AMENDING LACEY MUNICIPAL CODE SECTION 3.02.04, AND APPROVING A SUMMARY FOR PUBLICATION.

WHEREAS, the City Council has previously adopted the City Business & Occupation (B&O) Tax Model Ordinance, consistent with state law and the requirements of Chapter 35.102 RCW; and

WHEREAS, in 2025, the Washington State Legislature enacted SB 5814, which reclassifies certain business activities from services to retail sales, including advertising services, live presentations, information technology services, custom website development, investigation, security, and armored car services, temporary staffing services, and sales or customization of software; and

WHEREAS, the amendments to the B&O Tax Model Ordinance are limited to the changes required to comply with SB 5814, including updates to definitions of "sale at retail" and "sale at wholesale" and certain technical corrections; and

WHEREAS, pursuant to state law, cities adopting the B&O tax model ordinance must implement these mandatory changes with an effective date of January 1, 2026; and

WHEREAS, the City Council finds and determines adoption of this ordinance to be in the public interest and in the best interest of the City and its residents.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF LACEY, WASHINGTON, AS FOLLOWS:

Section 1. Lacey Municipal Code 3.02.04 is hereby amended to read as follows:

**3.02.04 Definitions**

In construing the provisions of this chapter, the following definitions shall be applied. Words in the singular number shall include the plural, and the plural shall include the singular:

A. "Business" includes all activities engaged in with the object of gain, benefit, or advantage to the taxpayer or to another person or class, directly or indirectly.

B. "Business and occupation tax" or "gross receipts tax" means a tax imposed on or measured by the value of products, the gross income of the business, or the gross proceeds of sales, as the case may be, and that is the legal liability of the business.

C. “Commercial or industrial use” means the following uses of products, including by-products, by the extractor or manufacturer thereof:

1. Any use as a consumer; and

2. The manufacturing of articles, substances or commodities.

D. “Delivery” means the transfer of possession of tangible personal property between the seller and the buyer or the buyer’s representative. Delivery to an employee of a buyer is considered delivery to the buyer. Transfer of possession of tangible personal property occurs when the buyer or the buyer’s representative first takes physical control of the property or exercises dominion and control over the property. “Dominion and control” means the buyer has the ability to put the property to the buyer’s own purposes. It means the buyer or the buyer’s representative has made the final decision to accept or reject the property, and the seller has no further right to possession of the property and the buyer has no right to return the property to the seller, other than under a warranty contract. A buyer does not exercise dominion and control over tangible personal property merely by arranging for shipment of the property from the seller to itself. A buyer’s representative is a person, other than an employee of the buyer, who is authorized in writing by the buyer to receive tangible personal property and take dominion and control by making the final decision to accept or reject the property. Neither a shipping company nor a seller can serve as a buyer’s representative. It is immaterial where the contract of sale is negotiated or where the buyer obtains title to the property. Delivery terms and other provisions of the Uniform Commercial Code (RCW Title 62A) do not determine when or where delivery of tangible personal property occurs for purposes of taxation.

E. “Digital automated service,” “digital code,” and “digital goods” have the same meaning as in RCW 82.04.192.

F. “Digital products” means digital goods, digital codes, digital automated services, and the services described in RCW 82.04.050(2)(g) and (6)(b).

G. Eligible Gross Receipts Tax. The term “eligible gross receipts tax” means a tax which:

1. Is imposed on the act or privilege of engaging in business activities within LMC 3.02.050; and

2. Is measured by the gross volume of business, in terms of gross receipts, and is not an income tax or value added tax; and

3. Is not, pursuant to law or custom, separately stated from the sales price; and

4. Is not a sales or use tax, business license fee, franchise fee, royalty or severance tax measured by volume or weight, or concession charge, or payment for the use and enjoyment of property, property right or a privilege; and

5. Is a tax imposed by a local jurisdiction, whether within or without the state of Washington, and not by a country, state, province, or any other nonlocal jurisdiction above the county level.

H. *Engaging in Business*.

1. The term “engaging in business” means commencing, conducting, or continuing in business, and also the exercise of corporate or franchise powers, as well as liquidating a business when the liquidators thereof hold themselves out to the public as conducting such business.

2. This section sets forth examples of activities that constitute engaging in business in the city, and establishes safe harbors for certain of those activities so that a person who meets the criteria may engage in de minimis business activities in the city without having to register and obtain a business license or pay city business and occupation taxes. The activities listed in this section are illustrative only and are not intended to narrow the definition of “engaging in business” in subsection (H)(1) of this section. If an activity is not listed, whether it constitutes engaging in business in the city shall be determined by considering all the facts and circumstances and applicable law.

3. Without being all inclusive, any one of the following activities conducted within the city by a person, or its employee, agent, representative, independent contractor, broker or another acting on its behalf, constitutes engaging in business and requires a person to register and obtain a business license:

a. Owning, renting, leasing, maintaining, or having the right to use, or using for business purposes, tangible personal property, intangible personal property, or real property permanently or temporarily located in the city.

b. Owning, renting, leasing, using, or maintaining an office, place of business, or other establishment in the city.

c. Soliciting sales.

d. Making repairs or providing maintenance or service to real or tangible personal property, including warranty work and property maintenance.

e. Providing technical assistance or service, including quality control, product inspections, warranty work, or similar services on or in connection with tangible personal property sold by the person or on its behalf.

f. Installing, constructing, or supervising installation or construction of real or tangible personal property.

g. Soliciting, negotiating, or approving franchise, license, or other similar agreements.

h. Collecting current or delinquent accounts.

i. Picking up and transporting tangible personal property, solid waste, construction debris, or excavated materials.

j. Providing disinfecting and pest control services, employment and labor pool services, home nursing care, janitorial services, appraising, landscape architectural services, security system services, surveying, and real estate services including the listing of homes and managing real property.

k. Rendering professional services such as those provided by accountants, architects, attorneys, auctioneers, consultants, engineers, professional athletes, barbers, baseball clubs and other sports organizations, chemists, psychologists, court reporters, dentists, doctors, detectives, laboratory operators, teachers and veterinarians.

l. Meeting with customers or potential customers, even when no sales or orders are solicited at the meetings.

m. Training or recruiting agents, representatives, independent contractors, brokers or others, domiciled or operating on a job in the city, acting on its behalf, or for customers or potential customers.

n. Investigating, resolving, or otherwise assisting in resolving customer complaints.

o. In-store stocking or manipulating products or goods, sold to and owned by a customer, regardless of where sale and delivery of the goods took place.

p. Delivering goods in vehicles owned, rented, leased, used, or maintained by the person or another acting on its behalf.

4. If a person, or its employee, agent, representative, independent contractor, broker or another acting on the person's behalf, engages in no other activities in or with the city but the following, it need not register and obtain a business license and pay tax:

a. Meeting with suppliers of goods and services as a customer.

b. Meeting with government representatives in their official capacity, other than those performing contracting or purchasing functions.

c. Attending meetings, such as board meetings, retreats, seminars, and conferences, or other meetings wherein the person does not provide training in connection with tangible personal property sold by the person or on its behalf. This provision does not apply to any board of directors member or attendee engaging in business such as a member of a board of directors who attends a board meeting.

d. Renting tangible or intangible property as a customer when the property is not used in the city.

e. Attending, but not participating, in a "trade show" or "multiple vendor events." Persons participating at a trade show shall review the city's trade show or multiple vendor event ordinances.

f. Conducting advertising through the mail.

g. Soliciting sales by phone from a location outside the city.

5. A seller located outside the city merely delivering goods into the city by means of common carrier is not required to register and obtain a business license; provided, that it engages in no other business activities in the city. Such activities do not include those in subsection (H)(4) of this section.

The city expressly intends that "engaging in business" includes any activity sufficient to establish nexus for purposes of applying the tax under the law and the Constitutions of the United States and the state of Washington. Nexus is presumed to continue as long as the taxpayer benefits from the activity that constituted the original nexus generating contact or subsequent contacts.

I. "Extracting" is the activity engaged in by an extractor and is reportable under the extracting classification.

~~I.~~J. "Gross income of the business" means the value proceeding or accruing by reason of the transaction of the business engaged in and includes gross proceeds of sales, compensation for the rendition of services, gains realized from trading in stocks, bonds, or other evidences of indebtedness, interest, discount, rents, royalties, fees, commissions, dividends, and other emoluments, however designated, all without any deduction on account of the cost of tangible property sold, the cost of materials used, labor costs, interest, discount, delivery costs, taxes, or any other expense whatsoever paid or accrued and without any deduction on account of losses.

~~J.~~K. "Gross proceeds of sales" means the value proceeding or accruing from the sale of tangible personal property, digital goods, digital codes, digital automated services or for other services rendered, without any deduction on account of the cost of property sold, the cost of materials used, labor costs, interest, discount paid, delivery costs, taxes, or any other expense whatsoever paid or accrued and without any deduction on account of losses.

~~K.~~L. "Manufacturing" means the activity conducted by a manufacturer and is reported under the manufacturing classification.

1. “Manufacturer” means every person who, either directly or by contracting with others for the necessary labor or mechanical services, manufactures for sale or for commercial or industrial use from the person’s own materials or ingredients any products. When the owner of equipment or facilities furnishes or sells to the customer, prior to manufacture, materials or ingredients equal to or less than twenty percent of the total value of all materials or ingredients that become a part of the finished product, the owner of the equipment or facilities will be deemed to be a processor for hire and not a manufacturer.

2. “To manufacture” means all activities of a commercial or industrial nature wherein labor or skill is applied, by hand or machinery, to materials or ingredients so that as a result thereof a new, different or useful product is produced for sale or commercial or industrial use, and shall include:

a. The production of special made or custom made articles;

b. The production of dental appliances, devices, restorations, substitutes, or other dental laboratory products by a dental laboratory or dental technician;

c. Crushing and/or blending of rock, sand, stone, gravel, or ore; and

d. The producing of articles for sale or for commercial or industrial use from raw materials or prepared materials by giving such materials, articles, and substances of trade or commerce new forms, qualities, properties or combinations including, but not limited to, such activities as making, fabricating, processing, refining, mixing, slaughtering, packing, aging, curing, mild curing, preserving, canning, and the preparing and freezing of fresh fruits and vegetables.

“To manufacture” shall not include the production of digital goods or the production of computer software if the computer software is delivered from the seller to the purchaser by means other than tangible storage media, including the delivery by use of a tangible storage media where the tangible storage media is not physically transferred to the purchaser.

~~L.~~M. “Person” means any individual, receiver, administrator, executor, assignee, trustee in bankruptcy, trust, estate, firm, copartnership, joint venture, club, company, joint stock company, business trust, municipal corporation, political subdivision of the state of Washington, corporation, limited liability company, association, society, or any group of individuals acting as a unit, whether mutual, cooperative, fraternal, nonprofit, or otherwise and the United States or any instrumentality thereof.

~~M.~~N. “Retailing” means the activity of engaging in making sales at retail and is reported under the retailing classification.

~~N.~~O. “Retail service” shall include the sale of or charge made for personal, business, or professional services, including amounts designated as interest, rents, fees, admission, and other service emoluments however designated, received by persons engaging in the following business activities:

1. Amusement and recreation services including but not limited to golf, pool, billiards, skating, bowling, swimming, bungee jumping, ski lifts and tows, basketball, racquet ball, handball, squash, tennis, batting cages, day trips for sightseeing purposes, and others, when provided to consumers. “Amusement and recreation services” also includes the provision of related facilities such as basketball courts, tennis courts, handball courts, swimming pools, and charges made for providing the opportunity to dance. The term “amusement and recreation services” does not include instructional lessons to learn a particular activity such as tennis lessons, swimming lessons, or archery lessons;

2. Abstract, title insurance, and escrow services;

3. Credit bureau services;

4. Automobile parking and storage garage services;

5. Landscape maintenance and horticultural services but excluding (a) horticultural services provided to farmers, and (b) pruning, trimming, repairing, removing, and clearing of trees and brush near electric transmission or distribution lines or equipment, if performed by or at the direction of an electric utility;

6. Service charges associated with tickets to professional sporting events; and

7. The following personal services: physical fitness services, tanning salon services, tattoo parlor services, steam bath services, Turkish bath services, escort services, and dating services.

8. The term shall also include the renting or leasing of tangible personal property to consumers and the rental of equipment with an operator.

~~O.~~P. *Sale, Casual or Isolated Sale*.

1. “Sale” means any transfer of the ownership of, title to, or possession of, property for a valuable consideration and includes any activity classified as a “sale at retail,” “retail sale,” or “retail service.” It includes renting or leasing, conditional sale contracts, leases with option to purchase, and any contract under which possession of the property is given to the purchaser but title is retained by the vendor as security for the payment of the purchase price. It also includes the furnishing of food, drink, or meals for compensation whether consumed upon the premises or not.

2. “Casual or isolated sale” means a sale made by a person who is not engaged in the business of selling the type of property involved on a routine or continuous basis.

~~P.~~Q. *Sale at Retail, Retail Sale*.

