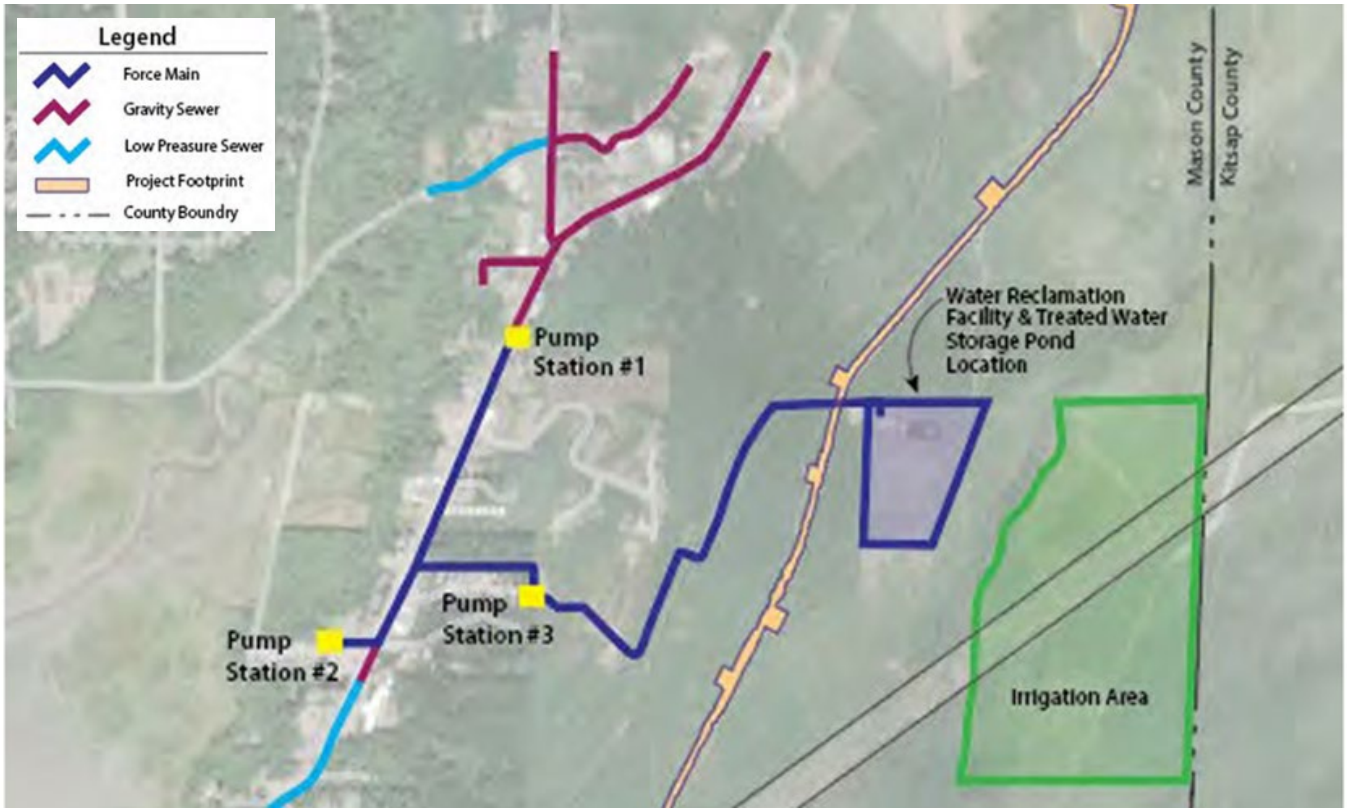
Economic Impact Study – Belfair Sewer System & Puget Sound Industrial Center



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KEY FINDINGS & RECOMMENDATIONS

The Belfair Sewer System: Current Conditions

- The Belfair Wastewater and Water Reclamation Facility (WWRF), operated by Mason County Utilities and Waste Management, opened in 2012 at a cost of $42 million. Permitted spray field capacity is 125,000 gallons per day; current flows of approximately 92,000 gallons per day are approaching regulatory triggers for capacity expansion.
- The customer base has grown to approximately **675 ERUs as of 2025**, and system revenues now cover Operations & Maintenance costs for the first time. Original construction debt is on track for payoff by 2027–2028. The system nonetheless lacks capital reserves, faces outstanding DOE compliance requirements at the storage pond, and confronts scheduled rate increases of 10% in 2026 and 5% in 2027. Continued ERU growth remains important to long-term financial sustainability.
- A $3 million Department of Commerce grant and a formal Interlocal Agreement between Mason County and the City of Bremerton were undertaken to initiate design work for plant capacity upgrades and a potential PSIC South extension. A Memorandum of Understanding had required Mason County to determine whether the extension aligns with County interests within approximately 270 days of completing a feasibility evaluation.
- Following extensive negotiations, the City of Bremerton in March 2026 elected to withdraw from the MOU citing a lack of necessary commitment on the part of Mason County. The Legislature has amended the Department of Commerce sewer design grant to allow the City of Bremerton to use its portion of the funds for its own planning and design. Collaboration between the two jurisdictions remains permissible but is no longer required. This change is expected to take effect once the Governor signs the state budget.

Economic Development Potential

- **Research literature consistently finds that** public sewer investment generates measurable economic returns — estimated at $2.50–$2.80 in total output per $1 dollar invested. In rural and semi-rural contexts, sewer infrastructure frequently functions as a foundational prerequisite for business location and expansion.
- **Belfair currently** supports an estimated **1,080 jobs, $245 million in gross business revenues**, and **$49 million in wages** within the UGA, approximately 70% of which is concentrated in the current Sewer Service Area (SSA).
- **Scenario 1 — Belfair Sewer Service Area Intensification:** Full buildout of 77 vacant and redevelopable parcels (538 acres) within approximately 500 feet of the existing network could support up to **4,150 jobs, $190 million in employee compensation**, and more than **$1.4 billion in business**

revenue. New residential capacity could support over **1,400 additional housing units** and more than **$50 million annually** in taxable retail sales.
- **Scenario 2 — PSIC South Extension:** Full buildout of 1,410 developable acres across 83 largely undeveloped parcels could support up to **23,500 jobs, $1.2 billion in employee compensation**, and nearly **$8.3 billion in business revenue**. These figures represent a long-run ceiling across a multi-decade trajectory, not a near-term forecast.

Large-Format Retail in PSIC South

- Stakeholder concerns that sewer extension could catalyze retail harmful to central Belfair are not strongly supported by industry site selection criteria. National retailers generally prefer trade areas larger than Belfair's local trade area population. Traffic volumes, intersection geometry, and parcel configurations in PSIC South are less consistent with large-format retail preferences. The regional trade area is already served by established retail clusters in Silverdale, Bremerton, and Port Orchard — a market condition that national retailers weigh heavily in site selection. PSIC South's GI and ME zoning and physical characteristics align more closely with industrial, logistics, and defense-contractor uses.

The PSIC South Opportunity

- PSIC South is a significant underdeveloped industrial asset in the central Puget Sound region. 83 of 91 parcels are undeveloped, GI and ME zoning are in place, PSRC Manufacturing/Industrial Center designation is secured, and major landowners have expressed preferences for industrial development. Kitsap County's industrial vacancy rate has remained below 2% since 2016, with lease rates rising 65% over that period. CAI's 2025 KILBIS study estimated near-term demand for up to 669,000 square feet of industrial space countywide — demand the current building stock cannot meet.
- The **Shipyard Infrastructure Optimization Program (SIOP)** at Puget Sound Naval Shipyard (PSNS) and Intermediate Maintenance Facility (IMF) is the most time-sensitive demand driver. The Navy's 2025 Solicitation for Offers identified needs for up to 274,000 square feet of industrial and warehousing space near PSNS & IMF. Sewer is the binding constraint: road access via Airport Way Phase 3 and water service on the northwest side of SR 3 also require attention, but sewer is the prerequisite without which other investments are unlikely to attract target users.
- Industrial growth in PSIC South would expand Belfair's effective customer base. Workers residing in Mason County would access retail and services at the nearest commercial node — central Belfair. The planned SR 3 Freight Corridor is more likely to benefit Belfair's downtown by removing heavy freight traffic than to diminish it, consistent with other bypass experiences in Washington. Growing the ERU base would also stabilize per-unit costs for existing ratepayers and fund a capital reserve.

Recommendations

- **Prioritize DOE compliance and capital reserve establishment.** New ERU revenue should be directed toward resolving the storage pond compliance issue and building a capital reserve before the next major capital investment is required.
- **Engage unserved areas of the Belfair UGA**. Romance Hill and portions of Old Belfair Highway are well-positioned for near-term development and could be evaluated as a parallel or alternative strategy alongside the PSIC extension.
- **Treat SIOP as a time-sensitive opportunity**. Positioning PSIC South for SIOP-related leasing — through infrastructure readiness and coordination with the Port of Bremerton, KEDA, and Mason EDC — warrants priority attention commensurate with the significance of the shipyard itself.
- Consider **re-engaging with the City of Bremerton** on the potential to extend sewer service into Kitsap County. While the MOU between Mason County and Bremerton was dissolved and the Commerce grant updated to allow Bremerton to use its portion of the funds on its own, the fact remains that a collaborative effort still holds great advantages for both parties.
- **Align sewer extension with the SR 3 Freight Corridor.** The Lake Flora Road interchange is the most strategically advantageous near-term terminus, positioning the system for eventual connection to Port of Bremerton properties as Airport Way Phase 3 is completed.
- **Protect Belfair's interests through the interlocal agreement.** Rate structure protections, cost-sharing formulas, and zoning assurance provisions should ensure Mason County ratepayers share equitably in benefits and that commercial rezoning in Kitsap cannot undermine the industrial character of the service area.

CONTENTS

INTRODUCTION

Background and Purpose

Mason County civic and business leaders are evaluating an extension of the sanitary sewer system serving Belfair, Washington into the southern portion of the **Puget Sound Industrial Center-Bremerton (PSIC-B)**[1] in the City of Bremerton. This infrastructure project represents a potential inter-jurisdictional investment connecting an unincorporated Mason County community with a designated regional manufacturing and industrial hub in Kitsap County.

This study provides an objective analysis as stakeholders weigh the benefits of sewer system expansion. State grant funds for sewer system design and inter-jurisdictional cooperation present opportunities for regional growth. Some stakeholders have concerns regarding the equitable distribution of costs and benefits amongst communities. Concerns include potential impacts on existing Belfair small businesses from new commercial development in PSIC-B, ratepayer implications, and the balance of economic gains across jurisdictions.

This study provides local governments, utilities, businesses, and community stakeholders with a rigorous, data-driven analysis to inform policy and funding decisions. It models and quantifies the potential economic contributions of the sewer system extension to the area economy, assesses impacts on Belfair's small business sector, and evaluates industrial development potential in PSIC South. Economic modeling is combined with research, case studies, and community engagement so findings reflect technical rigor, industry practices, and stakeholder perspectives. The study provides support to decision-making that serves the economic development objectives of both Mason and Kitsap counties.

Methodology

The analysis combines three components. The **economic benefit analysis** quantifies direct economic contributions – including potential job growth, business revenues, and wages – using the Washington State Input-Output model customized to Mason and Kitsap counties. This approach models three scenarios: first, a current **baseline conditions** assessment in the Belfair UGA

[1] The official name of the designated PSRC Manufacturing-Industrial Center and subarea formerly known as SKIA is now the "Puget Sound Industrial Center – Bremerton" and the acronym is "PSIC-B". Discussion of the potential sewer expansion relates to the mostly-undeveloped southern area of PSIC-B, south of Bremerton National Airport. This sub-geography of PSIC-B under discussion for potential sewer service is described in this report as "PSIC South".

and current Sewer Service Area (SSA)[2] without further sewer extension; second, near- to mid-term **intensification potential** for the Sewer Service Area, especially including the northern Belfair Plateau area served by the recent sewer extension to near the Mason-Kitsap County line; and, third, impacts of potential expansion northeast across the county line into the **PSIC South** area.

The **small business impact assessment** focuses specifically on Belfair viability, incorporating stakeholder interviews and comparative market analysis to address concerns about competition from potential PSIC-B commercial development and retail trade area dynamics. The **industrial development potential** assessment leverages CAI's recent PSIC-B Manufacturing Industrial Center market study, KEDA KILBIS study, and the Bremerton Regional Center recertification study to evaluate current economic contributions and future development opportunities enabled by sewer infrastructure, including potential connection scenarios with Port infrastructure, mutually beneficial service provision, and analysis of public and private developable land opportunities that could be served by such a system.

Analytic methods combine data analysis from secondary data sources and qualitative analysis of stakeholder interviews and information provided by local agencies.

Organization of Report

The following report is organized as follows:

- **Project Overview.** Provides history, context, specifications, and current status regarding Belfair sanitary sewer infrastructure projects, Commerce grant, and ongoing community discussion around extension.
- **Community & Stakeholder Engagement.** A roster of stakeholder engagement and a summary discussion of key findings, concerns, support, and insights from interviews and outreach across a range of impacted Belfair, North Mason, and Kitsap County stakeholder groups.
- **Economic Benefit Analysis.** A data-driven quantification of the economic contributions – in terms of jobs, labor income, and economic output – of the sewer system to the regional economy using the Washington State Input-Output model customized to Mason and Kitsap counties.

[2] In this report, the Belfair Sewer Service Area (SSA) is a geometrically computed area comprised of all parcels within 500 feet of an existing sewer line. Per Mason County Code (MCC) 13.31.030 A, "all new development located within the Belfair UGA on property within five hundred feet of the alignment of the Belfair Wastewater and Reclamation Facility's pipeline shall be connected to public sewer facilities."

- **Small Business Impact Assessment.** A discussion, including case studies and market research, of how the sewer system specifically supports small business viability in Belfair while directly addressing stakeholder concerns about potential adverse effects on existing businesses, ratepayer impacts, and equitable benefit distribution.
- **Industrial Development Potential.** A discussion of future development potential and impact of infrastructure upgrades in the largely undeveloped PSIC South area if enabled by sewer infrastructure via analysis of industrial market trends and demand (including Navy SIOP projections) combined with land utilization estimates and possible service alignment scenarios.
- **Literature Review.** Summarizes a review of literature and studies demonstrating that the provision of sanitary sewer service can help spur and sustain new economic development activity.
- **Appendices**: Department of Ecology Compliance Letter; Mason County BOCC Letter of Support; Port of Bremerton Airport Industrial Way Site Map; Port of Bremerton Development Sites; City of Bremerton MOU Withdrawal.

Project Overview

Introduction

The Mason County Economic Development Council (Mason EDC) and Kitsap Economic Development Alliance (KEDA) have commissioned this Economic Impact Analysis to evaluate the current and potential economic contributions of a regional sewer system serving Belfair, Washington, and the southern portion of the Puget Sound Industrial Center-Bremerton (PSIC-B) in the City of Bremerton, Washington. This collaborative infrastructure project represents a significant opportunity for economic development across two counties and has the potential to spur industrial capacity, business growth, and job creation in the region.

Background and Initial Development (2007-2012)

The **Belfair Wastewater and Water Reclamation Facility (WWRF)** was constructed between 2007 and 2012 to serve the Belfair Urban Growth Area (UGA) in Mason County. Originally planned as a $14 million project, the facility ultimately cost $42 million to complete, with 61% funded through grants and the remaining $16.4 million financed through state loans. The facility was designed with a capacity of **0.5 million gallons per day (500,000 GPD),** utilizing advanced membrane bioreactor technology, UV disinfection systems, and spray field irrigation for treated effluent.

