Redmond Annexation Evaluation Report

Final Report for:

City of Redmond

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Community Planning Workshop

Executive Summary

Background

In 2002, the City of Redmond contracted with The University of Oregon's Community Planning Workshop (CPW) to evaluate the impacts of annexing unincorporated land into the Urban Growth Boundary and prepare an annexation plan for City Council review and voter approval.

This document represents CPW's evaluative research on eight annexation study zones. The evaluation report summarizes the results of the fiscal impact analysis as well as the analysis of a set of criteria defined by the City of Redmond and the State of Oregon.

Any annexation plan adopted by a city in Oregon must address the following criteria:

1. The timing and sequence of annexation;
2. Local standards of urban service availability required as a precondition of annexation;
3. The planned schedule for providing urban services to the annexed territory;
4. The effects on existing urban services providers, including, but not limited to, the effects on the tax base and the budget of each provider; and
5. The long-term benefits of the annexation plan

Ultimately, City of Redmond Staff and City Council will review this document so that CPW can incorporate the findings into the second portion of the project's scope, the annexation plan.

Purpose and Methods

The purpose of an annexation evaluation report is twofold: (1) to evaluate the impacts of annexing unincorporated lands into Redmond's Urban Growth Boundary; and (2) to ensure that the City of Redmond complies with all legislative requirements relating to the process of annexation.

The phrase "impacts of annexation" refers to a range of possible results or consequences of annexation. In this case, estimated financial impacts on the City make up the core of the evaluation report. The report also evaluates a wide variety of *other* impacts by measuring certain criteria, such as compatibility with nearby uses and with urban reserve areas, urban service constraints, access, development capacity, land area/form, and consent to annex.

It should be noted that this evaluation report does not address. CPW's fiscal impact analysis method does not address indirect or private impacts and costs of annexation.

Findings

Below are key findings from CPW's evaluative research of Redmond's annexation study zones. These represent general findings, which apply to all annexation study zones.

- Under most growth scenarios, Redmond will need all of the land within its UGB to accommodate population and employment growth forecast between 2003 and 2020.
- The fiscal impact analysis estimates operating deficits for a majority of the annexation study zones.
- Analysis of City of Redmond capital improvement programs revealed capital deficits for all annexation study zones.
- All current Urban Service Agreements must be modified substantially to comply with annexation legislation.
- Proposed sewer system improvements will service some annexation areas before others.
- The Enterprise Zone Designation, which applies to Zones G and H, will affect short-term property tax revenues related to industrial businesses.

The following are specific findings that apply to specific annexation zones:

Zone A

- CPW projected that Zone A contains 40% of the future residential growth capacity included in all of the annexation study zones.
- According to Otak's Urban Reserve Area Concept Map, Zone A is adjacent to a proposed urban reserve area that contains land owned by the Redmond #2J School District. Within this land owned by the school district, is a site slated for a future high school.
- Downstream constraints on sewer capacity may limit the development potential of the land until the City's planned Line D sewer line is constructed through the zone, which will occur in two phases: 2000-2005 and 2006-2010.

Zone B

- SRH Water Company provides water service to the South Heights residential subdivision. The City of Redmond will need

to develop an urban services agreement with the water company before proceeding with annexation.

- City staff considers Zone B to have the greatest number of challenges out of all the zones in terms of the availability of existing services and ease with which new services can be provided to it.

Zone C

- According to Public Works staff, Zones C is ranked second in terms of the ease of providing the zone with urban services.
- Zone C is the only landlocked annexation study area, but is small and primarily developed. Thus, this zone is developed at almost at full capacity. The vacant parcels within this zone (1.7 acres) are zoned as general residential (R4).

Zone D

- Zone D is zoned primarily for commercial uses. About 78% of its 308 acres are designated as commercial, and 22% designated as residential.
- At the time this study was conducted, there are no property owners in Zone D who have consented to annexation at the time of this study.
- Zone D is the third most challenging zone to service in terms of water and sewer provision. At present, the zone is sparsely served by City water and sewer services and immediate development potential in Zone D could be constrained by the completion of the East Side Interceptor project in 2005.
- CPW projected the highest annual deficit for this zone. The estimated deficit per buildable acre of $22,022 was highest out of all annexation study zones.

Zone E

- According to city staff, the City sewer system will be unable to provide gravity service to the area of Zone E north of Antler Avenue. Pump stations will be required to service future development.
- Zone E, designated entirely residential, is 49% developed, with approximately 33% of its acreage classified as redevelopable and 18% of its acreage classified as vacant.

Zone F

- Based on a ranking of ease and availability of urban services, Zone F ranks highest according to Redmond staff. City sewer, water, and transportation services currently serve the parcels bordering Maple Avenue and 19th Street, which equal nearly 80% of the entire zone.

Zone G

- The Wastewater Capital Improvement Plan timeline calls for the Eastside Interceptor to extend south as far as Antler Avenue by 2010 and to extend further south in the time window of 2010-2015. Similar to other zones, the availability of sewer service can serve as a development constraint, but can also serve to direct future growth to desired areas.
- This zone includes approximately 477 acres of land classified as vacant, but designated Open Space Park Reserve and Airport.
- The entire study area of this annexation zone is included in Redmond's enterprise zone designation. Industrial businesses that qualify for enterprise zone benefits may result in a short-term decrease of property tax revenue to the City.

Zone H

- Zone H is completely zoned light industrial and has 82.9 acres (66% of the zone) of vacant land.
- At the time this study was completed, Zone H does not have any property owners who have consented to annexation.
- The entire study area of this annexation zone is included in Redmond's enterprise zone designation. Industrial businesses that qualify for enterprise zone benefits may result in a short-term decrease of property tax revenue to the City.

Tables 1 and 2 summarize the characteristics and selected annexation criteria ranking for the eight potential annexation zones.

Next Steps

This evaluation report is the first step in a larger annexation process that is mainly defined by State law. Below is a brief description of the steps that follow this report.