1. "Sale at retail" or "retail sale" means every sale of tangible personal property (including articles produced, fabricated, or imprinted) to all persons irrespective of the nature of their business and including, among others, without limiting the scope hereof, persons who install, repair, clean, alter, improve, construct, or decorate real or personal property of or for consumers, other than a sale to a person who presents a resale certificate under RCW 82.04.470 and who:

a. Purchases for the purpose of resale as tangible personal property in the regular course of business without intervening use by such person; or

b. Installs, repairs, cleans, alters, imprints, improves, constructs, or decorates real or personal property of or for consumers, if such tangible personal property becomes an ingredient or component of such real or personal property without intervening use by such person; or

c. Purchases for the purpose of consuming the property purchased in producing for sale a new article of tangible personal property or substance, of which such property becomes an ingredient or component or is a chemical used in processing, when the primary purpose of such chemical is to create a chemical reaction directly through contact with an ingredient of a new article being produced for sale; or

d. Purchases for the purpose of consuming the property purchased in producing ferrosilicon which is subsequently used in producing magnesium for sale, if the primary purpose of such property is to create a chemical reaction directly through contact with an ingredient of ferrosilicon; or

e. Purchases for the purpose of providing the property to consumers as part of competitive telephone service, as defined in RCW 82.04.065~~. The term shall include every sale of tangible personal property which is used or consumed or to be used or consumed in the performance of any activity classified as a "sale at retail" or "retail sale" even though such property is resold or utilized as provided in subsection (P)(1)(a), (b), (c), (d), or (e) of this section following such use.~~; or

~~e.~~f. Purchases for the purpose of satisfying the person's obligations under an extended warranty as defined in subsection (8) of this section, if such tangible personal property replaces or becomes an ingredient or component of property covered by the extended warranty without intervening use by such person.

The term shall include every sale of tangible personal property which is used or consumed or to be used or consumed in the performance of any activity classified as a "sale at retail" or "retail sale" even though such property is resold or utilized as provided in (a), (b), (c), (d), (e), or (f) of this subsection following such use.

The term also means every sale of tangible personal property to persons engaged in any business that is taxable under RCW 82.04.280(1)(a), (b), and (g), 82.04.290, and 82.04.2908.

2. "Sale at retail" or "retail sale" also means every sale of tangible personal property to persons engaged in any business activity which is taxable under LMC 3.02.050(A).

3. The term "sale at retail" or "retail sale" includes the sale of or charge made for personal, business, or professional services including amounts designated as interest, rents, fees, admission, and other service emoluments however designated, received by persons engaging in the following business activities:

a. Information technology training services, technical support, and other services including, but not limited to, assisting with network operations and support, help desk services, in-person training related to hardware or software, network system support services, data entry services, and data processing services; or

b. Custom website development services. For the purposes of this subsection (3), "website development services" means the design, development, and support of a website provided by a website developer to a customer; or

c. Investigation, security services, security monitoring services, and armored car services including, but not limited to, background checks, security guard and patrol services, personal and event security, armored car transportation of cash and valuables, and security system services and monitoring. This does not include locksmith services; or

d. Temporary staffing services. For the purposes of this subsection (3), "temporary staffing services" means providing workers to other businesses, except for hospitals licensed under chapter 70.41 or 71.12 RCW, for limited periods of time to supplement their workforce and fill employment vacancies on a contract or for fee basis; or

e. Advertising services.

(1) For the purposes of this subsection (3), "advertising services" means all digital and nondigital services related to the creation, preparation, production, or dissemination of advertisements including, but not limited to:

(a) Layout, art direction, graphic design, mechanical preparation, production supervision, placement, referrals, acquisition of advertising space, and rendering advice concerning the best methods of advertising products or services; and

(b) Online referrals, search engine marketing, and lead generation optimization, web campaign planning, the acquisition of advertising space in the internet media, and the monitoring and evaluation of website traffic for purposes of determining the effectiveness of an advertising campaign.

(2) "Advertising services" do not include:

(a) Web hosting services and domain name registration;

(b) Services rendered in respect to the following;

(i) "Newspapers" as defined in RCW 82.04.214;

(ii) Printing or publishing under RCW 82.04.280; and

(iii) "Radio and television broadcasting" within this state as defined in RCW 82.04 (section 1, chapter 9, Laws of 2025); and

(c) Services rendered in respect to out-of-home advertising, including: Billboard advertising; street furniture advertising; transit advertising; place-based advertising, such as in-store display advertising or point-of-sale advertising; dynamic or static signage at live events; naming rights; and fixed signage advertising. Out-of-home advertising does not include direct mail; or

f. Live presentations including, but not limited to, lectures, seminars, workshops, or courses where participants attend either in person or via the internet or telecommunications equipment that allows audience members and the presenter or instructor to give, receive, and discuss information with each other in real time.

For the purposes of (a) through (c) and (e) of this subsection (3), the terms "sale at retail" and "retail sale" do not include a sale between members of an affiliated group as defined in RCW 82.04.299(1)(f).

~~3.~~4. "Sale at retail" or "retail sale" shall include the sale of or charge made for tangible personal property consumed and/or for labor and services rendered in respect to the following:

a. The installing, repairing, cleaning, altering, imprinting, or improving of tangible personal property of or for consumers, including charges made for the mere use of facilities in respect thereto, but excluding charges made for the use of coin-operated laundry facilities when such facilities are situated in an apartment house, rooming house, or mobile home park for the exclusive use of the tenants thereof, and also excluding sales of laundry service to nonprofit health care facilities, and excluding services rendered in respect to live animals, birds and insects;

b. The constructing, repairing, decorating, or improving of new or existing buildings or other structures under, upon, or above real property of or for consumers, including the installing or attaching of any article of tangible personal property therein or thereto, whether or not such personal property becomes a part of the realty by virtue of installation, and shall also include the sale of services or charges made for the clearing of land and the moving of earth excepting the mere leveling of land used in commercial farming or agriculture;

c. The charge for labor and services rendered in respect to constructing, repairing, or improving any structure upon, above, or under any real property owned by an owner who conveys the property by title, possession, or any other means to the person performing such construction, repair, or improvement for the purpose of performing such construction, repair, or improvement and the property is then reconveyed by title, possession, or any other means to the original owner;

d. The sale of or charge made for labor and services rendered in respect to the cleaning, fumigating, razing or moving of existing buildings or structures, but shall not include the charge made for janitorial services; and for purposes of this section the term "janitorial services" shall mean those cleaning and caretaking services ordinarily performed by commercial janitor service businesses including, but not limited to, wall and window washing, floor cleaning and waxing, and the cleaning in place of rugs, drapes and upholstery. The term "janitorial services" does not include painting, papering, repairing, furnace or septic tank cleaning, snow removal or sandblasting;

e. The sale of or charge made for labor and services rendered in respect to automobile towing and similar automotive transportation services, but not in respect to those required to report and pay taxes under Chapter 82.16 RCW;

f. The sale of and charge made for the furnishing of lodging and all other services, except telephone business and cable service, by a hotel, rooming house, tourist court, motel, trailer camp, and the granting of any similar license to use real property, as distinguished from the renting or leasing of real property, and it shall be presumed that the occupancy of real property for a continuous period of one month or more constitutes a rental or lease of real property and not a mere license to use or enjoy the same. For the purposes of this subsection, it shall be presumed that the sale of and charge made for the furnishing of lodging for a continuous period of one month or more to a person is a rental or lease of real property and not a mere license to enjoy the same;

g. The installing, repairing, altering or improving of digital goods for consumers;

h. The sale of or charge made for tangible personal property, labor and services to persons taxable under subsections ~~(P)(3)~~(a), (b), (c), (d), (e), (f) and (g) of this section when such sales or charges are for property, labor and services which are used or consumed in whole or in part by such persons in the performance of any activity defined as a "sale at retail" or "retail sale" even though such property, labor and services may be resold after such use or consumption. Nothing contained in this subsection shall be construed to modify subsection ~~(P)~~(1) of this section and nothing contained in subsection ~~(P)~~(1) of this section shall be construed to modify this subsection.

~~4.~~5. “Sale at retail” or “retail sale” shall also include the providing of competitive telephone service to consumers.

~~5.~~6. *Sale at Retail or Retail Sale*.

a. “Sale at retail” or “retail sale” shall also include the sale of prewritten software, custom software, and customization of prewritten computer software to a consumer, other than a sale to a person who presents a resale certificate under RCW 82.04.470, regardless of the method of delivery to the end user. For purposes of this subsection, the sale of prewritten computer software includes the sale of or charge made for a key or an enabling activation code, where the key or code is required to activate prewritten computer software and put the software into use. There is no separate sale of the key or code from the prewritten computer software, regardless of how the sale may be characterized by the vendor or by the purchaser. ~~The term “sale at retail” or “retail sale” does not include the sale of or charge made for:~~

~~(1) Custom software; or~~

~~(2) The customization of prewritten software.~~

b. (1) The term “sale at retail” or “retail sale” also includes the charge made to consumers for the right to access and use prewritten computer software, custom software, and customization of prewritten computer software, where possession of the software is maintained by the seller or the third party, regardless of whether the charge for the service is on a per use, per user, per license, subscription, or some other basis.

(2) (a) The service described in subsection (P)(6~~5~~)(b)(1) of this section includes the right to access and use prewritten software to perform data processing.

(b) For purposes of this subsection (P)(6~~5~~)(b)(2), “data processing” means the systematic performance of operations on data to extract the required information in an appropriate form or to convert the data to usable information. “Data processing” includes check processing, image processing, form processing, survey processing, payroll processing, claim processing, and similar activities.

~~6.~~7. “Sale at retail” or “retail sale” shall also include the sale of or charge made for labor and services rendered in respect to the building, repairing, or improving of any street, place, road, highway, easement, right-of-way, mass public transportation terminal or parking facility, bridge, tunnel, or trestle which is owned by a municipal corporation or political subdivision of the state, the state of Washington, or by the United States and which is used or to be used primarily for foot or vehicular traffic including mass transportation vehicles of any kind (public road construction).

~~7.~~8. "Sale at retail" or "retail sale" shall also include the sale of or charge made for an extended warranty to a consumer. For purposes of this subsection, "extended warranty" means an agreement for a specified duration to perform the replacement or repair of tangible personal property at no additional charge or a reduced charge for tangible personal property, labor, or both, or to provide indemnification for the replacement or repair of tangible personal property, based on the occurrence of specified events. The term "extended warranty" does not include an agreement, otherwise meeting the definition of "extended warranty" in this subsection, if no separate charge is made for the agreement and the value of the agreement is included in the sales price of the tangible personal property covered by the agreement.

~~8.~~9. "Sale at retail" or "retail sale" shall also include the sale of or charge made for labor and services rendered in respect to the constructing, repairing, decorating, or improving of new or existing buildings or other structures under, upon, or above real property of or for the United States, any instrumentality thereof, or a county or city housing authority created pursuant to Chapter 35.82 RCW, including the installing, or attaching, of any article of tangible personal property therein or thereto, whether or not such personal property becomes a part of the realty by virtue of installation (government contracting).

~~9.~~10. "Sale at retail" or "retail sale" shall not include the sale of services or charges made for the clearing of land and the moving of earth of or for the United States, any instrumentality thereof, or a county or city housing authority. Nor shall the term include the sale of services or charges made for cleaning up for the United States, or its instrumentalities, radioactive waste and other byproducts of weapons production and nuclear research and development. (This should be reported under the service and other classification.)

~~10.~~11. "Sale at retail" or "retail sale" shall not include the sale of or charge made for labor and services rendered for environmental remedial action. (This should be reported under the service and other classification.)

~~11.~~12. a. "Sale at retail" or "retail sale" shall also include the following sales to consumers of digital goods, digital codes, and digital automated services:

~~a.~~ (1) Sales in which the seller has granted the purchaser the right of permanent use;

~~b.~~ (2) Sales in which the seller has granted the purchaser a right of use that is less than permanent;

~~c.~~ (3) Sales in which the purchaser is not obligated to make continued payment as a condition of the sale; and

~~d.~~ (4) Sales in which the purchaser is obligated to make continued payment as a condition of the sale.

b. A retail sale of digital goods, digital codes, or digital automated services under this subsection includes any services provided by the seller exclusively in connection with the digital goods, digital codes, or digital automated services, whether or not a separate charge is made for such services.

c. A retail sale of digital goods, digital codes, or digital automated services does not include the following services if the sale occurs between members of an affiliated group as defined in RCW 82.04.299(1)(f):

(1) Any service that primarily involves the application of human effort by the seller, and the human effort originated after the customer requested the service;

(2) Live presentations, such as lectures, seminars, workshops, or courses, where participants are connected to other participants via the internet or telecommunications equipment, which allows audience members and the presenter or instructor to give, receive, and discuss information with each other in real time;

(3) Advertising services. For purposes of this subsection, "advertising services" means all services directly related to the creation, preparation, production, or dissemination of advertisements. Advertising services include layout, art direction, graphic design, mechanical preparation, production supervision, placement, and rendering advice to a client concerning the best methods of advertising that client's products or services. Advertising services also include online referrals, search engine marketing and lead generation optimization, web campaign planning, the acquisition of advertising space in the internet media, and the monitoring and evaluation of website traffic for purposes of determining the effectiveness of an advertising campaign. Advertising services do not include web hosting services and domain name registration; and

(4) Data processing services. For purposes of this subsection, "data processing service" means a primarily automated service provided to a business or other organization where the primary object of the service is the systematic performance of operations by the service provider on data supplied in whole or in part by the customer to extract the required information in an appropriate form or to convert the data to usable information. Data processing services include check processing, image processing, form processing, survey processing,

payroll processing, claim processing, and similar activities. Data processing does not include the service described in subsection (6)(b) of this section.