When the facility opened in 2012 with capacity for 428 equivalent residential units (ERUs), actual growth fell significantly short of projections that had anticipated 7% annual growth. By 2014, connections had declined to 411 ERUs, creating substantial financial challenges. The shortfall between actual connections and debt obligations required ongoing subsidies from county-wide

Real Estate Excise Tax (REET) and 0.09% sales tax revenues, with Mason County contributing approximately $1.2 million annually in recent years to cover debt service.

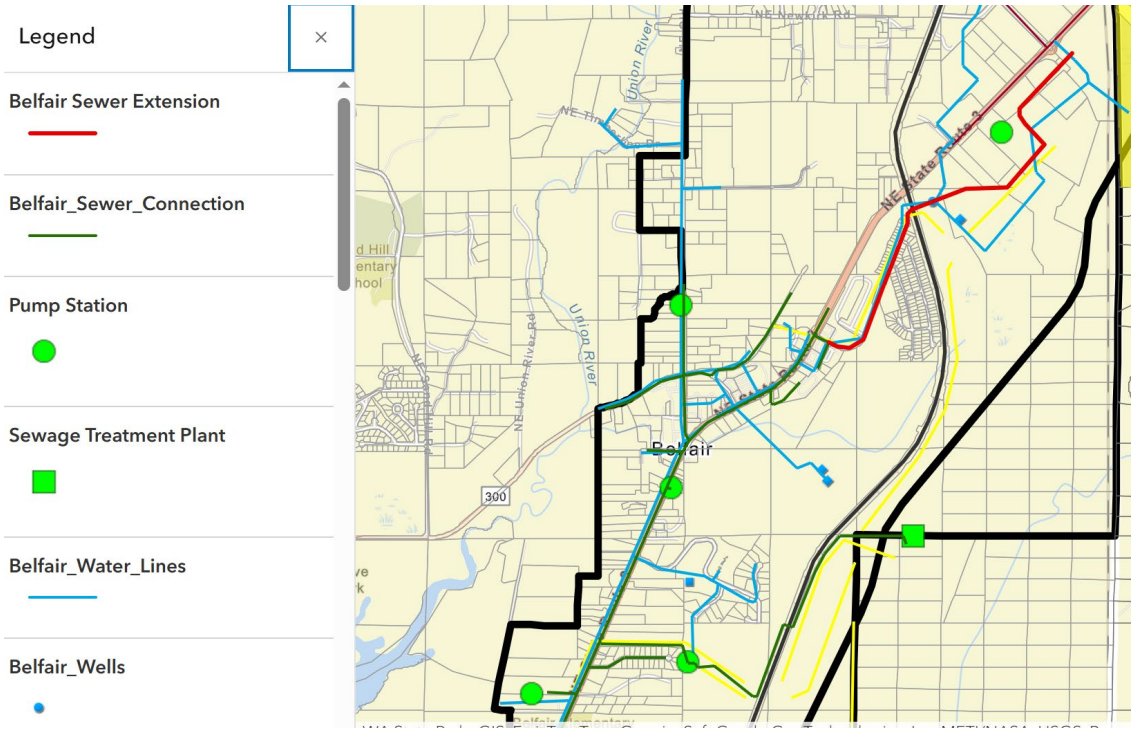
Belfair Wastewater and Water Reclamation Facility (WWRF). Source: Boss Construction, accessed 2026.

System Expansion Phase (2021-2024)

Recognizing the need to expand the customer base and improve system financial sustainability, Mason County initiated a phased expansion strategy beginning in 2021. The expansion project was designed to serve near-term residential development in the northeastern portion of the Belfair UGA, particularly the Olympic Ridge development area.

Phase 1 Construction (2022-2023): The initial expansion phase included extending the sewer main from the post office area northward to the Olympic Ridge developments, crossing Navy railroad tracks, and installing necessary lift stations. The project was awarded to Pape and Sons Construction of Gig Harbor in October 2022 for approximately $4.2 million, with Harbor Custom Homes constructing a complementary section alongside the Belfair View apartments. Construction was substantially completed by early 2023, with the project staying on schedule and within budget.

This expansion successfully connected new residential developments including Olympic Ridge (built by Lennar), bringing additional ERUs onto the system and moving the facility closer to operational sustainability.



Detail of Mason County webmap showing recently-completed extension of sewer line (red) to near the Mason-Kitsap County line as well as locations of pump stations, water reclamation facility (Sewage Treatment Plant), water lines, and previous sewer line extent. Source: Mason County, 2025.

Puget Sound Industrial Center Partnership Discussions (2016-Present)

Concurrent to the Belfair expansion, discussions emerged regarding potential regional cooperation with the City of Bremerton and Port of Bremerton to serve the southern portion of the Puget Sound Industrial Center-Bremerton (PSIC-B). This subarea encompasses approximately 3,700 acres planned for industrial development in southwestern Bremerton and southern Kitsap County.

As early as 2016-2017, Mason County officials identified the PSIC-B as a potential opportunity to add significant industrial customers to the Belfair system. Bremerton's utility infrastructure is concentrated in the northern portions of the city, making it costly to extend services southward or to construct a new treatment facility to serve southern PSIC-B. The proximity of PSIC South to the Mason-Kitsap county border suggested that connecting to the Belfair facility could be more cost-effective than alternatives.

State Investment and Recent Agreements (2024-2025)

In a 60-day “short session" in 2024, the Washington State Department of Commerce awarded a $3 million grant to support collaboration between Mason County and the City of Bremerton on regional sewer planning[3]:

- $1.6 million to Bremerton for design of infrastructure to connect to the Belfair sewer system, potentially including two lift stations and sanitary sewer line,
- $1.4 million to Mason County for design of system capacity upgrades.

This grant funding supports preliminary engineering, feasibility analysis, and design work but does not include construction funding.

September 2, 2025: Mason County Commissioners authorized an Interlocal Agreement (ILA) with Bremerton to begin formal negotiations on potential sewer service to portions of PSIC-B and related areas. The ILA established a framework for coordination between jurisdictions and alignment of sewer comprehensive plans.

November 25, 2025: Commissioners approved a Memorandum of Understanding (MOU) requiring a preliminary engineering and financial evaluation quantifying capital, financial, and operational impacts for both parties. The MOU includes specific timelines:

- 180 days to complete the feasibility evaluation,
- 90 days following study completion for Mason County to determine and notify Bremerton whether providing service aligns with county interests.

March 23, 2026: The MOU between Mason County and the City of Bremerton was terminated by Bremerton mayor Greg Wheeler, citing a lack of adequate commitment in the negotiations for cooperative action on a sewer extension into PSIC South.

Current System Status and Capacity Considerations

As of late 2025, the Belfair system operates with the following characteristics:

- **Current ERUs:** Approximately 675 (as of 2025, with recent additions from Olympic Ridge development; new 99-lot preliminary plat approved)
- **System Revenues:** In 2025, sewer service charges generated $894,793 in revenue, an annual increase of more than $180,000 over 2024.

[3] The Mason County Board of County Commissioners (BOCC) submitted a letter at this time in support of the City of Bremerton’s request for funding for this project. This letter is included as Appendix B.

- **Permitted Spray Field Capacity:** 125,000 gallons per day, current usage at approximately 92,000 gallons per day, approaching regulatory expansion trigger.
- **Design Facility Capacity:** 500,000 gallons per day (though currently constrained by spray field capacity; additional membranes would be required beyond spray field / reclaimed water solutions).
- **Outstanding Debt:** The original limited tax general obligation (LTGO) 2020A and 2021 loans will be paid off by 2027. New debt was incurred in 2025 to finance a sewer trunk extension with an interest rate of 0.54%. and annual payments of approximately $175,000, with total repayment of $2,764,745.24 through 2039.
- **Projected Rate Increases:** Rates are to increase by 10% in 2026 and 5% in 2027.

The system remains below its permitted spray field capacity but is approaching regulatory triggers as new residential developments are planned and come online. Discussions with the Washington State Department of Ecology have identified facility improvements needed, including addressing a suspected storage pond issue documented from 2014-2016, which could require 3-4 years to fully resolve (the Commerce grant funding would begin the process of resolving the regulatory issues via an engineering study).

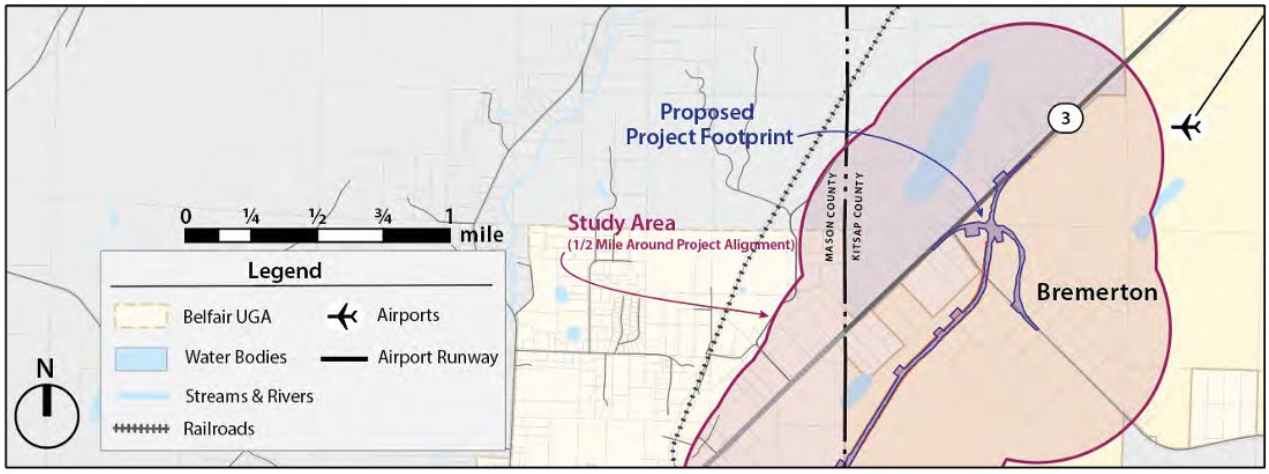
Planned Future Phases

Several components compose the potential future expansion of the regional system:

Facility Capacity Expansion: Mason County has identified the need to update its general sewer plan and complete a facility plan to accommodate growth regardless of whether the Bremerton connection proceeds. This includes planning for the next 20-year capacity increment, upgrading aeration systems, SCADA improvements, and addressing regulatory compliance issues identified by the Department of Ecology.

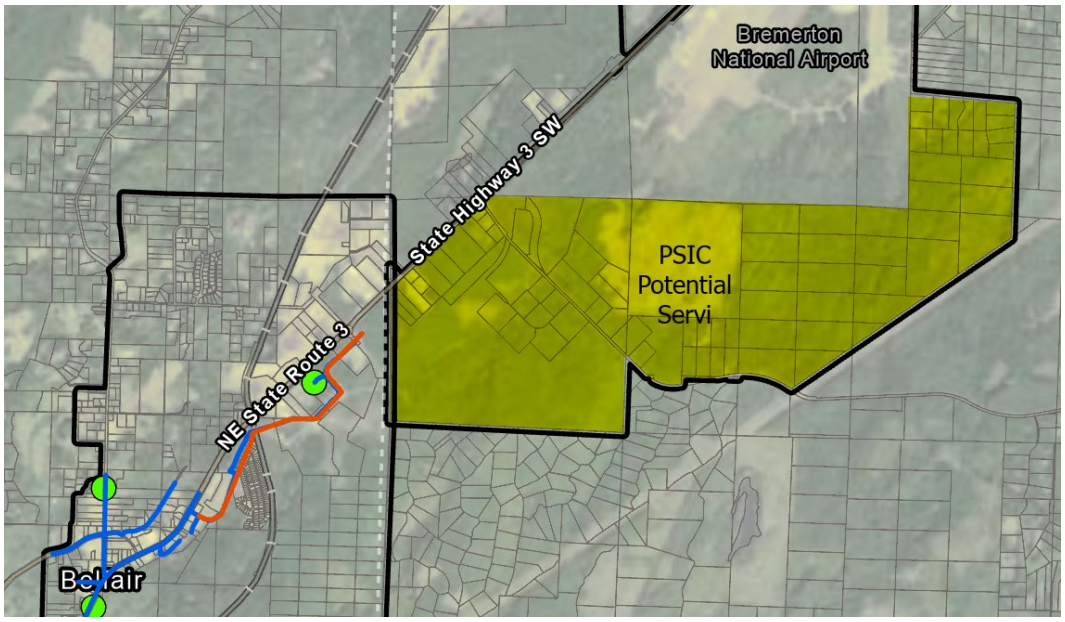
PSIC South Connection (Contingent): Subject to completion of the feasibility study (which this work can inform) and subsequent agreements, the potential extension to serve southern PSIC-B (PSIC South) would require:

- Extension of sewer infrastructure north from the current system terminus just shy of the Mason-Kitsap County line (near Sozo Church / Belfair Park N' Ride on SR-3).
- Coordination with the State Route 3 Freight Corridor project (formerly Belfair Bypass).
- Resolution of capacity allocation questions and rate structures.
- Additional permits and approvals from Department of Ecology.
- Determination of cost-sharing arrangements and connection fees.



Detail map of SR 3 Freight Corridor proposed alignment in the vicinity of PSIC South. Source: Excerpted from SR 3 Freight Corridor Environmental Assessment, 2012, updated 2023.

Potential Sewer Service Area (PSSA) Definition: The proposed Potential Sewer Service Area of PSIC South encompasses the southern portions of the Puget Sound Industrial Center-Bremerton subarea between the Mason-Kitsap county line and the current southern terminus of Airport Way and Old Clifton Roads east of the Bremerton National Airport, covering an area of from 300 to 1,400 acres (depending on actual alignment) that is currently unserved by sanitary sewer as well as other needed infrastructure. Earlier conceptual planning identified this area as potentially serving approximately 140-160 industrial customers, but this study will develop more detailed projections of the potential for development activity, jobs, and other impacts.



Detail of Mason County webmap showing PSIC south potential service area. Source: Mason County, 2025.

COMMUNITY & STAKEHOLDER ENGAGEMENT

This study undertook a phase of community engagement with diverse stakeholders including local government officials, public works leadership, business owners, community organizations, and the development community.

Engagement activities for this work comprised two channels. First, leadership and staff of the Economic Development Council of Mason County (Mason EDC) and Kitsap Economic Development Alliance (KEDA) were closely and collaboratively involved in periodic project guidance, including bi-weekly check-ins intended to steer, focus, and refine the contents of this study. In addition, over a period of two months in early 2026, **seven (7) individual and small group community and stakeholder interviews** were undertaken which offered detailed perspectives on economic impacts, challenges, and opportunities related to the potential Belfair sewer expansion project.

The perspectives gathered in interviews and follow-up conversations have been synthesized here to summarize emergent key themes, priorities, and community visions regarding the potential for both challenges and opportunities to arise from the Belfair sewer extension project both to-date and via a range of future potential scenarios.

