Annexation Issues

City Council Workshop
March 3, 2014

Tom Schauer, Senior Planner
Parks & Community Development Department

Subject

Summary

- Discussion - Annexation on November 2014 Ballot

Relationship to Council Goals:

- One of City Council's Top Goals (2014 Goal Setting):
- Goal: "Facilitate sustainable, manageable growth"
  - Objective 2: "Review annexation policy"
    - Action 1: "Annexation of properties into the City limits"

Subject (cont).

Purpose of Today's Workshop

Information Sharing

- History
- Applicable Law
- Background
- Issues

General Direction

- Council Objectives
- Timing Issues – Same Time as UGB Proposal
- General Direction – Annexation on 2014 Ballot?
- General Direction – Input on Draft Proposal for Future Workshop?

Background

Basic Idea

Urban levels of development have urban levels of public facilities and services

- Sewer, water, public safety, streets, storm drainage, etc.

Background

History

Pre-UGB:

- Intensity of development outside City could exceed carrying capacity & created sanitation issues
- Sewer districts were established to address sanitation issues (Redwood & Fruitdale Harbeck)
- Allowed further intensification of development outside City limits without all city services

Pre-UGB & Early UGB through 1997/98:

- UGB established, early UGB development management shared by City and County
- Urban development could occur (in sewer districts and UGB) outside City limits with sewer, without other city services if not near a water main, with no Service & Annexation Agreement
- Not 'core out' development
- Pockets of fully developed areas without Service & Annexation Agreements and without all urban services

1998-2001 (IGA)

- City development management of UGB
- Water extensions / hydrants required, except some minor developments
- Service & Annexation Agreements for most development, except some minor developments
- Annexation to occur within one-year of agreement

2001-Present

- Charter Amendment - City electors vote on all annexations
- Annexation Agreements Change - "Fee agreements" – pay fee equal to city tax rate until annexed & receive public safety services

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Pockets of earlier urban development without all urban services
-Many without annexation agreements
-Many with old annexation agreements, but many opposed to annexation (cost)
-Interspersed with new development (post 2001)

... ent of UGB
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2001-Present

- Charter Amendment - City electors vote on all annexations
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Background

History

Challenges:

- New growth and development occurring around pockets of fully developed areas without Service & Annexation Agreements
- Difficulty of annexation of those pockets as new growth encompasses them
- Annexation of properties with “no-fee” Service & Annexation Agreements (prior to 2001)
  - Significant benefit already accrued - allowed development to occur with urban services without being annexed first
  - Legal contractual obligation, but new owners still oppose due to associated tax increase
- Deferral of Annexations
  - more challenging over time after homes are sold, etc. (pre-2001 development)

Background

History

Looking Forward:

- Challenges were with past development practices and past history, some still remain (pre-2001 development)

- Same old challenges don't continue forward as new development occurs under improved approach, not perpetuated indefinitely, but only beginning to see results of new approach (post 2001 development)

- Issues are different with lands that don't have already have existing urban development with no S&A Agreement or with a 'No fee' S&A Agreement.

Background

History

Annexation History,

- **In 2000**, 28% of population in UGB was outside City limits (~9,082 people, mostly fully urban development)