~~A retail sale of digital goods, digital codes, or digital automated services under this subsection (P)(11) includes any services provided by the seller exclusively in connection with the digital goods, digital codes, or digital automated services, whether or not a separate charge is made for such services.~~

d. For purposes of this subsection, "permanent" means perpetual or for an indefinite or unspecified length of time. A right of permanent use is presumed to have been granted unless the agreement between the seller and the purchaser specifies or the circumstances surrounding the transaction suggest or indicate that the right to use terminates on the occurrence of a condition subsequent.

~~12.~~13. "Sale at retail" or "retail sale" shall also include the installing, repairing, altering, or improving of digital goods for consumers.

~~Q.~~R. "Sale at wholesale" or "wholesale sale" means any sale of tangible personal property, digital goods, digital codes, digital automated services, prewritten computer software, custom software, customization of prewritten software to a consumer, or services described in subsection (P)(~~5~~6)(~~a~~b)(1) of this section which is not a retail sale, and any charge made for labor and services rendered for persons who are not consumers, in respect to real or personal property and retail services, if such charge is expressly defined as a retail sale or retail service when rendered to or for consumers. Sale at wholesale also includes the sale of telephone business to another telecommunications company as defined in RCW 80.04.010 for the purpose of resale, as contemplated by RCW 35.21.715.

~~R.~~S. "Taxpayer" means any "person," as herein defined, required to have a business license under this chapter or liable for the collection of any tax or fee under this chapter, or who engages in any business or who performs any act for which a tax or fee is imposed by this chapter.

T. "Value of products."

1. The value of products, including by-products, extracted or manufactured, shall be determined by the gross proceeds derived from the sale thereof whether such sale is at wholesale or at retail, to which shall be added all subsidies and bonuses received from the purchaser or from any other person with respect to the extraction, manufacture, or sale of such products or by-products by the seller.

2. Where such products, including by-products, are extracted or manufactured for commercial or industrial use; and where such products, including by-products, are shipped, transported or transferred out of the City, or to another person, without prior sale or are sold under circumstances such that the gross proceeds from the sale are not indicative of the true value of the subject matter of the sale; the value shall correspond as nearly as possible to the gross proceeds from sales in this state of similar products of like quality and character,

and in similar quantities by other taxpayers, plus the amount of subsidies or bonuses ordinarily payable by the purchaser or by any third person with respect to the extraction, manufacture, or sale of such products. In the absence of sales of similar products as a guide to value, such value may be determined upon a cost basis. In such cases, there shall be included every item of cost attributable to the particular article or article extracted or manufactured, including direct and indirect overhead costs. The Director may prescribe rules for the purpose of ascertaining such values. (3) Notwithstanding subsection (2) above, the value of a product manufactured or produced for purposes of serving as a prototype for the development of a new or improved product shall correspond to (a) the retail selling price of such new or improved product when first offered for sale; or (2) the value of materials incorporated into the prototype in cases in which the new or improved product is not offered for sale.

~~S.~~U. “Wholesaling” means engaging in the activity of making sales at wholesale.

Section 2. SEVERABILITY. If any section, sentence, clause or phrase of this ordinance should be held to be invalid by a court of competent jurisdiction, such invalidity or unconstitutionality shall not affect the validity or constitutionality of any other section, sentence, clause or phrase of this ordinance.

Section 3. CORRECTIONS. The City Clerk and the codifiers of this ordinance are authorized to make necessary corrections to this ordinance including, but not limited to, the correction of scrivener's/clerical errors, references, ordinance numbering, section/subsection numbers and any references thereto.

Section 4. The Summary attached hereto is hereby approved for publication.

PASSED BY THE CITY COUNCIL OF THE CITY OF LACEY, WASHINGTON, at a regularly called meeting thereof, held this ____ day of __________________, 2025.

CITY COUNCIL

By:_______________________
Mayor

Approved as to form:

_____________________
City Attorney

Attest:

________________________
City Clerk

SUMMARY FOR PUBLICATION

ORDINANCE NO 16**

CITY OF LACEY

The City Council of the City of Lacey, Washington, passed on __________________, 202__, Ordinance No. 16**, entitled "AN ORDINANCE OF THE CITY OF LACEY RELATED TO BUSINESS AND OCCUPATION TAX, AMENDING LACEY MUNICIPAL CODE SECTION 3.02.04, AND APPROVING A SUMMARY FOR PUBLICATION."

The main points of the Ordinance are described as follows:

1. The Ordinance updates the City B&O Tax Model Ordinance to reflect SB 5814, reclassifying certain services as retail sales, and ensures the city's B&O tax rules comply with state law, effective January 1, 2026.

2. The Ordinance approves this Summary for Publication.

A copy of the full text of this Ordinance will be mailed without charge to any person requesting the same from the City of Lacey.

Published: _____________________, 2025.

## Model Ordinance

**Final revised version of the City model ordinance for business & occupation tax. Dated October 2025.**

The legislative intent information contained in the boxes indicates the intent of the ordinance and provide guidance for courts and administrators in the uniform interpretation of the ordinance. They should not be adopted as part of the ordinance, but as a supporting document to the ordinance.

While the tax provisions of this chapter are intended to provide a uniform methodology for levying a gross receipts tax on business entities, nothing in this chapter should be construed as limiting a city's ability to levy and collect a business privilege tax on any other basis; such as a tax on square footage, a tax on annualized full-time equivalents [head tax], graduated annual license tax, or any other tax calculated on a basis other than a gross receipts tax [gross income of the business, gross proceeds of sales, or value of products multiplied by rates.]

## MODEL ORDINANCE
## CHAPTER ____._____

**.010 Purpose.** [CITY MAY ENACT A "PURPOSE PROVISION" IN THIS SECTION.]

**.020 Exercise of revenue license power.** The provisions of this chapter shall be deemed an exercise of the power of the City to license for revenue. The provisions of this chapter are subject to periodic statutory or administrative rule changes or judicial interpretations of the ordinances or rules. The responsibility rests with the licensee or taxpayer to reconfirm tax computation procedures and remain in compliance with the City code.

| Legislative intent information |
| --- |
| This section implements Washington Constitution Article XI, Sec. 12 and RCW 35A.82.020 and 35A.11.020 (code cities); 35.22.280(32) (first class cities); RCW 35.23.440(8) (second class cities); 35.27.370(9) (towns), which give municipalities the authority to license for revenue. In the absence of a legal or constitutional prohibition, municipalities have the power to define taxation categories as they see fit in order to respond to the unique concerns and responsibilities of local government. See Enterprise Leasing v. City of Tacoma, 139 Wn.2d 546 (1999). It is intended that this model ordinance be uniform among the various municipalities adopting it. |

**.028 Administrative Provisions.** The administrative provisions contained in chapter______ shall be fully applicable to the provisions of this chapter except as expressly stated to the contrary herein.

**.030 Definitions.** In construing the provisions of this chapter, the following definitions shall be applied. Words in the singular number shall include the plural, and the plural shall include the singular.

**"Business."** "Business" includes all activities engaged in with the object of gain, benefit, or advantage to the taxpayer or to another person or class, directly or indirectly. **(Mandatory)**

**"Business and occupation tax."** "Business and occupation tax" or "gross receipts tax" means a tax imposed on or measured by the value of products, the gross income of the business, or the gross proceeds of sales, as the case may be, and that is the legal liability of the business. **(Mandatory)**

**"Commercial or industrial use."** "Commercial or industrial use" means the following uses of products, including by-products, by the extractor or manufacturer thereof:
(1) Any use as a consumer; and
(2) The manufacturing of articles, substances or commodities;

**"Delivery"** means the transfer of possession of tangible personal property between the seller and the buyer or the buyer's representative. Delivery to an employee of a buyer is considered delivery to the buyer. Transfer of possession of tangible personal property occurs when the buyer or the buyer's representative first takes physical control of the property or exercises dominion and control over the property. Dominion and control means the buyer has the ability to put the property to the buyer's own purposes. It means the buyer or the buyer's representative has made the final decision to accept or reject the property, and the seller has no further right to possession of the property and the buyer has no right to return the property to the seller, other than under a warranty contract. A buyer does not exercise dominion and control over tangible personal property merely by arranging for shipment of the property from the seller to itself. A buyer's representative is a person, other than an employee of the buyer, who is authorized in writing by the buyer to receive tangible personal property and take dominion and control by making the final decision to accept or reject the property. Neither a shipping company nor a seller can serve as a buyer's representative. It is immaterial where the contract of sale is negotiated or where the buyer obtains title to the property. Delivery terms and other provisions of the Uniform Commercial Code (Title 62A RCW) do not determine when or where delivery of tangible personal property occurs for purposes of taxation. **(Mandatory)**

**"Digital automated service," "digital code," and "digital goods"** have the same meaning as in RCW 82.04.192. **(Mandatory)**

**"Digital products"** means digital goods, digital codes, digital automated services, and the services described in RCW 82.04.050(2)(g) and (6)(b). **(Mandatory)**

**"Eligible gross receipts tax."** The term "eligible gross receipts tax" means a tax which:
(1) Is imposed on the act or privilege of engaging in business activities within section .050; and
(2) Is measured by the gross volume of business, in terms of gross receipts and is not an income tax or value added tax; and
(3) Is not, pursuant to law or custom, separately stated from the sales price; and
(4) Is not a sales or use tax, business license fee, franchise fee, royalty or severance tax measured by volume or weight, or concession charge, or payment for the use and enjoyment of property, property right or a privilege; and
(5) Is a tax imposed by a local jurisdiction, whether within or without the State of Washington, and not by a Country, State, Province, or any other non-local jurisdiction above the County level. **(Mandatory)**

[Comment: This definition is worded slightly different from the state's definition (RCW 82.04.440) in that it goes into more detail in describing what constitutes an eligible gross receipts tax. In addition, it makes it very clear that an eligible gross receipts tax for which a credit can be calculated must be imposed at the local level.]

**"Engaging in business" –**
(1) The term "engaging in business" means commencing, conducting, or continuing in business, and also the exercise of corporate or franchise powers, as well as liquidating a business when the liquidators thereof hold themselves out to the public as conducting such business.
(2) This section sets forth examples of activities that constitute engaging in business in the City, and establishes safe harbors for certain of those activities so that a person who meets the criteria may engage in de minimis business activities in the City without having to register and obtain a business license or pay City business and occupation taxes. The activities listed in this section are illustrative only and are not intended to narrow the definition of "engaging in business" in subsection (1). If an activity is not listed, whether it constitutes engaging in business in the City shall be determined by considering all the facts and circumstances and applicable law.
(3) Without being all inclusive, any one of the following activities conducted within the City by a person, or its employee, agent, representative, independent contractor, broker or another acting on its behalf constitutes engaging in business and requires a person to register and obtain a business license.
    (a) Owning, renting, leasing, maintaining, or having the right to use, or using, tangible personal property, intangible personal property, or real property permanently or temporarily located in the City.
    (b) Owning, renting, leasing, using, or maintaining, an office, place of business, or other establishment in the City.
    (c) Soliciting sales.

(d) Making repairs or providing maintenance or service to real or tangible personal property, including warranty work and property maintenance.
(e) Providing technical assistance or service, including quality control, product inspections, warranty work, or similar services on or in connection with tangible personal property sold by the person or on its behalf.
(f) Installing, constructing, or supervising installation or construction of, real or tangible personal property.
(g) Soliciting, negotiating, or approving franchise, license, or other similar agreements.
(h) Collecting current or delinquent accounts.
(i) Picking up and transporting tangible personal property, solid waste, construction debris, or excavated materials.
(j) Providing disinfecting and pest control services, employment and labor pool services, home nursing care, janitorial services, appraising, landscape architectural services, security system services, surveying, and real estate services including the listing of homes and managing real property.
(k) Rendering professional services such as those provided by accountants, architects, attorneys, auctioneers, consultants, engineers, professional athletes, barbers, baseball clubs and other sports organizations, chemists, consultants, psychologists, court reporters, dentists, doctors, detectives, laboratory operators, teachers, veterinarians.
(l) Meeting with customers or potential customers, even when no sales or orders are solicited at the meetings.
(m) Training or recruiting agents, representatives, independent contractors, brokers or others, domiciled or operating on a job in the City, acting on its behalf, or for customers or potential customers.
(n) Investigating, resolving, or otherwise assisting in resolving customer complaints.
(o) In-store stocking or manipulating products or goods, sold to and owned by a customer, regardless of where sale and delivery of the goods took place.
(p) Delivering goods in vehicles owned, rented, leased, used, or maintained by the person or another acting on its behalf.

(4) If a person, or its employee, agent, representative, independent contractor, broker or another acting on the person's behalf, engages in no other activities in or with the City but the following, it need not register and obtain a business license and pay tax.
(a) Meeting with suppliers of goods and services as a customer.
(b) Meeting with government representatives in their official capacity, other than those performing contracting or purchasing functions.
(c) Attending meetings, such as board meetings, retreats, seminars, and conferences, or other meetings wherein the person does not provide training in connection with tangible personal property sold by the person or on its behalf. This provision does not apply to any board of director member or attendee engaging in business such as a member of a board of directors who attends a board meeting.
(d) Renting tangible or intangible property as a customer when the property is not used in the City.
(e) Attending, but not participating in a "trade show" or "multiple vendor events". Persons participating at a trade show shall review the City's trade show or multiple vendor event ordinances.
(f) Conducting advertising through the mail.
(g) Soliciting sales by phone from a location outside the City.

