

MINUTES
MILWAUKIE CITY COUNCIL STUDY SESSION
APRIL 18, 2013

Council President Hedges called the study session to order at 7:05 p.m. in the City Hall Conference Room.

Council Present: Council President Hedges and Councilors Churchill, Gamba, and Miller

Excused: Mayor Ferguson

Staff Present: City Manager Bill Monahan, Assistant to the City Manager Teri Bankhead, City Recorder Pat DuVal, Business Analyst Pat Mobley, Public Works Director Gary Parkin, and Milwaukie Police Chief Bob Jordan

Urban Growth Management Area (UGMA) 3 Creeks Annexation

Ms. Bankhead discussed the history of the Urban Growth Boundary Agreement (UGMA) upon which Milwaukie had not taken any action. In 2011 Happy Valley proposed annexing 3.31 acres owned by Providence Health on Sunnybrook which was located within the City of Milwaukie's UGMA boundary. Milwaukie had not been notified of the hearing as an interested party. There was a study done by Clackamas County in 2002 and in 2005 Andy Parks, GEL Oregon, prepared a financial study of the feasibility of Milwaukie's annexing. Both of these analyses supported recommendations that until the Clackamas Town Center urban renewal district closed the cost of providing services exceeded revenues. The urban renewal district encompassing the Clackamas Town Center expired in 2013.

Mr. Mobley showed the map of annexation area and noted it was not financially feasible to annex the entire area, but if the two portions were separated it would be feasible to annex what was known as the 3 Creeks area. He discussed the backlog of infrastructure projects and public safety needs. There were five options for the City to annex without a vote: 100% landowner consent, triple majority, double majority, island annexation, and health hazard conditions. Mr. Mobley recommended the City Council consider the double majority option which meant that 50% plus 1 of the registered voters and more than 50% of the landowners consented in writing to the annexation of the entire geographic area. He proposed an initial community outreach effort to identify business and residential interests as well as determine obstacles and opportunities. Organizationally, the City would have to add public safety personnel. He discussed the assessed value of the area and estimated property tax revenues in relationship to public safety expenditures for police recruits.

Councilor Churchill thought the expenditures might be low and asked if there were a risk that Street Surface Maintenance Program (SSMP) might be diverted to that area.

Mr. Parkin replied many of the streets were repaved, and the SSMP would generate funds for overlays. The street condition evaluation was based on visual inspection and County records.

Mr. Mobley said based on initial crime data 5 to 7 additional officers would be needed at roughly \$120,000 per recruit for training, salary, and benefits. Chief Jordan indicated he would be comfortable with five officers. He summarized the findings to this point.

Mr. Monahan added there could be some additional development in that area.

Councilor Gamba commented on the feasibility of restructuring the City's businesses tax to bring in additional revenue.

Mr. Mobley reported property owners would see a tax increase of \$3.51 per \$1,000 assessed value. Community outreach would be bifurcated into residential and business interests. Special attention should be paid to protection of the 3 Creek natural area and

potential Sunnyside-Sunnybrook-Harmony Road transportation improvements. He discussed what might occur with the County's proposed Linwood-Harmony overpass. Currently the area was served by Clackamas River Water (CRW) and Water Environment Services (WES).

Chief Jordan reported Milwaukie provided backup for the Sheriff in the natural area.

Council President Hedges discussed the proposed annexation and Happy Valley's initial proposal to annex all the way to 82nd Avenue. If financially feasible, annexing the 3 Creeks area would send a message to Happy Valley and Clackamas County that Milwaukie was serious.

Mr. Butler discussed planning and engineering staff needs which would not be too great in the 3 Creeks area where zoning was compatible to the City's.

It was Council consensus that staff continue to work on annexation of the 3 Creeks area and move into the next phase.

Chief Jordan discussed shifts and call loads. He felt with 5 to 7 officers the department would be able to cover the 3 Creeks area but cautioned fewer might diminish service to current residents. He did not see a need to increase the number of police vehicles.

Council President Hedges thought the first step was to determine the policing needs and then determine if the City had a double majority.

Councilor Miller discussed vehicle replacement needs.

Councilor Churchill recommended letting the numbers tell the story and expressed concern that light rail had not been factored in.

Mr. Mobley understood he was to look at the staff allocation matrix, report on types and times of calls, additional equipment costs, and postings to TriMet.

Ms. Bankhead shared Mayor Ferguson's comments regarding the staff analysis and potential for additional photo radar.

Council President Hedges discussed the importance of preventative policing and the amount of time it actually took to deal with a situation. The Council needed a clear understanding of how the money would go in and out and find the optimum date for getting petitions signed.

Mr. Monahan discussed outlay of cash and when tax revenues would start coming in.

Councilor Churchill would like to understand light rail officer assignments and factor in that risk.

Chief Jordan discussed the feasibility of a bike and pedestrian patrol in the downtown.

Ms. Bankhead summarized the discussion: focus on 3 Creeks for now; come back with answers about officers with a reference point to light rail needs; bring back some numbers on equipment; policing needs of that area; and cash flow analysis. Outreach would come next to determine interest in annexation and how to make the City more attractive for the additional tax dollars.

Council President Hedges adjourned the study session at 8:26 p.m.

Respectfully submitted,



Pat DuVal, Recorder

**AGENDA
MILWAUKIE CITY COUNCIL
STUDY SESSION
APRIL 18, 2013**

MILWAUKIE CITY HALL

Conference Room
10722 SE Main Street

A light dinner will be served

STUDY SESSION – 5:30 p.m.

Discussion Items:

<u>Time</u>	<u>Topic</u>	<u>Presenter</u>
1. 5:00 p.m.	Executive Session The City Council will meet in executive session in the City Hall Conference Room pursuant to ORS 192.660(2)(i) to review and evaluate the job performance of the Municipal Court Judge	
2. 5:30 p.m.	Milwaukie Mayor's Emergency Preparedness Speakers Series The Oregon Resilience Plan for Water and Wastewater Systems City Hall Council Chambers	Mark Knudson, P.E.
3. 6:15 p.m.	Study Session Urban Growth Management Area (UGMA) Creeks Annexation City Hall Conference Room	Terri Bankhead/ Pat Mobley, Business Analyst
4. 7:00 p.m.	Adjourn	

Information

Executive Session: The Milwaukie City Council may meet in executive session pursuant to ORS 192.660(2). All discussions are confidential and those present may disclose nothing from the Session. Representatives of the news media are allowed to attend Executive Sessions as provided by ORS 192.660(3) but must not disclose any information discussed. No Executive Session may be held for the purpose of taking any final action or making any final decision. Executive Sessions are closed to the public.