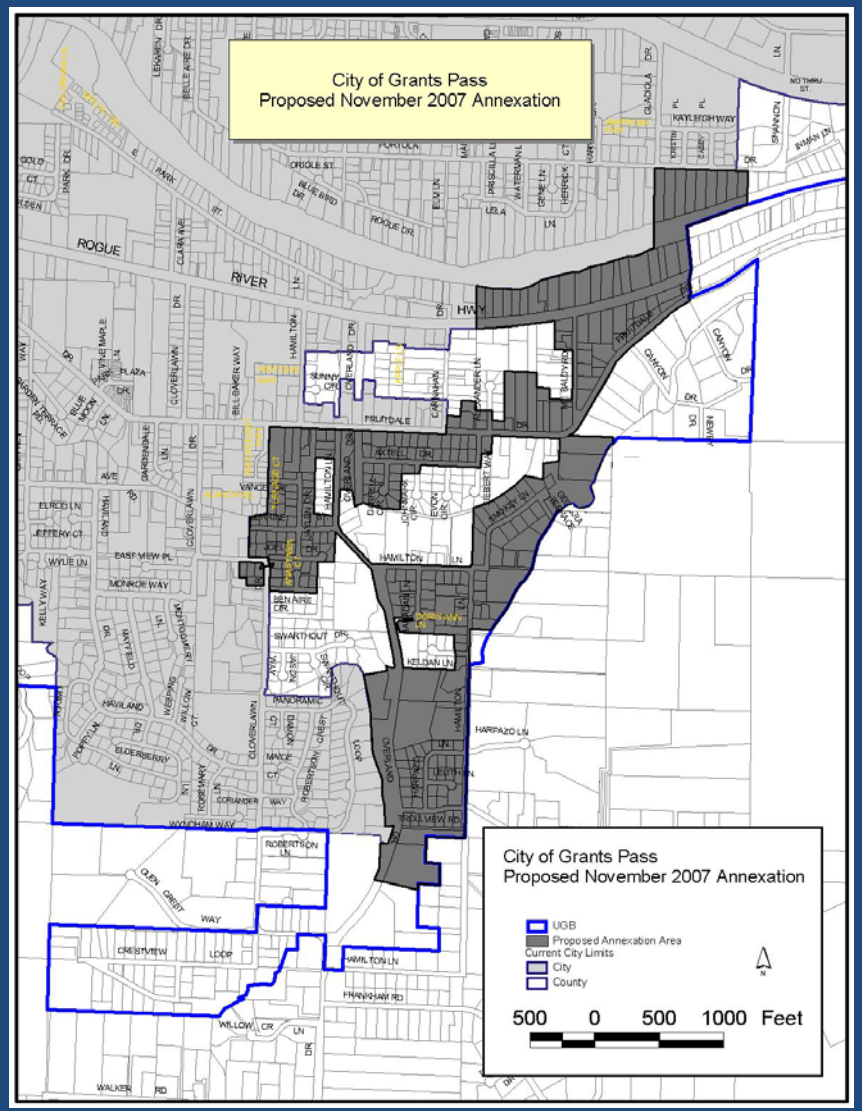
- **2001-2006.**
  - After Charter Amendment, annexations placed on ballot each year
  - All annexations placed on ballot passed.

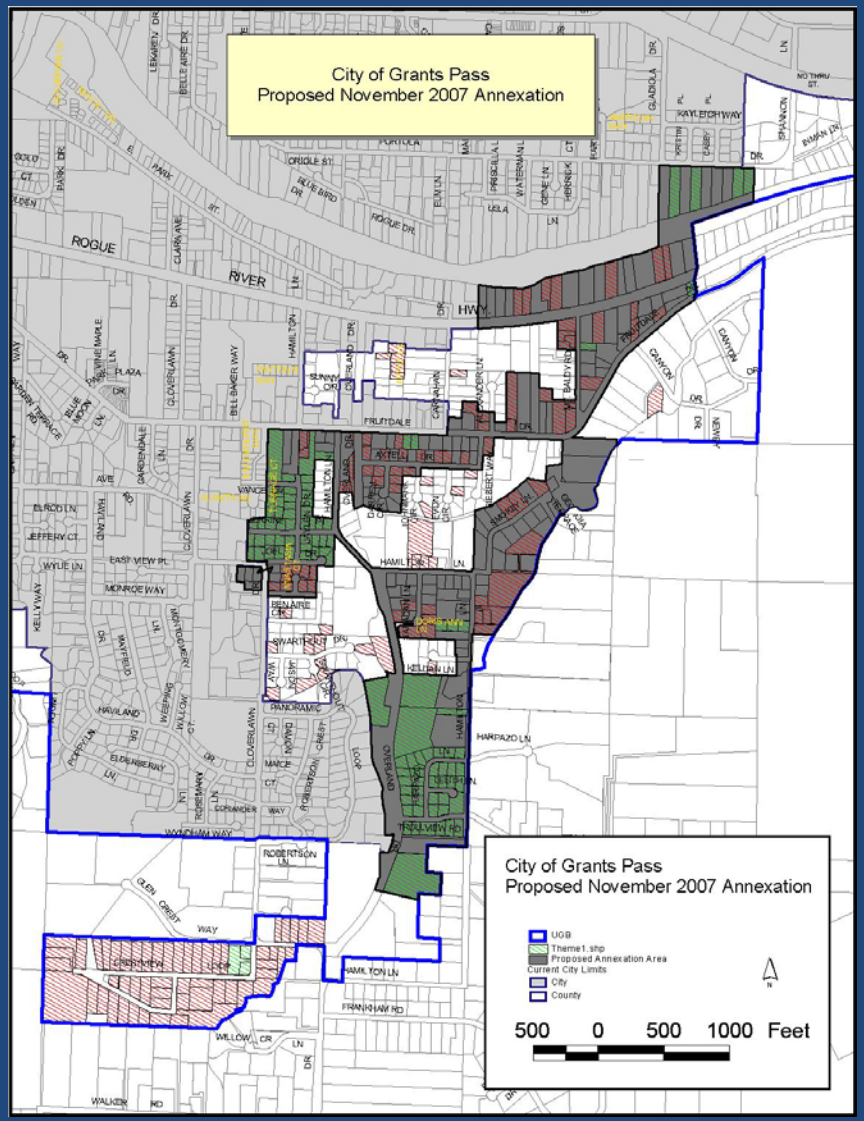
- **In 2007**, City Council reviewed annexation proposal, but did not adopt ordinance and place on ballot, so proposal wasn't put to City voters. (2 hearings, revised proposal)