Roster of Engagement

Outreach consisted of individuals and groups representing the following segments of Belfair and PSIC-B / Bremerton community and stakeholders. (Note that while written comment was solicited from all three Mason County Commissioners, feedback was only received from Commissioners Task and Tarzwell):

- Local Small Business Owners
- North Mason Chamber of Commerce
- Real Estate Brokers
- City and County Planners & Public Works
- Port of Bremerton & Port of Allyn
- Private Real Estate Developers
- Mason County Commissioners (2 of 3)

What We Heard

Sewer Infrastructure as the Binding Constraint on Industrial Development

Across nearly every conversation, **stakeholders identified sewer capacity as the primary constraint preventing the PSIC South area from realizing its development potential**. The commercial broker summarized the consensus most directly: sewer is the single biggest limiting factor

preventing industrial properties in and around PSIC South from reaching their full potential, with other utilities largely available or expandable. (While not as critical, the area may run into power constraints if more intensively built out, with a current capacity of seven megawatts approximately 50-70% utilized.) The Port of Bremerton's own wastewater infrastructure currently serves its industrial park and a handful of adjacent users, including the Amazon site and Defiance Marine, but stakeholders were clear that this system is limited in scale and insufficient for area-wide growth — particularly if high-demand users such as a motorsports facility move forward.

Industrial demand in the region was described as strong and growing, driven substantially by Navy and shipyard-related activity and regional pricing advantages relative to other Puget Sound industrial markets. The broker noted that Amazon's presence has already shifted market perception, but that broader buildout — the kind of employment-generating industrial development the region seeks — requires a comprehensive regional sewer solution, not incremental workarounds. Development is expected to proceed in phases regardless, beginning with lower-intensity uses such as material yards and construction services, before progressing toward more fully built-out industrial parks. The pace and scale of progression will depend heavily on sewer availability.

Mason County Public Works staff added important technical context: while the Belfair Wastewater and Water Reclamation Facility has theoretical treatment capacity expandable to 500,000 gallons per day, the operative constraint is the reclaimed water spray field and impoundment, currently capped at 125,000 gpd. The system is approaching the regulatory trigger for expansion — flows have risen to approximately 92,000 gpd against that threshold — and without additional flows from a PSIC-B connection, projections indicate the county will need to expand spray field capacity or identify alternative reclaimed water uses by 2037. Connecting PSIC South would accelerate the timeline for those infrastructure decisions and would introduce pretreatment requirements and elevated reclaimed water return obligations.

Infrastructure Alignment and the Role of the Belfair Bypass

A recurring topic across multiple interviews was the physical alignment of any sewer extension and its relationship to the planned Hwy 3 / Lake Flora Road bypass roundabout. The Port of Bremerton noted that a historical concept running sewer infrastructure along Hwy 3 to reach Port properties remains the most logical option for long-term connectivity. The commercial broker independently identified an alignment near the bypass and Lake Flora Road as strategically advantageous, particularly for private landowners such as the Overton family whose properties would benefit from proximity to both the sewer line and the new roadway.

The Port of Bremerton is separately planning to begin construction in 2027 on approximately 3,800 linear feet of Airport Way, extending south from the existing roundabout. This road extension is expected to open roughly 300 additional acres of Port-controlled land for potential development, though FAA restrictions limit uses near the runway primarily to aviation-related or compatible light industrial activities. Stakeholders noted that the Airport Way alignment could change depending on feasibility studies and coordination with the bypass roundabout, leaving some uncertainty about the ultimate corridor.

The bypass itself was cited not only as a transportation project but as a potential economic catalyst. The broker drew a parallel to Sequim, where a bypass ultimately supported retail growth and reduced heavy truck traffic through the town center. If a similar dynamic were to play out with the Belfair Bypass, it would alleviate concerns that the bypass, paired with sewer access, would hollow out the local business district. It is unclear if this dynamic will translate into a similar result for Belfair.

Fiscal Structure, Rate Concerns, and Governance

Financial sustainability and governance of the Belfair sewer system emerged as a central and unresolved concern across stakeholder groups.

Mason County Public Works staff described a system currently operating without capital reserves. Rates cover operations and maintenance only, with debt on the original construction loan being serviced through Real Estate Excise Tax (REET) funds rather than ratepayer revenue. That original debt is now projected to be retired by 2027 (though a small additional capital debt was incurred in 2025). Staff acknowledged that growth did not materialize as anticipated following the system's 2012 opening, which shrank the customer base and contributed to ongoing financial strain. Any capital investment not offset by new users or grant funding will flow directly to ratepayers. Very recently, new connections (**675 ERUs as of 2025**) have increased system revenues to the point where they finally cover Operations and Maintenance (O&M) costs, though capital reserves are as yet unfunded.

The Port of Bremerton raised rate predictability as a threshold issue. Port tenants currently pay significantly lower sewer rates than Belfair customers[4]. The Port is in the middle of a seven-year rate increase program — averaging 2.5% annually plus catch-up adjustments — designed to align with City of

[4] The City of Bremerton's rates – which generally range from ~$85–$105 (base + usage) for residential, and from $63–$95 base + $5.89–$26.57/HCF depending on strength class for commercial / industrial – are generally higher than the rates paid by users in the Port's Olympic View industrial parks, which relies on a Port-owned lagoon system. These rates also differ from other parts of PSIC which are served by Bremerton which also tend to be higher.

Bremerton rates over time. Connecting Port facilities or adjacent properties to a Belfair system would be untenable without assurances that rates would remain predictable and comparable for Port tenants. More broadly, the Port flagged cost, rate control, and governance as the central issues requiring resolution before any regional partnership could advance.

Belfair small business owners and community leaders echoed these fiscal concerns from a different vantage point. Stakeholders with memory of the original sewer buildout recalled high costs, rate structures that prompted some businesses to change their operating models, and a perception that the infrastructure investment was not matched by the commercial development it was intended to catalyze. This history has generated skepticism toward the idea of extending the system beyond Mason County. They cite the need to complete service to unserved areas within the Belfair UGA itself as a priority.

Both the Chamber representative and the small business participants raised questions about the future of REET 2 funds following debt payoff — specifically, whether those funds would sunsetted or be retained for operations. Another possibility is that the County will instead need to use REET funds to address permitting and capacity issues. They identified this as a significant unresolved policy question with direct implications for rate stability and capital planning.

Community Concerns: Economic Competition and Equity

The most consistent and emotionally resonant concerns raised by Belfair-area stakeholders centered on the risk that extending sewer infrastructure across the county line would enable commercial development that draws customers, tax revenue, and business investment away from Belfair. Participants specifically named the prospect of big-box retailers — Costco, Home Depot, Walmart — and clusters of ancillary businesses locating just north of the county line, capturing through-traffic that currently flows to Belfair.

These concerns were paired with a broader equity argument: that Kitsap County, which has faster growth, fewer constraints, and greater fiscal capacity, would be the primary beneficiary of sewer infrastructure substantially funded by Mason County taxpayers and ratepayers who already absorbed high costs during the original buildout. One participant described the arrangement as a "one-sided win" for Kitsap. Stakeholders also noted that several areas within the Belfair UGA remain unserved by sewer despite being better suited for near-term development — including Romance Hill and portions of Old Belfair

Highway[5]. They questioned why the County would prioritize service outside Mason County before completing service internally.

A related land use concern was raised about the enforceability of any assurances that PSIC South development would remain industrial rather than commercial. Stakeholders noted that the City of Bremerton or Kitsap County could rezone areas in the future regardless of current designations, and that Mason County would have limited recourse once infrastructure was in place.

The Chamber representative offered a somewhat more measured perspective, noting that Belfair already has solid representation in major retail categories — grocery and hardware in particular. The primary service gap she hears about from residents is healthcare, specifically primary care access. She did not dismiss competitive concerns but suggested the picture is more nuanced than a straightforward threat narrative. She also noted that Bremerton residents do not, in her estimation, currently travel to Belfair for shopping, which may limit the degree to which northward development would actually divert Belfair-bound traffic.

Potential Benefits and Conditions for Support

Despite the concerns outlined above, stakeholders across the spectrum acknowledged potential benefits and in several cases expressed conditional support for the expansion.

The commercial broker was the most unequivocal, characterizing sewer and bypass infrastructure together as "game changers" for the area's regional profile and competitive position. He noted that increased industrial intensity in PSIC South would benefit the Port indirectly even if much of the immediate development occurred on privately owned land, and that the project's employment and economic spillover effects would extend well beyond individual parcels. He framed the current study as a critical precursor to securing the funding and political support necessary to implement a scalable regional solution.

Mason County Public Works noted growing interest from **Navy-related development** — including some property owners who have pursued Navy contracts — and described the county as actively preparing to permit efficiently for that category of demand. Additional sewer connections were acknowledged as stabilizing for the overall rate base, a benefit that would flow to existing Belfair ratepayers.

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[5] It should be noted that Mason County returned state funding in 2016 when it decided not to extend its sanitary sewer line down Old Belfair Highway which subsequently led to the current planning discussion to extend to PSIC-B.

The small business participants, while skeptical, acknowledged that expansion could work if Mason County is fully reimbursed for its investment. They want Belfair's unserved areas prioritized alongside or before PSIC South, and mechanisms in place to prevent commercial rezoning in Kitsap that would enable retail competition. They were explicit that their opposition is not to industrial development or to regional economic growth per se, but to an arrangement they perceive as structurally disadvantageous to Belfair.

Jurisdictional Complexity and Coordination Challenges

Multiple stakeholders highlighted the inherent complexity of a project that crosses county and jurisdictional lines. The multiple public entities involved have different rate structures and governance frameworks, and this expansion requires coordination between Mason County, Kitsap County, the City of Bremerton, the Port of Bremerton, and potentially state agencies including the Department of Ecology and tribal governments.

The Port of Bremerton noted that past discussions about a shared membrane bioreactor treatment system with the City of Bremerton have largely stalled due to the absence of a Public Works Director in Bremerton, with little progress over the past ten months. Mason County Public Works identified tribal review of any new permits as a source of financial and timeline risk, noting the potential for additional monitoring requirements, studies, or objections. The broker was direct about the project's political dimension, characterizing it as a bi-county economic driver that will require legislative advocacy and regional coalition-building to advance. He compared it in significance to the Naval shipyard as a regional economic anchor.

Belfair's status as an unincorporated community was raised as a structural challenge in its own right. Without incorporation, Belfair lacks the formal representation mechanisms that would allow it to negotiate as an equal party in interlocal agreements or to advocate effectively for its interests when county-level decisions are made that affect it.

Summary of Key Themes

Taken together, the stakeholder conversations reflect a project with strong economic logic and genuine development potential, situated within a governance and fiscal landscape that is genuinely complex. The following themes cut across interviews and will be central to the study's analysis:

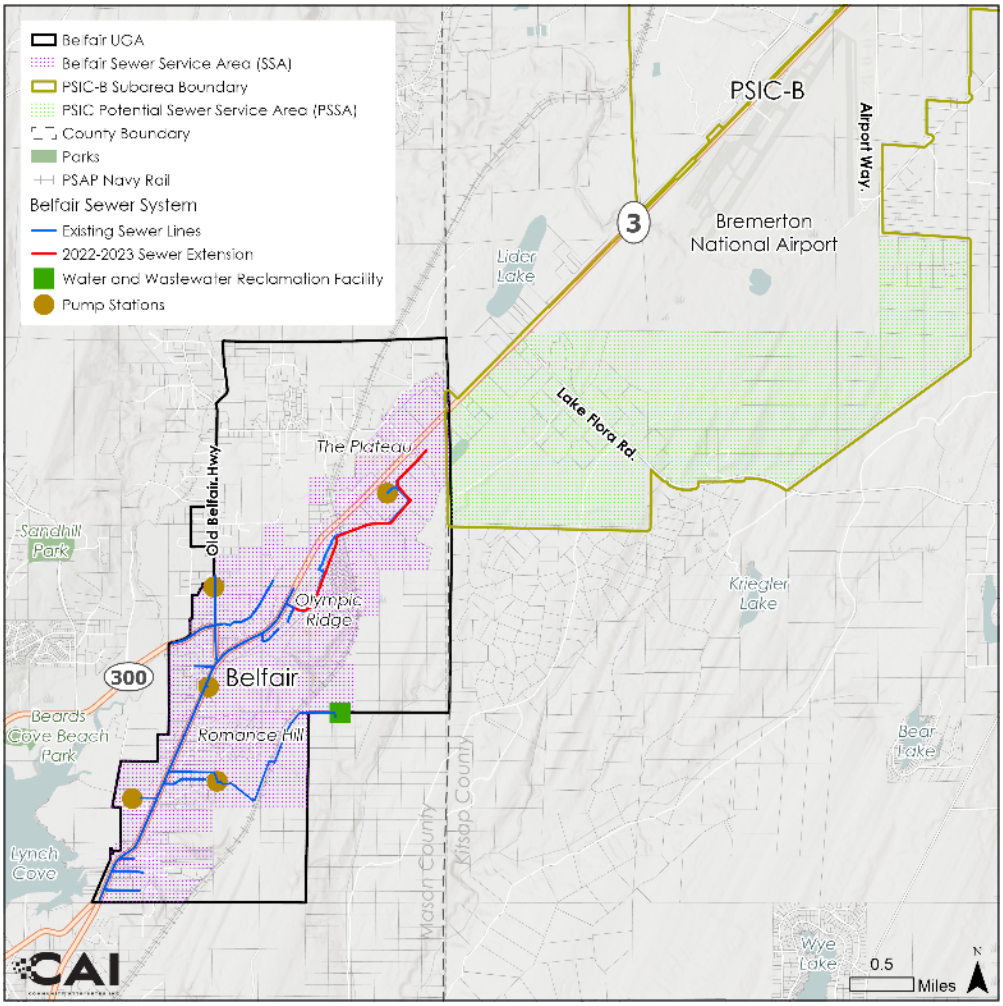
- **Sewer as the binding constraint:** Demand exists; the infrastructure gap is the bottleneck.
- **Alignment and sequencing matter:** The bypass corridor is strategically central to any viable extension.
- **Fiscal sustainability is unresolved:** The Belfair system's capital reserve gap and rate structure complicate expansion economics.

- **Rate predictability is a precondition for buy-in:** Both the Port of Bremerton and Belfair businesses need assurance on rates before they can support the project.
- **Community equity concerns are substantive, not merely political:** The history of the Belfair sewer buildout shapes how residents and businesses evaluate this proposal.
- **Jurisdictional complexity is real:** Multi-agency coordination, tribal review, and the absence of Belfair incorporation all create friction.
- **Conditional support is available:** Most stakeholders are open to the expansion under the right conditions — the study's task is to define what those conditions look like in economic terms.

Economic Benefit Analysis

The Belfair Urban Growth Area is one of Mason County's three urban growth areas (UGA) and serves as one of the "principal housing, economic, civic, and social centers including commercial, industrial, and airport and business hubs" according to the Mason County 2025 Comprehensive Plan Update. The Belfair UGA has a 2045 growth target of 296 additional jobs, representing 2% of total countywide projected growth for the period. Employment across the County over the next five years is projected to grow by 486 jobs. As the findings of research and analysis on the impacts of access to wastewater service indicate, Belfair's sewer system serves as an important asset to support both population and employment. Expanding the system – in terms of both capacity and geographic reach – can support economic development within the service area and build local and regional capacity for employment and population growth.