Public Notice

- The Council may vote in work session on non-legislative issues.
- The time listed for each discussion item is approximate. The actual time at which each item is considered may change due to the length of time devoted to the one previous to it.
- The Council requests that all pagers and cell phones be either set on silent mode or turned off during the meeting.
- The City of Milwaukie is committed to providing equal access to information and public meetings per the Americans with Disabilities Act (ADA). If you need special accommodations, please call 503.786.7502 or email ocr@ci.milwaukie.or.us at least 48 hours prior to the meeting.



Agenda Item:
Meeting Date: 4/18/13

COUNCIL AGENDA ITEM SUMMARY

Issue/Agenda Title: UGMA: 3-Creeks Annexation

Prepared By: Pat Mobley, Business Analyst
Dept. Head Approval: Teri Bankhead
City Manager Approval: Bill Monahan
Reviewed by City Manager: April 1, 2013

ISSUE BEFORE THE COUNCIL

This is a study session presentation to update and seek guidance from City Council regarding a proposed annexation of properties within the urban growth management area in unincorporated Clackamas County designated as 3-Creeks.

STAFF RECOMMENDATION

Annexation with the 3-Creeks area decoupled from the Clackamas Town Center.

KEY FACTS & INFORMATION SUMMARY

At the January 22, 2013 goal setting, Council determined that an annexation strategy should be developed and initiated within the boundaries of Highway 224 to the south, Interstate 205 to the east, Clatsop to the North, south down 82nd Avenue and west along Harmony Rd. to the city limits. A temporary business analyst was hired to assist with this analysis. What follows are the initial findings, with the recommendation to break out annexation into a phased approach, including separating the 3-Creeks area west of 82nd from the Town Center and beginning with 3-Creeks as Phase 1. This analysis attempts to answer the question of whether it is financially beneficial to the City to annex, and if so, what strategy should be implemented.

Summary of findings as reported in the attached UGMA Targeted Annexation Analysis:

1. Separating the CTC from 3-Creeks keeps relative costs to provide services in line with projected additional property tax revenues the City should capture.
2. Phase 1: 3-Creeks is financially feasible to begin annexation of UGMA properties. Phasing-in the City's property tax rate 20% per year for five years would require significant adjustments in public safety expenditures.

3. Hiring five (5) additional public safety officers is the largest expenditure category and impact on organizational capacity.
4. Property owners will see a \$3.51/\$1,000 AV increase above their current County rate.
5. Community outreach is bifurcated into residential and business interests.
6. There are organizational impacts to annexation that cross functional departments.
7. Special attention should be paid to the 3-Creeks natural area, its protection, and potential Sunnyside/Harmony Road transportation improvement impacts.

OTHER ALTERNATIVES CONSIDERED

Not beginning annexation process

CITY COUNCIL GOALS

Goal #7: Complete the UGMA process and in 2013 develop and initiate an annexation strategy.

ATTACHMENT LIST

1. UGMA: 3-Creeks Annexation Analysis
2. UGMA Map: CTC and 3-Creeks

FISCAL NOTES

\$634k estimated additional property tax revenues

\$63k estimated additional SSMP fees

\$20k estimated additional shared state revenues

\$9k estimated additional Business Tax revenues

\$600k cost to hire and train additional public safety recruits

\$40k estimated cost to maintain streets

\$10k estimated cost for legal analysis on exemptions, process, and appeals



To: Mayor and City Council

Through: Bill Monahan, City Manager

From: Pat Mobley, Business Analyst and Teri Bankhead, Asst. to the City Manager

Subject: UGMA: 3-Creeks Annexation

Date: April 3, 2013

ACTION REQUESTED

Move forward with a phased annexation strategy that begins with the 3-Creeks area decoupled from the Clackamas Town Center.

HISTORY OF PRIOR ACTIONS AND DISCUSSIONS

Beginning in late 2011, City staff met with employees of Clackamas County Planning and the City of Happy Valley on multiple occasions to discuss the Urban Growth Management Agreement and area.

- December, 2002: Clackamas County – City of Milwaukie Urban Services Study: Financial Analysis by Executive Leadership Institute at Portland State University.
- September, 2005: Annexation Evaluation: Final Report by the Government Executive League (GEL).
- June 7, 2011: Happy Valley proposed annexing 3.31 acres owned by Providence Health on Sunnybrook. Clackamas River Water objected. Milwaukie was not sent notice of the expedited hearing by Happy Valley as an interested party.
- November 29, 2011: City of Milwaukie – Study Session Update
- December 13, 2011: Staff met with Happy Valley, County, CPO's and Service Providers

June 26, 2012: City of Milwaukie – Study Session Update

July 3, 2012: Bankhead Memorandum: UGMA Dual Interest Area B

August 13, 2012: Staff met with Jordan Ramis for strategy session

August 15, 2012: Staff Director’s retreat and strategy discussion

August 28, 2012: City of Milwaukie – Study Session Update

December 5, 2012: Council Goal Setting Part 1

January 22, 2013: Council Goal Setting Part 2

January 31, 2013: Business Analyst hired and analysis begun

BACKGROUND

Clackamas County initiated a feasibility analysis of annexing the unincorporated areas within the Urban Growth Management Area (UGMA) in 2002. Milwaukie took another look at annexation feasibility three years later, resulting in a report from GEL Oregon. Both of these initial analyses supported recommendations that until the urban renewal district encompassing the Clackamas Town Center (CTC) expired in 2013, the additional costs to provide services were substantially more than the revenues of an increased tax base. Over the past two years, the agreement itself and potential annexation came into greater focus when Happy Valley initiated annexation of property squarely within Milwaukie’s UGMA boundaries. While this did not come to fruition, the action by a neighboring municipality coupled with the anticipated expiration of the CTC urban renewal district lead staff and Council to discuss potential annexation in a more expedited manner, with development of an annexation strategy for 3-Creeks resulting in a Council goal for 2013.