- **Since 2007.** No annexation proposal since 2007.

2007 Revised Annexation Proposal - Includes 170 Service & Annexation Agreements:

- 47 pre-1998 IGA
- 123 post-1998 IGA
- Includes all fee agreements in this southeast area except 3 in Crestview Loop from 2003 partition
- Leaves only 3 properties with post 1998-IGA agreements in this southeast area not in annexation





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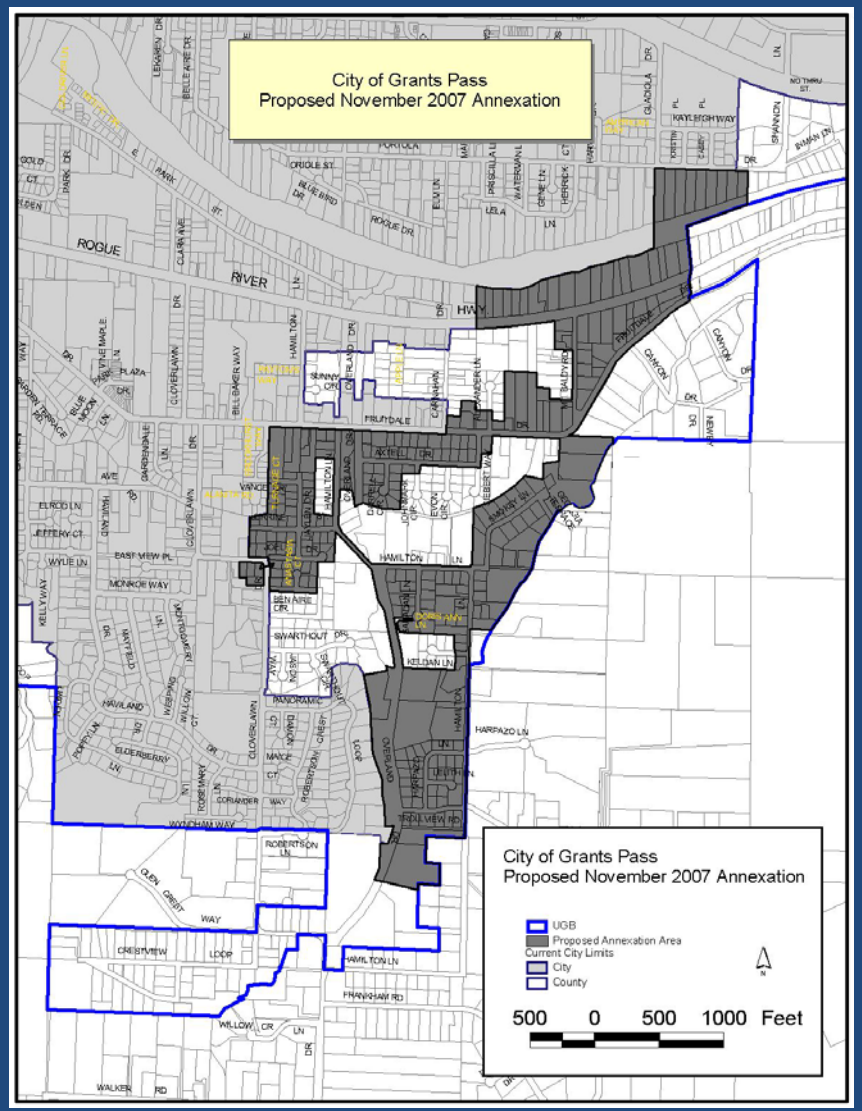

