

2009

Annexation Report



Abbott-Blick Annexation Proposal

09/28/2009

Abbott-Blick Annexation Petition

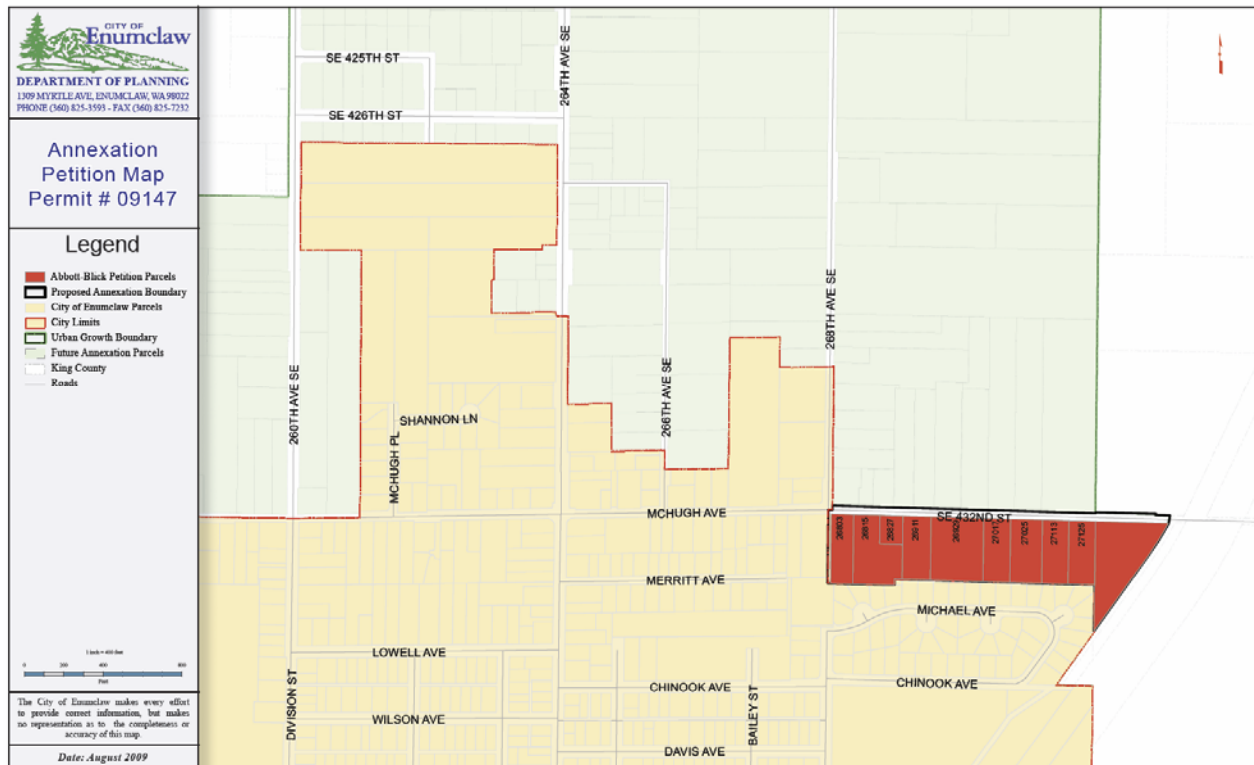
Overview

A petition signed by property owners representing a minimum of 10% of the assessed value of the subject area (legally described in Exhibit A) was recently submitted by Carl Abbott and Mike Blick, proponents. The 10% petition is the first substantive step in the 60% petition annexation method.¹ Pursuant to state statute, the City Council is being presented with the 10% petition in order to decide whether it will: a) accept the petition as presented; b) modify the proposal (add or remove areas); or c) reject it.

If the Council should decide to move forward with the annexation proposal, as presented or modified, it will authorize via resolution the circulation of a 60% petition. The proponent will then need to secure property owner signatures representing 60% of the assessed value. Once sufficient signatures have been secured, there are a number of additional steps, including review by the King County Boundary Review Board, that must occur before the Council can approve the annexation via ordinance.

This report contains general information regarding the impacts of the Abbott-Blick annexation proposal. Additional information and analysis will be generated upon the submittal of the 60% petition.

Figure 1: Annexation Petition Map, 13.3 acres



¹ RCW 35A.14.120

Proposal Factors

1. The current population of the petition area is estimated at 23 people. **Exhibit 1** shows population statistics and other key factors for the annexation area located along SE 432nd Street.

Exhibit 1: Key Factors for Annexation							
Annexation Area	Acres	Type of Housing	Average Persons per Dwelling Unit	Current Population	Potential Population	Potential Increase in Population	Percent Increase
SE 432nd St	13.3	Single-family dwelling	2.51	23	101	78	345%

2. The annexation area, if accepted in its entirety, would add 10 new parcels to the City’s current base of some 9,277 parcels. Of the ten parcels, nine are currently developed as single family residences. There are currently 2,796 single family residences within the City.

