Resolution No. R2026-019
Costco Development Agreement

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City Council Public Hearing, November 2, 2026

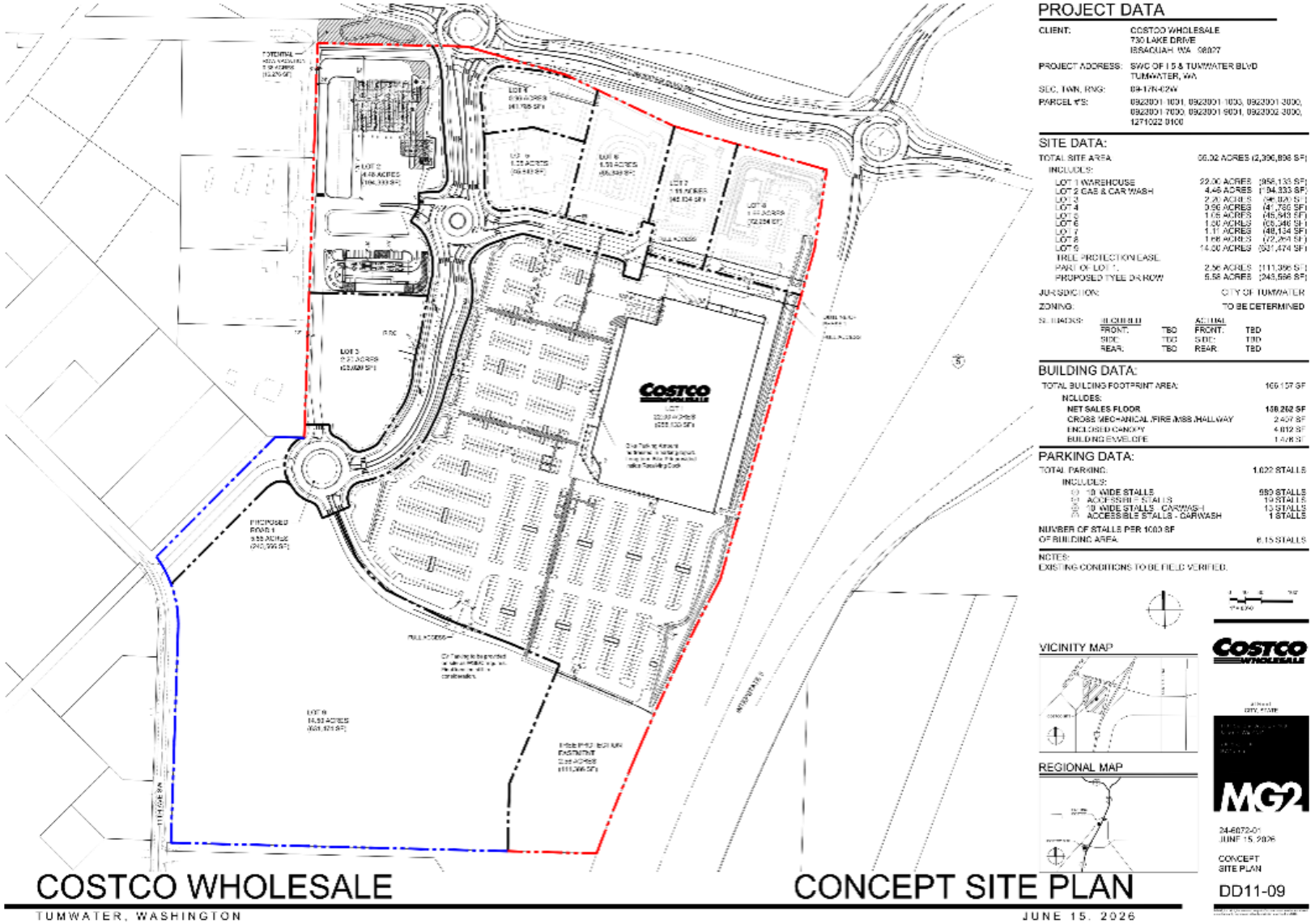
City Council Action

Conduct a public hearing on the development agreement with the Costco Wholesale Corporation, consisting of the following steps:

1. Staff Presentation
2. Public testimony
3. City Council Discussion
4. City Council vote on whether to authorize the Mayor to sign the agreement

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Site Plan



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Land Use Approval Process

July 2026 – Costco submitted land use applications for a new retail warehouse, fuel station, and car wash

- A complete project description, all the application materials, and a site plan are posted on the City's website
- The land use applications are administrative approvals
- Costco is also looking at developing two separate phases of outlots

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Land Use Approval Process

- Notice of Application issued July 29, 2026, the comment period ended August 12, 2026
- SEPA Threshold Determination issued October 9, 2026, the comment period ended October 23, 2026, and the appeal period ended October 29, 2026

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Costco Development Agreement

- Given the complexity of the construction and funding of the project's public infrastructure improvements, Costco and the City are seeking concurrence on a development agreement
- The primary purpose of the agreement is to address the project's infrastructure improvements, which will support the project and provide a public benefit

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Development Agreements – What They Are

A development agreement is a voluntary contract between the City and a property owner that:

- Details the obligations of both parties
- Specifies the standards and conditions that will govern development of the property
- Addresses the timing and construction of public improvements by the developer, as well as other issues
- Provides assurances to the developer that the development regulations that apply to the project will not change during the term of the agreement

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Development Agreements Are Contracts

- Under the State law, the City has authority to enter into a development agreement with a property owner
- The City Council must hold a public hearing prior to approving a development agreement
- Although coming to an understanding on a development agreement is voluntary, once approved, it binds the parties and their successors contractually
- As a contract it is legally different from the City's development permit approvals

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Development Agreement Issues

Issue	Summary
Scope	• Development of the Costco new retail warehouse, fuel station, and car wash as well as Phase 1 of the outlots • Outside of designating a project-wide tree tract, Phase 2 of the development is not part of the agreement
Term	• 10 years from approval of the development agreement
Development Code	• The development is vested to the City's existing development code for the 10-year term agreement • Regulations related to stormwater and building codes are not vested

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Development Agreement Issues

Issue	Summary
Utility Improvements	• Costco will construct water and sewer mains large enough to serve their development and future development • The City will reimburse Costco for the difference
Tree Protection Easement	• Costco will set aside a currently forested portion of the site of approximately 2.56 acres to meet the City's tree retention requirements for all phases of their project
SEPA	• The SEPA Threshold Determination for the project will be incorporated into the development agreement
Traffic Impact Fees	• Costco will be given credit on the traffic impact fees paid on their existing site to be used on their new site

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Development Agreement Issues

Issue	Summary
Transportation Improvements	• Costco will dedicate and construct an extension of **Tyee Drive SW** south from Tumwater Boulevard, and the City will reimburse Costco for the construction of the extension • Costco will dedicate right-of-way for the eventual **extension of Tyee Drive** SW from the new roundabout at the southern edge of the new Costco retail warehouse to Prine Drive SW • Costco will dedicate land and construct a new **Tyee Drive SW and Tumwater Boulevard SW roundabout, which may require** a street reimbursement agreement • The City will design and construct a new **northbound I-5 off-ramp and Tumwater Boulevard roundabout**, and Costco will reimburse the City for a portion of the costs

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Next Steps

- The next step in the land use review process is completing the Notice of Decision process, which will be started after the City Council authorizes the Mayor to sign the development agreement
- It is anticipated that once the land use approval process is complete, permit applications for construction of the buildings and site improvements will be submitted for review and approval

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