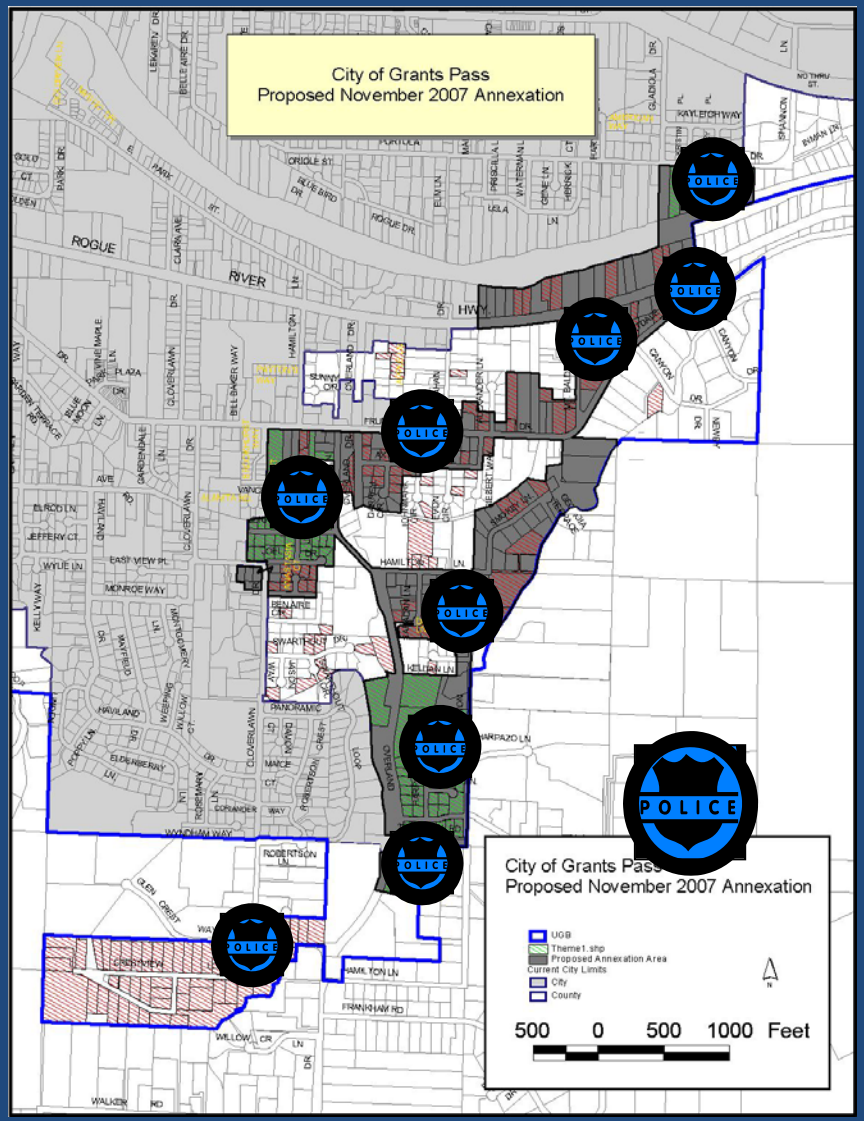

Property Tax and Public Safety

- 100% of city property tax revenue goes to public safety to fund public safety services, both police and fire.

- City police rather than the Sheriff's Office will serve the annexed areas and be dispatched to emergency calls in these areas. The properties are generally within the 5 minute response area. City police will provide patrols.

- City fire will be the first responder for fire, rescue, and medical calls.

Property Tax and Public Safety

- As new urban development continues to occur, "pockets" of developed urban land shouldn't continue to receive rural levels of public safety service, surrounded by areas that receive urban levels of public safety service.
- The City has an obligation to provide urban levels of public safety service as growth occurs.
- While the boundary in one year may not optimal, the goal is to provide logical boundaries through action in current and future years.