- **Council Work Sessions.** The adoption of an annexation plan is a serious policy step for Redmond. The May City Council work session underscored the complexity of issues facing Redmond as it contemplates forecast growth. CPW recommends that the Redmond City Council continue to hold work sessions on the Annexation Plan until it feels comfortable with the findings and the choice of a final policy direction.
- **Annexation Plan.** CPW will complete an annexation plan that the City can use in annexing the proposed study areas based on direction given by City Council and Staff.
- **Urban Service Agreements.** Urban service and coordinated agreements are legally required as a precondition to annexation. Redmond's existing urban service agreements do not comply with state law. To ensure compliance with state law,

the City and County will have to revisit existing agreements and address statutory requirements of urban service agreements. In addition, an urban service agreement will need to be reached with the SRH Water Company prior to annexing Zone B.

- **Hearing.** According to SB 122, Redmond must hold a public hearing where residents within the city limits and within the property to be annexed will have the opportunity to be heard.
- **Public Outreach**. Because the plan must go to a public vote, it is essential that residents understand the plan. The plan is intended to provide a level of certainty about the schedule for annexation and service extension, level of service standards, and the fiscal impact of these changes.
- **Public Vote.** After adopting an annexation plan, a jurisdiction must submit the plan to its own voters and to the voters of the sought-after territory. Both territory and annexing electors have a vote, but it is the cumulative majority of both votes that is sufficient to certify an annexation.

Table 1. Comparison of Key Characteristics by Annexation Study Zone

	Zone A	Zone B	Zone C	Zone D	Zone E	Zone F	Zone G	Zone H
Acreage								
Total Acres	406	169	7	308	271	46	836	126
Buildable Acres	278	82	2	148	133	21	287	111
Population Capacity								
Existing Residential Population	280	273	35	40	435	33	0	0
Existing Non-Residential Population	0	0	24	2,014	0	0	129	97
Total Existing Population Equivalent	*280*	*273*	*59*	*2,054*	*435*	*33*	*129*	*97*
Estimated Residential Population	3,543	1,335	30	623	2,488	385	193	0
Estimated Non-Residential Population	0	0	0	2,310	0	0	2,492	995
Total Estimated Population Equivalent	*3,543*	*1,335*	*30*	*2,933*	*2,488*	*385*	*2,685*	*995*
Total Residential Capacity	3,823	1,608	65	663	2,923	418	193	0
Total Non-Residential Capacity	0	0	24	4,324	0	0	2,621	1,092
Total Capacity Population Equivalent	*3,823*	*1,608*	*89*	*4,987*	*2,923*	*418*	*2,814*	*1,092*
Percent at Full Buildout								
Residential Capacity	100%	100%	73%	13%	100%	100%	7%	0%
Non-Residential Capacity	0%	0%	27%	87%	0%	0%	93%	100%
Consent to Annex								
Percent of Total Tax Lots	21%	8%	30%	0%	30%	13%	34%	0%
Fiscal Information								
Revenues	$3,681,946	$1,457,472	$51,216	$3,680,058	$2,563,416	$362,026	$2,961,698	$1,222,332
Costs	$3,821,803	$1,574,237	$71,093	$4,119,194	$2,899,024	$405,393	$2,540,583	$999,186
Surplus or (Deficit)	*($139,857)*	*($116,765)*	*($19,877)*	*($439,136)*	*($335,608)*	*($43,366)*	*$421,115*	*$223,146*
Revenue/Population Equivalent	$963	$906	$575	$738	$877	$866	$1,052	$1,119
Cost/Population Equivalent	$1,000	$979	$799	$826	$992	$970	$903	$915
Deficit/Population Equivalent	*($37)*	*($73)*	*($223)*	*($88)*	*($115)*	*($104)*	*$150*	*$204*
Revenue/Acre	$9,080	$8,609	$7,644	$11,933	$9,456	$7,957	$3,541	$9,709
Cost/Acre	$9,425	$9,299	$10,611	$13,357	$10,694	$8,910	$3,038	$7,936
Deficit/Acre	*($345)*	*($690)*	*($2,967)*	*($1,424)*	*($1,238)*	*($953)*	*$503*	*$1,772*
Revenue/Buildable Acre	$13,266	$17,857	$29,266	$24,805	$19,239	$17,506	$25,638	$11,052
Cost/Buildable Acre	$13,770	$19,287	$40,624	$27,765	$21,758	$19,603	$21,993	$9,034
Deficit/Buildable Acre	*($504)*	*($1,431)*	*($11,358)*	*($2,960)*	*($2,519)*	*($2,097)*	*$3,645*	*$2,018*

Source: Community Planning Workshop, 2003

Table 2. Selected Annexation Criteria Rankings

	Zone A		Zone B		Zone C		Zone D		Zone E		Zone F		Zone G		Zone H	
	Finding	**Rank**	**Finding**	**Rank**	**Finding**	**Rank**	**Finding**	**Rank**	**Finding**	**Rank**	**Finding**	**Rank**	**Finding**	**Rank**	**Finding**	**Rank**
Residential Capacity	3,823	1	1,608	3	65	7	663	4	2,923	2	418	5	193	6	0	8
Non-Residential Capacity	0	5	0	5	24	4	4,324	1	0	5	0	5	2,621	2	1,092	3
Buildable Acres	278	2	82	6	2	8	148	3	133	4	21	7	287	1	111	5
Consent to Annex (% of Tax Lots)	21%	3	8%	5	30%	2	0%	6	30%	2	13%	4	34%	1	0%	6
Total Operating Deficit	($139,857)	6	($116,765)	5	($19,877)	3	($439,136)	8	($335,608)	7	($43,366)	4	$421,115	1	$223,146	2
Total Deficit by Population Equivalent	($37)	3	($73)	4	($223)	8	($88)	5	($115)	7	($104)	6	$150	2	$204	1
Total Deficit by Acre	($345)	3	($690)	4	($2,967)	8	($1,424)	7	($1,238)	6	($953)	5	$503	2	$1,772	1
Total Deficit by Buildable Acre	($504)	3	($1,431)	4	($11,358)	8	($2,960)	7	($2,519)	6	($2,097)	5	$3,645	1	$2,018	2
Estimated Total Assessed Value	$208,900,990	1	$73,746,334	3	$1,895,079	8	$52,759,370	4	$118,884,336	2	$16,262,490	6	$36,344,436	5	$7,503,904	7
Ease and Availability of Services	--	7	--	8	--	2	--	6	--	3	--	1	--	5	--	4
Total Unweighted Ranking	**2**	**3.4**	**5**	**4.7**	**8**	**5.8**	**7**	**5.1**	**4**	**4.4**	**6**	**4.8**	**1**	**2.6**	**3**	**3.9**