(5) A seller located outside the City merely delivering goods into the City by means of common carrier is not required to register and obtain a business license, provided that it engages in no other business activities in the City. Such activities do not include those in subsection (4).

The City expressly intends that engaging in business include any activity sufficient to establish nexus for purposes of applying the tax under the law and the constitutions of the United States and the State of Washington. Nexus is presumed to continue as long as the taxpayer benefits from the activity that constituted the original nexus generating contact or subsequent contacts. **(Mandatory)**

[Comment: Section (2) has been added to the State's definition of engaging in business to give guidelines and parameters to businesses in order for them to better ascertain whether or not they need to license and pay tax to the cities.]

**“Extracting.”** “Extracting” is the activity engaged in by an extractor and is reportable under the extracting classification. [Comment: This definition is not contained in state law; however, RCW 35.102.120 requires that the model ordinance include this definition.]

**“Extractor.”** “Extractor” means every person who from the person's own land or from the land of another under a right or license granted by lease or contract, either directly or by contracting with others for the necessary labor or mechanical services, for sale or for commercial or industrial use, mines, quarries, takes or produces coal, oil, natural gas, ore, stone, sand, gravel, clay, mineral or other natural resource product; or fells, cuts or takes timber, Christmas trees, other than plantation Christmas trees, or other natural products; or takes fish, shellfish, or other sea or inland water foods or products. “Extractor” does not include persons performing under contract the necessary labor or mechanical services for others; or persons meeting the definition of farmer.

**“Extractor for Hire”** “Extractor for hire” means a person who performs under contract necessary labor or mechanical services for an extractor.

**“Gross income of the business.”** “Gross income of the business” means the value proceeding or accruing by reason of the transaction of the business engaged in and includes gross proceeds of sales, compensation for the rendition of services, gains realized from trading in stocks, bonds, or other evidences of indebtedness, interest, discount, rents, royalties, fees, commissions, dividends, and other emoluments however designated, all without any deduction on account of the cost of tangible property sold, the cost of materials used, labor costs, interest, discount, delivery costs, taxes, or any other expense whatsoever paid or accrued and without any deduction on account of losses. **(Mandatory)**

**“Gross proceeds of sales.”** “Gross proceeds of sales” means the value proceeding or accruing from the sale of tangible personal property, digital goods, digital codes, digital automated services or for other services rendered, without any deduction on account of the cost of property sold, the cost of materials used, labor costs, interest, discount paid, delivery costs, taxes, or any other expense whatsoever paid or accrued and without any deduction on account of losses. **(Mandatory)**

**“Manufacturing.”** “Manufacturing” means the activity conducted by a manufacturer and is reported under the manufacturing classification. **(Mandatory unless you don’t tax manufacturing activities)**
[Comment: This definition is not contained in state law, however RCW 35.102.120 requires that the model ordinance include this definition.]

**“Manufacturer,” “to manufacture.”**

(1) “Manufacturer” means every person who, either directly or by contracting with others for the necessary labor or mechanical services, manufactures for sale or for commercial or industrial use from the person’s own materials or ingredients any products. When the owner of equipment or facilities furnishes, or sells to the customer prior to manufacture, materials or ingredients equal to less than twenty percent (20%) of the total value of all materials or ingredients that become a part of the finished product, the owner of the equipment or facilities will be deemed to be a processor for hire, and not a manufacturer. (**Mandatory**) (A business not located in this City that is the owner of materials or ingredients processed for it in this City by a processor for hire shall be deemed to be engaged in business as a manufacturer in this City.) (**Optional**)

> Comment: This definition differs from that found in RCW 82.04.110. The manufacturing vs. processing for hire language has been included within this definition rather than covered by rule as provided in RCW 82.04.110. The optional portion of this definition is different from the RCW in that the RCW allows for the owner of materials that are processed in Washington to be excluded as a manufacturer. It is presumed that the RCW was written in this way to encourage material owners to bring their materials into Washington to be processed by Washington processors for hire. The State chooses to forego the tax that the owner would pay on the value of the materials under the manufacturing classification. The aluminum and nuclear fuel assembly provisions were excluded since no B & O city contains these types of activities.

(2) "To manufacture" means all activities of a commercial or industrial nature wherein labor or skill is applied, by hand or machinery, to materials or ingredients so that as a result thereof a new, different or useful product is produced for sale or commercial or industrial use, and shall include:
   (a) The production of special made or custom made articles;
   (b) The production of dental appliances, devices, restorations, substitutes, or other dental laboratory products by a dental laboratory or dental technician;
   (c) Crushing and/or blending of rock, sand, stone, gravel, or ore; and
   (d) The producing of articles for sale, or for commercial or industrial use from raw materials or prepared materials by giving such materials, articles, and substances of trade or commerce new forms, qualities, properties or combinations including, but not limited to, such activities as making, fabricating, processing, refining, mixing, slaughtering, packing, aging, curing, mild curing, preserving, canning, and the preparing and freezing of fresh fruits and vegetables.

"To manufacture" shall not include the production of digital goods or the production of computer software if the computer software is delivered from the seller to the purchaser by means other than tangible storage media, including the delivery by use of a tangible storage media where the tangible storage media is not physically transferred to the purchaser. **(Mandatory)**

Comment: This definition is different from RCW 82.04.120. The cutting, delimbing, and measuring of felled, cut, or taken trees does not usually take place within cities so that was deleted. The RCW also states that some activities which are covered in other special taxing classifications at the State level are not manufacturing. Although some of these activities normally do not take place in cities we included them into manufacturing since they fall within the definition. Manufacturing activities covered in other tax classifications at the State level such as slaughtering, curing, preserving, or canning were included in this definition since the Cities do not have the other classifications.

**"Person."** "Person" means any individual, receiver, administrator, executor, assignee, trustee in bankruptcy, trust, estate, firm, co-partnership, joint venture, club, company, joint stock company, business trust, municipal corporation, political subdivision of the State of Washington, corporation, limited liability company, association, society, or any group of individuals acting as a unit, whether mutual, cooperative, fraternal, non-profit, or otherwise and the United States or any instrumentality thereof. (**Mandatory**)

**"Retailing."** "Retailing" means the activity of engaging in making sales at retail and is reported under the retailing classification. (**Mandatory**)

Comment: This definition is not contained in state law, however RCW 35.102.120 requires that the model ordinance include this definition.

**"Retail Service."** "Retail service" shall include the sale of or charge made for personal, business, or professional services including amounts designated as interest, rents, fees, admission, and other service emoluments however designated, received by persons engaging in the following business activities:

(1) Amusement and recreation services including but not limited to golf, pool, billiards, skating, bowling, swimming, bungee jumping, ski lifts and tows, basketball, racquet ball, handball, squash, tennis, batting cages, day trips for sightseeing purposes, and others, when provided to consumers. "Amusement and recreation services" also include the provision of related facilities such as basketball courts, tennis courts, handball courts, swimming pools, and charges made for providing the opportunity to dance. The term "amusement and recreation services" does not include instructional lessons to learn a particular activity such as tennis lessons, swimming lessons, or archery lessons.
(2) Abstract, title insurance, and escrow services;
(3) Credit bureau services;
(4) Automobile parking and storage garage services;

(5) Landscape maintenance and horticultural services but excluding (i) horticultural services provided to farmers and (ii) pruning, trimming, repairing, removing, and clearing of trees and brush near electric transmission or distribution lines or equipment, if performed by or at the direction of an electric utility;
(6) Service charges associated with tickets to professional sporting events; and
(7) The following personal services: Physical fitness services, tanning salon services, tattoo parlor services, steam bath services, Turkish bath services, escort services, and dating services.
(8) The term shall also include the renting or leasing of tangible personal property to consumers and the rental of equipment with an operator. **(Mandatory)**

Comment: This definition has been removed and separated from the definition of "sale at retail" since many cities have kept these activities taxable at a rate different from their "retailing" rate. The State changed these activities to retail from service a few decades ago. This separation of definitions enables those cities that have historically taxed retail sales and retail services at a different rate to continue to do so. The definition includes more examples under the amusement and recreation subsection than State's definition and these examples originated from the State's rule on amusement and recreation.

**"Sale," "casual or isolated sale."**
(1) "Sale" means any transfer of the ownership of, title to, or possession of, property for a valuable consideration and includes any activity classified as a "sale at retail," "retail sale," or "retail service." It includes renting or leasing, conditional sale contracts, leases with option to purchase, and any contract under which possession of the property is given to the purchaser but title is retained by the vendor as security for the payment of the purchase price. It also includes the furnishing of food, drink, or meals for compensation whether consumed upon the premises or not.
(2) "Casual or isolated sale" means a sale made by a person who is not engaged in the business of selling the type of property involved on a routine or continuous basis. [Comment: the term "routine or continuous" comes from WAC 458-20-106.]

**"Sale at retail," "retail sale."**
(1) "Sale at retail" or "retail sale" means every sale of tangible personal property (including articles produced, fabricated, or imprinted) to all persons irrespective of the nature of their business and including, among others, without limiting the scope hereof, persons who install, repair, clean, alter, improve, construct, or decorate real or personal property of or for consumers, other than a sale to a person who presents a resale certificate under RCW 82.04.470 and who:
(a) Purchases for the purpose of resale as tangible personal property in the regular course of business without intervening use by such person; or
(b) Installs, repairs, cleans, alters, imprints, improves, constructs, or decorates real or personal property of or for consumers, if such tangible personal property becomes an ingredient or component of such real or personal property without intervening use by such person; or
(c) Purchases for the purpose of consuming the property purchased in producing for sale a new article of tangible personal property or substance, of which such property becomes an ingredient or component or is a chemical used in processing, when the primary purpose of such chemical is to create a chemical reaction directly through contact with an ingredient of a new article being produced for sale; or
(d) Purchases for the purpose of consuming the property purchased in producing ferrosilicon which is subsequently used in producing magnesium for sale, if the primary purpose of such property is to create a chemical reaction directly through contact with an ingredient of ferrosilicon; or
(e) Purchases for the purpose of providing the property to consumers as part of competitive telephone service, as defined in RCW 82.04.065; or ~~The term shall include every sale of tangible personal property which is used or consumed or to be used or consumed in the performance of any activity classified as a "sale at retail" or "retail sale" even though such property is resold or utilized as provided in (a), (b), (c), (d), or (e) of this subsection following such use.~~
(f) Purchases for the purpose of satisfying the person's obligations under an extended warranty as defined in subsection (8)(~~7~~) of this section, if such tangible personal property replaces or becomes an

ingredient or component of property covered by the extended warranty without intervening use by such person.

The term shall include every sale of tangible personal property which is used or consumed or to be used or consumed in the performance of any activity classified as a “sale at retail” or “retail sale” even though such property is resold or utilized as provided in (a), (b), (c), (d), (e), or (f) of this subsection following such use.

The term also means every sale of tangible personal property to persons engaged in any business that is taxable under RCW 82.04.280(1)(a), (b), and (g), 82.04,290, and 82.04.2908.

(2) “Sale at retail” or “retail sale” also means every sale of tangible personal property to persons engaged in any business activity which is taxable under .050(1)(g).

(3) The term "sale at retail" or "retail sale" includes the sale of or charge made for personal, business, or professional services including amounts designated as interest, rents, fees, admission, and other service emoluments however designated, received by persons engaging in the following business activities:

(a) Information technology training services, technical support, and other services including, but not limited to, assisting with network operations and support, help desk services, in-person training related to hardware or software, network system support services, data entry services, and data processing services; or

(b) Custom website development services. For the purposes of this subsection (3), "website development services" means the design, development, and support of a website provided by a website developer to a customer; or

(c) Investigation, security services, security monitoring services, and armored car services including, but not limited to, background checks, security guard and patrol services, personal and event security, armored car transportation of cash and valuables, and security system services and monitoring. This does not include locksmith services; or

(d) Temporary staffing services. For the purposes of this subsection (3), "temporary staffing services" means providing workers to other businesses, except for hospitals licensed under chapter 70.41 or 71.12 RCW, for limited periods of time to supplement their workforce and fill employment vacancies on a contract or for fee basis; or

(e) Advertising services. (i) For the purposes of this subsection (3), "advertising services" means all digital and nondigital services related to the creation, preparation, production, or dissemination of advertisements including, but not limited to: (A) Layout, art direction, graphic design, mechanical preparation, production supervision, placement, referrals, acquisition of advertising space, and rendering advice concerning the best methods of advertising products or services; and (B) Online referrals, search engine marketing, and lead generation optimization, web campaign planning, the acquisition of advertising space in the internet media, and the monitoring and evaluation of website traffic for purposes of determining the effectiveness of an advertising campaign.

(ii) "Advertising services" do not include:

(A) Web hosting services and domain name registration;

(B) Services rendered in respect to the following:

(I) "Newspapers" as defined in RCW 82.04.214;

(II) Printing or publishing under RCW 82.04.280; and

(III) "Radio and television broadcasting" within this state as defined in RCW 82.04 (section 1, chapter 9, Laws of 2025); and

(C) Services rendered in respect to out-of-home advertising, including: Billboard advertising; street furniture advertising; transit advertising; place-based advertising, such as in-store display advertising or point-of-sale advertising; dynamic or static signage at live events; naming rights; and fixed signage advertising. Out-of-home advertising does not include direct mail; or

(f) Live presentations including, but not limited to, lectures, seminars, workshops, or courses where participants attend either in person or via the internet or telecommunications equipment that allows audience members and the presenter or instructor to give, receive, and discuss information with each other in real time.