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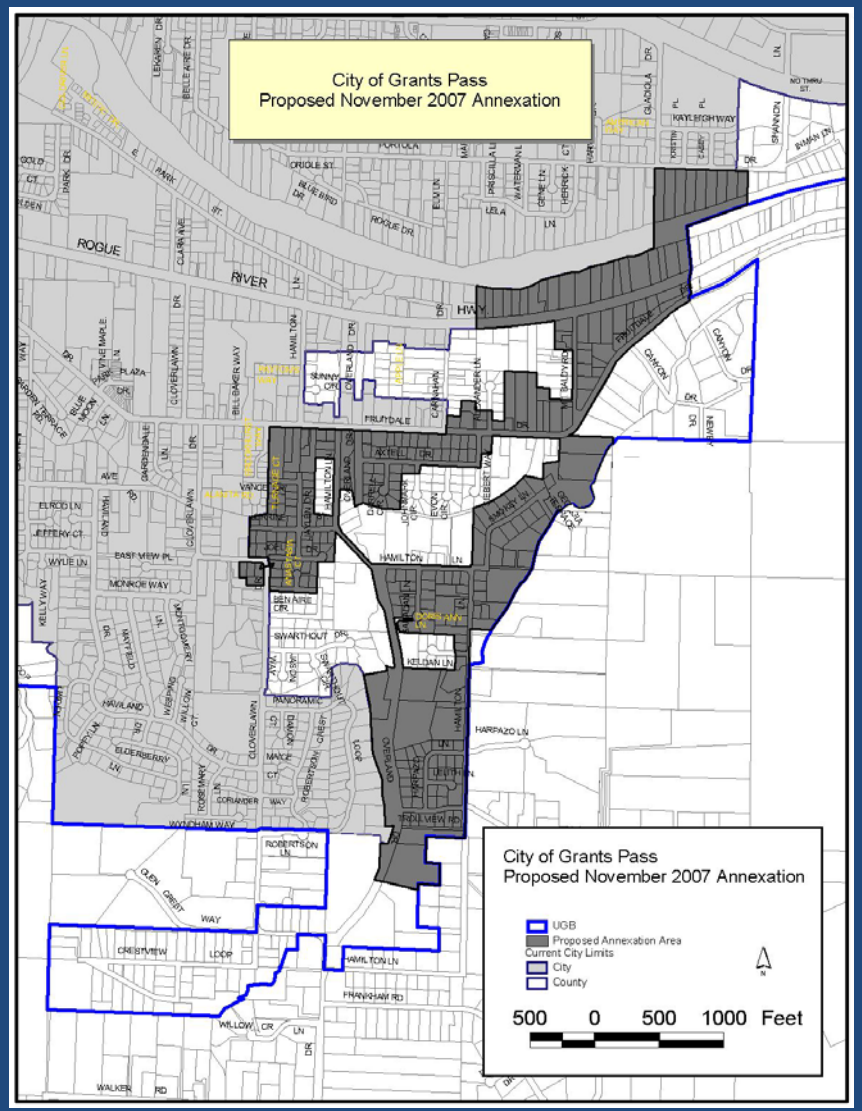
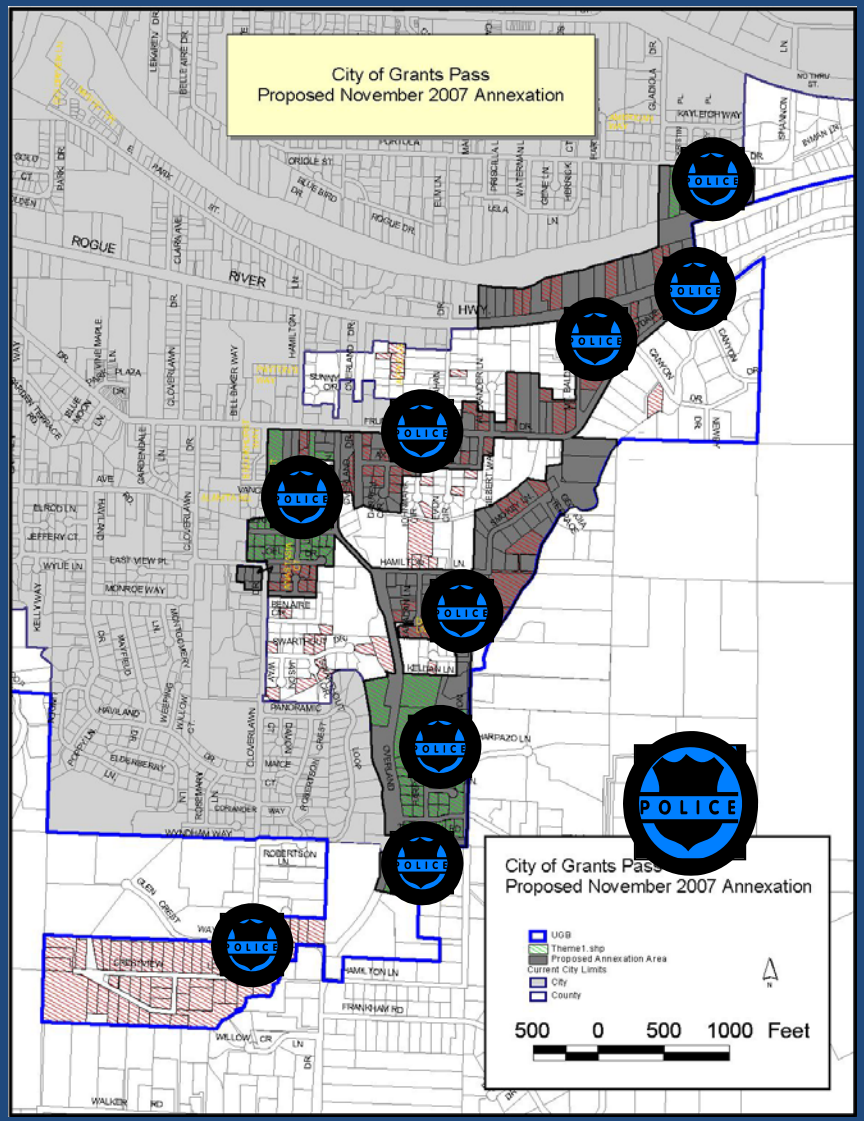




