STAFF REPORT

Date: November 2, 2026
To: City Council
From: Paul Simmons, City Administrator, and Brad Medrud, Community Development Director

Resolution No. R2026-019 – Costco Development Agreement

1. Recommended Action

Authorize the Mayor to sign the development agreement with the Costco Wholesale Corporation.

The development agreement was discussed at the September 8, 2026, City Council work session.

2. Development Permit Approvals

Costco has submitted land use applications for a new retail warehouse, fuel station, and car wash that are currently under review by the City. A complete project description and all the application materials and a site plan for the project can be found here. Costco is also looking at developing two separate phases of outlots.

The land use applications completed the City's Notice of Application process on August 12, 2026. Public comments on the Notice of Applications were received, reviewed by staff, and sent to the Costco consultant team for their response.

The State Environmental Policy Act (SEPA) Mitigated Determination of Nonsignificance (MDNS) was issued for the project on October 9, 2026, the comment period on the MDNS ended October 23, 2026, and the appeal period on the MDNS ended October 29, 2026. Three written comments were received on the MDNS.

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. Approval of the land use applications is an administrative process.

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.

3. Development Agreement

Given the complexity of the construction and funding of the public infrastructure improvements for the project, in addition to the development permit approvals above, Costco and the City are seeking concurrence on a development agreement. The primary purpose of the agreement is to address the infrastructure improvements that will be required for the project and are part of the City's

Comprehensive Plan. The infrastructure improvements would support the project and provide a public benefit.

A development agreement is a voluntary contract between the City of Tumwater and a property owner in the City, detailing the obligations of both parties and specifying the standards and conditions that will govern development of the property. Although two parties coming to an understanding on a development agreement is voluntary, once approved a development agreement is binding on the parties and their successors as contracts and, as such, are legally different from the City's development permit approvals.

A development agreement provides assurances to the developer that the development regulations that apply to the project will not change during the term of the agreement and it addresses the timing and construction of public improvements by the developer, as well as other issues.

Under the State's Growth Management Act and SEPA, the City has authority to enter into a development agreement with a property owner wherein the City and property owner agree to development standards and other provisions that shall apply and vest to the development, use, and mitigation of the property.

The City Council must hold a public hearing prior to approving a development agreement.

The table below summarizes the primary issues that the City's development agreement with Costco is intended to address.

Issue	Summary
Scope	The agreement would cover development of the proposed Costco new retail warehouse, fuel station, and car wash as well as Phase 1 of the development of the outlots.
Term	10 years from date of signature on development agreement.
Development Code	The agreement would vest the development to the City's existing development regulations as of the effective date of the agreement for the term of the agreement. The final project design will be consistent with the development regulations as set forth in the development agreement. Regulations related to stormwater detention and treatment and building codes are not vested. The City Council would be able to modify one or more of the City's development regulations during the term of development agreement to address a serious threat to public health or safety.
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 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.

Issue	Summary
SEPA	The SEPA Threshold Determination for the project will be incorporated into the development agreement.
Transportation Improvements	• Costco will dedicate and construct an extension of **Tyee Drive SW** south from Tumwater Boulevard south to a new roundabout at the southern edge of the new Costco retail warehouse. 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 a portion of the land and construct a new **Tyee Drive SW and Tumwater Boulevard SW roundabout**. Depending on the timing of the construction, the City will work with Costco on a street reimbursement agreement to allow Costco to seek reimbursement from later development. • The City will design and construct a new **northbound I-5 off-ramp and Tumwater Boulevard roundabout**. Costco will reimburse the City for a portion of the costs.
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.

4. Approval Process for the Development Agreement

Once the City issues the SEPA Threshold Determination, the City Council meeting date for a public hearing and approval of the development agreement will be set.