For the purposes of (a) through (c) and (e) of this subsection (3), the terms "sale at retail" and "retail sale" do not include a sale between members of an affiliated group as defined in RCW 82.04.299(1)(f).

(4) "Sale at retail" or "retail sale" shall include the sale of or charge made for tangible personal property consumed and/or for labor and services rendered in respect to the following:

(a) The installing, repairing, cleaning, altering, imprinting, or improving of tangible personal property of or for consumers, including charges made for the mere use of facilities in respect thereto, but excluding charges made for the use of coin-operated laundry facilities when such facilities are situated in an apartment house, rooming house, or mobile home park for the exclusive use of the tenants thereof, and also excluding sales of laundry service to nonprofit health care facilities, and excluding services rendered in respect to live animals, birds and insects;

(b) The constructing, repairing, decorating, or improving of new or existing buildings or other structures under, upon, or above real property of or for consumers, including the installing or attaching of any article of tangible personal property therein or thereto, whether or not such personal property becomes a part of the realty by virtue of installation, and shall also include the sale of services or charges made for the clearing of land and the moving of earth excepting the mere leveling of land used in commercial farming or agriculture;

(c) The charge for labor and services rendered in respect to constructing, repairing, or improving any structure upon, above, or under any real property owned by an owner who conveys the property by title, possession, or any other means to the person performing such construction, repair, or improvement for the purpose of performing such construction, repair, or improvement and the property is then reconveyed by title, possession, or any other means to the original owner;

(d) The sale of or charge made for labor and services rendered in respect to the cleaning, fumigating, razing or moving of existing buildings or structures, but shall not include the charge made for janitorial services; and for purposes of this section the term "janitorial services" shall mean those cleaning and caretaking services ordinarily performed by commercial janitor service businesses including, but not limited to, wall and window washing, floor cleaning and waxing, and the cleaning in place of rugs, drapes and upholstery. The term "janitorial services" does not include painting, papering, repairing, furnace or septic tank cleaning, snow removal or sandblasting;

(e) The sale of or charge made for labor and services rendered in respect to automobile towing and similar automotive transportation services, but not in respect to those required to report and pay taxes under chapter 82.16 RCW;

(f) The sale of and charge made for the furnishing of lodging and all other services, except telephone business and cable service, by a hotel, rooming house, tourist court, motel, trailer camp, and the granting of any similar license to use real property, as distinguished from the renting or leasing of real property, and it shall be presumed that the occupancy of real property for a continuous period of one month or more constitutes a rental or lease of real property and not a mere license to use or enjoy the same. For the purposes of this subsection, it shall be presumed that the sale of and charge made for the furnishing of lodging for a continuous period of one month or more to a person is a rental or lease of real property and not a mere license to enjoy the same;

(g) The installing, repairing, altering, or improving of digital goods for consumers;

(h) The sale of or charge made for tangible personal property, labor and services to persons taxable under (a), (b), (c), (d), (e), (f), and (g) of this subsection when such sales or charges are for property, labor and services which are used or consumed in whole or in part by such persons in the performance of any activity defined as a "sale at retail" or "retail sale" even though such property, labor and services may be resold after such use or consumption. Nothing contained in this subsection shall be construed to modify subsection (1) of this section and nothing contained in subsection (1) of this section shall be construed to modify this subsection.

(5) "Sale at retail" or "retail sale" shall also include the providing of competitive telephone service to consumers. [Comment: Cities can only include "competitive telephone service" since telephone business is taxed under the utility tax.]

(6) "Sale at retail" or "retail sale"

(a) "Sale at retail" or "retail sale" shall also include the sale of prewritten software, custom software, and customization of prewritten computer software to a consumer, other than a sale to a person who presents a resale certificate under RCW 82.04.470, regardless of the method of delivery to the end user. For purposes of this subsection (6~~5~~)(a) the sale of the sale of prewritten computer software includes the sale of or charge made for a key or an enabling or activation code, where the key or code is required to activate prewritten computer software and put the software into use. There is no separate sale of the key or code from the prewritten computer software, regardless of how the sale may characterized by the vendor or by the purchaser. ~~The term "sale at retail" or "retail sale" does not include the sale of or charge made for:~~

~~(i) Custom software; or~~

~~(ii) The customization of prewritten software.~~

(b)

~~(iii)~~(i)The term "sale at retail" or "retail sale" also includes the charge made to consumers for the right to access and use prewritten computer software, custom software, and customization of prewritten computer software, where possession of the software is maintained by the seller or a third party, regardless of whether the charge for the service is on a per use, per user, per license, subscription, or some other basis.

(ii) (A) The service described in (b)(i) of this subsection 6~~5~~ includes the right to access and use prewritten software, custom software, and customization of prewritten computer software to perform data processing.

(B) For purposes of this subsection (b)(ii) "data processing" means the systematic performance of operations on data to extract the required information in an appropriate form or to convert the data to usable information. Data processing includes check processing, image processing, form processing, survey processing, payroll processing, claim processing, and similar activities.

(7) "Sale at retail" or "retail sale" shall also include the sale of or charge made for labor and services rendered in respect to the building, repairing, or improving of any street, place, road, highway, easement, right of way, mass public transportation terminal or parking facility, bridge, tunnel, or trestle which is owned by a municipal corporation or political subdivision of the state, the State of Washington, or by the United States and which is used or to be used primarily for foot or vehicular traffic including mass transportation vehicles of any kind.

(Public road construction)

(8) "Sale at retail" or "retail sale" shall also include the sale of or charge made for an extended warranty to a consumer. For purposes of this subsection, "extended warranty" means an agreement for a specified duration to perform the replacement or repair of tangible personal property at no additional charge or a reduced charge for tangible personal property, labor, or both, or to provide indemnification for the replacement or repair of tangible personal property, based on the occurrence of specified events. The term "extended warranty" does not include an agreement, otherwise meeting the definition of extended warranty in this subsection, if no separate charge is made for the agreement and the value of the agreement is included in the sales price of the tangible personal property covered by the agreement.

(9) "Sale at retail" or "retail sale" shall also include the sale of or charge made for labor and services rendered in respect to the constructing, repairing, decorating, or improving of new or existing buildings or other structures under, upon, or above real property of or for the United States, any instrumentality thereof, or a county or city housing authority created pursuant to chapter 35.82 RCW, including the installing, or attaching of any article of tangible personal property therein or thereto, whether or not such personal property becomes a part of the realty by virtue of installation (government contracting).

(10) "Sale at retail" or "retail sale" shall not include the sale of services or charges made for the clearing of land and the moving of earth of or for the United States, any instrumentality thereof, or a county or city housing authority. Nor shall the term include the sale of services or charges made for cleaning up for the United States, or its instrumentalities, radioactive waste and other byproducts of weapons production and nuclear research and development. [This should be reported under the service and other classification.]

(11) "Sale at retail" or "retail sale" shall not include the sale of or charge made for labor and services rendered for environmental remedial action. [This should be reported under the service and other classification.]

(12)(a) "Sale at retail" or "retail sale" shall also include the following sales to consumers of digital goods, digital codes, and digital automated services:

~~(a)~~ (i) Sales in which the seller has granted the purchaser the right of permanent use;

~~(b)~~ (ii) Sales in which the seller has granted the purchaser a right of use that is less than permanent;

~~(c)~~ (iii) Sales in which the purchaser is not obligated to make continued payment as a condition of the sale; and

~~(d)~~ (iv) Sales in which the purchaser is obligated to make continued payment as a condition of the sale.

(b) A retail sale of digital goods, digital codes, or digital automated services under this subsection [insert reference to section .040(12)~~5(11)~~] includes any services provided by the seller exclusively in connection with the digital goods, digital codes, or digital automated services, whether or not a separate charge is made for such services.

(c) A retail sale of digital goods, digital codes, or digital automated services does not include the following services if the sale occurs between members of an affiliated group as defined in RCW 82.04.299(1)(f):

(i) Any service that primarily involves the application of human effort by the seller, and the human effort originated after the customer requested the service;

(ii) Live presentations, such as lectures, seminars, workshops, or courses, where participants are connected to other participants via the internet or telecommunications equipment, which allows audience members and the presenter or instructor to give, receive, and discuss information with each other in real time;

(iii) Advertising services. For purposes of this subsection, "advertising services" means all services directly related to the creation, preparation, production, or dissemination of advertisements. Advertising services include layout, art direction, graphic design, mechanical preparation, production supervision, placement, and rendering advice to a client concerning the best methods of advertising that client's products or services. Advertising services also include online referrals, search engine marketing and lead generation optimization, web campaign planning, the acquisition of advertising space in the internet media, and the monitoring and evaluation of website traffic for purposes of determining the effectiveness of an advertising campaign. Advertising services do not include web hosting services and domain name registration; and

(iv) Data processing services. For purposes of this subsection, "data processing service" means a primarily automated service provided to a business or other organization where the primary object of the service is the systematic performance of operations by the service provider on data supplied in whole or in part by the customer to extract the required information in an appropriate form or to convert the data to usable information. Data processing services include check processing, image processing, form processing, survey processing, payroll processing, claim processing, and similar activities. Data processing does not include the service described in subsection (6)(b) of this section.

(d) For purposes of this subsection, "permanent" means perpetual or for an indefinite or unspecified length of time. A right of permanent use is presumed to have been granted unless the agreement between the seller and the purchaser specifies or the circumstances surrounding the transaction suggest or indicate that the right to use terminates on the occurrence of a condition subsequent.

(13) "Sale at retail" or "retail sale" shall also include the installing, repairing, altering, or improving of digital goods for consumers. **(Mandatory)**

Comment: This definition is different than RCW 82.04.050. Retail services have been given their own definition. Public road construction and government contracting has been included into this definition since the Cities do not have special tax classifications for those two activities. Environmental or nuclear waste cleanup are assigned to the service and other classification. And the sales to farmers will remain under the retailing classification. The reference to "telephone business and cable service" in subsection (3)(f) has been included to clarify to hotels and motels that such telephone services and cable services are taxable under the utility tax.

**"Sale at wholesale," "wholesale sale."** "Sale at wholesale" or "wholesale sale" means any sale of tangible personal property, digital goods, digital codes, digital automated services, prewritten computer software, custom software, customization of prewritten software to a consumer, or services described in [insert reference to “sale at retail” section 6(b)(i)], which is not a retail sale, and any charge made for labor and services rendered for persons who are not consumers, in respect to real or personal property and retail services, if such charge is expressly defined as a retail sale or retail service when rendered to or for consumers. Sale at wholesale also includes the sale of telephone business to another telecommunications company as defined in RCW 80.04.010 for the purpose of resale, as contemplated by RCW 35.21.715. **(Mandatory)**

[The last sentence must be included since telephone business would normally be taxed under the utility tax. The wholesale treatment of telephone business to another telecommunications company is dictated by State law.]

**“Services.”** [Comment: RCW 35.102.120 requires that the model ordinance include this definition. However, no explicit definition will be included in this Model Ordinance until the RCW contains a definition of “service”. In the absence of a definition of “service” in state law, the Cities generally use this term and classification to include those activities that do not fall within one of the other tax classifications used by a city.]

**“Taxpayer.”** “Taxpayer” means any “person”, as herein defined, required to have a business license under this chapter or liable for the collection of any tax or fee under this chapter, or who engages in any business or who performs any act for which a tax or fee is imposed by this chapter.

**“Value proceeding or accruing.”** “Value proceeding or accruing” means the consideration, whether money, credits, rights, or other property expressed in terms of money, a person is entitled to receive or which is actually received or accrued. The term shall be applied, in each case, on a cash receipts or accrual basis according to which method of accounting is regularly employed in keeping the books of the taxpayer.

**(Mandatory if you have a manufacturing tax)**
**“Value of products.”**

(1) The value of products, including by-products, extracted or manufactured, shall be determined by the gross proceeds derived from the sale thereof whether such sale is at wholesale or at retail, to which shall be added all subsidies and bonuses received from the purchaser or from any other person with respect to the extraction, manufacture, or sale of such products or by-products by the seller.

(2) Where such products, including by-products, are extracted or manufactured for commercial or industrial use; and where such products, including by-products, are shipped, transported or transferred out of the City, or to another person, without prior sale or are sold under circumstances such that the gross proceeds from the sale are not indicative of the true value of the subject matter of the sale; the value shall correspond as nearly as possible to the gross proceeds from sales in this state of similar products of like quality and character, and in similar quantities by other taxpayers, plus the amount of subsidies or bonuses ordinarily payable by the purchaser or by any third person with respect to the extraction, manufacture, or sale of such products. In the absence of sales of similar products as a guide to value, such value may be determined upon a cost basis. In such cases, there shall be included every item of cost attributable to the particular article or article extracted or manufactured, including direct and indirect overhead costs. The Director may prescribe rules for the purpose of ascertaining such values. (3) Notwithstanding subsection (2) above, the value of a product manufactured or produced for purposes of serving as a prototype for the development of a new or improved product shall correspond to (a) the retail selling price of such new or improved product when first offered for sale; or (2) the value of materials incorporated into the prototype in cases in which the new or improved product is not offered for sale.