Background

Applicable Law & Basis, Changes

LOC – January 2009

Oregon Annexation Methods

Annexations during incorporation proceedings are prohibited until a petition to incorporate is rejected by the county, or voters reject the incorporation

Consent required from affected territory

City election required

Election required: A majority of electors in the affected city and a majority of electors in the territory to be annexed vote for annexation (ORS 222.111 (5).

No city election required*

SEE BELOW

Area election: Majority of electors in the affected territory vote for annexation (ORS 222.120 (4). Subject to referendum.

Consent of landowner: If the land is zoned industrial, assessed value of more than $7 million (ORS 222.050 Sec.3).

Consent from all property owners and a majority of electors in the affected territory (ORS 222.125). Subject to referendum.

Triple majority: Consent from a majority of land owners who own a majority of real property representing a majority of the assessed value of the land within the affected territory (ORS 222.170 (1). Subject to referendum.

Double majority: Majority of electors and a majority of land owners in the affected territory consent to annexation (ORS 222.170 (2). Subject to referendum.

*Must meet public notice/meeting and any charter election requirements.

GRANTS PASS CITY CHARTER REQUIRES CITY ELECTION. THEREFORE, ALL OF THESE REQUIRE CITY ELECTION.

Consent not required from affected territory*

SEE BELOW

Health hazard abatement: A city may annex a territory without consent from city or territory electors if DHS declares the territory to be a danger to public health (ORS 222.840). By resolution, requiring notice, public hearing and findings.

Island annexation: A city may annex a territory that is surrounded by the corporate boundaries of the city or the corporate boundaries of the city and the ocean shore, a river, a creek, a bay, a lake or Interstate Highway 5, without consent from the city or territory electors*.

The city may not annex when the territory:

- Is surrounded entirely by water; or
- If a portion of the corporate boundaries of the city that consists only of a public right of way, constitutes more than 25% of the perimeter of the territory, other than Interstate Highway 5.

For property that is zoned for, and in, residential use when annexation is initiated by the city, the city must specify an effective date for the annexation that is at least 3 years and not more than 10 years after the date the city approves the annexation. PROPERTY SUBJECT TO DELAYED ANNEXATION BECOMES PART OF CITY UPON TRANSFER OF OWNERSHIP (ORS 222.750). By resolution or ordinance, requiring notice, property owner notification, public hearings and findings. Subject to referendum.

*Cities with charter election requirements, considering island annexation, must allow electors in the affected territory to vote on the annexation, in a combined single election.

GRANTS PASS CITY CHARTER REQUIRES CITY ELECTION, THEREFORE, THIS APPLIES.

Other annexation types

Urban service provider annexation: In 1993, SB 122 passed which required the establishment of urban service agreements between special districts, counties and cities in order to address the orderly and efficient provision of urban services.

SB 122 provided that property may be annexed by the city if the area is within the UGB and all urban service agreements have been concluded. An annexation plan must be developed, and prior to its adoption, the city must hold a public hearing with appropriate notice. Once an annexation plan has been adopted, it must be submitted to the voters residing within the area to be annexed. If approved by a majority of voters in the city and a majority of voters in the territory, annexation takes effect in accordance with the provisions of the adopted annexation plan. (ORS 195.205). By resolution, requiring notice, public hearing and findings.

Annexation of a city to a special district (ORS 198.866).

Annexation of new territory to a special district: 3 different ways, either by petition or election (ORS 198.850).

