

AGENDA ITEM

BUSINESS OF THE CITY COUNCIL City of Des Moines, WA

SUBJECT: Commercial Parking Tax

FOR AGENDA OF: November 6, 2025

ATTACHMENTS: None

DEPT. OF ORIGIN: Legal

DATE SUBMITTED: October 21, 2025

CLEARANCES:

- City Clerk _____
- Community Development _____
- Courts _____
- Finance *MLZ*
- Human Resources _____
- Legal */s/TG*
- Marina *SD*
- Police _____
- Parks, Recreation & Senior Services _____
- Public Works *WPS*

APPROVED BY CITY MANAGER

FOR SUBMITTAL: *Katherine Coffey*

Purpose and Recommendation

The purpose of this agenda item is for Council discussion of a proposal to enact a city-wide tax on paid parking.

Suggested Motion

Motion: "I move to direct staff to prepare a draft ordinance implementing a commercial parking tax."

Background

Des Moines, like many Washington cities, has faced ongoing budget issues for several years, largely due to constrained revenue not keeping pace with increases in expenditures. During the budget processes for the year 2024 and the 2025-26 biennium, staff and the Council dedicated themselves to both trying to keep increasing expenses to the minimum possible and finding new sources of revenue. Significant progress was made, but structural issues persist.

Through 2025, staff has continued to explore new revenue options and measures to reduce expenditures. At the September 25, 2025 regular Council meeting, the Council was presented with a collection of items identified by staff as potential measures to achieve these goals. A number of the items were measures that could be implemented administratively and are already in progress. Additional revenue options were presented that would require Council action. One of these options was to implement a tax on paid parking in the City. The Council showed support for further discussion of this idea and posed some questions for staff to research and bring back to the discussion.

The Legislature has authorized cities to impose a parking tax on persons parking for a fee in RCW 82.80.030. The law imposing the tax may, but is not necessarily required to, provide that the tax be assessed either on the operator or on the owner of the vehicle; can apply to any parking for which a fee is paid, including parking supplied with a nonresidential lease; that the operator collect and remit the tax; that the tax may be per vehicle or be based on the parking fee charged; that the rate varies by location of the facility, the duration of parking, the time of entry or exit, the type of vehicle, or other reasonable factors; and that tax exempt carpools, vehicles with a disabled parking placard, or government vehicles are exempt from the tax.

RCW 82.80.030 also provides that the proceeds from the tax shall be used for transportation purposes including but not limited to the following: The operation and preservation of roads, streets, and other transportation improvements; new construction, reconstruction, and expansion of city streets, county roads, and state highways and other transportation improvements; development and implementation of public transportation and high capacity transit improvements and programs; and planning, design, and acquisition of right-of-way and sites for such transportation purposes. These uses shall be consistent with the City's adopted transportation plans.

The City of Des Moines has previously enacted a commercial parking tax through Ordinance No. 1353, which took effect January 1, 2005. The tax was repealed in 2018 by Ordinance No. 1698. At the time the tax was repealed, the concern was that the tax would siphon revenue from the newly implemented Marina paid parking away from funding the bulkhead replacement, which was the greatest priority at that time. The only other entity paying the parking tax at that time was one hotel charging overnight parking. The non-City lost revenue was estimated to be \$8,000.00 annually.

Commercial parking tax rates in nearby cities include:

Seattle – 14.5%

SeaTac - \$3.99 per transaction

Burien - \$3.00 per transaction

Tukwila – 15%

Pacific – 15%

Discussion

Council had the following questions for staff at the September 25, 2025 meeting, with the answers provided:

1. Would Highline College be subject to the tax, and would it be possible to exempt them or make other exemptions?

ANSWER: When the City imposed the earlier tax, Institutions of Higher Learning, including Highline, and public schools were exempted from the tax. Tax exempt carpools, vehicles with handicapped decals, or government vehicles were also exempted. If the Council desires, some or all of these exemptions can be included in a draft ordinance.

2. Would there be substantial costs to the City in implementing the tax?

ANSWER: Costs of implementation are believed to be negligible, particularly with respect to the City owned lots. With respect to any other commercial parking enterprise, there will be some cost in educating businesses about the new tax and processing returns, but these costs are also expected to be insignificant compared to revenue

3. How would annual parking passes be treated by the tax?

ANSWER: Sale of annual passes should fall under any reasonable definition of taxable parking activity and be taxed at the applicable rate, but sale of parking passes can be specifically addressed in the ordinance.

Year to date, the City has sold approximately 1,250 parking passes which generated approximately \$53,000 in revenue. Assuming the tax will apply to sales of parking passes at a 10% tax rate, this would have resulted in approximately \$5,300 in revenue.

Note that this revenue estimate reflects annual passes only; additional details on the total estimated revenue from a parking tax are provided below.

If the Council wishes to move forward with drafting an ordinance, staff requests Council input on the following questions:

1. What should the tax rate be? The financial projections in this agenda item were based on a 10% rate. Three nearby cities charge at or near 15%.
2. Should there be exclusions for public schools and/or colleges?
3. Should Tax exempt carpools, vehicles with handicapped decals, or government vehicles be exempted?

A draft ordinance would levy the tax on the customer but make the operator of the parking facility responsible for collecting, reporting, and remitting the taxes to the City. Administration of the tax by the Finance Department and method of appeal would be governed by DMMC chapter 3.85. The funds provided by the tax are restricted by state law for transportation purposes and would be deposited in the City Roads Fund.

Every use of paid parking facilities represents wear and tear on the public roads of Des Moines and contributes to increased traffic that may require upgrades to the system. Providing these extra resources to transportation needs may allow general fund dollars to serve other uses.

Alternatives

Council may:

1. Direct staff to prepare a draft ordinance enacting a commercial parking tax.
2. Continue discussion at a future meeting and direct staff to answer additional questions.
3. Decline to take any further action on the question of a parking tax.

Financial Impact

Staff estimates that for each percentage levied, the tax could bring in an additional \$5,000 per year from paid parking at the Marina and Redondo parking lots. A 10% tax rate, for example would bring in \$50,000 annually. The administrative cost of collecting and remitting the tax by the City would be negligible. At least one hotel in the City appears to have overnight paid parking, and the revenue from non-city commercial operations could exceed the estimated \$8,000 from 2018. Administering the tax would involve some hours of staff accounting, but the expense is not projected to be significant.