This report encompasses information gathered from numerous City departments, service providers, and Clackamas County to assist Council in:

- 1) Answering these questions:
 - a. Why annex at all?
 - b. Is it in the City’s best interest?
 - c. Is it financially feasible to annex?
- 2) Determining if a phased approach, starting with the 3-Creeks area, is the most financially sound direction;
- 3) Providing guidance on business and residential outreach and communications; and
- 4) Providing guidance on 3-Creeks natural area protection, enhancements, and potential Sunnyside/Harmony Road transportation impacts.

CONCURRENCE

FISCAL IMPACT

\$634k estimated additional property tax revenues

\$63k estimated additional SSMP fees

\$20k estimated additional shared state revenues

\$9k estimated additional Business Tax revenues

\$600k cost to hire and train additional public safety recruits

\$40k estimated cost to maintain streets

\$10k estimated cost for legal analysis on exemptions, process, and appeals

WORK LOAD IMPACTS

Five (5) additional public safety officers

Annexation Work Group (cross functional team)

Annexation Project Manager (additional staff, contract position, or internal designee)

ALTERNATIVES

Waiting until the next bi-annual (2014-6) budget cycle to begin annexation

Continue to conduct further analysis

Do not move forward with annexation

ATTACHMENTS

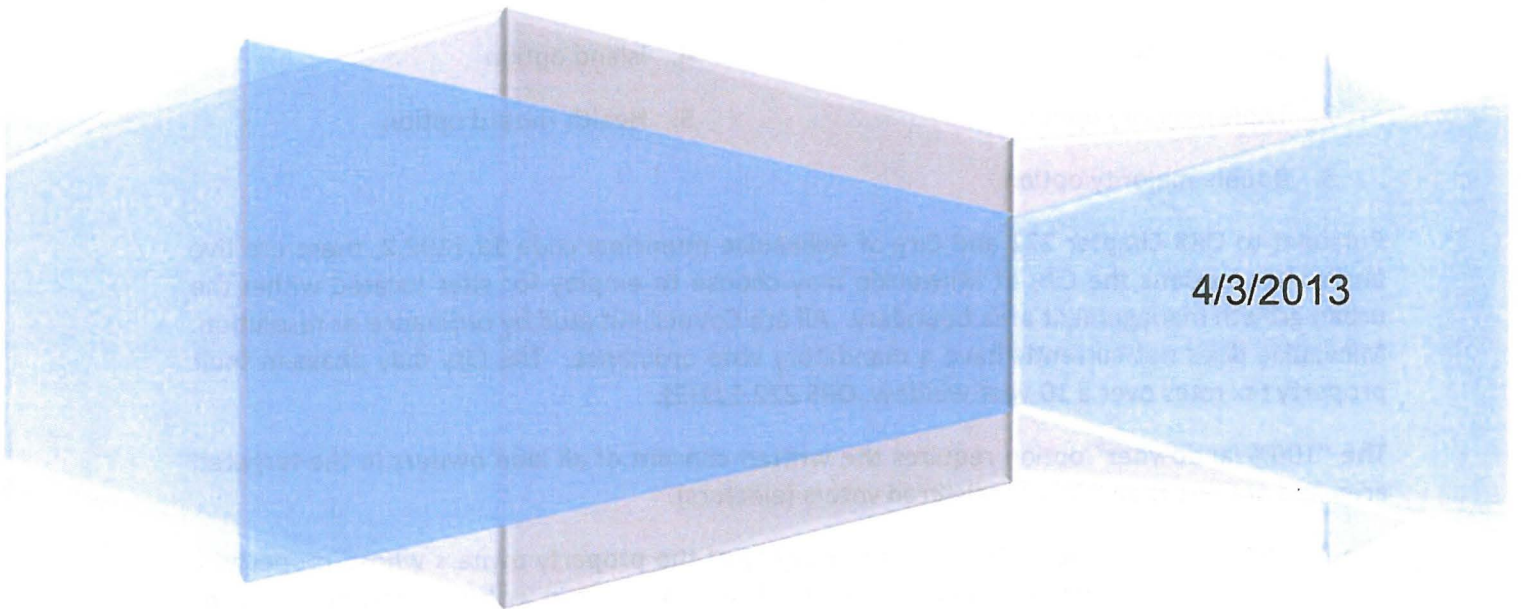
1. UGMA: 3-Creeks Annexation Analysis
2. UGMA Map: CTC and 3-Creeks

City of Milwaukie

Urban Growth Management Area:

3-Creeks Annexation Strategy

Pat Mobley, MPA



Section 1. Introduction

Pursuant to the City of Milwaukie 2013 Council Goal #7, the following information is designed to provide data on the 3-Creeks area to help devise a strategy for annexation. The goal of this report is to provide information for a Council decision on annexation. The current Urban Growth Management Agreement "UGMA" with Clackamas County establishes the area within which Milwaukie may plan for growth and provision of urban services and outlines the City's interest in annexation. This study focuses on properties within the boundaries of Hwy 224 (South), 82nd Ave (East), Harmony Road (North), and west along current City of Milwaukie boundaries.

This initial report utilizes information provided in memoranda to City of Milwaukie's Mayor and Council on June 22, 2012, July 3, 2012, and August 28, 2012. Previous analyses provided by Portland State University's Executive Leadership Institute (Urban Services Study, 2002) and Andy Parks' Annexation Analysis (GEL, 2005) also inform this analysis. Tax lot information and GIS mapping further support the findings set forth in this document.

Finding: Annexation is financially feasible depending upon public safety staffing, industrial land exemptions and property tax phase-in scenarios.

The following sections provide information on City initiated annexation procedures, targeted annexation strategy, and projected expenditures and revenues. This analysis focuses on the 3-Creeks area. Other areas within the UGMA boundary that may be annexed in the future require additional analyses based on crime data and impacts on public safety along with infrastructure maintenance or improvements and their associated impacts on public works, parks, planning, and code enforcement.

Section 2. Five Annexation Options

1. 100% landowner option
2. Triple majority option
3. Double majority option
4. Island option
5. Health Hazard option

Pursuant to ORS Chapter 222 and City of Milwaukie municipal code 19.1102.2, there are five annexation options the City of Milwaukie may choose to employ for sites located within the urban growth management area boundary. All are Council initiated by ordinance or resolution. Milwaukie does not currently have a mandatory vote ordinance. The City may phase-in their property tax rates over a 10-year window, ORS 222.111(3).