Background

Service & Annexation Agreements

Service and Annexation Agreements allow for property to develop and get necessary services without first waiting for annexation, with agreement that property owners won't later legally object.

Property Owner and/or Elector

- Can be property owner who doesn't vote at that location.
- Can be voter at that location who doesn't own property there.
- Sometimes a person is both a property owner and an elector at the same location

In an Election:

- A person who is contractually obligated to annexation of property as a property owner still could vote for or against annexation as an elector in election.

- An elector residing on property with an annexation agreement, owned by a different owner, could vote for or against annexation of that property.

Background

Consent & Triple-Majority Annexations

- State law allows for these annexations to be adopted by ordinance only (if no local Charter provision)

- **Is majority consent** of territory without vote of territory

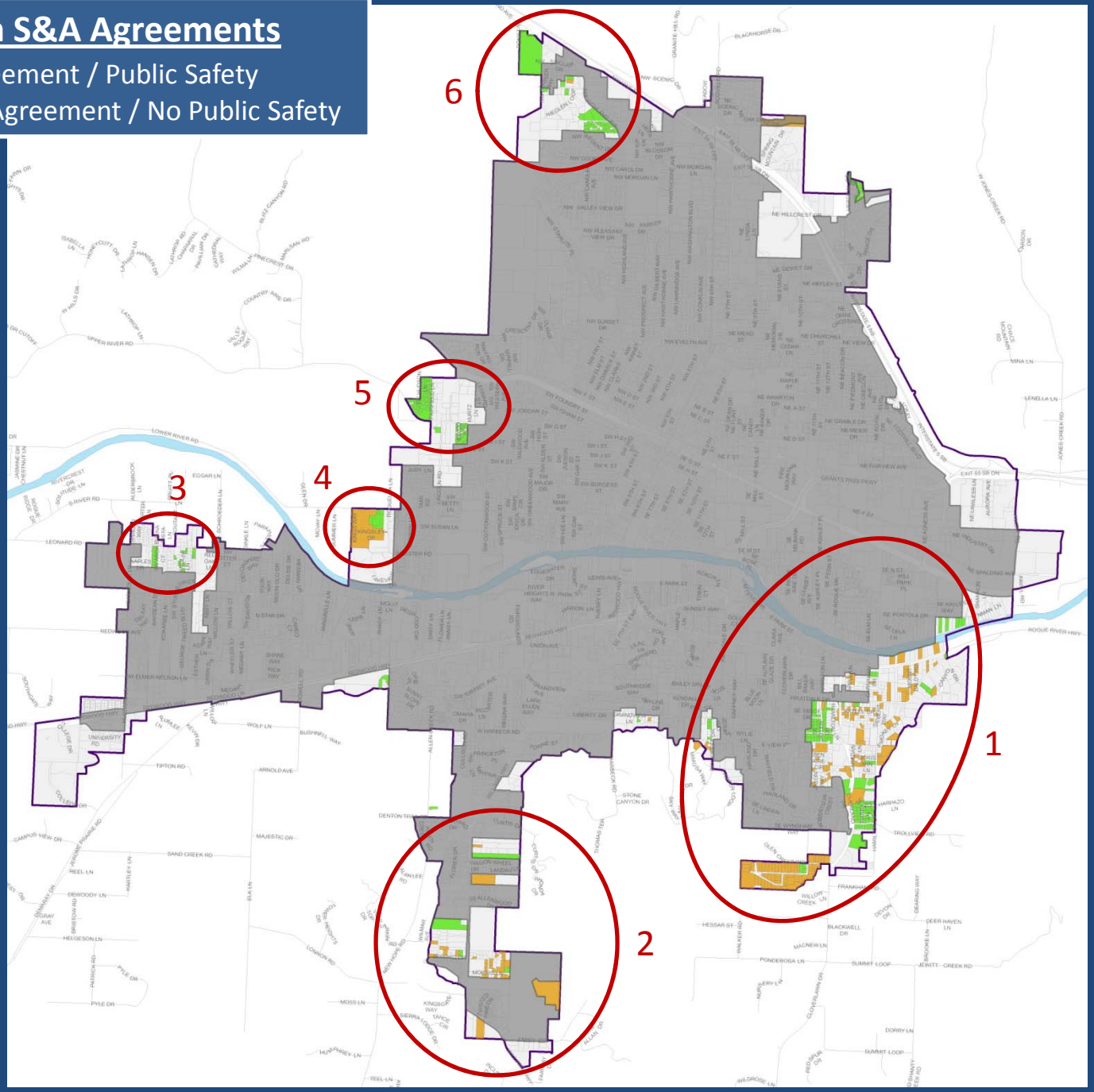
- **Ensures the contracts are honored**. Existing contractual obligations that make up a majority can't be effectively negated in election

- **Additional Majority Requirements.** Not just number
  - Majority of properties with consent must also make up a majority of the acreage and assessed value of the annexation area. (number, acreage, value).
  - Assures that even with a majority of property owners, those properties don't represent a large area with low value, or a small area with high value, compared to rest of annexation area.