Exhibit 1: Study Area Map, Belfair UGA and Sewer Service Area, (SSA) PSIC-B & Potential Sewer Service Area (PSSA), 2026

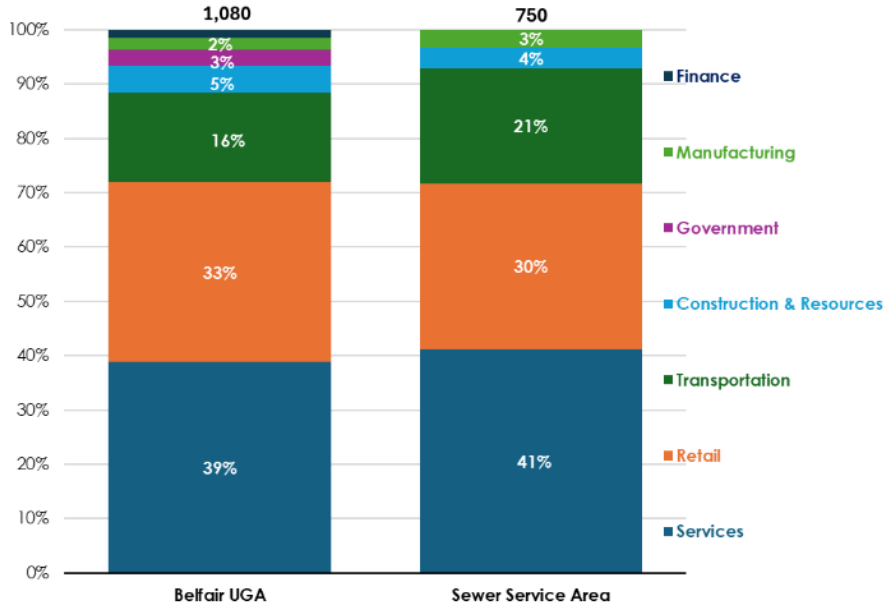


Source: Mason County, 2026; U.S. Census Bureau, 2026; Community Attributes Inc., 2026

Current Employment and Business Activity

Mason County, in 2025, had a population of 67,800 and 14,900 non-farm jobs. The Belfair UGA currently represents 2% of countywide population and an estimated 8% of jobs. In total, there are an estimated **1,080 jobs** within the **UGA**, and **750** in the **Sewer Service Area**[6]. Within the UGA, 70% of jobs are located within the current Sewer Service Area. As of 2023[7], jobs in the Belfair UGA are primarily concentrated among the Retail (33%) and Accommodations and Food Service (19%) industries. Within the Sewer Service Area, the largest industries include Retail (30%), Accommodations and Food Services (20%), and Wholesale (17%).

Exhibit 2: Employment and Percent of Employment by Industry, Belfair UGA and Sewer Service Area, 2023



Source: U.S. Census Bureau, 2026; Community Attributes Inc., 2026

[6] Per Mason County Code (MCC) 13.31.030 A "Connections to Public Sewer Required, New Development Must Connect. Pursuant to Mason County Ordinance No. 91-07 and Section 17.03.030, all new development located within the Belfair UGA on property within five hundred feet of the alignment of the Belfair Wastewater and Reclamation Facility's pipeline shall be connected to public sewer facilities."

[7] Employment data is sourced from the U.S. Census Longitudinal Employer-Household Dynamics (LEHD) databased, which provides a source of employment data for geographies smaller than the county. The most recent year for which data is available is 2023. In addition, the Belfair UGA Final EIS recently estimated UGA employment at 1,100.

The Belfair UGA generated an estimated **$245 million** in **gross business income** and **$49 million in wages** in 2023. Employment within the Sewer Service Area supported an estimated **$174 million** in business revenues and **$33 million** in wages, or 71% of UGA business revenues and 68% of wages.[8]

Existing Utilization Patterns

Employment is supported by the availability of commercial and industrial land and associated building square feet within each geographic area. Understanding the intensity of current land use, in terms of building square feet per worker within the UGA and Sewer Service Area provides an indication of the potential for increased intensity of use in areas with recent sewer expansion (such as the 2023 system extension along SR 3 in the Plateau area up to the Mason-Kitsap County line) or anticipated future expansion.

Within the Belfair UGA there is more than **one million square feet** of building floor area on commercial and industrial land. This building area is concentrated among land uses comprising retail, service, and wholesale industries. On average, commercial and industrial development within the UGA requires nearly **930 square feet per job**. The Sewer Service Area represents 88% of building space within the UGA. Current commercial and industrial space supports a slightly higher concentration of retail uses and a slightly lower concentration of wholesale uses. On average, commercial and industrial development within the Sewer Service Area requires **1,170 square feet per job**.

Exhibit 3: Current Square Feet per Job, Belfair UGA & SSA, 2023

Major Sector	Belfair UGA	Sewer Service Area
Construction & Resources	830	810
Finance, Insurance, and Real Estate	2,730	3,640
Manufacturing	1,480	1,380
Retail	1,050	1,640
Services	750	960
Wholesale, Transportation, & Utilities	980	740
Government	440	0
Education	-	0
Average	**930**	**1,170**

[8] Business revenues are estimated using statewide annual average gross business income per worker by industry, calculated using 2024 data from the Washington State Department of Revenue and Bureau of Labor Statistics. Wages are estimated using average wage per worker across Mason County by industry for 2024 sourced from the Bureau of Labor Statistics. These ratios are applied to the jobs data from 2023 sourced from LEHD.

Source: U.S. Census Bureau, 2026; Mason County Assessor's Office, 2026; Community Attributes Inc., 2026

Current square-feet-per-job estimates help show the additional employment, revenue, and wages which could result from new development or redevelopment in areas already served by sewer. They also indicate the potential economic gains in places that may receive sewer service in the future, including southern PSIC-B.

Impact Methodology

When businesses move to or grow within a region they create additional jobs, wages, and business revenues – these are known as "**direct**" economic impacts. These activities in turn support **indirect** and **induced** impacts. The spending of employee wages (induced impacts) and the business purchases they make (indirect impacts) also add to the regional economy across all industries. These combined impacts can be described through a **multiplier**. A multiplier signifies the total jobs, wages, or overall economic activity supported by each direct job, or directly generated business revenue.

The Washington State Office of Financial Management (OFM) economic impact model calculates how many total jobs are generated throughout the state for each direct job analyzed, or for each $1 million in direct output (business revenues). Those multipliers differ across industries. The OFM estimates that for every direct job in the trade and services industries, for example, an average of 0.9 additional jobs are supported. For the manufacturing and construction industries, each new direct job supports an average of 1.8 additional jobs. For natural resource and utilities jobs the figure is 1.2 additional jobs supported for every direct job.

Exhibit 4: Washington State Input-Output Multipliers, Selected Industries

Industry	Total Jobs per $ Million in Direct Output	Total Jobs per Direct Job
Retail	9.1	1.6
Wholesale	5.3	2.0
Arts, Recreation and Accommodation	13.4	1.5
Food Services and Drinking Places	12.6	1.5

Source: Washington State Office of Financial Management, 2021.

Growth Potential with Sewer Expansion

The expansion of sewer service into Kitsap County represents an increase in critical infrastructure that can support business activity in a mostly undeveloped commercial and industrial environment. The PSIC South area contains an existing stock of built square footage for business services, and –

predominantly – extensive opportunities for greenfield development on relatively large groupings of parcels under common ownership. The current Belfair Sewer Service Area contains 77 parcels of vacant or potentially redevelopable land. In the PSIC South potential sewer service expansion area, 83 of 91 parcels are undeveloped[9].

Scenario 1: Belfair Sewer Service Area (SSA) Intensification

The first scenario models an intensification of use related to the recent (2022-2023) expansion of sewer service into northern Belfair near the Mason County boundary with Kitsap County, but not into the PSIC South area of Kitsap County. The existing network – including the Plateau expansion area – currently serves (within 500 feet) 77 vacant and potentially redevelopable parcels totaling 538 acres. This could, under documented development parameter assumptions and driven by current zoning categories, accommodate up to **3.7 million square feet** of commercial building capacity.[10] As connections to and uptake of the new sanitary sewer infrastructure grow, business development can follow, making more intensive use of parcels in the area in terms of commercial, industrial, and residential development and activity. Assuming the development occurs commensurate with current employment trends, a full hypothetical commercial-industrial build out could support up to **4,150 jobs**[11], adding **$190 million** in employee compensation (wages), and more than **$1.4 billion** in business revenue generation.

Scenario 2: PSIC South Potential Sewer Service Area (PSSA)

A second scenario for expansion includes the expansion of sanitary sewer service under discussion extending into far southern Kitsap County, serving the southern portion of the Puget Sound Industrial Center – Bremerton (PSIC South) Manufacturing/Industrial Center (MIC) and subarea within the City of Bremerton UGA. This Potential Sewer Service Area currently includes 83 developable parcels[12] totaling 1,410 acres that could accommodate up to **23.2**

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[9] "Undeveloped" land in this context includes land use designations comprising undeveloped (vacant) land, timberland, noncommercial forest land, designated forest land, open space, and current use designations.

[10] For context, the Mason County Belfair Urban Growth Area - Final Environmental Impact Statement and Supplemental EIS (2022) outlined a hybrid Alternative 3 higher growth scenario (ultimately adopted by the County) corresponding to UGA-wide growth of 1.4 million square feet of new commercial/industrial space – mainly in the Plateau area of Belfair.

[11] The direct impact for the SSA of 4,150 jobs would be above and beyond the existing 750 jobs already in the SSA, minus a small number of jobs on parcels identified as potentially redevelopable.

[12] Developable parcels in PSIC South include those with an inactive Kitsap County assessor's land use including "undeveloped" and "forest land". Three residences, two warehouse / mini storage uses, and a handful of other active uses (sheds, garages) were excluded from the analysis.

million square feet of commercial and industrial building capacity under current zoning categories and performance patterns. If commercial growth occurred analogous to the industry sector distribution found elsewhere in built out areas of PSIC-B (such as the Olympic View Industrial Park and environs), a full hypothetical build out could support up to **23,500 jobs** in this area. This would add **$1.2 billion** in employee compensation and nearly **$8.3 billion** in business revenue generation.

Economic Benefits of Additional Residential Capacity

While business growth is one way to generate economic growth in this region, it is not the only way. Economic development in the region, which the sewer system supports, can also come by means of increasing the housing stock and residential population in the community. Sustained population growth is a consistent way to generate increased economic activity. A growing population in a community generates economic activity by increasing the demand for goods and services in the area, supplying workers or creating jobs, and generating local tax revenues. Calculating the "new resident" multiplier is difficult and relies heavily on the local context. However, some local data can be used to broadly estimate how new residents may impact a community's economy – notably retail sales patterns. On average, Mason County residents, outside of Shelton, spend nearly **$4,200 per quarter** in the local economy in taxable retail sales.[13] That spending supports businesses and jobs in the region.

According to the analysis of Belfair's current Sewer Service Area (including parcels within 500 feet of existing infrastructure), vacant and redevelopable parcels have the capacity to accommodate over **1,400 new residential units.** This is above and beyond the parcels analyzed in the previous section for commercial/industrial development.[14] If each residential unit houses 2.3 people (average household size per U.S. Census), those 1,400 units could support more than **$50 million** in annual taxable retail sales in the community. That spending would itself spur job growth in the community and further expand the Belfair economy.

Small Business Impact Assessment

The Belfair Urban Growth Area (UGA) is a long-standing urban unincorporated community in Mason County serving as a commercial hub for a broader community at the northern end of Hood Canal. SR 3 bisects the community and

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[13] Washington State Department of Revenue, Washington State Taxable Retail Sales Comparison For All Cities And Unincorporated Counties Quarter 3 2024.
[14] For context, the Mason County Belfair Urban Growth Area - Final Environmental Impact Statement and Supplemental EIS (2022) outlined a hybrid Alternative 3 higher growth scenario (ultimately adopted by the County) corresponding to a UGA-wide growth of of 2,340 new housing units (5,670 new residents).

was recently widened, while the County received a loan to further develop a sewer system, and a new state freight corridor route is pending. With these infrastructure investments – and the recent Commerce grant and interlocal agreement with Bremerton to design a further extension of sanitary sewer infrastructure – **Belfair may be poised for significant economic growth**.

The approximately 4-square mile UGA in northeastern Mason County has a current population of **approximately 1,100** and includes the central Belfair business node and the northern SR 3 corridor known as "the Plateau". The Belfair UGA is currently home to around **250 businesses**, supporting **1,080 jobs.**

Discussions around sanitary sewer expansion in and adjacent to Belfair have been controversial locally. The primary **opportunities** identified related to the expansion of the sanitary sewer system in relation to the Belfair small business community can be summarized as:

- Significant growth in employment, labor income, and revenues for both the County and City of Bremerton resulting from new business starts, existing business expansion, redevelopment and/or the intensification of existing business nodes in both Belfair and the adjacent PSIC South industrial area. (This has been described as "floating all boats" economically).
- Stabilized (or even lowered) sanitary sewer rates and connection fees and increased system financial sustainability (including funding capital reserves and addressing DOE compliance issues at WWRF). This results from significant system revenue growth and increased system capacity serving both Belfair and PSIC South.

Some primary **challenges** articulated by stakeholders, local leaders, and the business and resident communities of Belfair involving the sewer expansion issue have included:

- Continued sewer rate growth and affordability impacts to current Belfair businesses, combined with the possibility of additional debt burden. The project has been described as a "one-sided win" for Bremerton at the expense of Belfair / Mason County.
- Lack of focus on expansion of the system into other areas of Belfair that could benefit from connection to the system.
- The potential for national chain retailers (or "big box") and other commercial competition from PSIC South resulting in decreased business traffic, revenues, and viability for the vital small business nodes of Belfair and north Mason.

The following sections seek to explore in detail these potential impacts to Belfair's vibrant small business community that could result from the sewer extension project.

Sewer System Support for Belfair Small Business

The evidence assembled in this study points toward a consistent set of findings: the expansion of the Belfair sanitary sewer system has the potential to generate meaningful economic benefits for Belfair's small business community. The mechanisms through which this may occur are distinct but mutually reinforcing, and they operate at both the local and regional scales.

The Plateau Extension as Driver of Belfair Business Growth

The 2022–2023 extension of sewer infrastructure northward along SR 3 reaching near the Mason-Kitsap County line represents the greatest opportunity for new business creation and employment growth within the Belfair Sewer Service Area (SSA). As documented in the Literature Review, the research literature on rural and semi-rural infrastructure investment consistently finds that **adequate wastewater capacity functions as a foundational prerequisite for business location and expansion decisions**. In many documented cases, the absence of sewer service forecloses investment regardless of other locational advantages, and communities that provide infrastructure capacity ahead of demand tend to outperform those that do not. The Plateau extension extends that enabling capacity into an area of the Belfair UGA that was previously constrained.