Source: Community Planning Workshop, 2003

Table 3. Unweighted Ranking Summary

Unweighted Rank	Zone	Summary Table Score
1	Zone G	2.6
2	Zone A	3.4
3	Zone H	3.9
4	Zone E	4.4
5	Zone B	4.7
6	Zone F	4.8
7	Zone D	5.1
8	Zone C	5.8

Source: Community Planning Workshop, 2003

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Chapter 1
Introduction

The City of Redmond has experienced rapid population growth in recent years. Between 1990 and 2000, Redmond added more than 6,000 new residents—increasing its population by over 88 percent. To address the numerous issues that arise with a rapidly increasing population base, Redmond is actively engaged in planning for future growth. These efforts include: a transportation and growth management survey conducted by Community Planning Workshop (CPW) in 2002; and a buildable lands analysis and urban reserve study conducted by the private consultant firm, Otak Inc.

Population and employment forecasts suggest that Redmond will develop all of the buildable land within its urban growth boundary (UGB) within the next 20 years. The City of Redmond intends to accommodate this growth by annexing unincorporated areas within the Urban Growth Boundary (UGB) as those areas grow and develop. This is consistent with sound planning practice, state land use law, and Redmond city policy.

The annexation of unincorporated areas into any city brings with it potential benefits, bureaucratic challenges, and predictable fiscal impacts. Managing the sequence and timing of annexations is one tool Redmond can use to plan for orderly growth while also ensuring adequate provision of municipal services and efficient use of limited government funds.

In 2002, Redmond contracted with the University of Oregon's Community Planning Workshop (CPW) to: (1) evaluate the impacts of annexing unincorporated areas within the UGB; and (2) to prepare an annexation plan that can be adopted by the City Council and forwarded to voters for approval.

Purpose

As required by state statute, this report evaluates the impacts of annexing unincorporated areas within the Redmond UGB. Foremost, the report provides the City of Redmond with information on the financial impacts – estimated costs and revenues to the City – of annexing each of the eight study zones. Additionally, it provides data for each study zone using the following evaluation criteria: compatibility with nearby uses and with urban reserve areas; urban service constraints; access, development capacity; land area/form; consent to annex; costs; and revenues.

This report will aid the City Council in planning for and prioritizing annexation to accommodate growth. This report also provides information relevant to future public outreach efforts, as the City presents an annexation plan to the citizens of Redmond. Finally, the report provides information the City can use to accomplish community goals and objectives consistent with its functional master plans and other planning efforts.

Methods

In 1993 the Oregon Legislature passed Senate Bill 122, later codified as Oregon Revised Statute (ORS) 195.220 *et seq*., which allows incorporated cities to develop annexation plans and mandates the coordinated provision of urban services. ORS 195.220 *et seq*. requires that annexation plans address specific criteria, including:

- The timing and sequence of annexation;
- Local standards of urban services;
- A schedule for providing urban services;
- The impact on existing services; and
- The long-term benefits of the annexation plan.

Moreover, annexation plans should coordinate efforts between a city, urban service providers, and existing planning efforts. For the City of Redmond, those efforts include an urban reserve study and a buildable lands analysis as well as the City's existing capital improvement programs. An annexation plan seeks to coordinate long-range planning with the future vision of the city; encourage collaboration among service providers through an urban service and coordinated agreement; help direct growth to desired areas by setting priorities for annexation; and provide certainty to property owners regarding taxes in exchange for city services.

To generate the information and analysis necessary to create an annexation plan capable of meeting so many local needs and state requirements, CPW gathered data from a wide array of sources. Using data from the buildable lands analysis conducted by Otak, the capital improvement plans developed by the Public Works department, Redmond's fiscal year budgets, and information from Redmond's Comprehensive Plan, CPW evaluated costs, revenues, and additional land-use criteria for each annexation zone. The methods used are described in greater detail in Chapter 2.

Annexation Zones

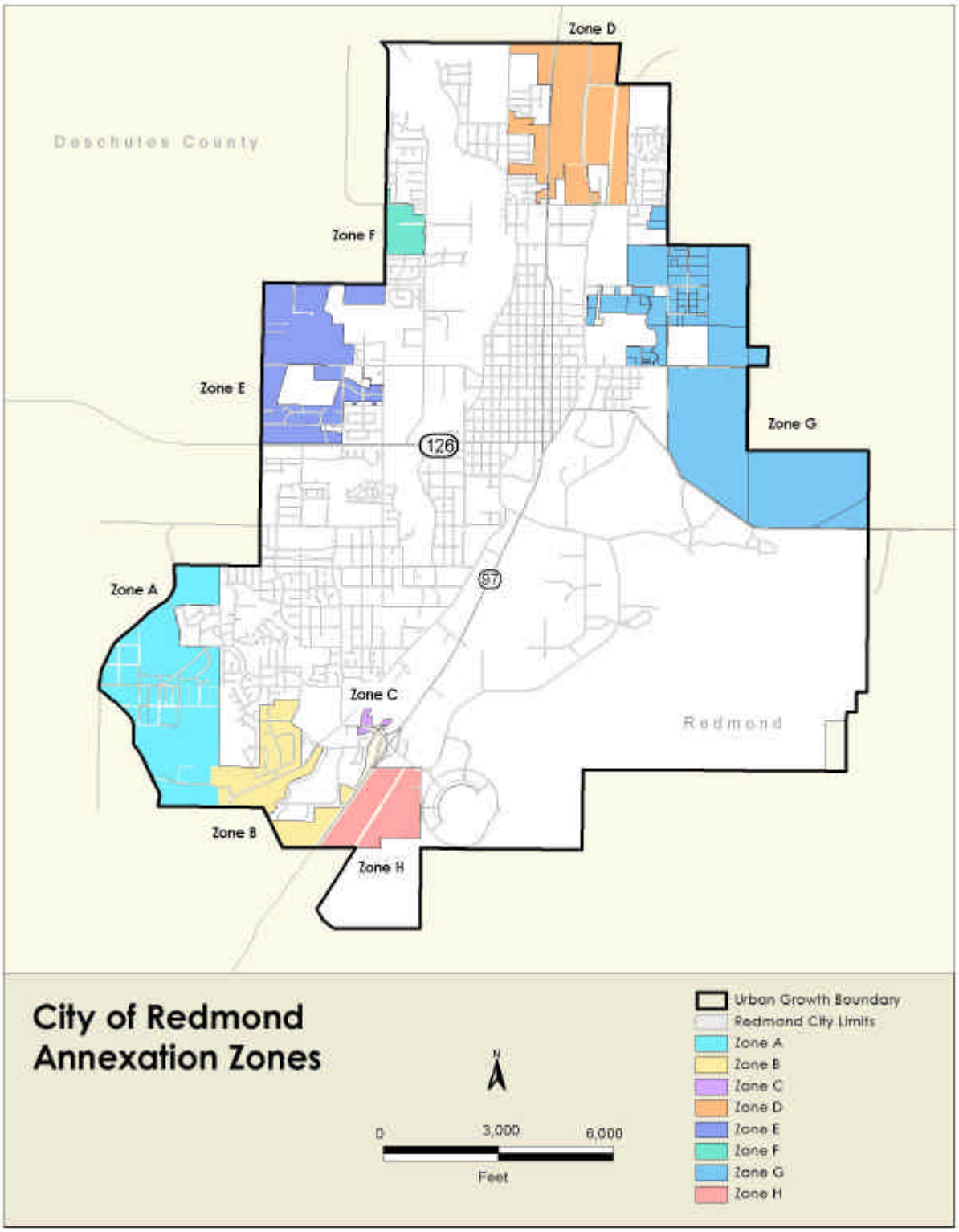
Most annexation studies divide unincorporated areas into distinct study zones for more precise analysis. Based on future wastewater system projects, the Redmond Public Works Department delineated the