The "100% landowner" option requires the written consent of all land owners in the targeted area and not less than 50% of registered voters (electors).

The "triple majority" option stipulates if a majority of the property owners whose property(s) represent a majority of the land area and assessed value approve in writing, then annexation of

the entire geographic area is possible. The City of Tigard, Oregon successfully employed this procedure in 2011 to annex River Terrace, "Area 64," (AN 2011-0076).

The third procedure is referred to as the "double majority" or "50-50" option. If 50% + 1 of registered voters and more than 50% of land owners consent in writing, the annexation of the entire geographic area is possible.

The fourth procedure is referred to as "island" annexation. This is Council initiated by ordinance or resolution and does not require the consent of affected property owners. Affected property owners are encircled by the corporate boundaries of a City. City Council must hold at least one public hearing prior to annexation where notice has been mailed to each property owner in the affected area, ORS 222.750(2). If the "island" is surrounded by public right of way only, the area cannot be annexed if the right of way constitutes more than 25 percent of the entire perimeter, ORS 222.750(3)(b). The City of Forest Grove, Oregon recently voted to annex 75 acres of "islands." Another consideration is the practice of "cherry-stemming." This usually occurs when right-of-way and roads are annexed in order to provide services to an outlying area. Cherry-stemming cannot be arbitrary or used to simply enhance a jurisdiction's land area. Here, the 25% perimeter rule applies especially when the ultimate goal of the cherry-stem is to create a perimeter around properties to subsequently use the "island" annexation process.

The fifth annexation option is to utilize the Health Hazard Abatement Law. This may be used if a danger to public health exists because of conditions within the territory and that such conditions can be removed or alleviated by sanitary, water or other facilities ordinarily provided by incorporated cities, ORS 222.840 to 222.915(3).

There is one major caveat in Oregon Revised Statutes. After ORS 222.050 but prior to ORS 222.111, there are notes on temporary provisions to annex certain industrial lands. Oregon Laws 1987, Chapter 737 Sections 3 and 10, provide that when property has no electors, is zoned for industrial uses, sewer and waste water lines (large trunk or interceptor) were paid for and installed by the property owner, and has an assessed valuation plus improvements of more than \$7 million, annexation has to be initiated by the property owner. This section applies to property that, on September 27, 1987, was within the jurisdiction of a local government boundary commission. These provisions expire on June 30, 2035.

Section 3. Annexation Strategy

- Annexation of the 3-Creeks area provides the City with a more manageable geographic area and keeps costs in-line with potential revenues while maintaining the service levels Milwaukie prides itself on.

The City of Milwaukie's current population is approximately 22,000 people in roughly 5 square miles. The land area in the current Urban Growth Management Agreement is roughly 5 square miles with a population of approximately 20,000. Annexing the entire area in the Urban Growth Management Agreement would increase the size and population of the City of Milwaukie by 91%. This would necessitate a 100% increase in the City of Milwaukie's Police

Department, at minimum a 71% increase in Street operations & maintenance, and an approximate 98% increase in Planning & Code Enforcement (PSU, 2002; GEL, 2005; and Bankhead, 2012). This is not feasible to implement all at once as the City currently does not have the funds to invest upfront in the increased capacity necessary to serve these additional areas.

Council expressed interest in annexing the 3-Creeks area along with the Clackamas Town Center (CTC) at their January 22, Council Goal Setting meeting. After reviewing the relevant data sources on service cost increases associated with the expiring Urban Renewal District (URD), significant public safety workloads, and planned transportation projects, the more prudent and fiscally viable alternative is to separate 3-Creeks from the CTC. Section 4 provides a detailed analysis of 3-Creeks potential annexation.

Section 4. 3-Creeks

- 2013-2014 Project Time Line
- Year one results in a \$79k surplus
- Years two through five results in a \$1 million surplus
- No property tax phase-in
- "Double majority" option
- Renters, high AV property owners, 3-Creeks natural area, Harmony Road/Sunnyside transportation improvements, CTC Urban Renewal District

This option includes the land area surrounding the 3-Creeks natural area: Harmony Road (north); 82nd Ave (east); Hwy 224 (south); and current corporate boundaries (west). This area is roughly 403 acres, and consists of 43 property owners. These properties establish a baseline assessed value of \$155 million, yielding approximately \$634,275 in additional property taxes per year based upon the current City property tax rate.

3-Creeks estimated revenue table, pg. 16, provides detailed information by tax lot number and an estimated 5-year phased-in approach yield in annual tax revenues. Tax lot numbers correspond to particular zone classifications for that particular property. Assessed value is often the same as taxable value. Taxable value is used because this is the amount property tax rates would apply. The percentages correspond to tax lot designations, their taxable value, and how this relates to the whole 3-Creeks area. Tax lot number 22E05B provides 54% of the entire area's taxable value. When the taxable value is multiplied by the current City property tax rate, one arrives at an estimate of the additional taxes generated annually without appreciation. Council may choose to phase-in the property tax rate. If so, year's 1-5 projects what property tax revenues would be with a 3% annual increase in taxable value and 20% of the City's property tax rate applied.

Assuming there is not a phase-in of property tax rates; Table 1 provides a snapshot of projected revenues and expenditures over the next five years without Public Safety expenditures. Proceeding subsections further detail expenditure components and how they were calculated.

Table 1. 3-Creeks 5-year Revenue & Expenditure Projections (no Public Safety)

Revenues	2014	2015	2016	2017	2018
Property Tax	\$634,275	\$653,303	\$672,902	\$693,089	\$713,882
SSMP Revenue	63,193	64,457	65,746	67,061	68,402
Shared Revenue	19,979	20,079	20,180	20,280	20,382
Business Tax	9,200	9,300	9,400	9,500	9,600
Total Revenues	726,647	747,139	768,228	789,931	812,266
Expenditures					
Public Works	40,000	40,000	40,000	40,000	40,000
Legal	8,000	2,000	0	0	0
Total Expenditures	48,000	42,000	40,000	40,000	40,000
Subtotal Net/Loss	\$678,647	\$705,139	\$728,228	\$749,931	\$772,266
5-year Total Revenue: \$3,634,212					

Revenues include estimated property taxes, business taxes, street system maintenance fees, and shared revenues. Other potential revenues, e.g. franchise fees and traffic citations, are not included as their impact would be statistically insignificant. Property taxes are estimated to increase 3% per year. The business license tax is relatively flat assuming a roughly 1% increase per year. The shared revenue component consists of liquor tax, cigarette tax, 9-1-1 tax, and gas tax. The growth in shared revenue is projected to be .5% per year per Finance Director Camors. Expenditures are broken down into two general areas: 1) public works and legal; and 2) public safety. The public works and legal expenditures are then subtracted from the total revenues. The resulting net is where expenditures for public safety and planning costs will be subtracted. Currently, there are no anticipated increases coming from the planning department. There is significant public safety increases detailed in Table 2 on page 7.