The scale of the associated opportunity, modeled under full buildout assumptions across the Belfair SSA, is significant. Scenario 1 identifies 77 vacant and potentially redevelopable parcels totaling 538 acres now within approximately 500 feet of the existing network and extension. These parcels are capable of accommodating up to 3.7 million square feet of commercial and industrial building capacity under current zoning. Full buildout of that capacity, modeled on current employment density patterns within the Sewer Service Area, could support up to **4,150 jobs** in the Belfair Sewer Service Area, generating **$190 million in employee compensation** and more than **$1.4 billion in business revenue** — nearly ten times the $174 million in business revenues the entire current Sewer Service Area generates today.[15]

These figures represent long-run potential under full buildout assumptions, not a near-term forecast. Commercial development of Plateau-area parcels has been limited to date, in part because landowners on the northwest side of SR 3 have shown limited interest in sewer connection. The lack of complementary

15 . Applying Washington State Input-Output multipliers, each direct job in trade and services industries is estimated to generate approximately 0.9 additional jobs through indirect and induced effects across the regional economy, while each direct manufacturing or construction job supports an average of 1.8 additional jobs — meaning the full regional impact of Plateau-area buildout would extend well beyond the immediate service area.

infrastructure, lateral costs and current rate levels also remain factors that constrain near-term uptake. As the customer base grows and rate dynamics evolve, conditions for commercial activation of the Plateau corridor may strengthen. To the extent that new uses locate in this area, they are likely, given current zoning patterns, to be oriented toward light industrial, construction services, and wholesale trade rather than retail. This would position them as largely complementary rather than competitive with central Belfair's existing commercial profile.

Regional Economic Growth and the Belfair Trade Area

Several stakeholders interviewed for this study who expressed support for the proposed extension characterized the PSIC South extension potential benefits to Belfair in terms of regional economic interdependence; a "rising tide floats all boats" dynamic, as one broker framed it. The quantified potential of PSIC South buildout, modeled in Scenario 2, is substantial at full build. It will create up to 23,500 jobs, $1.2 billion in employee compensation, and nearly $8.3 billion in business revenue if the 1,410 largely undeveloped acres of PSIC South land are built out consistent with existing industrial park patterns elsewhere in PSIC-B. **Even incremental development would represent a meaningful addition to the regional employment base**.

To the extent that PSIC South employment growth materializes, it has the potential to expand Belfair's effective retail base. Mason County residents outside of Shelton spend an estimated $4,200 per quarter in the local economy. New workers employed in PSIC South who reside in Mason County might likely access retail, food service, and other consumer services in the nearest commercial node. As one North Mason business owner noted, Bremerton residents do not presently travel south to Belfair for shopping, reflecting current trade area boundaries. A more economically active regional corridor anchored by industrial employment in PSIC South and residential growth in northern Belfair could, over time, shift those trade area dynamics. The degree to which this occurs depends on the pace and composition of development, residential growth patterns, and transportation infrastructure improvements, including the planned SR 3 Freight Corridor.

Bypass Case Study

When the $18 million, 4.6-mile U.S. Highway 101 Sequim bypass opened in August 1999, community fears ran high that diverting through-traffic away from Washington Street would hollow out the downtown. Prior to the bypass opening, businesses worried that people simply would not stop in Sequim if the highway bypassed the town center[16]. Before the bypass, Washington Street was

[16] "Let bypass by bygone," Sequim Gazette, March 19, 2014.

so congested with slow-moving vehicles and semi-trucks that traversing the city could take 30 minutes or more, and people actively avoided driving downtown at all[17]. According to the 1993 Sequim Bypass Environmental Impact Statement, the project was estimated to reduce traffic volume on Washington Street by half.

Rather than diminishing the commercial core, that reduction proved to be a positive turning point for downtown Sequim. Over time, business owners reported that downtown became more inviting, with visitors arriving more purposefully instead of simply being funneled through. "It was just easy to stop, all of a sudden," one longtime business owner recalled. In conjunction with the bypass opening, business owners began promoting a more pedestrian-friendly downtown, which continues in various capacities today[18]. The experience of Sequim may carry a key lesson for Belfair in that heavy through-traffic is not the same as desirable commercial traffic. Severe congestion can suppress the customer visits that local businesses depend on, and a bypass that removes the freight burden can convert a stressful throughway into an accessible local destination.

Ratepayer Impacts and Potential Benefit Distribution

The Belfair sanitary sewer system is operated by **Mason County Utilities and Waste Management**, a division of Mason County Public Works. This is county-run, not a private utility or a water district. The Belfair Water District #1 handles only water distribution and has no role in sewer. The sewer system is built around the **Belfair Wastewater and Water Reclamation Facility**, which opened in 2012.

Rate Structure: ERU-Based (Equivalent Residential Unit)

The Belfair sewer system uses an **ERU (Equivalent Residential Unit)** billing model, where all land use types are assigned an ERU factor and billed as a multiple of the base monthly rate (multifamily residential is assessed at 70% of a single-family residential ERU). This is standard for smaller county sewer utilities. The original 2012 rate was $96/month per ERU plus a $3,000 connection charge. As of late 2019, with 416 ERUs contributing (down from 428 peak), the system was still at that $96/ERU rate and was in significant financial imbalance. The $96/ERU monthly charge was generating only about $479,000/year, well below the combined annual debt service of approximately $984,000 and Operations and Maintenance (O&M) costs of ~$640,000. A

[17] "Business leaders say bypass improved downtown Sequim," Peninsula Daily News, August 24, 2024. Available at: https://www.peninsuladailynews.com/2024/08/24/business-leaders-say-bypass-improved-downtown-sequim/
[18] Ibid.

consultant hired by the County at that time calculated that either a rate increase to $325 / ERU per month (a 300% increase) or an increase in ERUs to 556 would be required just to cover the O&M costs[19] (debt service on the original capital construction loan is being paid off with REET and .09 funds and is projected to be paid off by 2028 per Mason County Public Works).[20]

Currently, 2026 base rates per ERU are $121.69 with a $13,113 connection fee. According to the county's Utilities and Waste Management page, 2027 rates will increase to $127.67 / ERU with the same connection fee. From 2028 to 2030, rates will be adjusted based on inflation per the Consumer Price Index (CPI) for all urban customers, with a minimum increase of 3% and a maximum of 5%.[21]

Toward Financial Sustainability & Rate Stability

In recent years, the County's financial situation has dramatically improved. In conjunction with the 2023 sewer extension by Mason County to near the Mason-Kitsap County line, Harbor Custom Homes privately contributed a portion of the sewer line. This new segment runs next to the Belfair View apartments and the Olympic Ridge housing development up to the Navy rail. There was a larger Pape and Sons phase-two contract ($4.2M) also completed in 2023, extending the line further northeast.

With **675 total ERUs as of late 2025**[22] the system has finally begun to exceed the O&M costs, in a reversal from the chronic undersubscription that defined the system's previous history. The water reclamation facility is now running **near capacity.** It handles around 92,000 gallons per day against spray field capacity of 125,000 gpd, with regulatory triggers requiring capacity expansion nearly in sight even without the system expansion into Kitsap County currently under discussion.

According to discussions with Mason County Public Works, a major new 99-lot residential plat was preapproved in 2025. This, along with additional industrial connection potential in PSIC South, could grow system revenues, allowing the

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[19] "Belfair Sewer Finances Discussed," Mason Web TV News, June 26, 2019. Available at: https://masonwebtv.com/archives/35581

[20] Available at: https://mrsc.org/stay-informed/mrsc-insight/december-2023/financing-tools-for-downtown-revitalization

[21] Mason County sewer and water rate schedules available from Mason County Utilities and Waste Management. Available at: https://www.masoncountywa.gov/departments/utilities_and_waste_management/index.php

[22] 2025 Belfair Sewer Condition Update, LS-1, Mason County Public Works

system to further transition from "a debt-heavy phase to a more stable, reserve supported financial structure."[23]

The new connections growing revenues beyond O&M costs would have several important benefits. First, a badly-needed **capital reserve fund** could be created and maintained. Next, potential **DOE compliance issu**es at the water reclamation facility (that could potentially hold up development on the plateau and elsewhere) could be addressed. Finally, the system could achieve significant **rate stability** with the potential for smaller than projected rate increases for coming years, or even rate freezes.

Potential for Big Box Competition from PSIC South

Some community members have raised concerns that sewer expansion could catalyze large-scale, big box or other national chain retail development in South Kitsap County. They worry that such development could in turn draw customers and economic activity away from established retailers in central Belfair. **This concern deserves serious consideration.** However, a review of industry-standard site selection criteria and retail market analysis indicates that the conditions necessary to attract big box retail to PSIC-B are unlikely within the foreseeable planning horizon. The availability of sewer service is a necessary but far from sufficient condition for this type of development.

A prerequisite for big box retail is a sufficiently large trade area population. Big box anchors require substantial customer bases to achieve the revenue thresholds necessary for profitability. Retailers such as Target typically require a minimum of 25,000 to 50,000 residents within the immediate town or trade area, and a broader metro-area population of approximately 250,000 to 300,000 or more.[24] Warehouse club formats such as Costco require even larger population bases. The conventional industry threshold holds that a trade territory of at least 50,000 people is the minimum required to support a discount store.[25] The **Belfair Local Trade Area**, which primarily encompasses

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[23] Ibid.

[24]"How Big Does a Town Have to Be for a Target?" *The Donut Whole,* November 8, 2023. https://www.thedonutwhole.com/how-big-does-a-town-have-to-be-for-a-target/; "What is the Minimum Neighborhood Population and Other Demographic Statistics Major Retailers Want to See Before Opening a Store?" *Wonder Research.* https://askwonder.com/research/minimum-neighborhood-population-demographic-statistics-income-level-age-a3hckycig. These are secondary industry analyses; individual retailers do not publish official threshold requirements. The figures cited represent consensus estimates based on observed retailer behavior.

[25]"Walton's Small-Town Strategy." *West Side Toastmasters Resources.* https://westsidetoastmasters.com/resources/best_ceos/lib0068.html. The 50,000-person

the **Belfair UGA and the small, unincorporated communities to the southwest in northeastern Mason County**, with an approximate population of **24,750**[26], falls well short of these population thresholds. The Belfair UGA had a 2022 population of approximately 1,100, while the Belfair CDP encompasses 5,700. These limitations will remain, absent a dramatic and sustained surge in residential growth, the kind that would represent a major departure from current growth trends. This fundamental constraint is unlikely to change within the planning period.

Beyond population, big box retailers impose demanding physical and infrastructure requirements on prospective sites that go well beyond the presence of sewer service. Industry practice holds that large-format retailers require daily traffic counts in excess of 20,000 vehicles per day and strongly prefer four-sided intersections that allow customers to access the site from all four quadrants of the trade area.[27] Three-legged intersections are considered a specific negative factor in large-format site evaluation.[28] While traffic volumes in this area reached up to 19,000 Annual Average Daily Vehicles (AADT) in 2018, levels have fallen somewhat since that time. In addition, the segment north of Lake Flora Road operates at a failing level of service (D) – as do the Old Belfair Highway (LOS E and F) and NE Clifton Lane (LOS D and E) in Belfair[29].

Additionally, big box power centers — clusters of multiple large-format anchor tenants — typically require 25 to 80 acres of developable land, with 250,000 to

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trade area threshold was the conventional industry benchmark used by Kmart and other major discounters prior to Walmart's deliberate small-town strategy.

[26] According to a custom analysis by CAI of Belfair's local retail trade area based on apportionment of 2024 US Census ACS 5-year survey population by block group.

[27]Town of Superior, Colorado. *Retail Trade Areas — Explained.* Presented May 25, 2023. Available at: https://townofsuperior.granicus.com/MetaViewer.php?view_id=4&clip_id=2305&meta_id=111373

[28]Ibid. The Town of Superior retail trade area analysis notes that large-format retailers (50,000+ sq ft) specifically require daily traffic counts in excess of 20,000 vehicles per day and strongly prefer four-sided intersections. Three-legged intersections are identified as a "possible negative" for large-format retailers who need to draw from larger trade areas.

[29] In Washington state transportation planning, Level of Service (LOS) is a letter grade system (A through F) that describes traffic operating conditions, primarily measured by the ratio of traffic volume to roadway capacity (v/c ratio) and the resulting delays or speeds experienced by drivers.

600,000 square feet of gross leasable area.[30] While two large parcels do exist, most parcels in southwest PSIC-B along SR 3 fall into the two to 15- acre size range, and greater land assembly has not yet occurred. Thus, the PSIC-B area does not currently possess the arterial traffic infrastructure, four-sided major intersection access, or assembled large acreage that these formats require. Sewer extension addresses none of these constraints.

Perhaps the most decisive factor against big box development in PSIC-B is that the broader regional market is already well-served by established big box retail in Silverdale, Bremerton, and Port Orchard. The **Regional Trade Area** to which Belfair belongs is comprised of a three county area including **northeast Mason, all of Kitsap, and eastern Jefferson Counties.** Per the International Council of Shopping Centers (ICSC), a power center (the standard format for big box retail clusters) draws its customer base from a trade area of 5 to 10 miles.[31] Regional malls draw from 5 to 15 miles.[32] The existing concentration of big box retail along the Highway 3 corridor between Silverdale and Port Orchard already serves Belfair's Regional Trade Area within these radii. National retailers conducting site selection analysis — a rigorous, data-driven process that evaluates population density, traffic counts, competitor proximity, and proximity to distribution centers — would readily identify this market saturation. Retailers specifically seek to avoid locating new stores where their trade area overlaps significantly with existing stores of the same format, as doing so cannibalizes their own market share. The greater Belfair market, as currently constituted, does not represent a white-space opportunity for national big box expansion.

The location of PSIC-B near the periphery of the broader trade area further diminishes its attractiveness for large-format retail. Industry guidance consistently notes that retailers seek the most central location within their

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[30]International Council of Shopping Centers (ICSC). *U.S. Shopping-Center Classification and Typical Characteristics.* ICSC, n.d. Available at: https://www.icsc.com/uploads/t07-subpage/US-Shopping-Center-Definition-Standard.pdf

[31]Ibid. Per ICSC's classification standard, a Power Center — the industry term for a big box retail cluster — is defined as 250,000–600,000 sq ft of gross leasable area anchored by category-dominant tenants such as discount department stores, wholesale clubs, and home improvement retailers, with a trade area draw of 5–10 miles.

[32]ICSC, *U.S. Shopping-Center Classification and Typical Characteristics,* supra note 1. Regional malls — the tier above a power center — draw from 5–15 miles; community centers, which are more typical of small market areas, draw from only 3–6 miles. The existence of established power centers in Silverdale and Port Orchard means the PSIC-B area falls within the already-served trade area of those facilities.

target trade area in order to maximize customer capture.[33] Sites that are "off-center" relative to the population base they are intended to serve are considered less desirable unless significant physical barriers prevent access to a more central location. Considering central Belfair's function as the community's established commercial node, PSIC-B occupies a peripheral position in both the local and regional retail geography rather than a commanding, central one. This locational disadvantage would be a material factor in any retailer's or developer's site selection calculus.

In sum, while sewer extension into PSIC-B will support industrial, logistics, office, resource, and utility uses that are the intended purpose of the MIC designation and subarea zoning, the extension does not create the conditions that big box retailers prefer. The area lacks the population base, traffic infrastructure, market distance and site conditions to appeal to national chains.

INDUSTRIAL DEVELOPMENT POTENTIAL

A Development-Ready Area Awaiting Infrastructure

The southern portion of the Puget Sound Industrial Center – Bremerton (**PSIC South**) represents one of the most significant underdeveloped industrial land assets in the central Puget Sound region. A large, industrially-zoned, largely contiguous land base adjacent to an established and growing industrial cluster, with demand from major users, willing landowners, and regional planning designation already in place. What it currently lacks — and what the proposed sewer extension would meaningfully advance — is the foundational infrastructure without which the market potential cannot be realized.