annexation zones used in this evaluation. The eight annexation zones comprise nearly all of the unincorporated area outside the current city limits and within the Urban Growth Boundary.[1] City staff initially delineated the annexation zones in April 1999. CPW received the boundaries of each annexation zone in Geographic Information System (GIS) format, and manipulated the boundaries based on annexations that had been approved since April 1999. CPW received information on tax lot annexations from the Redmond City Recorder and adjusted annexation zone boundaries through March 26, 2003.

Map 1-1 shows the relative size and geographical location of each zone. Zone G, located east of the current city limits with land primarily designated industrial, is the largest of these areas. Zone C, which is located west of Highway 97 in the southern portion of the city, is the smallest area and contains existing residential development. The remaining six zones abut the city limits in the southwest, west, and north. Their sizes, planned land uses, and extent of existing development are varied. A detailed assessment of all criteria related to the annexation zones is provided in Chapter 4.

[1] A small area in the southeast portion of the UGB is not included in this evaluation. It is adjacent to the Redmond Airport and no services are planned to the area within the 20-year study period.

Map 1-1. Annexation Zones, City of Redmond



Source: Community Planning Workshop, 2003

Organization of this Report

The remainder of this report is organized as follows:

Chapter 2, Framework for Evaluating Annexation Zones presents information about legislative requirements for annexation in the state of Oregon. It also presents a detailed description of the evaluation methodology including a discussion of the fiscal impact analysis methods contained within this report.

Chapter 3, Overview of Municipal Services identifies the current status of Redmond's urban services in order to identify any system-wide issues that should be considered in the annexation plan.

Chapter 4, Evaluation of Annexation Study Zones includes a comprehensive description and analysis for each zone that is consistent with the evaluation criteria described in Chapter 2.

Chapter 5, Findings summarizes the key findings for each annexation zone, which includes a link to statutory requirements.

The report also includes five appendices:

Appendix A contains a community profile of the City of Redmond.

Appendix B provides copies of legislation concerning annexation, including Senate Bill 122 and ORS 197.220. This appendix also outlines the steps jurisdictions must take to adopt and implement annexation plans.

Appendix C provides a history and explanation of Ballot Measure 50, as it relates to assessed values and projected property taxes.

Appendix D includes a memorandum from CPW to the City of Redmond detailing the methodology for estimating fiscal impacts (e.g., costs and revenues).

Appendix E provides the data tables summarizing the cost and revenue analysis for each annexation zone.

Appendix F displays a copy of the Urban Reserve Area Concept Map developed by Otak in February 2003.

Appendix G includes a memorandum from Redmond's legal counsel regarding the legal compliance of the City's current Urban Service Agreements.

Chapter 2
Framework for Evaluation of Annexation Zones

This chapter presents the legal, theoretical, and methodological framework for this study. It is intended to provide a context for the detailed data presented in Chapter 4 and the findings presented in Chapter 5.

Annexation plans must, first and foremost, conform to a detailed set of statutory guidelines. This chapter begins by explaining the State of Oregon's legislative requirements for annexation. This chapter also includes a description of the approach used to evaluate each annexation zone, including methods for projecting costs and revenues.

Legal Framework: Legislative Requirements for Annexation Plans

All annexation plans in the State of Oregon must address statutorily defined criteria. As specified in Oregon Revised Statute 195.220, a jurisdiction must conduct a comprehensive evaluation of proposed annexation areas before it implements an annexation plan. This section outlines the major statutory requirements that have guided this annexation evaluation report.

In 1991 and 1993, the Oregon State Legislature passed House Bill 3498 (HB 3498) and Senate Bill 122 (SB 122), amending past annexation legislation to encourage coordinated planning within local governments. While HB 3498 allowed governments to set an effective date for annexation of up to ten years into the future and recognized the legality of "consent to annex" contracts, SB 122 allowed incorporated cities to develop local annexation plans.

One of the key outcomes of SB 122 was the opportunity for jurisdictions to plan for long-term growth by coordinating the future provision of urban services such as sanitary sewers, water, fire protection, parks and open space, and transportation for newly annexed areas. Jurisdictions and urban service providers are required to develop an urban service agreement, which specifies: (1) which jurisdiction or service district will provide urban services; (2) the area for which a provider will provide services; and (3) the functional role of the service provider. The urban service agreement must address service territory

and ownership transition; it must assign responsibilities for planning, coordinating, constructing, and managing the provision of urban services.