Businesses Tax Revenues

The City of Milwaukie collects an annual business tax of \$110 plus \$5.00 for every full time equivalent employee for businesses operating within the City's corporate boundaries. There are 3 commercial and 1 industrial parks in this area. Based upon field observations, there are approximately 70 businesses. Assuming there are roughly 300 employees in this area, the business registration would yield approximately \$9,200 annually.

State Shared Revenues

Finance Director Camors provided a table of information that lists the projected, per capita distributions from four state shared revenue sources. Per capita is a population based variable. The rates are as follows: 1) \$13.32 liquor tax; 2) \$1.32 cigarette tax; 3) \$4.82 9-1-1 tax; and 4) \$56.75 gas tax. According to 2010 census data, the average person per household in Clackamas County is 2.32. There are roughly 113 housing units within the 3-Creeks subarea. When

multiplied by the person per household census figure, this yields a projected 262 additional people living in this subarea. Multiply 262 by the corresponding per capita dollar amount of shared state revenues and add them. This yields the total shared revenue estimate.

Public Works Expenditures: Street Maintenance

According to Jason Rice, Engineering Manager, after reviewing the 3-Creeks road ratings from the County, there does not appear to be an immediate need for major capital improvements for the area. However, regular maintenance would be necessary, and over a 5-year period would cost roughly \$200,000 or \$40,000 annually. This would primarily be handled through the Public Works department as this would entail filling pot holes, signs, re-striping, and cracks. The City may choose to do nothing with the additional roads at their current rating. After 10 years, this would necessitate the City of Milwaukie completely rebuilding the roads at a cost of several million dollars.

The current street surface maintenance program (SSMP) will sunset in four years. If City Council decides to renew the program, residential and non-residential fees would apply to annexed 3-Creeks properties. Milwaukie Municipal Code 3.25.060 sets forth how the fee is determined. The rate for single-family residences is \$3.35 per month and the maximum non-residential fee is \$277 per month.

SSMP revenue estimates are based upon three factors. The first factor is a \$3.35 per month fee for single family residences. The second factor is a \$2.10 per unit per month fee for multi-family residences. The third factor is a \$77.52 per month fee for commercial and industrial businesses. This is an applied average based on what existing commercial and industrial customers currently within Milwaukie's corporate boundaries pay.

Public Works Expenditures: Water/Sewer/Stormwater

Currently, the area is serviced by Clackamas River Water (CRW) and Water Environment Services (WES) for Sewer/Stormwater. Since the special service districts provide services beyond the borders of this area it makes sense for them to continue to provide service and maintain current infrastructure and not duplicate it. Annexation of portions of service district infrastructure can be done when it is fiscally viable therefore avoiding additional costs to the City of Milwaukie. Gary Parkin, Public Works Director, stipulates that the City currently does not have the capacity to provide duplicate services without several hundreds of millions of dollars of capital improvements.

However, special districts are not designed to be long-term, institutional service providers. It is anticipated that Milwaukie will eventually annex the entire UGMA area. At some point, Milwaukie could assume ownership and responsibility for the infrastructure already in place depending on future agreements with service providers.

Public Safety Expenditures

Public safety requires a significant portion of these projected net funds. These costs include police academy training, annual salary, and benefits including medical, dental, deferred

compensation, life insurance, employer taxes, unemployment insurance, holiday pay, and workers compensation insurance. Based on information provided by Chief Jordan and Captain Bartol, a minimum of 5 additional police recruits are needed with the optimal at 7. These additional police recruits should not impact current overtime projections.

Currently, there are 13 FTE's in the patrol/traffic unit that would be impacted by the increased work load in this area. Work load is comprised of calls for service and reported crimes. The average calls for service per patrol FTE in 2012 was 948. Based on 3-Creeks' 966 total calls for service in 2012 to the Clackamas County Sheriff's department, 1 FTE is needed to meet this increased work load. Since there are three shifts per day, the net effect would be an additional .33, .33, and .34 FTE per shift. Multiply these additional FTE needs over the seven days police provide services and the total number of additional officers equals 7. There is an 18-month lead time before recruits are ready for unsupervised field deployment.

Table 2. 3-Creeks Net Revenues and Projected Public Safety Expenditures

(MPEA Step A: Police Recruit Annual Salary \$48,247)

	Number of Additional Police Recruits by Total Compensation (Salary, Benefits, Training)						
	1	2	3	4	5	6	7
2014 (1)	\$120,000	\$240,000	\$360,000	\$480,000	\$600,000	\$720,000	\$840,000
2015 (2)	92,316	184,632	276,948	369,264	461,580	553,896	646,212
2016 (3)	95,774	191,548	287,322	383,096	478,870	574,644	670,418
2017 (4)	99,410	198,820	298,230	397,640	497,050	596,460	695,871
2018 (5)	103,236	206,472	309,708	412,944	516,181	619,417	722,653
Five-year Subtotal	510,736	1,021,472	1,532,209	2,042,945	2,553,681	3,064,417	3,575,154
Five-year Revenue Subtotal	3,634,212	3,634,212	3,634,212	3,634,212	3,634,212	3,634,212	3,634,212
Five-year Total	\$3,123,476	\$2,612,740	\$2,102,003	\$1,591,267	\$1,080,531	\$569,795	\$59,058

Based on the minimum number of 5 additional police recruits, there would be a surplus of roughly \$79k the first year (\$678,647 - \$600,000). Years two through five would net surplus revenues of approximately \$1 million. Based on the optimal number of 7 additional police officers, there would be a deficit of approximately \$161k in year one (\$678,647 - \$840,000). Years 2 through 5 would generate an estimated surplus of \$59k for 7 additional police recruits.