*New state law since last annexation for annexation of islands, provides for vote and other provisions

Areas with S&A Agreements

- ‘Fee’ Agreement / Public Safety
- ‘No Fee’ Agreement / No Public Safety



Background

Frequently Asked Questions (FAQs)

- **See FAQ handout:**
  - ***Development can already occur now. Annexation doesn't change this.*** Zoning and development standards are in place, with exceptions for Category 1 Development, standards are the same.
  - ***LIDs can already occur now. Annexation doesn't change this.*** Services are extended with new development and capital projects are built the same way (whether or not properties are annexed)
  - Annexation doesn't change school district
  - If water is extended beyond a property that isn't doing new development, the property isn't required to connect (whether or not properties are annexed - annexation doesn't change this)
  - Municipal Code provisions that don't apply now will apply. (Examples in staff report) – open burning, nuisance complaints (current county policy is not to enforce nuisance inside UGB)
  - Properties in City continue to pay County taxes, too (41% of county taxes in 2013)

Cost Implications

Summary of Issues

- Specific information when proposal to calculate
  - General information today
- Short-Term/Long-Term
- Revenue Considerations
  - Property Tax (100% to Public Safety)
  - State Revenue Sharing (per capita)
  - Street Utility
  - Franchise Fee
- Cost and Related Considerations:
  - Public Safety service levels
  - Level of support for future Public Safety ballot measures, etc.
  - Utility surcharge elimination
  - Administrative reduction

Cost Implications (cont).

Short-Term vs. Long-Term

- Short-Term vs. Long-Term
  - Consent / Triple-Majority Boundaries
  - Logical Service Boundaries / Cost Considerations
  - Ability to Annex Pockets of Existing Historical Urban Development (w/o Agreements) in the Future

Cost Implications (cont).

Revenue Considerations

Assessed Value Information

Unincorporated UGB	Tax Lots	Acres	Assessed Value	If City w/PS Op. Levy (5.9235)	If PS Station Bond (0.3857)	If Combined (6.3092)
Unincorporated UGB	~1,411	1,265	$212.0M	$1,256,000	$81,800	$1,337,800
-With S&A	~500 (35%)	247 (20%)	$73.0M (34%)	$432,600	$28,200	$460,700
--*Fee*	~300 (21%)	117 (9%)	$41.7M (20%)	$247,100	$16,100	$263,200*
--*No Fee*	~200 (14%)	135 (11%)	$31.7M (15%)	$188,000	$12,200	$200,200
-Without S&A	~911 (65%)	1,018 (80%)	$139.0M (66%)	$823,500	$53,600	$877,100

*Already pays fee equal to city tax rate and receives City Public Safety service

Cost Implications (cont).

Revenue Considerations

State Revenue Sharing Information

per capita allocation to cities based on population in city limits

Unincorporated UGB	Approx. Tax Lots	Rough Average Population Estimate (~2.4 PPTL)	If State Revenue Sharing (~$78.24 per capita) (SRS, cigarette, liquor, gas tax)
Unincorporated UGB	1,411	~3,395	~$265,600
-With S&A	500	~1,200	~$94,100
--*Fee*	300	~720	~$56,300
--*No Fee*	200	~480	~$37,600
-Without S&A	911	~2,200	~$172,128

Call to Action

Yes/No?

- Place an annexation proposal on the November 2014 ballot? *(see timeline)*
  - Draft proposal in March/April for July/August ordinance and November ballot
  - Same general time scheduled to take the UGB through hearings
  - Potential confusion between UGB and annexation

Specific Council Objectives, Issues, Direction?

- Thoughts/issues you want staff to consider in preparing a draft proposal for a future workshop?

Alternatives?

- Annexation proposal for May 2015 or November 2015?

Thank You!

- **Questions?**

- **Handouts**
  - Timeline for November 4, 2014 Ballot
  - Summary of State Law (annotated to reflect effect of City Charter)
  - Example of Informational Materials (from 2007)