According to Oregon Revised Statute 195.220, all annexation plans are required to address specific issues related to annexation. Any annexation plan adopted by a city must address the following criteria:

1. The timing and sequence of annexation;
2. Local standards of urban service availability required as a precondition of annexation;
3. The planned schedule for providing urban services to the annexed territory;
4. The effects on existing urban services providers, including, but not limited to, the effects on the tax base and the budget of each provider; and
5. The long-term benefits of the annexation plan.

These five criteria, primarily a function of costs incurred and revenues received by the City of Redmond, are addressed in Chapter 4. Additional criteria include the physical attributes of the annexation zone, land capacity, transportation access, urban service constraints, and compatibility with nearby uses. Chapter 4 summarizes these findings and links the findings to legislative requirements to ensure compliance with these statutorily defined criteria. The *Redmond Annexation Plan*, a separate document that builds on this analysis, addresses all five statutorily defined criteria.

Theoretical Framework: Project Approach

There are many ways to evaluate the impacts of annexing unincorporated lands. The following discussion provides an overview of the methods CPW used to estimate costs, revenues, and other criteria based on direction from the City of Redmond.

A large part of this project involves fiscal impact analysis – a method of evaluating costs and revenues associated with growth. Fiscal impact analysis is the act of projecting *direct*, *current*, and *public* costs and revenues associated with residential and nonresidential growth. Consistent with this definition and accepted professional practice, CPW's analysis measures d*irect* impacts, or primary costs and immediate revenues. Fiscal impact analysis does *not* measure indirect impacts, such as increased property values due to public investment, because of the difficulty in accurately predicting those costs. In addition, the analysis evaluates *current* costs and revenues to project future costs and revenues. Implicit in the term *current* costs is the assumption that the costs and revenues associated with providing services will increase at the same rate. Finally, the analysis focuses on *public* costs, and not the private costs of public actions (for example, the

costs passed on to developers or consumers through local land use regulations or building, health, and fire codes).

CPW's methodology incorporates a process that uses current costs and revenues to project future costs and revenues for potential annexation areas. CPW used financial data from Redmond's Fiscal Year 2002-2003 Budget for this analysis. Fiscal impact analysis requires making predictions regarding future costs and revenues based on current facts and assumptions. While we used "hard data" when available, in many cases the data did not provide a complete picture, and required assumptions about future conditions. The following list presents the key assumptions in this evaluation:

- The fiscal impact analysis is based on the assumption that each annexation zone will receive levels of service similar to those provided within the current city limits of Redmond. In other words, new development in the annexation zones will be developed and serviced at current City standards. This is consistent with the statutory requirement of describing local standards of service availability as part of the annexation plan.
- The current level of service in Redmond is the benchmark for estimating comparable levels of service, staffing, and costs in each annexation zone. This study does not evaluate whether Redmond's existing levels of service and capacity are excessive or deficient in terms of current staffing and resources.
- Some cities have experienced increased demand for services beyond what would be expected subsequent to annexation. CPW's methodology estimates costs based on population-driven and service standard forecasts, but may not fully reflect this increased demand because of the difficulties in accurately estimating this demand.

CPW used a combination of two methods for estimating costs and revenues for this study: the Service Standard and the Per Capita Multiplier Method.

The Service Standard Method is an average costing method that uses averages of employee and capital facility service levels to estimate costs. This method estimates the total number of additional employees and associated costs as well as the total increase in capital and operating expenses for each city department that will be required as a result of growth. This method assumes that over the long run, service levels, in terms of employees and department costs, rise at the same rate as population growth.

The Per Capita Multiplier Method is the most commonly used method for projecting the impact of population change on local municipal and school district costs and revenues. Like the Service Standard Method, the Per Capita Multiplier Method uses the average costing approach. However, it also relies on detailed demographic information by housing type (total household size and number of school-age children) and the average cost – per person and per pupil – of municipal and school

district operating expenses (including the amortization of capital expenditures) to project an annual operating and capital cost assignable to a particular population change. This method is based on the following assumptions:

- Over the long run, current average operating costs per capita and per student are the best estimates of future operating costs;
- Current local service levels are the most accurate indicators of future service levels and they will continue on the same scale in the future;
- Current composition of the current population will be similar to the composition of the future population; and
- The current distribution of expenditures will remain constant and will serve as the primary indicator of the way in which additional expenditures will be subsequently allocated.

The methodology for estimating *costs* blends these two methods, while the methodology for estimating *revenues* uses the Per Capita Multiplier Method. CPW employed these two methods because they are widely accepted fiscal impact methods that are relatively easy to implement and easy to interpret. A more detailed description of the fiscal impact analysis methodology is presented in Appendix C.

Applying the Theory: Evaluation Criteria

Oregon state law requires that annexation plans consider specific evaluation criteria, specifically, revenues and costs. In addition, the City of Redmond directed CPW to evaluate additional criteria to assist in setting priorities for annexation. These criteria include:

- Consent to Annexation;
- Land Area/Form;
- Development Capacity;
- Access;
- Urban Service Constraints; and
- Compatibility with nearby uses.

The following is a summary of criteria examined in this evaluation report.

Revenues

CPW obtained revenue data from the 2002-2003 City of Redmond budget. According to City budget documents, Redmond collects revenues from the following sources: property taxes; intergovernmental revenue; licenses and permits; franchise fees; fines and forfeits;

assessment liens; charges for services and system development charges (SDCs); and miscellaneous sources.

CPW used the Per Capita Multiplier Method as the primary method to estimate revenue from the sources listed above. Revenues generated from licenses, permits, fees, and fines and forfeits, assessment liens, charges for services, and SDCs were determined by estimating a cost per capita multiplied by the expected residential and non-residential growth in each annexation zone. The following sources of revenue require a different methodology and were calculated accordingly:

- Property tax revenue was estimated by projecting the total number of dwelling units by residential zoning designation and the total number of acres of commercial and industrial buildable land and multiplying it by average citywide assessed values by zoning designation. Average citywide assessed values were calculated for residential properties constructed after 1995, so it would not skew the projected assessed value of newly constructed dwelling units. Total assessed values by zone were then multiplied by the City of Redmond's permanent tax rate: $6.1643 per $1,000. The resulting projected revenue assumes a 100% collection rate. Appendix C provides additional information on Measure 50, a measure that limits property taxes and the ability of local taxing districts to impose new or additional fees, taxes, or assessments. Measure 50 does not allow developed properties to add value to the City's tax base, so it makes sense to annex land prior to development.
- Intergovernmental revenues were determined by multiplying the existing and projected residential population for each zone by the per capita distribution amounts for each intergovernmental revenue source. As of March 2003, the intergovernmental per capita figures are as follows: $8.55 from the liquor tax, $1.92 from the cigarette tax, and $37.59 from the Highway Fund. However, information obtained from the League of Oregon Cities indicates that jurisdictions may not receive fiscal year 2003 revenue from the cigarette tax due to a legislative "taking" case.

