
MEMORANDUM

TO: City Council
FROM: **Marvin Krout, Planning Director**
SUBJECT: *2008 Annexation Study*
DATE: September 4, 2008
COPIES: Mayor Beutler
County Board
City Directors

Staff has completed a review of land adjacent to the Lincoln city limits and eligible for annexation. This initial analysis included reviewing annexation policies, existing land uses, zoning, operation & maintenance (O & M) and capital costs for infrastructure and services, potential revenues, and government jurisdiction issues. Fourteen areas were identified for annexation within the next twelve months. These areas include approximately 268 homes and 9 businesses. (See map and Table 1)

Background: The City routinely annexes land at the request of a developer or land owner. In addition, from 1994 to 1999 the City conducted annexation studies nearly every year. These studies resulted in land being annexed unilaterally (without request of the property owners) on a regular basis. However, from 2000 to 2007, City initiated annexation was limited to the Yankee Hill neighborhood, in 2004, as a result of a request by the Regional Center for water service.

In June 2008 the City's annexation policy was amended, at the request of the Home Builders Association of Lincoln, to reinforce timely annexations and an annual review of potential annexation areas. Thus, since a study had not been done since 1999, this year's study includes a "backlog" of numerous areas that could have been annexed in the past eight years.

Infrastructure Impact: Public Works and Utilities Department (PWU) notes there will be an increase over time in water and sewer O & M costs to serve these areas. In most cases, the cost would start at zero upon annexation and gradually rise as development occurs and services are connected. While these annexed areas will pay utility fees and impact fees upon connection, it will be important for the City's utility budget to keep up with the demands of a larger system. In general, most of capital costs to provide water and sewer to these areas is already planned for in the Capital Improvement Program (CIP) in order to serve planned developments.

For streets, the 14 near term annexation areas are in the vicinity of numerous capital improvement projects shown in the 2030 Long Range Transportation Plan, but annexing these areas should not require building these improvements. Operation and maintenance budgets have not been keeping pace with needs over the past several years. These annexations will increase the lane miles of roads to be maintained, requiring additional equipment, materials and staff time at a cost of approximately \$100,000 per year. Given limited street resources, it is important that as the City grows that the City's street budgets keep pace.

Other Costs and Revenues: Lincoln Parks & Recreation noted that there will be minor costs to serve the additional land. PWU Watershed Management and the Health Dept. had comments on the areas, but did not have any financial concerns. The proposed annexed areas are already served by Lincoln Electric System.

The Lincoln Fire & Rescue Department noted that a substantial number of homes would have a lesser standard of City fire protection due to the absence of city water and fire hydrants – unless the owners petition to extend water lines. However, these areas will receive a faster response time than the current rural volunteer fire district service time. The Lincoln Police Department stated that they did not have any comment on the annexations.

If all 14 areas are annexed, the projected annual revenue based on current assessed values is estimated at approximately \$209,000 in property tax revenue, \$34,000 in wheel tax revenue and \$15,000 in motor vehicle taxes. (See Table 2 after map) This does not include some limited revenue from local sales tax and personal property tax paid by the few businesses included in the proposal. However, there will be one-time costs of approximately \$203,000 to reimburse rural fire and rural water districts. Overall, the 14 areas would generate approximately \$258,000 in net annual revenue, the second fiscal year after annexation.

Timing: Previously, from 1994 to 1999, the City annexed more than a dozen areas with similar characteristics to the areas studied this year. Past experience has shown that property owners appreciate several months of advance notice prior to annexation in order to ask questions and change financial plans if necessary. Also, due to the cycle of establishing local school districts levies and budgeting and the setting of total assessed value for all jurisdictions, in general the City should avoid annexations between August 1st and November 1st.