> Comment: This definition is slightly different than that contained in RCW 82.04.450. The meaning is intended to be the same, and the only difference is in grammatical construction. The model also adds a sentence, taken from WAC 458-20-112, at the end of subsection (2) explaining the use of costs to ascertain the value of the products.

**(Mandatory if you have manufacturing or extracting tax)**
**“Wholesaling.”** “Wholesaling” means engaging in the activity of making sales at wholesale, and is reported under the wholesaling classification. **(Mandatory)**

[Comment: This definition is not contained in state law, however RCW 35.102.120 requires that the model ordinance include this definition.]

**.050 Imposition of the tax - tax or fee levied.**

(1) Except as provided in subsection (2) of this section, there is hereby levied upon and shall be collected from every person a tax for the act or privilege of engaging in business activities within the City, whether the person's office or place of business be within or without the City. The tax shall be in amounts to be determined by application of rates against gross proceeds of sale, gross income of business, or value of products, including by-products, as the case may be, as follows:

(a) Upon every person engaging within the City in business as an extractor; as to such persons the amount of the tax with respect to such business shall be equal to the value of the products, including by-products, extracted within the city for sale or for commercial or industrial use, multiplied by the rate of ______________ of one percent (_____). The measure of the tax is the value of the products, including by-products, so extracted, regardless of the place of sale or the fact that deliveries may be made to points outside the City.

(b) Upon every person engaging within the City in business as a manufacturer, as to such persons the amount of the tax with respect to such business shall be equal to the value of the products, including by-products, manufactured within the city, multiplied by the rate of _________________ of one percent (_____). The measure of the tax is the value of the products, including by-products, so manufactured, regardless of the place of sale or the fact that deliveries may be made to points outside the City.

(c) Upon every person engaging within the City in the business of making sales at wholesale, except persons taxable under subsection __ of this section; as to such persons, the amount of tax with respect to such business shall be equal to the gross proceeds of such sales of the business without regard to the place of delivery of articles, commodities or merchandise sold, multiplied by the rate of __________________ of one percent (_____).

(d) Upon every person engaging within the City in the business of making sales at retail, as to such persons, the amount of tax with respect to such business shall be equal to the gross proceeds of such sales of the business, without regard to the place of delivery of articles, commodities or merchandise sold, multiplied by the rate of ___________________ of one percent (_____).

(e) Upon every person engaging within the City in the business of (i) printing, (ii) both printing and publishing newspapers, magazines, periodicals, books, music, and other printed items, (iii) publishing newspapers, magazines and periodicals, (iv) extracting for hire, and (v) processing for hire; as to such persons, the amount of tax on such business shall be equal to the gross income of the business multiplied by the rate of _______________________ of one percent (_____).

(f) Upon every person engaging within the City in the business of making sales of retail services; as to such persons, the amount of tax with respect to such business shall be equal to the gross proceeds of sales multiplied by the rate of______________ of one percent (_________).

(g) Upon every other person engaging within the City in any business activity other than or in addition to those enumerated in the above subsections; as to such persons, the amount of tax on account of such activities shall be equal to the gross income of the business multiplied by the rate of ___________________ of one percent (_____). This subsection includes, among others, and without limiting the scope hereof (whether or not title to material used in the performance of such business passes to another by accession, merger or other than by outright sale), persons engaged in the business of developing, or producing custom software or of customizing canned software, producing royalties or commissions, and persons engaged in the business of rendering any type of service which does not constitute a sale at retail, a sale at wholesale, or a retail service.
[Comment: Most cities do not use all of the classifications listed above, so they need only adopt those that are imposed within their jurisdictions.] (**Mandatory** wording for those classifications that are adopted).

(2) The gross receipts tax imposed in this section shall not apply to any person whose gross proceeds of sales, gross income of the business, and value of products, including by-products, as the case may be, from all activities conducted within the City during any calendar year is equal to or less than $20,000, or is equal to or less than $5,000 during any quarter if on a quarterly reporting basis.

**(Subsection (2) is Mandatory)**

**.060 Doing business with the City. -** Repealed effective January 1, 2008.

**.070 Multiple activities credit when activities take place in one or more cities with eligible gross receipt taxes.**

(1) Persons who engage in business activities that are within the purview of two (2) or more subsections of .050 shall be taxable under each applicable subsection.

(2) Notwithstanding anything to the contrary herein, if imposition of the City's tax would place an undue burden upon interstate commerce or violate constitutional requirements, a taxpayer shall be allowed a credit to the extent necessary to preserve the validity of the City's tax, and still apply the City tax to as much of the taxpayer's activities as may be subject to the City's taxing authority.

(3) To take the credit authorized by this section, a taxpayer must be able to document that the amount of tax sought to be credited was paid upon the same gross receipts used in computing the tax against which the credit is applied.

(4) Credit for persons that sell in the City products that they extract or manufacture. Persons taxable under the retailing or wholesaling classification with respect to selling products in this City shall be allowed a credit against those taxes for any eligible gross receipts taxes paid (a) with respect to the manufacturing of the products sold in the City, and (b) with respect to the extracting of the products, or the ingredients used in the products, sold in the City. The amount of the credit shall not exceed the tax liability arising under this chapter with respect to the sale of those products.

(5) Credit for persons that manufacture products in the City using ingredients they extract. Persons taxable under the manufacturing classification with respect to manufacturing products in this City shall be allowed a credit against those taxes for any eligible gross receipts tax paid with respect to extracting the ingredients of the products manufactured in the City. The amount of the credit shall not exceed the tax liability arising under this chapter with respect to the manufacturing of those products.

(6) Credit for persons that sell within the City products that they print, or publish and print. Persons taxable under the retailing or wholesaling classification with respect to selling products in this City shall be allowed a credit against those taxes for any eligible gross receipts taxes paid with respect to the printing, or the printing and publishing, of the products sold within the City. The amount of the credit shall not exceed the tax liability arising under this chapter with respect to the sale of those products. **(Mandatory)**

[Comment: The wording in this section .070 is not quite the same as RCW 35.102.060 (1). Subsection (1) is the same as (a) in RCW 35.102.060. Subsection (2) has the same meaning although the cities add the last phrase that the tax will be subjected to the greatest extent possible. Subsection (3) is not included in RCW 35.102.060—it merely states that the taxpayer must have records or proof that it paid another eligible gross receipts tax to another local jurisdiction.

In the case of manufacturing products that have been partially manufactured in another location with an eligible gross receipt tax, the cities have chosen to give a deduction and only tax the incremental increase in the value of the product. This should provide an equal or better treatment to the manufacturer than the credit provision contained in RCW 35.102.060 (1)(d). (Refer to subsection .075(2) below.)]

Legislative intent information
This section provides a tax credit for taxpayers engaged in multiple taxable activities. The section provides a credit against eligible selling or manufacturing taxes imposed by the City for extracting or manufacturing taxes paid to the City or to any other local jurisdiction with respect to the same products. The tax credit does not depend upon whether a person that sells in the City extracts or manufactures in the City or in another jurisdiction to which it has paid an eligible gross receipts tax. The tax credit does not depend on whether a person that manufactures in the City extracts in the City or in another jurisdiction to which it has paid an eligible gross receipts tax. The credit is available to any person that pays an eligible gross receipts tax on the applicable activities, regardless of where it conducts business. The result of this section is that a city in which

selling takes place gives up the tax to the manufacturing jurisdiction and the manufacturing jurisdiction gives up the tax to the extracting jurisdiction, whether those jurisdictions are inside or outside the State of Washington.

**.075 Deductions to prevent multiple taxation of manufacturing activities and prior to January 1, 2008, transactions involving more than one city with an eligible gross receipts tax.**

(1) Amounts subject to an eligible gross receipts tax in another city that also maintains nexus over the same activity. For taxes due prior to January 1, 2008, a taxpayer that is subject to an eligible gross receipts tax on the same activity in more than one jurisdiction may be entitled to a deduction as follows:
   (a) A taxpayer that has paid an eligible gross receipts tax, with respect to a sale of goods or services, to a jurisdiction in which the goods are delivered or the services are provided may deduct an amount equal to the gross receipts used to measure that tax from the measure of the tax owed to the City.
   (b) Notwithstanding the above, a person that is subject to an eligible gross receipts tax in more than one jurisdiction on the gross income derived from intangibles such as royalties, trademarks, patents, or goodwill shall assign those gross receipts to the jurisdiction where the person is domiciled (its headquarters is located).
   (c) A taxpayer that has paid an eligible gross receipts tax on the privilege of accepting or executing a contract with another city may deduct an amount equal to the contract price used to measure the tax due to the other city from the measure of the tax owed to the City. **(Mandatory)**

Legislative intent information
This section establishes deductions to be applied when a single taxable activity is taxable by more than one jurisdiction that imposes an eligible gross receipts tax for taxes due prior to January 1, 2008. Prior to January 1, 2008, under Washington State Law, more than one city that has established nexus can include 100% of the gross receipts from that transaction in its tax base. However, to eliminate the possibility of the same sale or service being taxed more than once by cities that maintain nexus and an eligible gross receipts tax, the cities have provided this deduction to taxpayers. For taxes due after January 1, 2008, the apportionment provisions in section .077 will provide the mechanism for all activities except manufacturing.

Sales. A taxpayer that has paid an eligible gross receipts tax on the sale to the jurisdiction where the product is delivered may deduct the gross receipts used to measure that tax from the measure of the tax owed to another jurisdiction on the sale. If a taxpayer has not paid tax to the jurisdiction where the product is delivered, then no deduction is allowed. The sale shall be taxed by the city where the office or place of business that generated the sale is located.

Service. A taxpayer that has paid an eligible gross receipts tax on services to the jurisdiction where the service is performed may deduct the gross receipts used to measure that tax from the measure of the tax owed to another jurisdiction on that service. If a taxpayer has not paid tax to the jurisdiction where the service is performed, then the service income shall be taxed by the city where the office or place of business that generated the sale is located. For both sales and services, the order of taxing rights is delivery city, first; and business office location, second.

General Business Activities Other Than Services. The eligible gross receipts tax on income derived from intangibles such as royalties, licenses, trademarks, patents and goodwill, and reportable under the general business classification .050 (7), shall be assigned to the domicile/headquarters office.

Conducting Business with Another City. A taxpayer that has paid an eligible gross receipts tax on the privilege of accepting or executing a contract with a city may deduct the contract price used to measure the tax from the measure of the tax owed to another city on the same activity.

(2) Person manufacturing products within and without. A person manufacturing products within the City using products manufactured by the same person outside the City may deduct from the measure of the manufacturing tax the value of products manufactured outside the City and included in the measure of an eligible gross receipts tax paid to the other jurisdiction with respect to manufacturing such products. **(Mandatory)**

**.076 Assignment of gross income derived from intangibles.**
Gross income derived from the sale of intangibles such as royalties, trademarks, patents, or goodwill shall be assigned to the jurisdiction where the person is domiciled (its headquarters is located).

**.077 Allocation and apportionment of income when activities take place in more than one jurisdiction.**
Effective January 1, 2008, gross income, other than persons subject to the provisions of chapter 82.14A RCW, shall be allocated and apportioned as follows:

(1) Gross income derived from all activities other than those taxed as service or royalties under _____ [insert city code reference to .050(1)(g)] shall be allocated to the location where the activity takes place.

(2) In the case of sales of tangible personal property, the activity takes place where delivery to the buyer occurs.

(3) In the case of sales of digital products, the activity takes place where delivery to the buyer occurs. The delivery of digital products will be deemed to occur at:
   (a) The seller's place of business if the purchaser receives the digital product at the seller's place of business;
   (b) If not received at the seller's place of business, the location where the purchaser or the purchaser's donee, designated as such by the purchaser, receives the digital product, including the location indicated by instructions for delivery to the purchaser or donee, known to the seller;
   (c) If the location where the purchaser or the purchaser's done receives the digital product is not known, the purchaser's address maintained in the ordinary course of the seller's business when use of this address does not constitute bad faith;
   (d) If no address for the purchaser is maintained in the ordinary course of the seller's business, the purchaser's address obtained during the consummation of the sale, including the address of a purchaser's payment instrument, if no other address is available, when use of this address does not constitute bad faith; and
   (e) If no address for the purchaser is obtained during the consummation of the sale, the address where the digital good or digital code is first made available for transmission by the seller or the address from which the digital automated service or service described in RCW 82.04.050 (2)(g) or (6)(b) was provided, disregarding for these purposes any location that merely provided the digital transfer of the product sold.

(4) If none of the methods in subsection [insert city code reference to .077(3)] for determining where the delivery of digital products occurs are available after a good faith effort by the taxpayer to apply the methods provided in subsections [insert city code reference to .077(3)(a) through .077(3)(e)], then the city and the taxpayer may mutually agree to employ any other method to effectuate an equitable allocation of income from the sale of digital products. The taxpayer will be responsible for petitioning the city to use an alternative method under this subsection [insert city code reference to .077(D)]. The city may employ an alternative method for allocating the income from the sale of digital products if the methods provided in subsections [insert city code reference to .077(3)(a) through .077(3)(e)] are not available and the taxpayer and the city are unable to mutually agree on an alternative method to effectuate an equitable allocation of income from the sale of digital products.

(5) For purposes of subsections [insert city code reference to .077(3)(a) through .077(3)(e)], the following definitions apply:
   (a) “Digital automated services,” “digital codes,” and “digital goods” have the same meaning as in RCW 82.04.192;
   (b) “Digital products” means digital goods, digital codes, digital automated services, and the services described in RCW 82.04.050 (2)(g) and (6)(c); and
   (c) “Receive” has the same meaning as in RCW 82.32.730.