Planning & Community Development

An important point of consideration for annexation is that Milwaukie's zoning rules would apply to the annexed area. As properties are annexed, they receive an equivalent city zone based on a table in the zoning ordinance. There are some zoning designations in the county that are similar to existing Milwaukie zones. There are other county zones that have different allowed uses or that do not have an analogous Milwaukie zone.

There is a challenge to annex some of these properties because the zoning code does not specify what the city zoning designation would be upon annexation. Another challenge is addressing nonconformities that may be created when city zoning is applied. This may be a

significant issue for property and business owners concerned about Milwaukie's zoning being more restrictive than the County's. The UGMA Zoning Analysis table highlights some of the situations where these issues may occur.

Table 3. 3-Creeks Zoning Conformity

County Zoning	Equivalent City Zoning	Notes/Issues
Phase 1: 3-Creeks		
Multifamily (4-15 du/ac) (MR1)	Residential (R-5)	R-5 is a single-family zone; existing MFR development would become nonconforming
Office Commercial (OC)	Limited Commercial (C-L)	
General Commercial (C3)	General Commercial (C-G)	
Light Industrial (I2)	Manufacturing (M)	
Heavy Industrial (I3)	Manufacturing (M)	
Open Space Management District (OSM)	Residential (R-10), Community Service Use (CSU)	City does not have a Parks zone except for DOS; parks are established through master planning/CSU process

Milwaukie's zoning does not limit the length of time that a nonconforming use can occupy a site. However, nonconforming uses and developments typically require a higher level of review if they want to add on to or modify the use or building. Options for addressing these zoning issues include modifying Milwaukie's zoning ordinance to be more in line with Clackamas County's or adopting some Clackamas County zones into the Milwaukie zoning ordinance. Both options would require legislative amendments to the Milwaukie zoning ordinance, with hearings before the Planning Commission and City Council. Such actions would be a significant undertaking, requiring coordination with multiple agencies and stakeholders, and likely lasting 1 year or more.

Property Analysis & Annexation Procedures

In the 3-Creeks area, there are 43 total property owners covering a total of 199 acres based on County tax records. There are 15 that own multiple parcels. The multiple property owners account for 46 total parcels with an assessed value of \$80 million covering roughly 90 acres. The assessed value of these parcels is 51% per cent of the 3-Creeks area's total assessed value and 45% percent of the acreage information available from County tax records. The 3-Creeks natural area, public buildings, and other exempt properties are not subject to the legal requirements of annexation statutes.

Pursuant to ORS 222.111(2), the City of Milwaukie may initiate annexation without a public vote. There are two avenues the City of Milwaukie could pursue. One is the "Double Majority" option. This entails more than half of the electors consenting in writing along with more than half of the land owners. According to information received from Clackamas County election records, there are approximately 92 electors in 3-Creeks. This would require a minimum of 47 electors in conjunction with 22 property owners. If an elector is also the taxpayer on file for

that property, there are no provisions to prevent that from counting toward both requirements.

The second is the "Triple Majority." This option entails more than 50% of the land owners who also own more than 50% of the total land area and 50% of the assessed value signing annexation petitions. Based on 43 total landowners with 15 holding multiple parcels, 7 additional property owners are necessary to meet the initial 50% threshold. The assessed value and land area thresholds of the "triple majority" are met by the 15 property owners holding multiple parcels plus 7 additional property owners to reach the minimum of 22 property owners.

Property Owner Costs

The City of Milwaukie's tax rate is approximately \$4.08 per \$1,000 of assessed value. The County's rate for city properties is \$2.41 per \$1,000 of assessed value. This brings the total rate to approximately \$6.49 per \$1,000 of assessed value. Currently, 3-Creeks property owners are taxed at County's rural rate only. When one subtracts the rural rate, \$2.98/\$1,000 AV, from Milwaukie's current \$6.49 rate total, this yields an additional \$3.51/\$1,000 AV that property owners will pay above their current level. Taxes will still be paid to the County on an annual basis, and the County will still be the assessor of the property.

Residential: If your property has an assessed value of \$250,000, your property tax would increase approximately \$878 ($\$3.51 \times \$250,000/\$1000 = \878).

Commercial: If your property has an assessed value of \$1m, your property tax would increase approximately \$3,510 ($\$3.51 \times \$1,000,000/\$1000 = \$3,510$).

Industrial: If your property has an assessed value of \$15m, your property tax would increase approximately \$52,650 ($\$3.51 \times \$15,000,000/\$1000 = \$52,650$).

Communications & Outreach

The 3-Creeks annexation process ultimately chosen will be informed by initial community outreach and information gathering. For example, if the first series of outreach efforts to electors yields a positive, pro-annexation response, the "Double Majority" process would be the more effective and efficient way to move forward. If the landowners and business owners in the area are more favorable, the "Triple Majority" process would be the preferred method to move forward.

There are two business associations and two community planning organizations (CPO) that cover the effected 3-Creeks geographic area. The two primary business associations are the North Clackamas Chamber of Commerce and the Clackamas County Business Alliance. The two residential organizations are the Oak Grove Community Council and North Clackamas CPO. These organizations make up the initial target audience to gauge interest and gather information about moving the annexation process forward. Attachment A is more detailed communications & outreach outline prepared by the City's Public Affairs Coordinator.

Section 5. Organizational Impacts

In order to best handle the annexation of the 3-Creeks area, functional and capacity components of the City's organizational structure need to be carefully considered early in the process. The functional component should answer the question: If this is a multi-year, cross-functional program, is a single FTE or a work group better suited to successfully implement annexation? The capacity component relates to work load and staffing levels. The recommendations that follow are proposed for consideration.

For the purposes of this report, a short-term contracted position, Business Analyst, meets the capacity requirement to produce an UGMA annexation strategy. The Business Analyst works under the supervision of the Assistant to the City Manager and relies heavily on input from the Finance, Public Safety, Public Works, and Planning department directors and key staff. Moving forward, an UGMA work group would establish regular order and the necessary cross-functional information exchange to best address and adapt as the annexation process moves forward without taking away from other departmental and programmatic work. This work group would have members assigned from the City Manager, Public Safety, Public Works, Finance, and Planning departments. The creation of a work group is a functional component of the City's organizational structure to ensure capacity issues are appropriately addressed, work plans updated, and a consistent message is used throughout the organization.