3. Land included in this annexation proposal is composed of single family residential development designated as Residential 2 (R-2). This zoning designation requires a minimum lot size of 8,400 square feet. The proponent has not asked for the creation of additional commercial or industrial lands.

4. Approximately 3.3 acres of this area are currently developed as single family dwelling units, while the remaining 10 acres are potentially available for development. Additional single family lots will likely be created through the platting process. The potential number of lots could reach as high as 31 (see **Exhibit 2**), if developed to its maximum potential. The result could increase density and could raise the population of this area some 78 people or 345%.

5. Should all of the developable land in the current annexation proposal be built out under a single family designation, the potential population of the City would raise by less than one percent.²

Exhibit 2: Single-Family Residential Subdivision Plats									
A	B	C	D	E	F	G	H	I	J
Zone	Planned Density	Project Name or Other ID	Sum of Area	Gross Undeveloped Area	Critical Areas (Wetlands, Slopes, etc.)	Rights-of-Way	Public Purpose Dedications (Drainage, Parks, etc.)	Net Plat Area (I=E-F-G-H)	Potential Number of Lots
	DU/Acre		Acres	Acres	Acres	Acres	Acres	Acres	Lots
R-2	5.2	SE 432nd St	13.3	10.0	1.0	1.5	1.5	6.0	31

Assessed Value

Total assessed value of the proposed annexation area is as follows:

Area	2009 Valuation
SE 432 nd St	\$ 2,798,000

² The Washington State Office of Financial Management (OFM) estimates the population of Enumclaw at approximately 11,460 in 2009 (www.ofm.wa.gov).

Revenue

Annexation of the subject areas will result in additional property and sales tax revenue. Measured across all funds, the City will realize an annual net gain of approximately \$4,382.

General Fund Revenue

The General Fund Revenue exhibit illustrates a break-down of general fund revenue, which primarily comes in the form of property and utility taxes. As properties develop over time, the City will realize an increase in sales tax receipts on construction materials, and additional population will bring more taxable sales to local vendors. See table.

General Fund Revenue

Potential Annexation Area	Increase in Property Tax Revenue	Decrease in Water and Gas Utility Tax Revenue	Increase in Telephone Utility Tax	Increase in Electric Utility Tax	Increase in Cable Franchise Fee	Increase in State Shared Revenues	Annual General Fund Impact Total
SE 432 nd St	\$ 5,387	-\$ 358	\$ 720	\$ 720	\$ 360	\$ 920	\$ 7,749

Capital Fund Revenue

Capital funds in the form of real estate excise tax (REET) would generate on-going revenue for capital projects identified in the City’s Comprehensive Plan and associated functional plans. The table to the right illustrates anticipated REET funds. In addition to REET revenue, the City may receive a portion of uncollected King County Road Levy and additional gas tax revenue from King County, *depending upon the effective date of annexation*. Both of these revenue sources (road levy by statute, gas tax by policy) are dedicated to the street fund. See table.

Capital Fund Revenue

Potential Annexation Area	Annual Increase in Real Estate Excise Tax
SE 432 nd St	\$ 1,999

Utility Fund Revenue

Utility fund revenue for the water and sewer utilities would decrease because of the loss of the extra charge imposed on out of city water and sewer customers. See table.

Utility Fund Revenue

Potential Annexation Area	Annual Decrease in Rate-Payer Revenue
SE 432 nd St	\$ 5,365

Timing of Sales and Property Tax Receipts

Tax receipts do not immediately flow into the City coffers after annexation. The timing of receipts must be carefully planned out if the goal is to minimize the lag time between annexation and receipt of property, sales, and state-shared revenues. Property tax has the longest lag between annexation and the receipt of the first tax revenues. The boundaries of a city for property tax purposes are the “officially established boundaries” that exist on August 1 of the year in which the property taxes are levied. RCW 84.09.030. *Thus, a city may levy taxes during the current year for receipt during the next year for any annexation that is officially completed by August 1. If the annexation is completed after August 1, the city will have to wait*

until the following year to levy the tax to apply in the annexed area. For example, if an annexation is completed by August 1 of Year 1, the city can levy taxes in November of Year 1 and receive its first substantial property tax revenue after April 30 of Year 2. If the annexation is not completed until August 2 (or later) of Year 1, the city will have to wait until November of Year 2 to levy its property tax and will not receive its first revenues until the spring of Year 3. Upon annexation, the city does receive the revenue from the levied but uncollected county road district taxes (RCW 35.13.270, 35A.14.801), but this may be less money than the city would get if it were levying its own tax. Also, the road district tax revenues must be placed in the city street fund rather than the general fund, which the city might consider a drawback. For property tax purposes, it definitely pays to plan ahead when considering an annexation. The City must decide the timeframe for which it is willing to front the costs of annexation prior to receiving funds. The following points describe when revenue will be received by the City post-annexation:

- a) Property tax: annexation must be completed prior to August 1st in order to set levy rate in November; first property tax receipt would be in April of the following year.
- b) Sales tax: 75-day notification to Dept. of Revenue – 2 to 5 month lag time.
- c) King County Road Levy – received in current year; must be used only for road capital.
- d) State-shared revenue begins to accrue in year of annexation.