Ultimately, property tax and intergovernmental revenues were combined with the other sources of revenue (licenses, fees, permits, and fines and forfeits) to estimate the total revenue attributed to each annexation zone. This information is presented in Chapter 4 by zone under the Revenue and Cost Summary section.

Costs

Because city budgeting plays such a large role in the overall feasibility and timing of annexation, CPW provides projections of direct, current, and public costs associated with annexation. CPW estimated future costs based on the following fund categories in the Redmond city

budget: mayor/council; police; fire; administrative services; community development; transportation; parks; water; wastewater; cemetery; and airport.

While CPW evaluated the direct costs to all of these departments, the impact of future development affects departments unevenly. For example, some departments' personnel costs grow at the same rate as population growth, while other departments' personnel costs grow at a slower rate. Several other departments, including community development and the airport operate on a cost recovery basis. City staff directed CPW to estimate the direct costs to these departments even though they are revenue-neutral with respect to growth.

Following the Service Standard methodology, CPW separated costs associated with annexation into the following two categories:

- Full Time Equivalent (FTE) Employee Costs: Salaries, wages, and benefits associated with compensating employees for their labor.
- Capital and Operating Costs: Acquiring, developing, and maintaining tangible capital assets that have a useful life of more than one year—machinery, land, equipment, and buildings.

After the FTE-based and capital and operating costs were calculated, CPW combined the two amounts to determine the total costs associated with each annexation zone. The total costs by department are presented for each annexation zone under the Revenue and Cost Summary section in Chapter 4.

Redmond 2-J School District

CPW also calculated the costs and revenues attributed to growth that is expected to occur in each zone as a result of annexation. CPW made assumptions in order to estimate the fiscal residual (total revenue minus total costs) per student per year. According to data the Redmond School District 2-J provided, the fiscal residual per student for Fiscal Year 2001-02 was $318; the district has budgeted its 2002-03 fiscal residual at -$329; and the district has projected its fiscal residual per student in FY 2003-04 as -$84.

Consistent with accepted fiscal impact analysis methods, CPW examined current costs and revenues and avoided making assumptions about future policy changes that may affect the revenue stream. For that reason, we chose to estimate the Redmond School District budget's fiscal residual per student from the FY 2002-03 budget data. Within that data, the district receives general fund revenues and special revenues of $7,024 per Average Daily Membership weighted (ADMw) student and experiences general fund costs and special revenue costs of $7,353 per ADMw student for a fiscal residual per student of minus $329.

CPW based its estimate of the ratio of students per total population on the ratio of the school district's FY 2001-02 ADMw student count of 5,663 to the total Redmond population of 16,110 as of July 1, 2002. The Portland State University Population Research Center calculated Redmond's total population. This information is presented in Chapter 4 under the Revenue and Cost Summary Section.

Consent to Annex

Some landowners within the eight study zones have already consented to annexation. CPW obtained Geographic Information Systems (GIS) data, current as of July 2002, from the City of Redmond to identify the number of property owners in each study zone who have signed Consent to Annexation forms. CPW presents this information, by total tax lots and total acreage, within the zone summary tables under Chapter 4.

Land Area/Form

Existing development and parcelization patterns affect the cost of urban services. Moreover, physical constraints can affect the amount and location of development as well as provision of urban services.

CPW used GIS data to summarize the land area and parcelization patterns of each annexation zone. This includes the number and size of tax lots, development status, and planned land uses.

Land may be constrained by natural features such as slopes, wetlands, and designated floodways. Some of these features may be absolute constraints on development. In most cases, however, physical constraints lead to unbuildable land because of policies that apply to them. Otak's Buildable Lands Analysis addressed specific constraints to lands within and around the eight annexation zones. These constraints are reflected in the development capacity analysis conducted by CPW.

Development Capacity

Development capacity – the estimated number of dwelling units or employees an area can hold – affects the revenues and costs associated with each annexation zone. CPW estimated the total residential and non-residential population that will exist in each zone at full build-out. To arrive at these projections, CPW used density assumptions consistent with Otak's Buildable Lands Analysis to estimate the number of dwelling units for residential uses and the number of employees per acre for non-residential uses at full build out. For residentially zoned land, the number of dwelling units was then multiplied by the average household size (2.5 people) consistent with Otak's study.

The residential and non-residential capacity for each zone was derived using GIS data from Otak. It should be noted that there are slight discrepancies between the Otak database and the City's tax lot database. For example, the acreage for Zone A according to Otak's database was 403, whereas the acreage for Zone A according to the City's database was 405. The summary data presented for each zone in Chapter 4, as well as the numbers used to calculate existing residential and non-residential data all use the City's tax lot databases, while the capacity projections utilize Otak's database.

Access

Land must be accessible before development can occur. CPW evaluated the existing and proposed street network to determine accessibility for various modes of transportation. This evaluation includes a description and an analysis of the existing and proposed street network within and around each annexation zone. CPW then evaluated each annexation zone according to the types of streets that provide access to that zone (i.e. major arterials, minor arterials, local streets, bike paths, etc.) and the types of streets that exist, or are proposed to exist within the zone.

Urban Service Constraints

The City of Redmond Public Works Department analyzed each annexation zone to determine the nature of any existing constraints to urban service provision. Circumstances that limit the feasibility or affect the cost of urban service provision include:

- Physical constraints: slopes, soils, and other natural features that are not appropriate for service installation/provision.
- Location: annexation zones that are not located within close proximity to existing infrastructure (such as water and sewer systems) and therefore present constraints to the feasibility of service installation/provision.