If staff proceeds with annexing these areas, then open houses with property owners will be held on September 25th and October 2nd. Staff would then continue to gather more information on each area and potentially forward them to the Planning Commission in January 2009. If the properties were annexed in February 2009, no new property taxes would come to the City in the current budget year (Fiscal Year 2008-2009.) Due to up-front costs and tax collection timing, the full revenue may not be realized until the second fiscal year (FY 2010-2011). Costs to maintain roads and provide other services, however, would be effective immediately upon annexation.

Land Use Issues to Resolve: Three of these areas proposed for annexation in 2009 may take additional time to resolve land use issues prior to annexation. First, Area 1 has significant wetlands and natural areas and a potential conservation easement should be explored further with the owner prior to annexation. For Area 6 (archery range) and Area 14 (gun club) there are existing city ordinances preventing the continued operation of each club within the city limits that should be resolved prior to annexation.

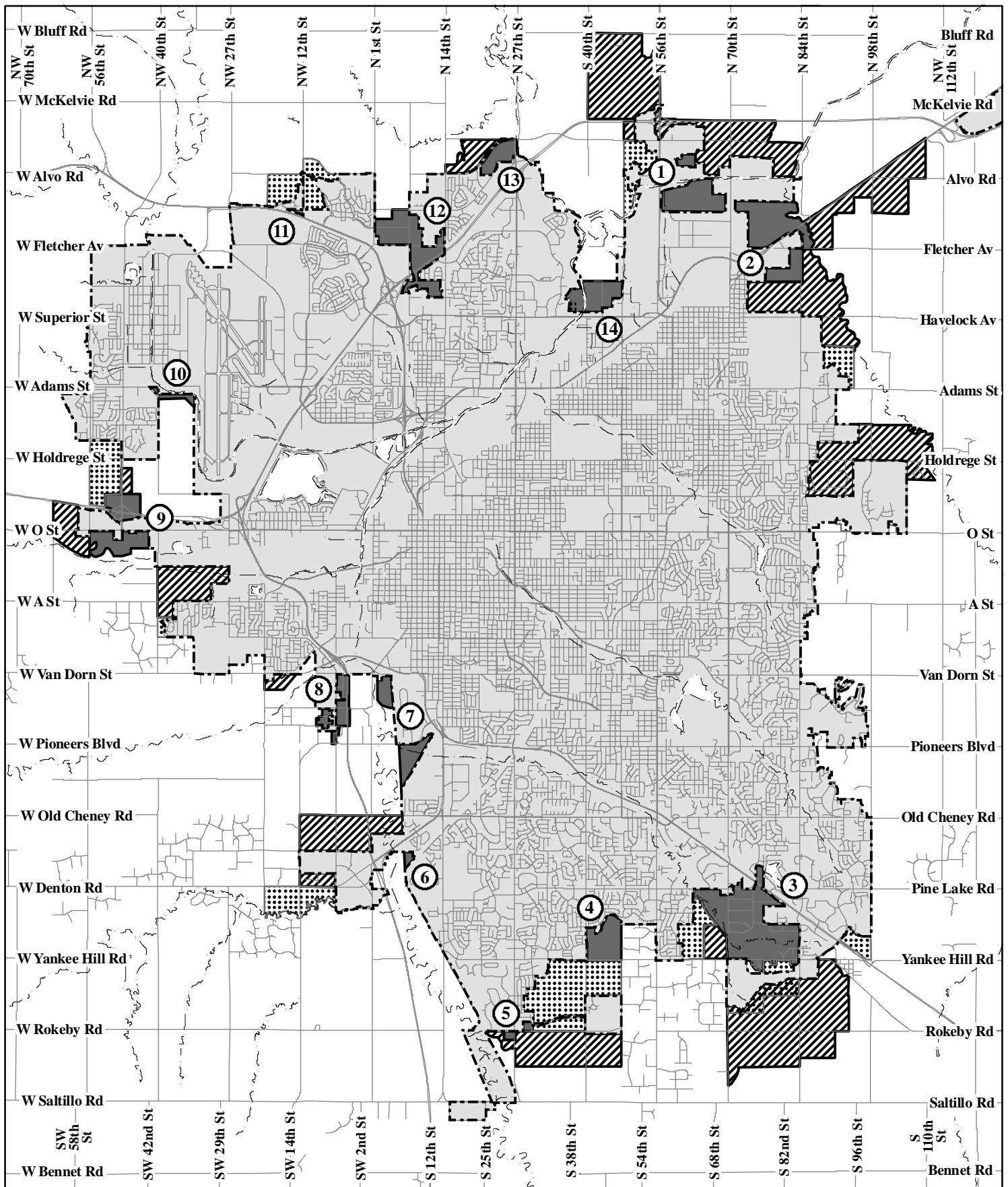
Conclusion: The 14 areas on the following pages conform with state statutes and the City's policies and are appropriate for annexation.

