1. **Summary:** Discussion regarding status of unincorporated islands surrounded by City limits.

2. **Background:** In 2016, the City Council gave staff direction to proceed with various annexations of properties that were on utility or annexation agreements. Staff has successfully annexed over 30 separate properties since that time. This essentially completes Steps 1 and 2 in the original report for those property owners that responded positively to our requests. However, some property owners that were obligated to annex did not submit petitions to annex, either by ignoring our requests or just by declining to submit a petition to annex.

   Staff feels that we should consider going forward more assertively to close these islands. While we have several property owners we could take legal action on to compel them to annex, we do not feel this is the most efficient manner to annex these lands. Rather, we are coming up on a significant date of April 1, 2020 which is the next decennial census. This date will establish our population which in turn will be used to figure our State revenues on a per capita basis from that point going forward. Annexing these areas will encompass an area that would generate substantial annual revenue to the City if it is done before April 1, 2020. Otherwise while we would receive property tax revenues if they are annexed after that date, we would not receive incremental head tax revenues until the next decennial or special census.

   There are a little over 200 homes that are surrounded but still not annexed. Based on the Census Bureau’s estimate of per household population, each home has on average 2.73 people. The State pays the City per capita revenue of around $145.00 per year right now. This translates to an additional $79,170 in annual per capita revenues from the State, just based on the additional population that could be annexed. However, these revenues would not be realized if they are not in the City limits before the decennial census.

   In addition, these areas have a total EAV of nearly $20,000,000. If all these areas were annexed, we could see approximately an additional $148,000 in annual property tax revenues from the areas being annexed based on the current tax rate. We would also see revenues from building permit activity and utility connections for those wanting to connect to City utilities.

   The City would assume additional costs in street maintenance, as we would annex several sections of township roads as part of the annexation process. However, we already maintain many roads in these areas since we are required to annex the entire roadway even when we annex only one side of the street. Thus the City is providing street maintenance for some unincorporated residents yet we are not receiving property and per capita taxes to offset our costs. These residents would not be required to connect to City utilities initially, unless required to by a prior agreement. However, the City could establish a policy in the future to
mandate that in the future, or to provide funding mechanisms such as Special Service Areas or Special Assessments to fund infrastructure improvements.

Staff recommends proceeding with the additional annexations at this time.

3. **Alternatives, including no action if viable:**

   - **Review the presentation provided by staff and provide direction on how to proceed**

   - **Pros:** The City would realize significant additional revenues from the annexed properties. The City would also gain land use control and zoning authority once the properties are annexed. Annexing these properties would also create the availability for future utility connections and therefore utility revenues.
   - **Cons:** The City would have additional amounts of roadway to maintain as part of the annexations. In some instances we would not have the ability to require connections to City utilities until such systems fail or need to be replaced.
   - **Budget Impact:** Potential annual revenues exceeding $225,000 if all surrounded areas are annexed.
   - **Staffing Impact:** No staffing impact.

4. **Timeline for actions:** In order to capture per capita State revenues, these areas would need to be annexed prior to April 1, 2020.

5. **Staff recommendation:** Staff recommends moving forward with the annexation of the island areas.

**Attachments:**

1. 2016 annexation presentation
2. Maps showing year by year annexations and areas yet to be annexed
Discussion on Unincorporated Islands

Committee of the Whole Meeting
November 1, 2016
Whether you call them donut holes...
Or Islands...
…They are gaps in our City boundaries.

• They were developed in the County and came to be islands as the City annexed and developed around them over time.

• Annexing them was not a priority when the Community was growing fast.

• The City did not follow up on annexation agreements even once the properties became contiguous.

• These have become more of an issue over time.

• Annexing these areas has been a goal in the Comprehensive Plan since at least 2010.
Types of Islands

1. Properties on City utilities with agreements to annex
2. Properties on one or more City utilities but no agreement
3. Properties that are partially in and partially out of the City
4. Properties that are single parcels completely surrounded by City
5. Other surrounded areas
Issues with Islands

1. Creates confusion on jurisdiction for Municipal versus County/Township services.

2. Creates “free rider” concept with those getting City services for free or discounted (i.e. street plowing/maintenance, police patrols, no property tax being paid so potential for City residents to “subsidize” their public services).

3. Causes conflict between City goals for land uses and County requirements/zoning.
Recommendation

- Step 1: Proceed with annexing properties with agreements to annex or utility agreements. Do not charge additional fees outside the scope of the agreement. Agree to prepare plats of annexation for these properties. These agreements will typically not require connection to other City utilities until they fail.

- Step 2: Contact partly in and partly out properties and proceed with annexing these properties. Do not charge fees for these annexations. Agree to prepare plats of annexation for these properties.
Recommendation (continued)

- Step 3: After substantial completion of Steps 1 and 2, contact property owners of unincorporated properties on one or more City utilities but no agreement. As incentive to annex, do not charge additional fees for annexation. Agree to prepare annexation plats for these properties. Require connection to City utilities when they fail or within 15 years whichever is sooner.
- Step 4: After completion of Steps 1-3, revise maps showing annexed areas for further review with City Council. These properties will have more issues relating to utility connections, annexation fees and costs that will need further discussion.
Questions?