Compatibility with Nearby Uses and with Urban Reserve Areas

Compatibility with adjacent uses and with proposed urban reserve areas emerged as important criteria for this study. The key issue is ensuring compatibility of existing land uses, planned land uses and future urban expansion areas.

Collaboration with Redmond Staff

CPW collaborated with Redmond staff to collect and evaluate other sources of datarelevant to annexation. Redmond staff provided CPW with various city documents and plans from which the team extracted

relevant information: the Fiscal Year Adopted Budget from the previous five years, the 2020 Comprehensive Plan and Plan Addendum, the Public Facilities Plan, and Geographic Information System (GIS) data.

CPW worked with Redmond staff throughout the evaluation process in numerous ways. At a meeting on March 5, Redmond Staff and CPW reviewed the specific steps CPW developed to evaluate the costs and revenues associated with annexation. Redmond Staff provided guidance concerning CPW's general approach to fiscal impact analysis as well as CPW's assumptions relating to capital and operating costs and revenues for each City department. Assumptions were also aligned with Otak's Buildable Lands and Urban Reserve studies.

The Redmond Public Works Department provided CPW with guidance relative to service installation and provision in the City. That is, the department reviewed each potential annexation zone with respect to the City's ability to provide urban services to that zone.

Chapter 3
Overview of Municipal Services

Under the terms of annexation, SB 122 defines urban services to include the following: sanitary sewers; water; fire protection; parks, open space, and recreation; and streets, roads, and mass transit. Additional urban and public services including the Central Oregon Irrigation District, police, general government, telephone, cable television, electricity, and natural gas, are also mentioned briefly. The information presented in this section was derived from the City of Redmond's 2000 Comprehensive Plan Addendum. Details regarding the current capacity of Redmond's urban services are provided to identify any system-wide issues that should be considered in the annexation plan.

Municipal Urban Services

Sewer

In 1994, the City adopted the Water and Sewer Master Plan for the City of Redmond, which updated the sections in the 1987 Public Facility Plan regarding water and sewer. According to the 2001 Comprehensive Plan Addendum, Redmond's wastewater treatment plant is located in Dry Canyon, which is situated on the northern edge of the UGB. Since 1985, the plant has treated approximately 1.3 million gallons of effluent per day. Future expansions currently planned in five-year phases will bring the treatment capacity up to 3.29 million gallons per day after the first phase and then to 4.99 million gallons per day after the second expansion.

Not all development within the UGB is serviced by the municipal sewer system. Individual sewer systems existing within the UGB consist of septic tanks with drain fields, and septic tanks with drill holes. Deschutes County Environmental Health regulates individual sewer systems. The Water and Sewer Master Plan for the City of Redmond aims to eliminate all individual sewer systems in the City limits in favor of connecting those properties with the City collection and treatment system Redmond's sewage system is adequate to accommodate the urban area's projected population to 2015.

There are no known system-wide issues with respect to sewer.

Stormwater Drainage

According to the Comprehensive Plan Addendum, the majority of surface drainage within the UGB is managed and disposed of with dry wells or drill holes.

There are no known system- wide issues pertaining specifically to stormwater drainage in the Water and Wastewater Master Plan.

Solid Waste

The Negus Landfill, located northeast of Redmond, stopped accepting waste in 1993 and is regulated as a closed landfill. The Transfer Station accepts private and commercial trash, which is then transported to the Knott Landfill near Bend. Knott Landfill is expected to reach capacity within the 20-year planning period. Solid waste disposal is managed by private firms through franchises with the City and is not evaluated as part of this study.

Water

The 1994 Water and Sewer Master Plan for the City of Redmond updated the sections of the City's 1987 Public Facility Plan that dealt with water and sewer. According to the 2001 Comprehensive Plan Addendum, the City of Redmond water system is supplied through five wells and managed with three reservoirs. The wells have a combined pumping capacity of 11.3 million gallons per day and the reservoirs have a combined storage capacity of 5 million gallons.

Three pressure planes and 74 miles of water main (ranging from 8 to 18 inches) currently serve the City's water needs. Although per capita water use has decreased since the 1980s, Redmond residents use an average of 300 gallons of water per day (this figure includes commercial and industrial use).

There are no known system-wide water provision issues and Comprehensive Plan Addendum indicates that the City's water system is adequate to accommodate the urban area projected population to 2015. However, it is important to note that the South Heights subdivision, a developed subdivision of residential dwelling units within annexation Zone B, is presently served by SRH Water Company, a private water utility.

Fire Protection

The City of Redmond provides fire protection service to all areas within the UGB. Anticipated growth in Redmond is expected to stretch emergency fire protection services beyond capacity. Redmond will need at least two new fire station locations, in the north and south, in order to serve residential neighborhoods more efficiently. However, according

to Redmond staff, these two new fire stations will be located outside of the current UGB, and will be financed by the Redmond Rural Fire Protection District. In addition, the main central fire facility will be relocated out of the downtown core area by the year 2020.

In regards to fire insurance, the primary consideration by insurance companies is Insurance Services Office (ISO) ratings. Within Redmond's current city limits, the ISO ratings are Protection Class Four, which means that fire hydrants are available to structures within 1,000 feet. Outside the city limits, the ISO ratings are mixed between Protection Class Eight and Protection Class Nine. Protection Class Eight means that structures are more than 1,000 feet from a fire hydrant but lass than 5 miles from a fire station, while Protection Class Nine means structures are located 5 or more miles from the nearest fire station.

For areas outside the Redmond city limits, the City has an intergovernmental agreement with the Deschutes County Rural Fire Protection District #1. In exchange for fire protection and ambulance service to the District, the District, in turn, pays the City one-half of the Fire Department's operating budget.

Parks and Open Space

The City of Redmond is the primary provider for park facilities within the city limits. There are currently 12 city parks, comprising over 317 acres of land. The southwestern areas are currently underserved (Zones A, B, C, and H) with just one 3-acre park in that area. Deschutes County does not engage in park planning, although a City/County Management agreement allows the County to acquire parcels for future City park use.

Redmond does not have a Parks Master Plan. A list of priorities and an implementation plan for park improvements, however, was developed as part of the Public Facilities Plan. The Public Facilities Plan lists park standards, which vary according to park type. The standard for mini-parks is 1.5 acres, while neighborhood parks require 2.0 acres, playfields require 1.5 acres, and community/sports parks require 3.5 acres per 1,000 people. Together, those individual park standards account for an aggregate citywide standard of 8.5 acres per 1,000 people.