RESIDENTIAL SUBDIVISIONS: The following areas meet the City's policies for annexation, are zoned for urban use and/or have existing urban uses, would have some significant capital or O & M costs, but would add fairly significant annual revenue.




<u>Area</u>	<u>General Location; Description of Property</u>	<u>Annual Revenue in 2nd Fiscal Yr.</u>	<u>Year 1 - 6 Costs</u>
3	S. 70 th , Pine Lake Road to Yankee Hill Road; approx. 108 existing houses in acreage subdivisions	\$100,000+	Approx. \$22,000 road O & M costs
8	S. Folsom & W. Van Dorn; few businesses & approx. 101 existing houses in Yankee Hill neighborhood	\$60,000+	Approx. \$16,000 road O & M costs
12	N. 7 st & Fletcher Area; approx. 48 existing houses in acreage subdivisions	\$40,000+	Utility capital costs & \$13,000 road O & M

MINOR ANNEXATIONS: The following areas meet the city's policies for annexation, are zoned for urban use and/or have existing urban uses, would have relatively little to no capital or O & M costs, but would generally have a very modest (\$49,000+ total) annual revenue by the second year. (See attached map for Area numbers)

<u>Area</u>	<u>General Location; Description of Property</u>
1	N. 56 th -70 th & Salt Creek; wetlands and floodplain land
2	N. 70 th - 84 th & Cornhusker; commercial/ industrial land
4	S. 40 th & Yankee Hill Road; Yankee Hill golf course
5	S. 27 th & Rokeby Road; 4 acreage houses
6	Warlick Blvd. & Salt Creek: archery range
7	S. 8 th & Pioneers; public land and one house and S. 1 st & Van Dorn; industrial zoned land
9	N. W. 48 th & I-80; commercial zoned land and 5 houses
10	N. W. 39 th & W. Adams: public land surrounded by city
11	N. W. 20 th & Highway 34: narrow strip surrounded by city
13	N. 27 th & Interstate 80: vacant land for future development
14	N. 40 th & Superior; park, gun club and residential zoned land



ANNEXATION STUDY: INDEX

-  Existing City Limits (5/6/08)
-  Annexation In 2009
-  Annexation In 2010 or Later
-  Annexations per Annexation Agreement or Development Plan (Approved or Pending)