CAI's 2023 MIC recertification market study of PSIC-B, conducted for the City of Bremerton, provides the most current and comprehensive analysis of conditions across the full Subarea. That study's findings, updated where possible with more recent information, form the analytical foundation for this section. The 2023 study found that PSIC-B is home to 2,762 jobs and 76 establishments, up 215% from 876 jobs in 2013. However, it continues to fall short of the 4,000-job threshold required by the PSRC's Regional Centers Framework for Industrial Growth M/ICs. Infrastructure deficits, including the absence of sanitary sewer in the southern portions of the Subarea, are a primary constraint on closing that gap.

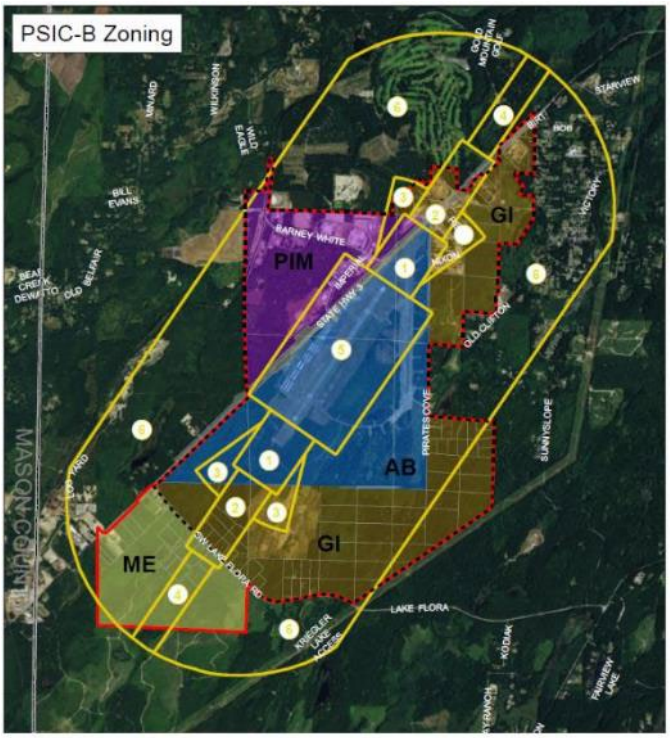
The following section assesses how sewer service provision to PSIC South specifically would change the development calculus for this area; land and

[33] "What is the Minimum Neighborhood Population and Other Demographic Statistics Major Retailers Want to See Before Opening a Store?" Wonder Research. https://askwonder.com/research/minimum-neighborhood-population-demographic-statistics-income-level-age-a3hckycig

demand conditions, and realistic near- and medium-term development trajectory.

The North-South Divide: Existing Development Versus Untapped Potential

Understanding the development opportunity in PSIC South requires understanding the structural divide that currently characterizes the broader PSIC-B Subarea. The northern portions of the Subarea — centered on the Port of Bremerton's Olympic View Industrial Park, Bremerton National Airport, and the "Sky Park" area northeast of the Airport — are an established, active industrial cluster. Major employers include SAFE Boats (319 employees), International Marine and Industrial Applicators (1,200 employees), Delphinus Engineering (185 employees), Amazon Delivery Service Partners (120 employees), and General Dynamics Electric Boat (100 employees).[34] The Port's properties are served by full utilities, fiber optics, a 6,000-foot runway capable of accommodating commercial aircraft, a Navy-owned rail spur, Foreign Trade Zone #216 designation, and the existing Port sewer system. This concentration of employers accounted for the majority of PSIC-B's tally of 2,762 jobs at the time of the study, and the area continues to add tenants as pad-ready sites fill.



Source: PSIC-B Subarea Plan, 2012.

PSIC South is the area south of the existing Airport Way terminus, bounded roughly by Lake Flora Road and the Mason-Kitsap County line. It presents a sharply different picture. Of the 91 parcels in the PSIC South **Potential Sewer Service Area (PSSA)**, 83 are undeveloped. CAI's analysis of the PSSA identifies **1,410 acres** of largely greenfield land under existing GI (General Industrial) and ME (Mixed Employment) zoning — capable of accommodating up to **23.2 million square** feet of commercial and industrial building capacity at full buildout. That capacity is consistent with a modest employment density

[34] Employment numbers current to the time of the PSIC-B market study in late 2023.

of 5.5 employees per acre(EPA), below the average of 6.9 EPA across the region's other Manufacturing/Industrial Centers and well below densities achieved in comparable industrial parks such as Kent and Sumner-Pacific. The land is available, appropriate zoning is in place, and the regional designation is secure. Infrastructure – road access, sewer, and water – is what separates latent potential from realized development.

Ownership Patterns and Development Preferences

Landownership in PSIC South is concentrated in a relatively small number of private holdings, which simplifies the coordination challenge for development compared to areas with highly fragmented ownership. Across the full PSIC-B Subarea, the Port of Bremerton is the dominant landowner at approximately 1,700 acres. Among private landowners, the largest are McCormick Land Company (approximately 600 acres), Overton & Associates (approximately 560 acres), and Alpine Evergreen Company (approximately 250 acres).

The dominant private landowner specifically within the PSIC South PSSA is the Overton family, which has held land in the area since the Depression era. The Overtons control 28 parcels totaling 558 acres across PSIC-B — representing approximately 22% of all 128 non-Port parcels in the Subarea at 3,651 acres — and a still higher share within the PSSA specifically, where the Overtons hold approximately 38% of the 93 parcels totaling 1,410 acres. Their holdings are concentrated in the southwestern portion of the PSSA around the western end of Lake Flora Road — precisely the area that would be most directly served by the extension of sewer from Mason County, most proximate to the planned SR 3 Freight Corridor terminus, and most frequently cited by Belfair stakeholders as the location of concern regarding future commercial development.

The Overtons have publicly expressed specific interest in industrial development on their properties, and are on record as welcoming **Puget Sound Naval Shipyard (PSNS) and Intermediate Maintenance Facility (IMF) contractors and related industrial users** to expand out of the shipyard's congested footprint and into PSIC South. As reported in the Kitsap Sun, "Overton would like to see Puget Sound Naval Shipyard and its contractors spill out of their current tight confines and into SKIA." The Overton family property has also been described as unofficially for sale alongside other private undeveloped holdings in the area, suggesting that the right industrial buyer, enabled by infrastructure, could trigger significant near-term transaction and development activity. This orientation toward defense-industrial uses reflects not only the owner's stated intentions but the practical alignment of the area's zoning, location relative to PSNS & IMF, and rail connectivity with those users.

The broader private ownership picture reinforces this industrial development orientation. McCormick Land Company, the second-largest private landowner

in PSIC-B, is a regional land development company with a track record of industrial and commercial land development across the Pacific Northwest — not a passive holder. Alpine Evergreen Company currently operates its holdings as commercial timberland, a transitional use common in industrial-zoned areas awaiting infrastructure activation. As sewer, road access, and other utilities are extended into PSIC South, the holding cost calculus for these landowners will shift, and the likelihood of active development engagement will increase commensurately. The **concentration of ownership** among a small number of parties — all of whom have documented interest in development or are otherwise positioned to respond to infrastructure investment — is itself a meaningful asset for the area's development prospects, enabling the kind of coordinated, large-parcel industrial development that SIOP-related users and other large industrial tenants require.

Infrastructure Alignment and the Role of Airport Way and the SR 3 Freight Corridor

The physical activation of PSIC South depends on infrastructure investments, of which sewer is the most discussed but not the only component. A clear understanding of the interdependencies among infrastructure elements is essential to realistic development timelines.

Sanitary Sewer. The proposed sewer extension would carry Belfair system infrastructure northward from its current terminus near the Mason-Kitsap County line — near the SR 3 Park and Ride at Sozo Church — into the PSSA. The most logical alignment to connect with existing, actively utilized Port property follows the SR 3 / Highway 3 corridor, which is the principal transportation spine of PSIC South. A near-term target for the extension terminus is Lake Flora Road, which represents the southern boundary of the area where the most active landowner interest and near-term development probability is concentrated, and the approximate location of the planned SR 3 Freight Corridor roundabout interchange. The Port of Bremerton's northernmost PSIC South properties have the greatest long term industrial employment potential in the area. Full sewer service to this area would require an extension along the Airport Way corridor (also previously known as the "SKIA Connector" in PSIC-B Subarea planning context) once the Lake Flora Road segment is constructed.

Airport Way Extension (Phase 3). The Port of Bremerton has plans to extend Airport Way southward from its existing roundabout terminus near the Bremerton Raceway and MotoWest facility, with construction anticipated to begin in 2027. This Phase 3 extension, running approximately 3,800 linear feet southward toward Lake Flora Road, would open access to approximately 300 acres of currently landlocked Port-controlled land. The Airport Way alignment may alternatively connect to or coordinate with the SR 3 Freight Corridor

roundabout near Lake Flora Road, though final alignment details remain subject to feasibility and interagency coordination. The Port currently has 7 MW of electrical power capacity available at its facilities, with typically 4–5 MW in use, providing meaningful headroom for new industrial users with significant power demands.

SR 3 Freight Corridor (Belfair Bypass). The planned SR 3 Freight Corridor — commonly referred to as the Belfair Bypass — will establish a new at-grade divided highway alignment bypassing central Belfair, terminating at a planned roundabout interchange near Lake Flora Road on the Kitsap County side of the Mason-Kitsap boundary. This alignment is significant for PSIC South in two respects. First, the Lake Flora Road interchange will serve as the primary access point for PSIC South development from the regional highway system. This will make the corridor's completion a prerequisite for efficient truck and freight access to the area. Second, the bypass will redirect through-freight traffic away from central Belfair. This could bring potential commercial revitalization effects in the downtown core.

Other Infrastructure. Water service on the Kitsap side of the county line is provided by the City of Bremerton for parcels within city limits; parcels on the northwest side of SR 3 in Kitsap County lack public water service and currently rely on private wells, which represents an additional infrastructure gap that would need to be addressed for certain intensive industrial uses. Natural gas service is available from Cascade Natural Gas throughout the project corridor. Telecommunications infrastructure, including fiber optic service along SR 3, is available. Stormwater management on PSIC South parcels would require site-level improvements consistent with Bremerton's stormwater standards and may involve coordination with Kitsap County Public Works.

Industrial Demand: Market Context and the SIOP Opportunity

The industrial demand context for PSIC South has strengthened materially since CAI's 2023 market study, driven primarily by accelerating activity associated with the Navy's Shipyard Infrastructure Optimization Program (SIOP) at Puget Sound Naval Shipyard (PSNS & IMF).

Regional Industrial Market Conditions

CAI's 2025 Kitsap Industrial Land, Buildings and Infrastructure Study (KILBIS) for KEDA provides the most current assessment of industrial market conditions in the county. The study found Kitsap County's industrial vacancy rate remained below 2% since the end of 2016 — well below the 5% threshold generally considered indicative of a healthy, balanced market. The industrial lease rates rose from approximately 65% from $7 to over $11 per square foot over that period. The persistent scarcity of available industrial space has

created pent-up demand that the existing building stock cannot satisfy, suppressing job growth and causing prospective users to look elsewhere in the Puget Sound region. The KILBIS study estimated **total demand for industrial land and building space of up to 669,000 square feet and 58 acres** in coming years, combining natural growth-related demand with documented near-term Navy needs.

PSIC-B's Competitive Position

PSIC-B's established cluster of maritime, defense, and industrial tenants and its PSRC Manufacturing/Industrial Center designation give it structural advantages over other industrial locations in the region. The M/IC designation provides SEPA streamlining through the Planned Action Ordinance, freight infrastructure priority, and access to regional infrastructure funding that undesignated industrial areas cannot access.

The 2023 CAI market study documented strong location quotients for PSIC-B's key sectors relative to national benchmarks: manufacturing (LQ 3.9), construction and resources (LQ 3.8), and wholesale, transportation and utilities (LQ 3.3) — indicating that PSIC-B has become a genuine cluster with above-average competitive concentration in these sectors. PSIC South, as an extension of this cluster into adjacent undeveloped industrial land, would benefit from the same agglomeration advantages that have driven the northern Subarea's growth.

The SIOP Opportunity

The most significant and time-sensitive driver of industrial demand in PSIC South is the **Navy's Shipyard Infrastructure Optimization Program (SIOP)**. PSNS & IMF, with approximately 14,500 steady-state employees, is the largest single employer in the Bremerton community. As the Navy undertakes a generational modernization of the shipyard's facilities the scarcity of available land within the shipyard boundary has begun to drive requests to lease off-base space for displaced operations, storage, and support activities.

The Navy's 2025 Solicitation for Offers outlined needs for up to 274,000 square feet of industrial and warehousing facilities and 177,000 square feet of Class A office space, representing approximately 24 additional acres of industrial land demand in the near term. CAI's KILBIS study characterized the full SIOP opportunity as potentially lasting five, ten, or even up to twenty years. "Temporary" off-base activity could become a permanent feature of the region's industrial landscape as the shipyard's upgrade extends across multiple program phases.

PSIC South's proximity to PSNS & IMF (approximately nine miles by highway) and its direct access to the Navy-owned rail infrastructure position it well for Navy-related off-base activity. The 2023 CAI market study specifically

identified evaluation of "the potential for Naval Base Kitsap and the shipyard to expand activity and employment into PSIC utilizing existing rail infrastructure and partnerships with local firms" as a recommended priority strategy for the Subarea. The Overton family has publicly articulated alignment with this vision for their properties. As SIOP activity intensifies at PSNS & IMF in coming years, the availability of serviced, shovel-ready industrial land in PSIC South — with sewer, road access, and rail connectivity — will be a material competitive factor in the Navy's site selection process for off-base facilities.

Phased Development Trajectory

Industrial development in PSIC South would likely proceed in phases, consistent with patterns observed in comparable greenfield industrial development contexts. Early-phase activity could consist of lower-intensity industrial uses. This might include material yards, construction staging areas, equipment storage, and contractor support services that have lower sewer and utility demands and can operate on partially-served sites. These uses are already present along the SR 3 corridor in the Plateau area of northern Belfair following the 2023 sewer extension, and represent a realistic near-term profile for PSIC South as well.

Subsequent phases, contingent on the completion of Airport Way Phase 3 and the SR 3 Freight Corridor, would support more intensive manufacturing, warehousing, and defense-contractor uses requiring full utility servicing and efficient freight access. Full buildout of the PSSA's 1,410 acres — the long-run ceiling modeled in Scenario 2 of the Economic Benefit Analysis — represents a multi-decade trajectory, not a near-term projection.

Public Investment in Sanitary Sewer Infrastructure and Economic Development

This literature review examines the documented economic impacts of public investment in water and wastewater infrastructure, with particular attention to sanitary sewer systems. Research spans several decades and multiple methodological traditions — from macroeconomic production function modeling to project-level input-output analysis to field-based case studies. Across studies, there are consistent conclusions: public investment in water and sewer infrastructure generates measurable and durable economic returns. These include direct construction-phase employment, multiplied output across regional supply chains, private investment attraction and expanded community tax bases. **Water and wastewater infrastructure is foundational for economic activity and expansion.** The sections below examine this evidence by category.

Foundational Research: USDA and Rural Infrastructure Investment

Early empirical investigation by the U.S. Department of Agriculture (USDA) established that water and sewer infrastructure investment generates substantial leverage effects that extend well beyond the construction phase. USDA analysis of wastewater treatment construction projects found that infrastructure spending induced significant private-sector activity, expanded local property tax bases, and supported permanent job creation[35] — findings that subsequent researchers would confirm and quantify with increasing precision.