(6) [Effective January 1, 2020] Gross income derived from activities taxed as services and other activities taxed under _____[insert city code reference to .050(1)(g)] shall be apportioned to the city by multiplying apportionable income by a fraction, the numerator of which is the payroll factor plus the service income factor and the denominator of which is two.

(a) The payroll factor is a fraction, the numerator of which is the total amount paid in the city during the tax period by the taxpayer for compensation and the denominator of which is the total compensation paid everywhere during the tax period. Compensation is paid in the city if:
   (i) The individual is primarily assigned within the city;
   (ii) The individual is not primarily assigned to any place of business for the tax period and the employee performs fifty percent or more of his or her service for the tax period in the city; or
   (iii) The individual is not primarily assigned to any place of business for the tax period, the individual does not perform fifty percent or more of his or her service in any city and the employee resides in the city.

(b) The service income factor is a fraction, the numerator of which is the total service income of the taxpayer in the city during the tax period, and the denominator of which is the total service income of the taxpayer everywhere during the tax period. Service income is in the city if the customer location is in the city.

(c) Gross income of the business from engaging in an apportionable activity must be excluded from the denominator of the service income factor if, in respect to such activity, at least some of the activity is performed in the city, and the gross income is attributable under (b) of this subsection (6) to a city or unincorporated area of a county within the United States or to a foreign country in which the taxpayer is not taxable. For purposes of this subsection (6)(c), “not taxable” means that the taxpayer is not subject to a business activities tax by that city or county within the United States or by that foreign country, except that a taxpayer is taxable in a city or county within the United States or in a foreign country in which it would be deemed to have a substantial nexus with the city or county within the United States or with the foreign country under the standards in RCW 35.102.050 regardless of whether that city or county within the United States or that foreign country imposes such a tax.

(d) If the allocation and apportionment provisions of this subsection (6) do not fairly represent the extent of the taxpayer's business activity in the city the taxpayer may petition for or the tax administrator~~s~~ may require, in respect to all or any part of the taxpayer's business activity, if reasonable:
   (i) Separate accounting;
   (ii) The exclusion of any one or more of the factors;
   (iii) The inclusion of one or more additional factors that will fairly represent the taxpayer's business activity in the city; or
   (iv) The employment of any other method to effectuate an equitable allocation and apportionment of the taxpayer's income.

(e) The party petitioning for, or the tax administrator requiring, the use of any method to effectuate an equitable allocation and apportionment of the taxpayer’s income pursuant to subsection (d) of this subsection (6) must prove by a preponderance of the evidence:
   (i) That the allocation and apportionment provisions of this subsection (6) do not fairly represent the extent of the taxpayer’s business activity in the city; and
   (ii) That the alternative to such provisions is reasonable.
   The same burden of proof shall apply whether the taxpayer is petitioning for, or the tax administrator is requiring, the use of an alternative, reasonable method to effectuate an equitable allocation and apportionment of the taxpayer’s income.

(f) If the tax administrator requires any method to effectuate an equitable allocation and apportionment of the taxpayer’s income, the tax administrator cannot impose any civil or criminal penalty with reference to the tax due that is attributable to the taxpayer’s reasonable reliance solely on the allocation and apportionment provisions of this subsection (6).

(g) A taxpayer that has received written permission from the tax administrator to use a reasonable method to effectuate an equitable allocation and apportionment of the taxpayer’s income shall not have that permission revoked with respect to transactions and activities that have already occurred unless there has been a material change in, or a material misrepresentation of, the facts provided by the taxpayer upon which the tax administrator reasonably relied in approving a reasonable alternative method.

(7) The definitions in this subsection apply throughout this section.

(a) **“Apportionable income”** means the gross income of the business taxable under the service classifications of a city's gross receipts tax, including income received from activities outside the city if the income would be taxable under the service classification if received from activities within the city, less any exemptions or deductions available.

(b) **"Business activities tax"** means a tax measured by the amount of, or economic results of, business activity conducted in a city or county within the United States or within a foreign country. The term includes taxes measured in whole or in part on net income or gross income or receipts. "Business activities tax" does not include a sales tax, use tax, or a similar transaction tax, imposed on the sale or acquisition of goods or services, whether or not denominated a gross receipts tax or a tax imposed on the privilege of doing business.

(c) **"Compensation"** means wages, salaries, commissions, and any other form of remuneration paid to individuals for personal services that are or would be included in the individual's gross income under the federal internal revenue code.

(d) **"Customer"** means a person or entity to whom the taxpayer makes a sale or renders services or from whom the taxpayer otherwise receives gross income of the business.

~~(e)~~ **"Customer location"** means the following:

- (i) For a customer not engaged in business, if the service requires the customer to be physically present, where the service is performed.
- (ii) For a customer not engaged in business, if the service does not require the customer to be physically present:
  - (A) The customer's residence; or
  - (B) If the customer's residence is not known, the customer's billing/mailing address.
- (iii) For a customer engaged in business:
  - (A) Where the services are ordered from;
  - (B) At the customer's billing/mailing address if the location from which the services are ordered is not known; or
  - (C) At the customer's commercial domicile if none of the above are known.

(f) **"Individual"** means any individual who, under the usual common law rules applicable in determining the employer-employee relationship, has the status of an employee of that taxpayer.

(g) **"Primarily assigned"** means the business location of the taxpayer where the individual performs his or her duties.

(h) **"Service-taxable income"** or "**service income**" means gross income of the business subject to tax under either the service or royalty classification.

(i) **"Tax period"** means the calendar year during which tax liability is accrued. If taxes are reported by a taxpayer on a basis more frequent than once per year, taxpayers shall calculate the factors for the previous calendar year for reporting in the current calendar year and correct the reporting for the previous year when the factors are calculated for that year, but not later than the end of the first quarter of the following year.

(8) Assignment or apportionment of revenue under this Section shall be made in accordance with and in full compliance with the provisions of the interstate commerce clause of the United States Constitution where applicable.

**(Mandatory – Effective January 1, 2020)**

Legislative intent information
For tax periods after January 1, 2020, Substitute House Bill 1403 further simplifies the administration of municipal business and occupation tax apportionment by (1) adopting a consistent sourcing hierarchy; (2) adopting market-based sourcing in the income factor; (3) establishing a rule that excludes service receipts from the income factor denominator attributable to jurisdictions where the taxpayer would not be subject to tax; and (4) establishing a consistent burden of proof for application of an alternative apportionment method. There are no changes to the payroll factor.

For periods prior to January 1, 2020, the following language is still in effect:

**Sec. 0.077(6)(b)** provides "The service income factor is a fraction, the numerator of which is the total service income of the taxpayer in the city during the tax period, and the denominator of which is the total service income of the taxpayer everywhere during the tax period. Service income is in the city if:

(i) The customer location is in the city; or
(ii) The income-producing activity is performed in more than one location and a greater proportion of the service-income-producing activity is performed in the city than in any other location, based on costs of performance, and the taxpayer is not taxable at the customer location; or
(iii) The service-income-producing activity is performed within the city, and the taxpayer is not taxable in the customer location."

**Sec. 0.077(7)(d)** provides "Customer location" means the city or unincorporated area of a county where the majority of the contacts between the taxpayer and the customer take place.

**Sec. 0.077(7)(h)** provides "Taxable in the customer location" means either that a taxpayer is subject to a gross receipts tax in the customer location for the privilege of doing business, or that the government where the customer is located has the authority to subject the taxpayer to gross receipts tax regardless of whether, in fact, the government does so.

**.078 Allocation and apportionment of printing and publishing income when activities take place in more than one jurisdiction.**
Notwithstanding RCW 35.102.130, effective January 1, 2008, gross income from the activities of printing, and of publishing newspapers, periodicals, or magazines, shall be allocated to the principal place in this state from which the taxpayer's business is directed or managed. As used in this section until December 31, 2023, the activities of printing, and of publishing newspapers, periodicals, or magazines, have the same meanings as attributed to those terms in RCW 82.04.280(1) by the department of revenue. Beginning January 1, 2024, until January 1, 2034, as used in this section, the activities of printing, and of publishing newspapers and periodicals or magazines are those activities to which the exemption in RCW 82.04.759 and the tax rate in RCW 82.04.280(1)(a) apply.

Legislative intent information
This section is required by RCW 35.102.150 and provides that printing and publishing income shall be allocated to the city in which taxpayer's business is directed or managed. This section is not mandatory for the model ordinance, but the tax treatment is required by RCW 35.102.150.

This section defines the sourcing of gross income arising from the activities of printing, and publishing newspapers, periodicals, or magazines. The changes effective January 1, 2024 modify only the definition of printing, and of publishing newspapers and periodicals or newspapers in accordance with ESS2B 5199 (2023). This section does not constitute an adoption of the State of Washington business and occupation tax exemption for gross income arising from the activities of printing, and of publishing newspapers, or the tax rate that applies to the activities of printing and of publishing periodicals or magazines

**.090 Exemptions.**
(1) **Public utilities.** This chapter shall not apply to any person in respect to a business activity with respect to which tax liability is specifically imposed under the provisions of [local utility tax cite].
(2) **Investments - dividends from subsidiary corporations.** This chapter shall not apply to amounts derived by persons, other than those engaging in banking, loan, security, or other financial businesses, from investments or the use of money as such, and also amounts derived as dividends by a parent from its subsidiary corporations.
(3) **Insurance business.** This chapter shall not apply to amounts received by any person who is an insurer or their appointed insurance producer upon which a tax based on gross premiums is paid to the state pursuant to RCW 48.14.020, and provided further, that the provisions of this subsection shall not exempt any bonding company from tax with respect to gross income derived from the completion of any contract as to which it is a surety, or as to any liability as successor to the liability of the defaulting contractor.
(4) **Employees.**

(a) This chapter shall not apply to any person in respect to the person's employment in the capacity as an employee or servant as distinguished from that of an independent contractor. For the purposes of this subsection, the definition of employee shall include those persons that are defined in the Internal Revenue Code, as hereafter amended.
(b) A booth renter is an independent contractor for purposes of this chapter.

(5) **Amounts derived from sale of real estate**. This chapter shall not apply to gross proceeds derived from the sale of real estate. This, however, shall not be construed to allow an exemption of amounts received as commissions from the sale of real estate, nor as fees, handling charges, discounts, interest or similar financial charges resulting from, or relating to, real estate transactions. This chapter shall also not apply to amounts received for the rental of real estate if the rental income is derived from a contract to rent for a continuous period of thirty (30) days or longer.

(6) **Mortgage brokers' third-party provider services trust accounts**. This chapter shall not apply to amounts received from trust accounts to mortgage brokers for the payment of third-party costs if the accounts are operated in a manner consistent with RCW 19.146.050 and any rules adopted by the director of financial institutions.

(7) **Amounts derived from manufacturing, selling or distributing motor vehicle fuel.** This chapter shall not apply to the manufacturing, selling, or distributing motor vehicle fuel, as the term "motor vehicle fuel" is defined in RCW 82.38.020 and exempt under RCW 82.38.280, provided that any fuel not subjected to the state fuel excise tax, or any other applicable deduction or exemption, will be taxable under this chapter.

**(Mandatory)**

(8) **Amounts derived from liquor, and the sale or distribution of liquor**. This chapter shall not apply to liquor as defined in RCW 66.04.010 and exempt in RCW 66.08.120. (**Mandatory**)

(9) **Casual and isolated sales**. This chapter shall not apply to the gross proceeds derived from casual or isolated sales.

(10) **Accommodation sales.** This chapter shall not apply to sales for resale by persons regularly engaged in the business of making retail sales of the type of property so sold to other persons similarly engaged in the business of selling such property where (1) the amount paid by the buyer does not exceed the amount paid by the seller to the vendor in the acquisition of the article and (2) the sale is made as an accommodation to the buyer to enable the buyer to fill a bona fide existing order of a customer or is made within fourteen days to reimburse in kind a previous accommodation sale by the buyer to the seller.

(11) **Taxes collected as trust funds**. This chapter shall not apply to amounts collected by the taxpayer from third parties to satisfy third party obligations to pay taxes such as the retail sales tax, use tax, and admission tax.

**.100 Deductions. In computing the license fee or tax, there may be deducted from the measure of tax the following items:**

(1) **Receipts from tangible personal property delivered outside the State**. In computing tax, there may be deducted from the measure of tax under retailing or wholesaling amounts derived from the sale of tangible personal property that is delivered by the seller to the buyer or the buyer's representative at a location outside the State of Washington. **(Mandatory)**

(2) **Cash discount taken by purchaser**. In computing tax, there may be deducted from the measure of tax the cash discount amounts actually taken by the purchaser. This deduction is not allowed in arriving at the taxable amount under the extracting or manufacturing classifications with respect to articles produced or manufactured, the reported values of which, for the purposes of this tax, have been computed according to the "value of product" provisions.

(3) **Credit losses of accrual basis taxpayers**. In computing tax, there may be deducted from the measure of tax the amount of credit losses actually sustained by taxpayers whose regular books of account are kept upon an accrual basis.

