



MEMORANDUM

TO: Comprehensive Plan Citizen Advisory Committee (CAC)

FROM: Beth St. Amand, Senior Planner

DATE: November 21, 2012

SUBJECT: Annexation in Lake Oswego: Background information

At the October 25 meeting, the CAC began its final review of Urbanization policies. The CAC raised several questions about annexation and requested that staff provide additional information. The following memo reviews the City's current approach to annexation, history, and potential incentives available to inform the CAC's review of the proposed policies.

BACKGROUND/DISCUSSION

In 2009, Planning staff compiled a comprehensive annexation report that analyzed the City's existing annexation policies and procedures, as well as alternative approaches (Reference Document A). The Council considered the report and ultimately decided to continue the current approach to annexation.

The report identified the City's current approach for annexing land as reactive. The annexation process is triggered by an application from a property owner, who pays a fee based upon the lot's development potential. Currently, the City offers one incentive to annex: once an annexation application is received, the City sends out "invitations" to surrounding property owners to voluntarily encourage them to annex without a fee. This has resulted in additional properties joining in the process approximately one-third of the time (as of December 2009).

The report noted the current approach created a checkerboard pattern of annexed properties and islands of unincorporated property, which resulted in inefficient and redundant service delivery. City police, fire, and maintenance departments may serve multiple properties on a street while an un-annexed neighbor will still receive county services. The report identified the Comprehensive Plan Update as the appropriate time to consider any changes to the City's annexation approach.

History

The CAC asked questions regarding island annexations. State law allows a city to annex an "island" of land (unincorporated land surrounded by the City on all sides) without the consent of property owners or residents in the affected area and without approval by city voters, provided the entire island is annexed (i.e., no portion remains un-annexed). It requires a public hearing.

The following information is excerpted from the 2009 report:

“Historically, the City has been reluctant to initiate annexations of larger areas because of citizen opposition. In 1996, the City attempted to annex approximately 50 island parcels with mixed success. At that time, the Boundary Commission, a legislatively authorized regional body, was responsible for annexation decisions. The Boundary Commission eliminated those parcels from the 1996 annexation where property owners expressed opposition to the proposed annexation. Approximately one-half the proposed parcels were annexed. With the dissolution of the Boundary Commission in 1998, the City Council became the decision-making body for the annexation of property.

“In 2000, the City Council reviewed and approved several island annexations throughout the City. These annexations included scattered parcels on Inverurie Road, Knaus Road, Boones Ferry Road, and Carmen Drive. A proposed annexation on Fielding Road (AN00-0009) involved more territory (25 parcels) and was ultimately abandoned.

“In 2003, at the direction of the City Council, the City began work on an annexation plan for an “Urban Service Provider Annexation” under ORS Ch 195. This consisted of the proposed annexation of seven unincorporated areas throughout the City: Forest Highlands, Southwood Park, Lake Forest, Rosewood, Childs Road, Skylands, and Birdshill areas.

“The City initiated the annexation plan in cooperation with the Lake Oswego School District in order to more closely align City and school district boundaries and to address broader community funding strategies for school facilities. After an extensive series of meetings with neighborhood leaders, the City Council chose to not move forward with the proposed annexation plan.”

Annexation Incentives

As noted, the City does not provide annexation incentives. However, proposed Urbanization Policy C.6 states, “Provide incentives to encourage owners of property within the Urban Services Boundary to voluntarily annex to the City.” What types of annexation incentives are available? The 2009 report, summarized below, detailed two annexation incentives: financial and infrastructure-based incentives.

Financial Incentives – A number of financial incentives are being used throughout the Metro area. Phased taxation can be used in combination with any of the annexation methods. This allows property taxes to be kept at the same rate (or frozen) for a specific period of time. Once annexed, property taxes can be raised at an incremental rate until they are equivalent with the city’s tax rate. Another option is to delay the effective date of the annexation, as well as the taxes, once approved. Additional incentives can be offered through waivers of application fees for annexations, pre-application fees, and associated zone changes; and having the jurisdiction pay the Metro mapping and filing fee. Currently, the City offers one incentive to annex: once an annexation application is received, the City sends out “invitations” to surrounding property owners to voluntarily encourage them to annex without a fee.

Infrastructure-Based Incentives – Another approach for creating an annexation incentive is for a city to extend sewer lines to areas that are not currently served by sewer. Access to public sewer service is one of the primary reasons properties annex.

Three alternative approaches include:

1. Build the entire sewer system in one effort or in large phases. This approach would place trunk lines and local lines throughout a neighborhood. Property owners would need to pay for service laterals to their houses.

2. Build a strategic “backbone” of sewer line. This would involve the construction of sewers at strategic locations. Further extension of the sewer lines by developers or individual property owners would be relatively simple and not require lengthy extensions. For example, this approach could include a design to install sewer lines in locations where they would be within 300 feet of a majority of properties. (The County Health Department’s distance threshold is 300 feet when determining whether a septic system can be rebuilt or whether the system must be decommissioned and the property must connect to public sewer.)

3. Design the sewer system and be prepared to promptly extend the system as the need arises. This approach would require little upfront investment for the design, but would require the creation of a contingency fund that could be accessed to respond to a health hazard emergency. The fund should be large enough to cover the cost of extending the sewer in a worst-case scenario, such as an extension to reach the most remote area from a currently available source.

Funding Options – A variety of funding options are available for the construction of public sewer facilities as outlined above. They include, but are not limited to, Local Improvement Districts (LIDs), Zones of Benefit, System Development Charges (SDCs), private development, and to a limited extent, urban renewal districts.

For additional information, please refer to Reference Document A.