The impacts of the annexation process will affect the capacity for various departments to meet increasing workloads. At this time, 3-Creeks require additional public safety capacity based on the current model replicated in a linear fashion for the subarea. Finance, Public Works, and Planning have not indicated 3-Creeks annexation necessitates additional staffing levels unless Council decides to begin amending/updating the Comprehensive Plan. Moving forward, additional annexation efforts will create additional workloads in these departments: Public Works, Public Safety, and Planning Department. Again, additional public safety staffing is the primary expenditure category based on straight-line projections using the current model.

Section 6. Conclusions, Additional Research & Council Consideration

1. Separating the CTC from 3-Creeks keeps relative costs to provide services in line with projected additional property tax revenues the City should capture.
2. 3-Creeks is financially feasible to begin annexation. Phasing-in the City's property tax rate 20% per year for five years would require significant adjustments in public safety expenditures.
3. Hiring five (5) additional public safety recruits is the largest expenditure category and impact on organizational capacity for the 3-Creeks area.
4. Property owners will see a \$3.51/\$1,000 AV increase above their current County rate.
5. Community outreach is bifurcated into residential and business interests.
6. There are organizational impacts to annexation that cross functional departments.
7. Special attention should be paid to the 3-Creeks natural area, its protection, and potential Sunnyside-Sunnybrook-Harmony Road transportation improvement impacts.
8. Additional Research & Council Consideration:
 - a. Bonded Indebtedness
 - i. Additional research is necessary to look at what a potential bond measure would mean for annexed properties and current Milwaukie property owners.
 - b. Public Safety Program Evaluation
 - i. The projections in this report assume a straight-line continuation in out years. Does the current service model provide the same efficacies and efficiencies as the City annexes UGMA properties? Should the City engage an outside consultant or use internal resources to inform potential service delivery changes?
 - c. Communication & Outreach
 - i. Should the City wait to complete the public safety program evaluation before implementing components of the Communication & Outreach Plan?

Attachment A

3-Creeks Communications & Outreach Plan

Following the model established in Milwaukie's prior project involving annexation, the Northeast Sewer Extension Project (NESE), the City's communication approach will focus on providing information in a clear, friendly and balanced manner. Information will promote the advantages of being a resident of Milwaukie, while explaining the costs involved with annexing.

Key to the process is offering and providing opportunities for direct communication between property owners and staff in the pursuit of establishing a level of trust with the property owners.

It should be noted that staff believes there is risk in approaching prospective residents with a proposal that has unbalanced costs and benefits. One of the communication challenges Milwaukie staff had to overcome in the NESE project was that in previous decades the City made overtures of annexation and then failed to take any action. In staff's outreach in the NESE effort residents had a strong lack of confidence, and oftentimes distrust the City could, and would, make good on its word. Going out with an unattractive proposal expends political capital.

Because the 3-Creeks project area is relatively small, staff will be able to conduct a focused outreach approach that allows staff to make point-to-point contact with messages tailored to the resident, business operator, or property owner.

The Outreach Plan below considers the following communication opportunities and challenges.

Opportunities

- Small target population allows more personalized approach
- Small, local municipalities can provide more responsive services than larger, County governments
- 3-Creeks area includes offices of the Clackamas Review, so the effort will be well-publicized

Challenges

- Area already enjoys urban services – sanitary sewer, water, fire protection, parks, open space, recreation, maintained streets, storm water
- City's property tax rate is approximately \$3.51 per \$1,000 AV higher than Clackamas County's
- The City would charge a Business Tax of \$110 + \$5 per FTE, a fee businesses currently do not pay the County
- Uncertainty of additional tax impacts due to potential November or May bond measure
- City's zoning ordinances are significantly different than what currently exists with the County
- The Economic Development programs the City can offer are also offered by the County

- 3-Creeks area includes offices of the Clackamas Review, so the effort will be well-publicized

Considering these factors, should Council direct staff to move forward, staff recommends holding a series of informational meetings with selected homeowners, business operators, and property owners to:

- Share costs and benefits of annexing to City of Milwaukie
- Gauge general interest in annexing to the City of Milwaukie
- Learn some of the interests and prevailing attitudes these various customer groups have to inform any broader outreach effort that might follow
- Learn how feasible any method of annexation might be in the Phase I project area, and if so
- Learn what annexation method might have the best chance of success
 - For example, if the first series of outreach efforts to registered voters yields a positive, pro-annexation response, the “Double Majority” option would be the more effective and efficient way to move forward. If the landowners and business owners in the area are more favorable, the “Triple Majority” process would be the preferred method to move forward

Outreach Plan

I. Representing residents:

- a. North Clackamas Citizens Association and Oak Grove Community Council
 - i. Prior to meeting, send information materials:
 1. Letter from Mayor
 - a. Thanking them for considering annexation
 - b. Suggest future steps
 - c. Explanation of potential cost
 - d. Reference to enclosed materials
 - ii. Handout materials
 1. Neighborhood Association flyer
 2. Board and Commission flyer
 3. Pilot Newsletter
 4. Benefits of *Being a Milwaukie Resident* piece – resident version

II. Representing business & property owners

- a. North Clackamas Chamber of Commerce and Clackamas County Business Alliance
 - i. Prior to meeting, send information materials
 1. Letter from Mayor
 - a. Thanking them for considering annexation
 - b. Suggest future steps

- c. Explanation of potential cost
- d. Reference to enclosed materials
2. Handout materials
3. Information piece on Strategic Investment Zone
4. Benefits of *Being a Milwaukie Resident* piece – business version

III. Based on outreach, deliver recommended next steps to City Council in July 2013

Estimated Property Tax Revenue Table

The estimated property tax revenues provide detailed information by tax lot number and an estimated 5 -year yield in annual tax revenues. Tax lot numbers correspond to particular zone classifications within which a particular property is located. Assessed value is often the same as taxable value. Taxable value is used because this is the amount property tax rates would apply. The percentages correspond to tax lot designations, their taxable value, and how this relates to the whole. This information provides a way to delineate within each subarea a particularly zoned class of properties.