For this proposed annexation, the first substantial property tax revenue will be made after April 30 in the year 2011.

Municipal Services and Staffing

The absorption of an additional 23 people into the City is unlikely to have a measurable effect on current levels of service or staffing levels. As noted in the annexation study, the City is in a position to absorb additional population without incurring incremental costs of service. The annexation study, as illustrated by tables 23-30,³ predicts no staffing changes are needed at this time to serve the proposed annexation. The tables suggest staffing changes in 2015. Due to the insignificant increase in service, staff did not attempt to quantify the incremental costs associated with this proposed area.

Capital Improvements

Capital improvement (roads, water, sewer, etc.) needs exist in the proposed annexation area (see attached Public Works memo). As with capital deficiencies within the current city boundaries, staff will document, prioritize and include the needs in the appropriate capital program. Funding for capital projects will be done via the annual budget process. As noted above, REET will be the primary source of revenue, as well as state/federal grants and traffic impact mitigation fees paid by new development.

³ Enumclaw Annexation Study, Berk & Associates, 2009, Tables 23-30.

Prospective Residents and Taxation

Upon annexation, new residents would experience a change in the type and amount of taxes paid. **Exhibit 3** provides a comparison between county and city taxes from the perspective of the taxpayer. The most notable change for residents would be the payment of utility fees and utility taxes, as shown in **Exhibit 4**. In summary, residents annexing to the city will likely see little overall change in the amount of taxes paid.

Exhibit 3: Property Tax Comparison							
Property Tax Levy Rate Comparison				Property Tax on \$325,000 Single Family House			
Levy	City of Enumclaw (1175)	Unincorporated King County (3550)	After Annexation	Levy	City of Enumclaw (1175)	Unincorporated King County (3550)	After Annexation
Consolidated Levy	\$3.56	\$3.56	\$0.00	Consolidated Levy	\$1,158	\$1,158	\$0
Road District	\$0.00	\$1.61	-\$1.61	Road District	\$0	\$524	-\$524
City	\$2.07	\$0.00	\$2.07	City	\$674	\$0	\$674
School	\$3.58	\$3.58	\$0.00	School	\$1,163	\$1,163	\$0
Water	\$0.00	\$0.00	\$0.00	Water	\$0	\$0	\$0
Fire	\$0.00	\$0.78	-\$0.78	Fire	\$0	\$255	-\$255
Hospital	\$0.00	\$0.00	\$0.00	Hospital	\$0	\$0	\$0
Library	\$0.00	\$0.45	-\$0.45	Library	\$0	\$147	-\$147
EMS	\$0.30	\$0.30	\$0.00	EMS	\$98	\$98	\$0
Flood	\$0.10	\$0.10	\$0.00	Flood	\$33	\$33	\$0
Ferry	\$0.06	\$0.06	\$0.00	Ferry	\$18	\$18	\$0
Total	\$9.67	\$10.45	-\$0.77	Total	\$3,143	\$3,395	-\$252

Exhibit 4: Utility Taxes			
Utility	Assumed Yearly Cost	Tax Rate	Tax Due
Cable TV Franchise Fee	\$600	5%	\$30
Electric	\$600	6%	\$36
Telephone	\$240	6%	\$14
Natural Gas	\$1,320	4%	\$53
Water	\$360	8%	\$29
Sewer	\$780	8%	\$62
Solid Waste	\$240	8%	\$19
Total	\$4,140		\$244

Findings and Conclusions

1. The proposed annexation represents less than 1% of the city's urban growth area.
2. The area includes no King County properties and/or facilities that the city must take receipt or ownership of.
3. Current city staffing levels are sufficient to provide existing levels of service to the annexation area and its approximately 23 residents.
4. The city will realize additional tax revenue from the proposed area in 2011.
5. The proposed annexation area is residential in character and is pre-zoned as R-2.
6. The city will take on the capital maintenance and operation of roads.
7. There is sufficient interested expressed in the form of signators to the 10% petition to assume that the collection of signatures representing 60% of the assessed value may be obtained by the applicant.
8. Annexation of the city's urban growth area (UGA) is generally in the best financial interest of the city. The annexation study notes that the area to the north of city boundaries is of less interest than those areas west of city boundaries.
9. The city has the ability to provide immediate municipal services to the proposed annexation area.
10. Acceptance of the 10% petition in no way binds the city council to annex the proposed area. The city council will have several more decision points regarding this annexation, specifically at the 60% petition acceptance and at the review of the KC Boundary Review Board decision.
11. As future growth occurs within the annexation area, the city will need to assess when to add additional equipment and staffing resources.
12. Fire service to the area is already provided by Fire District No. 28.
13. The annexation area represents a growth opportunity for future utility funds under new development.

Recommendation

Administration recommends that the council pass resolution 1349 accepting the proponent's 10% petition and authorize the circulation of a 60% petition.