Janeski and Whitacre's analysis of USDA-funded water and sewer projects across Oklahoma (covering investments made between 1990 and 2000) provided one of the most methodologically rigorous assessments of these effects in a rural context. Using multivariate regression and average treatment effects analysis, they found that while broad economic indicators such as income levels and population growth showed mixed results in the short run, housing values demonstrated a statistically significant increase in communities that received

[35]Bagi, S. "Economic Impact of Water/Sewer Facilities on Rural and Urban Communities." *Rural America* 17, no. 4 (2002): 1–4. U.S. Department of Agriculture Economic Research Service.

infrastructure funding over the long term — over horizons of 10 to 20 years.[36] This finding has important implications for planning: *the economic signal of sewer investment may not be fully visible in short-term economic snapshots, but accumulates into durable asset value appreciation and tax base expansion over time.*

Construction-Phase Multipliers and Direct Economic Output

National input-output models provide the most comprehensive quantification of construction-phase and immediate downstream impacts. Research by the American Society of Civil Engineers (ASCE) estimates that every **$1 million invested in water infrastructure supports approximately 10 to 10.6 jobs** and **generates between $2.5 and $2.7 million in total economic output**.[37] Complementary analysis by the U.S. Water Alliance and Value of Water Campaign estimates GDP effects of approximately $1.38 to $1.40 million per $1 million invested, with roughly $837,000 in direct labor income generated per million dollars of investment.[38] These multipliers capture not just the direct construction activity but the indirect and induced effects that flow through supply chains and household spending as construction wages and material purchases circulate through the local economy.

At larger scales, the leverage effects are equally compelling. An IMPLAN-based analysis of 116 water and wastewater construction projects across multiple states found that a $1 billion investment in water and wastewater construction can create or sustain approximately 26,000 to 27,000 jobs. This increases

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[36]Janeski, Ivica, and Brian E. Whitacre. "Long-Term Economic Impacts of USDA Water and Sewer Infrastructure Investments in Oklahoma." *Journal of Agricultural and Applied Economics* 46, no. 1 (February 2014): 21–39. The study examined USDA-funded projects across Oklahoma between 1990 and 2000 using multivariate regression and average treatment effects. While broad economic growth indicators did not reach statistical significance in the short term, housing values showed a statistically significant increase over the 10–20 year horizon.

[37]American Society of Civil Engineers (ASCE). *Failure to Act: Economic Impacts of Status Quo Investment Across Infrastructure Systems.* ASCE, 2021. Figures are consistent with those referenced in the Value of Water Campaign's 2024 *Bridging the Gap* economic study and subsequent IMPLAN-based modeling.

[38]Value of Water Campaign. *Bridging the Gap: The Economic Case for Investment in America's Water Infrastructure.* 2024. GDP and labor income figures based on IMPLAN input-output modeling. See also: Governing Magazine, "The Water Infrastructure Investments States Will Need," November 2025.

national output by more than $2.8 billion.[39] IMPLAN is one of the most widely used and methodologically transparent input-output modeling platforms for economic impact assessment, with roots in federal rural investment analysis dating to the 1970s. Its application across such a broad sample of water infrastructure projects makes these multiplier estimates particularly reliable.

Long-Run Productivity Effects and Private Investment Attraction

A substantial body of macroeconomic theory and empirical research demonstrates that public infrastructure capital increases the marginal productivity of private capital — what economists term the **"crowding-in" effect**, in which public investment stimulates rather than displaces private investment activity. This theoretical foundation was established by economist David Aschauer in a series of papers published in 1989. Analyzing national time series data, Aschauer found that the output elasticity of public capital — the percentage increase in private output per percentage increase in public capital stock — was approximately 0.39.[40] He concluded that public infrastructure, including water and sewer systems, functions as a **direct factor of production that enhances the return on private capital and reduces business operating costs**. These findings triggered a substantial expansion in infrastructure economics research that continues today.

Alfredo Pereira utilized a sophisticated vector autoregressive (VAR) methodology that better captures dynamic feedback between public and private investment over time. He confirmed the crowding-in finding while producing more econometrically robust estimates. Pereira found that aggregate public investment in the United States crowds in private investment in the long run, with an accumulated marginal product of approximately **$4.46 per dollar invested — a rate of return of approximately 7.8%**.[41] Crucially, his sector-

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[39]U.S. Senate Environment & Public Works Committee testimony, 2012; IMPLAN input-output modeling. The IMPLAN model was developed in the 1970s for federal rural investment analysis and remains a standard tool for economic impact assessment used by federal agencies, state governments, and planning consultants.

[40]Aschauer, David A. "Is Public Expenditure Productive?" *Journal of Monetary Economics* 23, no. 2 (1989): 177–200; Aschauer, David A. "Does Public Capital Crowd Out Private Capital?" *Journal of Monetary Economics* 24, no. 2 (1989): 171–188. Aschauer estimated the output elasticity of public capital at 0.39, implying an annual marginal productivity of approximately 70 cents per dollar invested and suggesting public infrastructure capital could effectively pay for itself multiple times through induced tax revenues.

[41]Pereira, Alfredo M. "On the Effects of Public Investment on Private Investment: What Crowds in What?" *Public Finance Review* 29, no. 1 (2001): 3–25. Pereira's vector

specific analysis identified water and sewage infrastructure as among the categories of public investment with the highest long-term output multipliers. This is consistent with theoretical expectations: water systems are foundational to nearly every sector of economic activity, meaning their productivity benefits are broadly distributed.

Alicia Munnell's state-level analysis reached broadly compatible conclusions, finding a public capital output elasticity of approximately 0.15 — meaning a 1% increase in public capital stock is associated with a 0.15% increase in private output.[42] While more conservative than Aschauer's national estimates, this state-level finding is positive, robust, and directly relevant to local investment decisions. A meta-analysis of 68 studies by Bom and Ligthart, and complementary analysis from the International Monetary Fund, subsequently synthesized this literature and confirmed that properly specified models consistently yield positive output elasticities for public capital, with the IMF finding that a 1 percentage point increase in public investment raises output by approximately 1.5% over four years.[43] Pereira and Andraz's comprehensive international survey further confirmed that water infrastructure investment generates among the highest and most consistent returns of any public capital category across multiple national contexts.[44]

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autoregressive (VAR) methodology accounts for dynamic feedback effects over time and is widely regarded as methodologically superior to Aschauer's original single-equation approach. His sector-specific analysis confirmed water and sewage infrastructure among the highest-return categories. A long-term accumulated marginal product of $4.46 per dollar corresponds to a rate of return of approximately 7.8%.

[42]Munnell, Alicia H. "Infrastructure Investment and Economic Growth." *Journal of Economic Perspectives* 6, no. 4 (Fall 1992): 189–198. Munnell's state-level analysis estimated a public capital output elasticity of approximately 0.15, meaning a 1% increase in public capital stock produces a 0.15% increase in private output — positive and statistically robust, if more conservative than Aschauer's national-level estimates.

[43]Bom, Pedro R.D., and Jenny E. Ligthart. "What Have We Learned from Three Decades of Research on the Productivity of Public Capital?" *Journal of Economic Surveys* 28, no. 5 (2014): 889–916; International Monetary Fund. *The Macroeconomic Effects of Public Investment: Evidence from Advanced Economies*. IMF Working Paper WP/15/95, 2015. The IMF analysis found that a 1 percentage point increase in public investment raises output by approximately 1.5% after four years, with particularly strong effects when there is economic slack and monetary accommodation — conditions often present in rural communities with infrastructure deficits.

[44]Pereira, Alfredo M., and Jorge M. Andraz. "On the Economic Effects of Public Infrastructure Investment: A Survey of the International Evidence." *Journal of Economic Development* 38, no. 4 (2013): 1–37. See also: Pereira, Alfredo M., and Rui M.

The mechanism through which sewer systems generate these productivity effects is direct and well understood. These systems reduce private production costs — businesses do not bear the capital and operating costs of private waste treatment — improve operational reliability, and expand the range of activities that can feasibly locate in a given area. In the absence of sewer service, land use is constrained by the physical requirements of septic systems: minimum lot sizes, setback requirements, soil percolation limits, and density ceilings that limit what can be built and how. Sewer extension removes these physical constraints, enabling higher-intensity and higher-value uses across a broader range of parcels.

Rural Infrastructure and Business Location, Retention, and Expansion

The economic case for water and sewer investment is particularly compelling in rural and semi-rural contexts, where infrastructure deficits often represent binding constraints on business development and retention. A 2024 Urban Institute study — based on primary interview research with state and local officials, rural economic development professionals, system managers, and business owners across Arkansas, Mississippi, and Texas — found that businesses consistently treat infrastructure reliability and capacity as prerequisite conditions for location and expansion decisions.[45] Businesses do not simply prefer communities with adequate infrastructure; in many documented cases, **inadequate wastewater capacity constitutes an absolute barrier to entry, foreclosing investment regardless of other locational advantages.**[46]

Pereira. "On the Effects of Infrastructure Investments in Portugal: Revisited." *Journal of Infrastructure, Policy and Development* 8, no. 2 (2024): 2942. This most recent study confirmed that water infrastructure yields among the highest long-term marginal products of any infrastructure category, and that all statistically significant infrastructure categories pay for themselves through induced tax revenues over time.

[45]Marx, Clara, et al. *How Water and Wastewater Infrastructure Influence Rural Business Location and Expansion.* Urban Institute, February 2024. Based on primary interview research with state and local officials, rural economic development professionals, system managers, technical-assistance providers, and business owners across Arkansas, Mississippi, and Texas.

[46]Ibid. The Urban Institute study documented a specific case in which a rural food processor's planned expansion into new product lines was directly contingent on available wastewater treatment capacity, illustrating how infrastructure constraints can function as absolute barriers rather than mere cost considerations.

The Urban Institute's case study research on rural communities further documented that failure to invest in wastewater systems imposes compounding economic costs: regulatory compliance fines, business operation disruptions, difficulty recruiting employees, and diminished competitive position for new investment.[47] Communities that defer infrastructure maintenance and investment do not merely forego development opportunities — they actively lose economic ground relative to communities that have built and maintained competitive capacity.

Site Selection Practice: Infrastructure Readiness as a Competitive Factor

These findings are corroborated by current professional practice in industrial site selection. The Site Selectors Guild's *State of Site Selection 2024* — the authoritative annual survey of professional corporate location consultants — **identified infrastructure readiness, including water and wastewater capacity, as among the most critical factors in industrial facility location decisions**.[48] A companion analysis by Guild members specifically identified wastewater as a frequent bottleneck in rural community site selection, with site selectors noting that communities lacking adequate capacity are systematically disadvantaged in economic development competition — and risk being eliminated from consideration before they have any opportunity to compete on other merits.[49]

Industry practitioners further note that **proactive investment is both more economical and more strategically effective than reactive**

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[47]Marx, Clara, et al. *Connecting Wastewater Infrastructure and Rural Economic Development*. Urban Institute, February 2024. This companion brief documents a Mississippi Delta case study in which wastewater system failures produced cascading economic harm: regulatory fines, business operation disruptions, diminished capacity to compete for new investment, and difficulty recruiting workers.

[48]Site Selectors Guild and Development Counsellors International (DCI). *The State of Site Selection 2024*. Site Selectors Guild, 2024. The Site Selectors Guild is the only association of the world's foremost professional site selection consultants; its annual survey is considered the authoritative benchmark for corporate location decision-making trends.

[49]Site Selectors Guild. "How Infrastructure, Energy and Water Are Reshaping Site Selection in 2025." siteselectorsguild.com, 2025. Guild members specifically identified wastewater as a frequent bottleneck in rural community site selection and advised communities to invest proactively rather than reactively — noting that the cheapest time to build water infrastructure is always today, not in response to a specific project inquiry.

accommodation. The marginal cost of expanding infrastructure capacity is lowest when undertaken ahead of demand; communities that wait for a confirmed project to invest are consistently outcompeted by communities that have already made themselves ready. This pattern directly supports the case for advanced investment in wastewater infrastructure as a component of long-term economic development strategy.

Property Value Appreciation and Tax Base Expansion

Infrastructure provision capitalizes into property values as access to reliable service is reflected in higher land and property prices. This expands the local tax base available to fund public services over time. The Janeski-Whitacre Oklahoma study confirmed **statistically significant housing value increases in communities receiving water and sewer infrastructure funding over 10–20 year horizons**.[50]

A hedonic pricing study of West Virginia residential properties found that water supply unreliability — the inverse of the infrastructure reliability sewer systems provide — produced a statistically significant negative capitalization into residential property values, or a positive value effect from reliable service provision.[51] The translation from expanded property values to expanded local government fiscal capacity is direct and compounding; as assessed values rise, property tax revenues increase, enabling communities to fund additional public services and infrastructure without raising rates. This cycle in early infrastructure investment generates the fiscal capacity needed to sustain and expand public services over time.

Conclusion

Water and sewer infrastructure investment is among the most extensively documented, consistently high-return forms of public economic development expenditure. Investment produces construction-phase employment and output multipliers in the range of $2.50 to $2.80 per dollar invested. It generates long-run crowding-in of private investment, increasing private capital formation. It capitalizes into property values and expands local fiscal capacity over time. In rural and semi-rural areas in particular, it functions as a foundational

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[51]Alzahrani, Fahad, and Alan R. Collins. "Impact of Public Water Supply Unreliability on Residential Property Prices in Marion County, West Virginia." *Agricultural and Resource Economics Review* 51, no. 1 (2022): 105–125. This hedonic pricing study found that water supply unreliability produced a statistically significant negative capitalization into property values — directly implying a corresponding positive effect from reliable infrastructure provision.

prerequisite for business location, retention, and expansion — one whose absence effectively removes communities from competition for the productive private investment that generates lasting economic returns.

The evidence also supports a temporal dimension with planning implications: the economic benefits of water and sewer investment are not fully captured in short-term snapshots. Rather they accumulate over 10 to 20-year horizons, building through property value appreciation, expanded business activity, private investment crowding-in, and compounding tax base growth. Communities that invest early in infrastructure capacity are not simply spending public funds — they are building the enabling conditions for future private prosperity that would not otherwise materialize.

Exhibit 7: Sample Survey of Documented Economic Development Benefits from Water & Sewer Infrastructure Investment

Category	Key Finding	Source
Job Creation (Construction)	$1M investment ≈ 10–10.6 direct and supported jobs	*ASCE (2021); Value of Water Campaign (2024)*
Economic Output Multiplier	$1M invested → $2.5–$2.7M in total economic output	*ASCE (2021); IMPLAN modeling*
GDP Effect	$1M invested → ~$1.38–$1.40M in GDP	*Value of Water Campaign (2024)*
Labor Income	$1M invested → ~$837,000 in labor income	*Value of Water Campaign (2024)*
Large-Scale Multiplier	$1B investment supports ~26,000–27,000 jobs; >$2.8B output	*U.S. Senate testimony / IMPLAN (2012)*
Private Investment (Macro)	Public capital crowding-in private investment; long-run marginal product ≈ $4.46 per $1 invested	*Pereira (2001)*
Output Elasticity	1% increase in public capital stock → ~0.15–0.39% increase in private output	*Aschauer (1989); Munnell (1992)*
IMF Output Effect	1 ppt increase in public investment → ~1.5% GDP increase after 4 years	*IMF WP/15/95 (2015)*
Property Values	Reliable sewer/water service capitalizes into higher property values; unreliability produces statistically significant negative price effect	*Janeski & Whitacre (2014); Alzahrani & Collins (2022)*
Business Location	Inadequate wastewater capacity is a binding constraint on business location and expansion in rural communities	*Urban Institute (2024)*
Site Selection	Water/wastewater infrastructure consistently identified among top factors in industrial site selection decisions	*Site Selectors Guild (2024, 2025)*

Category	Key Finding	Source
Rural Development	Communities lacking adequate infrastructure are systematically removed from consideration for business investment regardless of other advantages	*Urban Institute (2024)*

Appendix A: Department of Ecology Compliance Letter

STATE OF WASHINGTON
DEPARTMENT OF ECOLOGY
Southwest Region Office
PO Box 47775, Olympia, WA 98504-7775 • 360-407-6300

June 25, 2025

Loretta Swanson, Public Works Director
P.O. Box 578
Shelton, WA 98584

Re: Reclaimed Water Permit No. ST0006224– Belfair WWRF, 2025 Inspection

Dear Loretta Swanson:

On June 2, 2025, the Department of Ecology (Ecology) conducted an inspection of the Belfair Wastewater and Water Reclamation Facility (WWRF). Enclosed you will find a copy of our inspection report for your records. We would like to express our gratitude to Ralph Scott, Lindsey Beham, Joe Kelly, and Trevor Hipwell for the courtesy extended during the inspection.

