

Discussion of the Costco Development Agreement



City Council Work Session, September 8, 2026

Purpose of the Work Session

- Discuss the status of the Costco project and the topics covered by the proposed development agreement between Costco and the City
- It is anticipated that the development agreement will be scheduled for City Council consideration later this fall



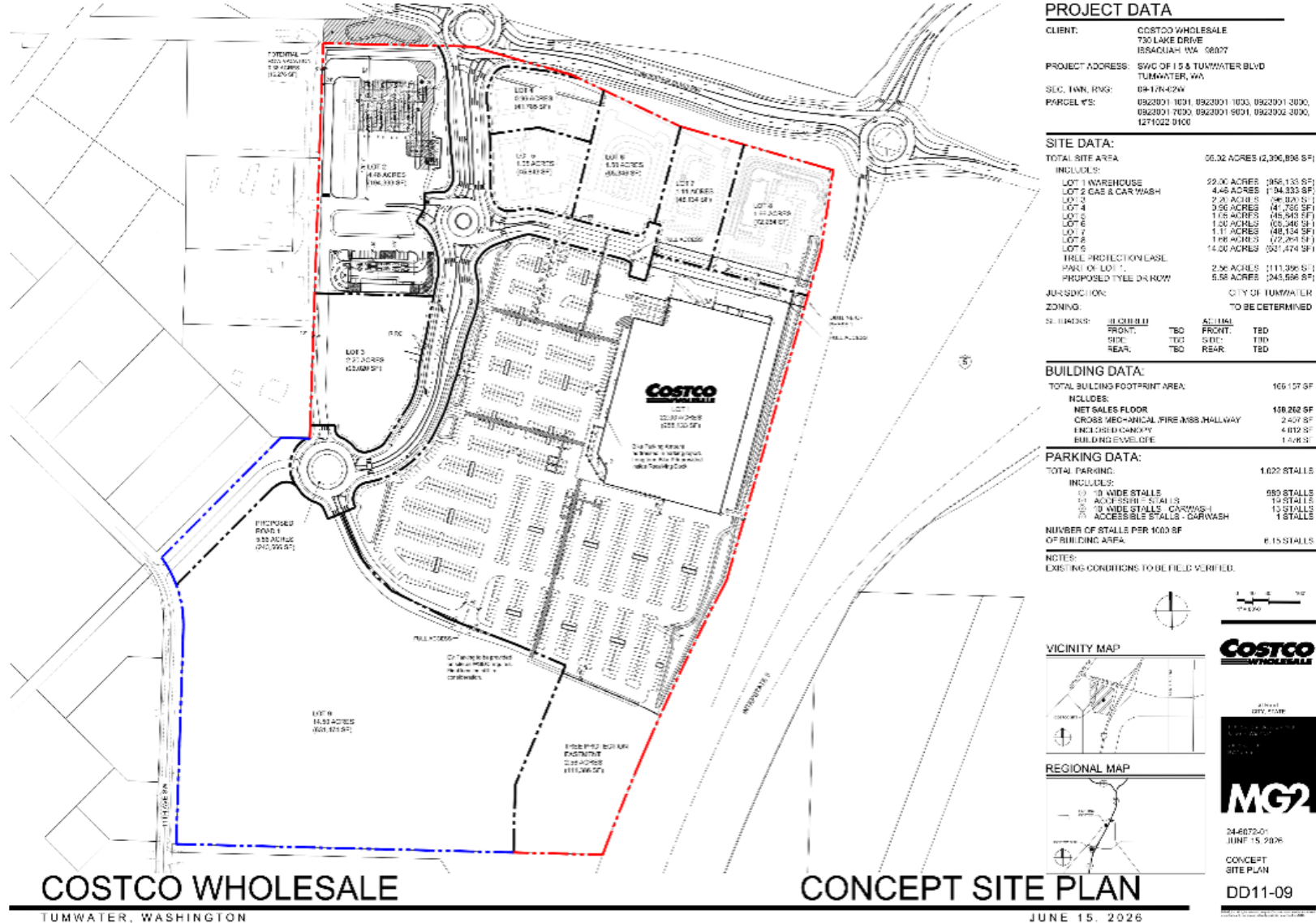
Background – Land Use Approvals

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



Background – Site Plan



Background – Land Use Approvals

- August 12, 2026 – Notice of Application completed
 - Public comments were received, reviewed by staff, and sent to the Costco consultant team for their response
- Next Steps – SEPA Threshold Determination and Notice of Decision
 - Both steps have formal public comment periods
- Staff can address additional comments and questions about the project at any time
- Land use approvals are expected this fall, and construction permits would follow



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



Development Agreements – What They Are

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

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



Development Agreements Are Contracts

- Although the agreement to a development agreement is voluntary, once approved, it binds the parties and their successors contractually
- 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



Proposed 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

Proposed 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

Proposed 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

Next Steps

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