(4) **Constitutional prohibitions**. In computing tax, there may be deducted from the measure of the tax amounts derived from business which the City is prohibited from taxing under the Constitution of the State of Washington or the Constitution of the United States. **(Mandatory)**

(5) **Receipts from the Sale of Tangible Personal Property and Retail Services Delivered Outside the City but Within Washington**. Effective January 1, 2008, amounts included in the gross receipts reported

on the tax return derived from the sale of tangible personal property delivered to the buyer or the buyer's representative outside the City but within the State of Washington may be deducted from the measure of tax under the retailing, retail services, or wholesaling classification.

(6) **Professional employer services**. In computing the tax, a professional employer organization may deduct from the calculation of gross income the gross income of the business derived from performing professional employer services that is equal to the portion of the fee charged to a client that represents the actual cost of wages and salaries, benefits, workers' compensation, payroll taxes, withholding, or other assessments paid to or on behalf of a covered employee by the professional employer organization under a professional employer agreement.

(7) **Interest on investments or loans secured by mortgages or deeds of trust**. In computing tax, to the extent permitted by Chapter 82.14A RCW, there may be deducted from the measure of tax by those engaged in banking, loan, security or other financial businesses, amounts derived from interest received on investments or loans primarily secured by first mortgages or trust deeds on non-transient residential properties.

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| Legislative intent information<br>Subsection (6) is required by RCW 35.102.160 and provides that professional employer organizations may deduct the portion of fees for actual costs of employee wages and other benefits and taxes from gross income. This deduction is not mandatory for the model ordinance, but the tax treatment is required by RCW 35.102.160 and is taken from RCW 82.04.540(2). |

**.120 Tax part of overhead.**

It is not the intention of this chapter that the taxes or fees herein levied upon persons engaging in business be construed as taxes or fees upon the purchasers or customer, but that such taxes or fees shall be levied upon, and collectible from, the person engaging in the business activities herein designated and that such taxes or fees shall constitute a part of the cost of doing business of such persons.

**.130 Severability Clause.**

If any provision of this chapter or its application to any person or circumstance is held invalid, the remainder of the chapter or the application of the provision to other persons or circumstances shall not be affected.

Note: The following Items contained in the model ordinance guidelines are omitted from this Core model ordinance.

<u>Definitions omitted</u>:

(1) Advancement, Reimbursement
(2) Agricultural Product
(3) Artistic or cultural organization
(4) Consumer
(5) In this City, within the City
(6) Newspaper
(7) Non-profit organization or non-profit corporation
(8) Office, or Place of business
(9) Precious metal bullion or monetized bullion
(10) Product, byproduct
(11) Royalties
(12) Software, canned software, custom software, customization of canned software, master copies, retained rights
(13) Tuition fee

<u>Sections omitted:</u>

(.040) Agency—sales and services by agent, consignee, bailee, factor or auctioneer
(.110) Application to City's business activities.

<u>Exemptions and Deductions omitted</u>:

Numerous exemptions and deductions—compare with model guidelines to see if you need additional exemptions or deductions.

NOTE: Because of the wording contained in Section .050(2), cities should ensure that their licensing or registration section contains the authority to impose the license or registration. Section .050(2) is intended to relieve persons engaging in business activities that total equal to or less than $20,000 from tax obligations – but not from license or registration fee requirements.

# LACEY CITY COUNCIL WORKSESSION
**December 9, 2025**

**SUBJECT:** **Reserve Designations Discussion**

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**BRIEFING:** **The City Council will be briefed on the status of the City's reserve funds and discuss committed reserve designations.**

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**STAFF CONTACT:** Rick Walk, City Manager RW
Troy Woo, Finance Director TW
Chelsea Yarwood, Accounting Manager CY

**ORIGINATED BY:** Chelsea Yarwood, Finance Department

**ATTACHMENTS:** 1. Ordinance No. 1671 (current reserve designations)

**FISCAL NOTE:**

**WORK PLAN GOAL AND STRATEGY:** None

**PRIOR REVIEW:** October 28, 2025 City Council Worksession

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**BACKGROUND:**

The Governmental Accounting Standards Board (GASB) issued Statement No. 54 during February 2009. Since that time, annually the City Council has taken actions to commit certain fund balances in alignment with the City's priorities and vision. Since the current designations were adopted: (1) the fund balances available for the City Council to designate have changed, (2) some designations have been expended as intended, and (3) new priorities have been identified.

GASB Statement No. 54 provides multiple classifications for fund balances. Those classifications are nonspendable, Restricted, Committed, Assigned, and Unassigned.

The fund balances that will be reported as nonspendable and restricted are classified automatically by the nature of the fund balance, so no action is required to classify fund balances as nonspendable or restricted.

The City Council, as the governing body, possesses the authority to designate portions of the fund balance as "committed" through formal legislative actions. The Council retains full discretion over how these committed funds are allocated. However, such actions must adhere to specific criteria related to their intended purposes.

For a fund balance to be classified as committed, it must be dedicated to a clearly defined purpose. For example, allocating funds for a specific project, such as the replacement of an aging City building, would meet the necessary criteria for commitment. Conversely, setting aside a general "rainy day" or stabilization reserve without a clearly defined purpose does not satisfy these criteria.

To properly commit fund balances, the formal action taken by the City Council must include a description of the circumstances under which these funds will be restricted. This description should be sufficiently specific to identify when the committed resources can be utilized. For instance, if the City Council were to set aside $1 million as a rainy-day reserve intended solely for emergencies, this would not qualify as a committed fund balance unless the action precisely defines what conditions would be considered an emergency. Without this specificity, the commitment does not meet the standard required for designated use. In addition, the following rules apply to committed fund balances:

- A committed fund balance constraint imposed by the City Council can only be changed or removed by the same formal action.

- In order to be reported on the face of the annual financial statements, the constraints must be adopted prior to the end of the fiscal year to be reported.

- The adoption of the budget document does not qualify as formal action to constrain the resources, because the budget authorization is only for one year.

Assigned fund balances represent amounts earmarked for specific uses, reflecting the City's intention to allocate these resources for designated purposes. This intent can be established by the City Council or an authorized official such as the City Manager.

Historically, the City Council has granted authority to both the City Manager and the City Finance Director to assign funds based on the strategic priorities and initiatives established by the Council. This delegation of authority has proven effective in allowing the City to remain agile in responding to changing needs, emerging priorities, or the availability of additional resources. By enabling these officials to assign funds as directed, the City maintains a level of flexibility that ensures timely allocation and use of financial resources.

Given the historical effectiveness of this approach, staff recommends that the upcoming ordinance continue to include provisions allowing the City Manager and City Finance Director to assign funds based on the expressed intent of the City Council. Retaining this flexibility will allow the City to efficiently respond to evolving priorities and to allocate resources where they are needed most, ensuring that assigned funds are used in alignment with the City’s vision and objectives.

Unassigned fund balances include all the remaining fund balances. Unassigned fund balances can be used for any purpose and typically are only reported in the General Fund.

At the October 28, 2025 Council Worksession, staff sought high-level input and direction from the City Council regarding a modified approach to committed reserve designations. The conversation centered around the current economic environment and the importance of realigning organizational priorities with the City’s lower available fund balance.

The Council’s feedback on broad priorities was incorporated into the proposed reserve allocation model in order to have a more detailed conversation at the December 9, 2025 Council Worksession. The ordinance is scheduled for final consideration on December 16, 2025.

In order to align with the City's financial reporting requirements for the 2025 fiscal year and to ensure consistency with the 2026 Budget adoption process, the City Council must adopt the revised reserve designation ordinance no later than December 31, 2025.

**ORDINANCE NO. 1671**

**CITY OF LACEY**

**AN ORDINANCE ESTABLISHING FUND BALANCE DESIGNATIONS AS PROVIDED BY GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 54 AND APPROVING A SUMMARY FOR PUBLICATION.**

**WHEREAS,** the Governmental Accounting Standards Board ("GASB") Statement No. 54 establishes the standard for governmental fund balance reporting and governmental fund balance type definitions, and

**WHEREAS,** fund balance measures the net financial resources that are available for future expenditures, and

**WHEREAS,** the City Council finds it beneficial to designate certain fund balances as Committed for specific purposes or projects and that the City Manager or Finance Director be authorized to designate certain other fund balances as Assigned for a specific purpose,

**NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF LACEY, WASHINGTON,** as follows:

Section 1. Ordinance No. 1652, an ordinance of the City of Lacey, Washington, establishing fund balance designations as provided by Governmental Accounting Standards Board Statement No. 54, is hereby rescinded.

Section 2. The fund balances of the City of Lacey designated in this Ordinance are committed for the specific purpose indicated. Amendments or modifications of the committed fund balances set forth herein shall require formal action by the City Council.

Section 3. The City Council authorizes the City Manager or City Finance Director to categorize other fund balances as assigned in order to carry out the intent of the City Council.

Section 4. The following portions of its December 31, 2024 governmental fund balances are considered committed:

<u>Fund 001 (Current Expense):</u>
$ 3,000,000 is committed for Budget Policy
$ 2,500,000 is committed for Strategic Investment
$ 300,000 is committed for College Street & 7th Avenue Roundabout
$ 761,137 is committed for Rapid Response Team
$ 700,000 is committed for Human/Social Services Initiatives and Investments
$ 454,542 is committed for Police Body and Fleet Cameras
$ 121,539 is committed for Police Vehicle Replacement

$ 500,000 is committed for 5700 Pacific Property/New Museum
$ 250,000 is committed for Trail System (Bike/Pedestrian Plan)
$ 100,000 is committed for Parks & Recreation Comprehensive Plan Priorities
$ 5,480,000 is committed for Greg Cuoio Park Master Plan Implementation 1A
$ 470,843 is committed for Park Facilities – Repair/Replacement
$ 200,000 is committed for Insurance Deductibles
$ 3,000,000 is committed for New Joint Animal Services Building
$ 3,080,000 is committed for Capital Facilities Plan Implementation
$ 1,000,000 is committed for Vacated Police Station
$ 822,500 is committed for City Hall Facility
$ 200,000 is committed for Workspace/Remote Work Upgrades
$ 263,157 is committed for Capital Equipment Replacement
$ 520,000 is committed for Energy Conservation Projects (CR2 Plan)

<u>Fund 005 (Community Buildings):</u>
$ 42,500 is committed for Furniture and Equipment Replacement
$ 450,000 is committed for Community Buildings Repairs

<u>Fund 007 (Regional Athletic Complex M&O):</u>
$ 500,000 is committed for Regional Athletic Complex Field Replacement

<u>Fund 101 (City Streets):</u>
$ 350,000 is committed for Street Buildings Repair/Replacement
$ 101,043 is committed for Transportation Equipment and Improvements
$ 1,000,000 is committed for College Street & 7th Avenue Roundabout
$ 1,000,000 is committed for Transportation Facility Improvements/Expansion

<u>Fund 302 (Capital Equipment):</u>
$ 850,000 is committed for Capital Equipment Replacement
$ 160,000 is committed for Park Facilities Repair/Replacement
$ 700,000 is committed for Regional Athletic Complex Field Replacement
$ 50,000 is committed for Translation Technologies
$ 250,000 is committed for Teleworking Technologies

<u>Fund 102 (Arterial Street):</u>
$ 7,124,608 is committed for New Police Station Facility
$ 22,359,698 is committed for Transportation Improvement Plan Priorities

<u>Fund 301 (Building Improvement):</u>
$ 428,756 is committed for Public Art
$ 1,137,500 is committed for City Facility Repair/Replacement
$ 300,000 is committed for Parks & Recreation Comprehensive Plan Priorities
$ 1,500,000 is committed for Capital Facilities Plan Projects
$ 350,000 is committed for Senior Center Repairs/Replacement

<u>Fund 303 (Parks and Open Space):</u>
$ 50,000 is committed for 5700 Pacific Property/New Museum

Fund 307 (Regional Athletic Complex Capital):
$ 500,000 is committed for Regional Athletic Complex Lifecycle Replacements
$ 2,750,000 is committed for Reg. Athletic Comp. Long-Term Financial Planning

Section 5. Corrections. The City Clerk and the codifiers of this ordinance are authorized to make necessary corrections to this ordinance including, but not limited to, the correction of scrivener's/clerical errors, references, ordinance numbering, section/subsection numbers and any references thereto.

Section 6. The summary attached hereto is hereby approved for publication.

**PASSED BY THE CITY COUNCIL OF THE CITY OF LACEY, WASHINGTON**, at a regularly called meeting thereof, held this 17th day of December, 2024.

Andy Ryder

Mayor

ATTEST:

City Clerk

Approved as to form:

City Attorney

**SUMMARY FOR PUBLICATION**

**ORDINANCE NO. 1671**

**CITY OF LACEY**

The City Council of the City of Lacey, Washington, passed on December 17, 2024, Ordinance No. 1671 entitled "**AN ORDINANCE ESTABLISHING FUND BALANCE DESIGNATIONS AS PROVIDED BY GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 54 AND APPROVING A SUMMARY FOR PUBLICATION.**"

The main points of the Ordinance are described as follows:

1. The Ordinance rescinds Ordinance No. 1652.

2. The Ordinance restricts amendments or modifications of committed fund balances to formal action by the City Council.

3. The Ordinance authorizes the City Manager and Finance Director to categorize fund balances as assigned.

4. The Ordinance commits portions of governmental fund balances.

5. The Ordinance approves this Summary for Publication.

A copy of the full text of this ordinance will be mailed without charge to any person requesting the same from the City of Lacey.

City Clerk

Published: December 19, 2024