Major and minor concerns were talked about in depth during the inspection and are detailed in the inspection report. Ecology has included recommendations in the inspection report to address the minor concerns.

More significant findings are summarized below:

The storage pond: The Belfair WWRF's storage pond has a long-standing structural issue; a suspected sinkhole first formally documented by Ecology in 2016 and noted as early as 2014. Despite repeated warnings and recommendations from Ecology's Water Quality and Dam Safety Programs, as well as a 2014 memo from an engineering consultant that called for repairs by summer 2016, Mason County has taken no corrective action—reflecting a consistent pattern of neglect in managing the facility.

The spray field: The Belfair WWRF is only permitted to use reclaimed water for spray field irrigation, but the field hasn't been used in years. Instead, reclaimed water appears to be discharging from the storage pond without authorization, violating permit conditions. Ecology requested a system check earlier this year, but inspection efforts were halted when the property owner revoked access. The operational status of the irrigation system remains unknown.

There is a lack of redundancy at the plant: The Belfair WWRF currently operates one treatment train, rather than two, due to a prolonged lack of maintenance, leaving the facility without required redundancy and vulnerable to system failure. This violates Ecology's design standards, which mandate fully functional redundant systems. Ecology is now working with facility staff to address these issues, and recent steps—such as ordering repair parts and restarting maintenance—indicate progress toward restoring the plant's intended reliability and compliance.

Lack of access for monitoring: Since December 2024, Belfair WWRF personnel have been unable to access necessary property to complete required groundwater and surface water monitoring, which are permit violations. The issue is tied to an unresolved legal dispute, and no resolution has been reached. While Ecology recognizes the challenges, permit requirements remain in effect.

While the redundancy issue may be resolved with continued attention from operational staff, Ecology would like to schedule a meeting with Mason County's Public Works Department to discuss a path forward for the remaining deficiencies cited in this letter.

Ecology greatly appreciates the Belfair WWRF operators' recent effort and attention in caring for the WWRF. They have made vast improvements in the last several months to address our concerns around the condition and operation of the Belfair WWRF. Ecology will continue to work with Mason County to improve conditions at the Belfair via monthly compliance visits as we have been doing since November of 2024.

If you have any other questions, or if would like to arrange a meeting to discuss our inspection findings, please contact please contact Isaiah Murrell-Thomas at isaiah.murrell-thomas@ecy.wa.gov or (564) 669-3115.

Sincerely,

Isaiah Murrell-Thomas
Facility Engineer
Southwest Region Office
Water Quality Program

Enclosure: Inspection Report

cc: Sharon Trask, Mason County Commissioner
Richard Dickinson, Public Works Deputy Director
Ralph Scott, Water and Wastewater Manager
Lindsey Beham, Operator
Ginger Reddig, Municipal Permit Compliance Specialist

Appendix B: Mason County BOCC Letter of Support

MASON COUNTY
BOARD
OF
COMMISSIONERS

1ST District
RANDY NEATHERLIN

2nd District
KEVIN SHUTTY

3rd District
SHARON TRASK

Mason County Building 1

411 North Fifth Street

Shelton, WA 98584-3400

(360) 427-9670 ext. 419

Fax (360) 427-8437

February 13, 2024

RE: 2024 Local and Community Projects Budget Request –
Bremerton Mason County Joint Sewer Expansion (Bremerton, WA)

Mason County is writing to express our support for the City of Bremerton's request for $3,000,000 to design treatment plant capacity upgrades and collection system infrastructure for the Belfair Water Reclamation Facility, with some reservation.

It is our understanding that if funded, this project will provide Mason County with approximately $1.3 million to plan/design treatment plant, sprayfield capacity, and collection system capacity upgrades. This work is identified in current Mason County planning documents.

Approximately $1.7 will be used by the City of Bremerton to plan/design two lift stations and sanitary sewer connecting to the existing Mason County trunk line that presently ends in the vicinity of the Mason/Kitsap county line. Serving the southern basins of PSIC is also identified in current planning documents, but this is where we have reservations. We are first and foremost concerned about ensuring capacity to serve the Belfair UGA and continuing economic growth within Belfair.

This letter of support should not be construed as a commitment to serve the southern basins of PSIC. The application indicates designing to serve 300 acres within PSIC which would generate a projected 955 GPM peak flow. We have been operating under a planning assumption of 650 GPM peak flow.

This letter of support does signal our continued commitment to exploring what service to PSIC looks like from policy, financial and engineering viewpoints. Funding this project will provide the engineering perspective. As with any regional partnership, there are administrative and financial details to work out to ensure our mutual and individual jurisdiction's goals are met, and we look forward to continued engagement under our ILA with the City of Bremerton and Port of Bremerton that has been in effect for six years.

We thank the Legislature for prior investments in the Belfair Water Reclamation Facility. Those appropriations have leveraged substantial improvement to the utility, both physical and financial. Working cooperatively with the City of Bremerton has the further potential for continued improvement to the Belfair utility's financial position, reduced regional wastewater facility costs, and significant job growth and tax revenue generation for both the county and city.

Funding this project now will ensure the collection system design is in accord with the SR 3 Freight Corridor project to maximize efficient use of public funds. Thank you for considering this request.

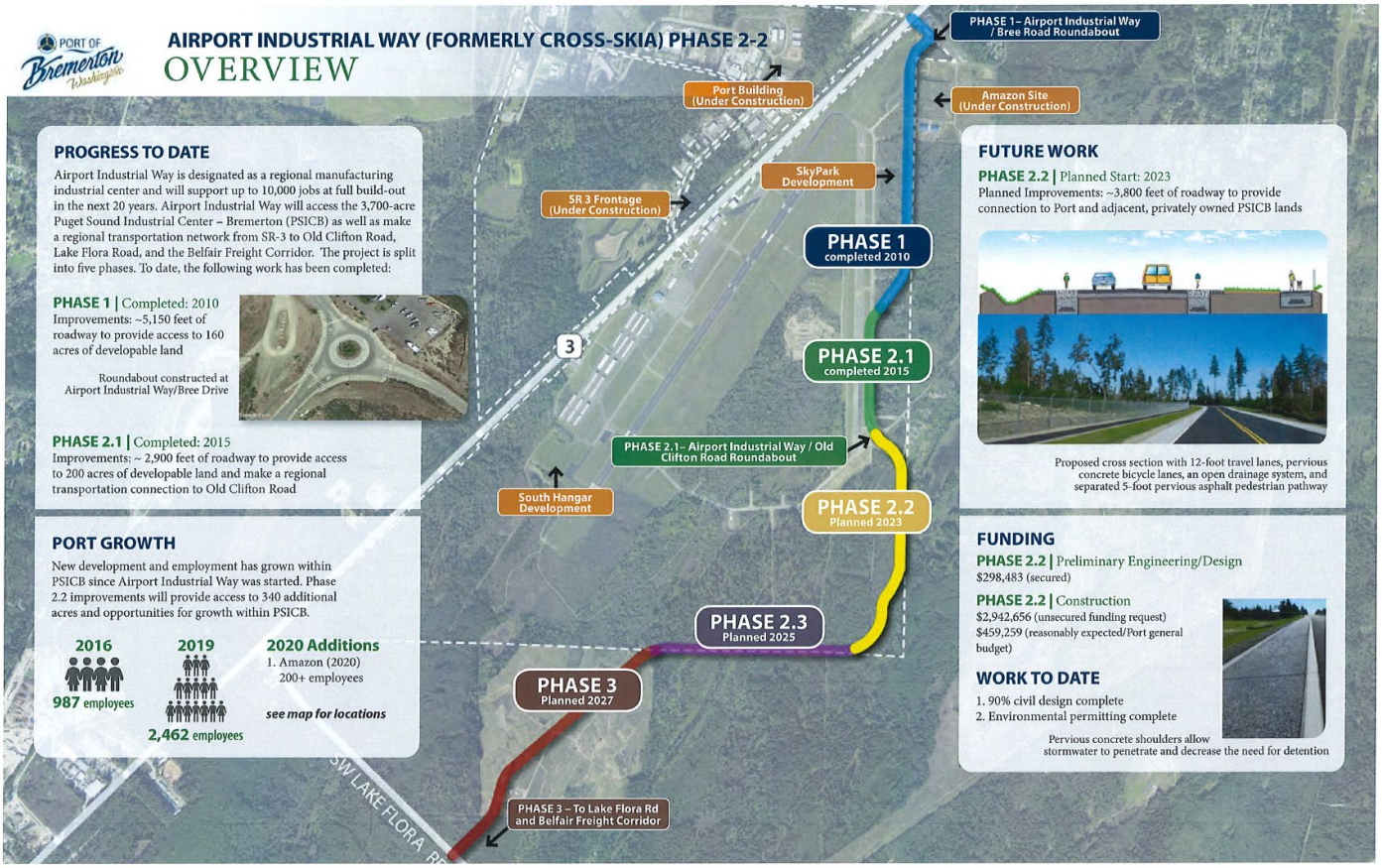
Sincerely,

Randy Neatherlin,
Chair

Kevin Shutty,
Vice-Chair

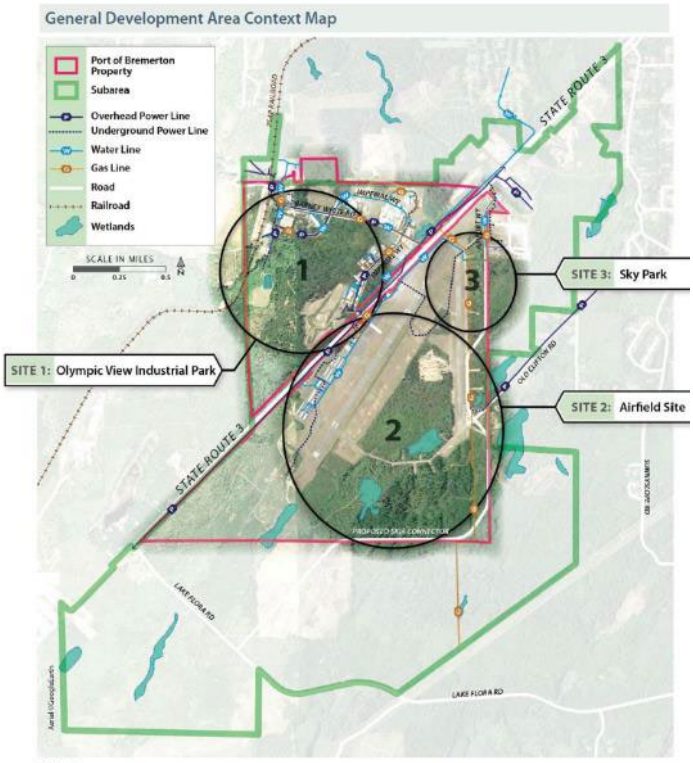
Sharon Trask,
Commissioner

APPENDIX C: PORT OF BREMERTON AIRPORT INDUSTRIAL WAY

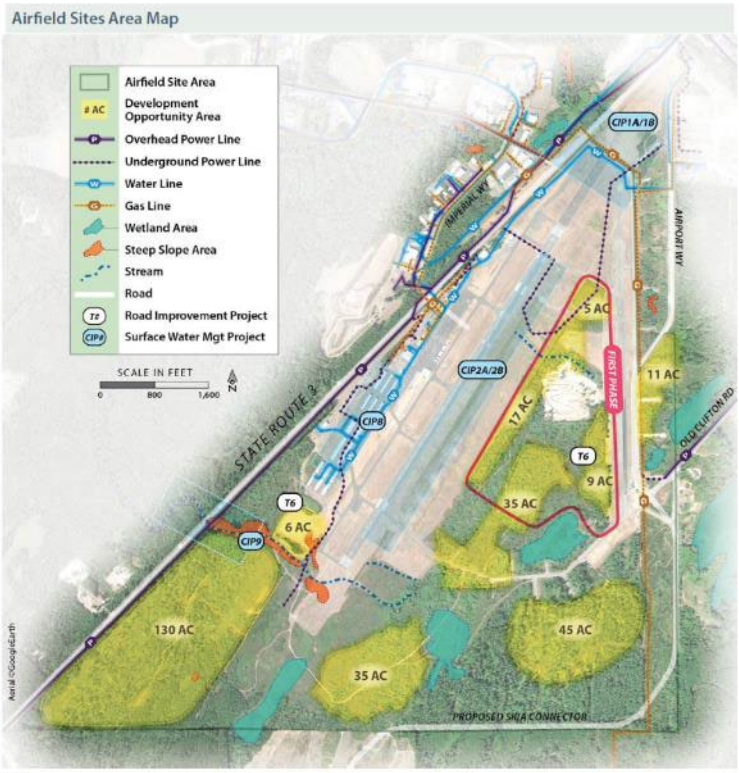


Source: 2015 Port of Bremerton Marketing Strategy.

Appendix D: Port of Bremerton Development Sites



SOURCE:
Utilities Information- City of Bremerton, Puget Sound Energy, Cascade Natural Gas



SOURCE:
City of Bremerton, 2012 PSIC-B Subarea Plan
State / SKILO / Kitsap County, 2005 South Kitsap Industrial Area (SKIA) Surface Water Management Plan

Appendix E: City of Bremerton MOU Withdraw

Mayor Greg Wheeler

greg.wheeler@ci.bremerton.wa.us
Tel 360-473-5266
Fax 360-473-5883
345 6th Street, Suite 100
Bremerton, WA 98337-1873

March 23, 2026

Dear Honorable Commissioners,

RE: MOU with Mason County for Sewer Service

The City of Bremerton is not moving forward with the proposed Memorandum of Understanding. We have consistently communicated that a timely and firm commitment from Mason County to provide sewer service is essential to any partnership. After many months of document exchanges without such a commitment, we have reached an impasse. The City will therefore proceed with its sewer planning independently of Mason County.

The Legislature has amended the Department of Commerce sewer design grant to allow the City to use the funds for its own planning and design. Collaboration with others remains permissible but is no longer required. We expect this change to take effect once the Governor signs the state budget.

Please feel free to contact me with any questions. Thank you for your time and efforts on this matter.

Sincerely,

Greg Wheeler
Mayor