July 10, 2008

Table 1: General Information

Area #	Approx. Location	2009 Acres	2009 Approx. Dwelling Units	Business and Comm. Enterpris	Nonprofit and Other Non-Resid.	2007 Assessed Valuation
1	N. 56th & Salt Creek	237.3	0	0	0	\$232,213
2	N. 84th & Cornhusker	394.2	0	1	0	\$8,024,143
3	S. 70th & Yankee Hill Road	671.0	108	2	1	\$30,845,134
4	S. 40th & Yankee Hill Road	167.3	1	1	0	\$2,395,559
5	S. 27th & Rokeby Road	22.2	4	0	0	\$1,474,073
6	Warlick Blvd. & Salt Creek	14.6	0	0	1	\$231,298
7	S. 8th & Pioneers:1st & Van Dorr	145.2	1	1	1	\$1,912,818
8	S. Folsom & W. Calvert St.	116.9	101	4	0	\$14,065,775
9	N. W. 48th & I-80	252.7	5	0	0	\$1,239,616
10	N. W. 39th & West Adams St.	32.2	0	0	1	\$0
11	N. W. 12th & Highway 34	6.8	0	0	0	\$2,000
12	N. 7th & Fletcher Avenue	335.7	48	0	1	\$11,043,161
13	N 27th & I-80	91.9	0	0	0	\$92,024
14	N. 40th & Superior St.	178.6	0	0	1	\$869,454
	Totals	2,666.6	268	9	6	\$72,427,268
	Total Area in sq. miles	4.2				

Valuation is 2007 Assessed Value from the Lancaster County Assessor/ Register of Deeds records.

Table 2: Revenue and Costs

Area #	Approx. Location	2009 Real and Personal Property tax	2009 Personal Wheel Tax	Business Wheel Tax	2009 Motor Vehicle Tax	Business Motor Vehicle Tax	Rural Fire Costs	Rural Water Costs	Total Revenue: Year 1	Total Revenue: Year 2
1	N. 56th & Salt Creek	\$668	\$0	\$0	\$0	\$0	(\$63)		\$605	\$668
2	N. 84th & Cornhusker	\$23,100	\$0	\$0	\$0	\$0	(\$4,207)		\$18,893	\$23,100
3	S. 70th & Yankee Hill Road	\$88,796	\$13,230	\$0	\$5,940	\$0	\$0	(\$110,000)	(\$2,034)	\$107,966
4	S. 40th & Yankee Hill Road	\$6,896	\$123	\$0	\$55	\$0	\$0	(\$15,000)	(\$7,927)	\$7,074
5	S. 27th & Rokeby Road	\$4,244	\$490	\$0	\$220	\$0	(\$5,045)		(\$91)	\$4,954
6	Warlick Blvd. & Salt Creek	\$666	\$0	\$0	\$0	\$0	(\$792)		(\$126)	\$666
7	S. 8th & Pioneers:1st & Van Dorr	\$5,507	\$123	\$0	\$55	\$0	(\$6,547)		(\$863)	\$5,685
8	S. Folsom & W. Calvert St.	\$40,493	\$12,373	\$1,500	\$5,555	\$330	(\$48,142)		\$12,109	\$60,251
9	N. W. 48th & I-80	\$3,569	\$613	\$0	\$275	\$0	(\$4,243)		\$214	\$4,457
10	N. W. 39th & West Adams St.	\$0	\$0	\$0	\$0	\$0	\$0		\$0	\$0
11	N. W. 12th & Highway 34	\$34	\$0	\$0	\$0	\$0	\$0		\$34	\$34
12	N. 7th & Fletcher Avenue	\$31,791	\$5,880	\$0	\$2,640	\$0	(\$8,156)		\$32,155	\$40,311
13	N 27th & I-80	\$265	\$0	\$0	\$0	\$0	(\$68)		\$197	\$265
14	N. 40th & Superior St.	\$2,503	\$0	\$0	\$0	\$0	(\$641)		\$1,862	\$2,503
Totals		\$208,532	\$32,830	\$1,500	\$14,740	\$330	(\$77,904)	(\$125,000)	\$55,028	\$257,932
			Tot Wheel Tax:	\$34,330	Tot MV Tax	\$15,070				
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Rural Water cost is an estimate - Rural Water District had not been contacted at time of release.

Real and Personal Property tax based on 2007 valuation

Wheel Tax is \$49 per vehicle, assumed 2.5 vehicles per dwelling unit

Amounts calculated at 22% of total tax collected (NE Rev.Statutes 60-3,186) Motor Vehicle Tax assumed to be \$100 per vehicle with 2.5 vehicles per dwelling unit.