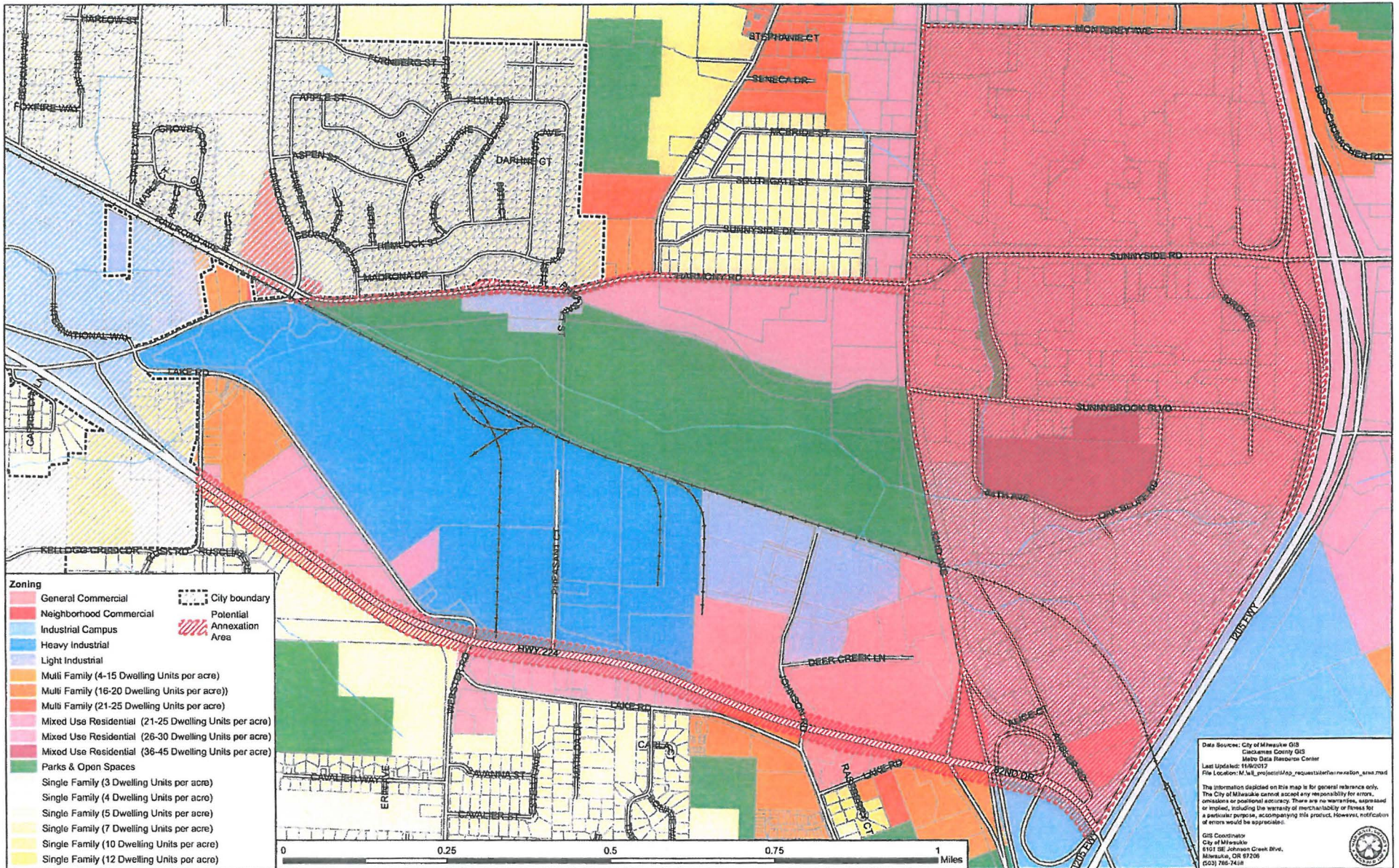
3-Creeks

pg. 16

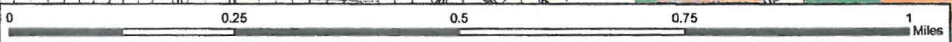
3-Creeks AV Estimates

Summary of TAXVAL by TLNO			City rate*	Additional taxes/yr	Additional taxes per year, if phased in over five years and inflated by an estimated 3% AV growth per year				
					Year 1	Year 2	Year 3	Year 4	Year 5
12E31D	\$919,906	0.6%	4.0731	\$3,747	\$749	\$1,544	\$2,383	\$3,267	\$4,196
22E05A	34,937,852	22.4%	4.0731	142,305	28,461	58,630	90,506	124,090	159,382
22E05B	84,742,430	54.4%	4.0731	345,164	69,033	142,208	219,525	300,983	386,584
22E05C	187,460	0.1%	4.0731	764	153	315	486	666	855
22E05D	32,991,355	21.2%	4.0731	134,377	26,875	55,363	85,464	117,177	150,502
22E06A	<u>1,943,820</u>	1.2%	4.0731	<u>7,917</u>	<u>1,583</u>	<u>3,262</u>	<u>5,035</u>	<u>6,904</u>	<u>8,867</u>
	<u>\$155,722,823</u>	100.0%		<u>\$634,275</u>	<u>\$126,855</u>	<u>\$261,321</u>	<u>\$403,399</u>	<u>\$553,087</u>	<u>\$710,388</u>

*The Fire District bonded levy will expire in 2015. City rate increases associated with the levy phasing out do not contribute a significant net increase in projected revenues.



- Zoning**
- General Commercial
 - Neighborhood Commercial
 - Industrial Campus
 - Heavy Industrial
 - Light Industrial
 - Multi Family (4-15 Dwelling Units per acre)
 - Multi Family (16-20 Dwelling Units per acre)
 - Multi Family (21-25 Dwelling Units per acre)
 - Mixed Use Residential (21-25 Dwelling Units per acre)
 - Mixed Use Residential (26-30 Dwelling Units per acre)
 - Mixed Use Residential (36-45 Dwelling Units per acre)
 - Parks & Open Spaces
 - Single Family (3 Dwelling Units per acre)
 - Single Family (4 Dwelling Units per acre)
 - Single Family (5 Dwelling Units per acre)
 - Single Family (7 Dwelling Units per acre)
 - Single Family (10 Dwelling Units per acre)
 - Single Family (12 Dwelling Units per acre)
- City boundary
- Potential Annexation Area



Data Sources: City of Milwaukee GIS
 Wisconsin County GIS
 Metro Data Resource Center
 Last Updated: 11/16/2017
 File Location: M:\GIS\project\Map_request\request\mwa\mwa_anna.mxd

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