Transportation

Redmond's Transportation Plan is part of the 2001 Comprehensive Plan Addendum and was adopted by the City Council in May of 2001. The Transportation Plan includes a map and description of Redmond's street system. In addition, it addresses pedestrian and bike transportation, public transportation, and air and rail transportation.

The transportation network in Redmond includes a range of arterial, collector, and local streets. Most roadways in Redmond are laid out in a

grid pattern. Some natural and man-made features disrupt the grid pattern; these include Dry Canyon, Forked Horn Butte, Pilot Butte Canal, and the railroad.

Public transportation currently does not exist for Redmond, except for minibus trips designated for the elderly and disabled, van shuttle trips between Redmond and Bend, and bus service for long-distance trips. Redmond, which has yet to reach a population threshold to consider mass transit, may coordinate with the City of Bend in creating a fixed-route service between the two cities.

Commercial air travel is provided through Redmond's Roberts Field Municipal Airport, and airport planning is accommodated through the Redmond Airport Master Plan.

Central Oregon Irrigation District

The Central Oregon Irrigation District (COID) serves approximately 8,000 acres within the Redmond Urban Area, primarily west of the Pilot Butte Canal. COID does not supply water for domestic use, but it does supply surface water for irrigation and some industrial uses within the UGB.

Police

The City Police Department and the Deschutes County Sheriff's Department provide the majority of police services in the Redmond UGB. Crime rates have remained relatively stable, although an increase in population will place increasing demands on these services. Annexation of certain zones will result in new requirements for personnel to manage crime, traffic congestion, and accidents. However, increased population does not directly correlate to impacts on the Police Department. Police Department service standards are based on calls per sworn officer, as opposed to population ratios.

The 2001 Comprehensive Plan Addendum indicates that existing Police facilities are adequate for the 10-15 year planning period. The Deschutes County jail and juvenile correction facility will require expansion before the 20-year planning period is over. No new stations or substations are planned for the 20-year planning period.

General Government

According to the 2001 Comprehensive Plan Addendum, City Hall and the City of Redmond Public Works Department will both require additional offices and/or parking for the planning period to 2020.

Telephone, Cable Television, Electricity, and Natural Gas

These utilities are all provided by private companies or cooperatives and have franchise agreements with the City.

Summary

CPW has provided this overview of Redmond municipal services in order to identify any system-wide issues that may be relevant to the annexation plan. An overview of the City's urban services indicates that there are no known system-wide issues relevant to annexation.

Capital Costs

Table 3-25 shows estimated capital costs for each annexation zone. The costs in this table were estimated using a per capita methodology and derived from totals in the City of Redmond's Public Facilities Plan. Specifically, the Public Facilities Plan lists all major public infrastructure needs, through the year 2020, required to support the City's Comprehensive Land Use Plan. CPW identified the total funding required to complete all projects, calculated costs based on projected population growth within Redmond's Urban Growth Boundary, and then applied the per capita rate to the total existing and projected population within each annexation zone.

The totals for each urban service in Table 3-1 represent capital costs appropriated to each annexation study zone for all projects listed in Redmond's Public Facilities Plan. These capital cost totals are delineated according to how they will be funded. System development charges comprise a majority of the funding for each zone and for each urban service. The remaining portion, labeled "Other Funding" in the table, is considered Redmond's unfunded liability. The unfunded components of capital costs will probably come from a variety of sources including state and county revenues, as well as bonded debt.

Table 3-1. Projected Capital Costs for All Annexation Zones

	Zone A	Zone B	Zone C	Zone D	Zone E	Zone F	Zone G	Zone H	TOTAL
Water									
SDC Funding	$3,728,151	$1,567,618	$87,162	$4,863,487	$2,850,480	$407,142	$2,743,910	$1,064,795	**$17,312,746**
Other Funding	$1,803,728	$758,434	$42,170	$2,353,018	$1,379,099	$196,980	$1,327,539	$515,162	**$8,376,131**
Total	$5,531,879	$2,326,052	$129,333	$7,216,505	$4,229,580	$604,122	$4,071,449	$1,579,957	**$25,688,877**
Sewer									
SDC Funding	$2,236,733	$940,504	$52,294	$2,917,886	$1,710,168	$244,268	$1,646,230	$638,832	**$10,386,915**
Other Funding	$1,932,126	$812,423	$45,172	$2,520,518	$1,477,271	$211,003	$1,422,040	$551,834	**$8,972,386**
Total	$4,168,859	$1,752,927	$97,466	$5,438,404	$3,187,438	$455,270	$3,068,270	$1,190,666	**$19,359,301**
Transportation									
SDC Funding	$5,164,603	$2,171,619	$120,746	$6,737,382	$3,948,766	$564,013	$3,801,134	$1,475,059	**$23,983,322**
Other Funding	$4,202,326	$1,766,999	$98,248	$5,482,062	$3,213,026	$458,925	$3,092,901	$1,200,224	**$19,514,712**
Total	$9,366,928	$3,938,618	$218,995	$12,219,444	$7,161,792	$1,022,938	$6,894,035	$2,675,283	**$43,498,033**
Parks									
SDC Funding	$1,015,215	$426,879	$17,261	$176,063	$776,216	$110,869	$51,252	$0	**$2,573,755**
Other Funding	$438,387	$184,334	$7,454	$76,027	$335,184	$47,875	$22,132	$0	**$1,111,392**
Total	$1,453,603	$611,213	$24,715	$252,090	$1,111,400	$158,744	$73,384	$0	**$3,685,147**
TOTAL									
SDC Funding	**$12,144,702**	**$5,106,620**	**$277,463**	**$14,694,818**	**$9,285,630**	**$1,326,292**	**$8,242,525**	**$3,178,687**	$54,256,738
Other Funding	**$8,376,568**	**$3,522,190**	**$193,045**	**$10,431,625**	**$6,404,579**	**$914,783**	**$5,864,611**	**$2,267,219**	$37,974,621
Total	**$20,521,270**	**$8,628,810**	**$470,508**	**$25,126,443**	**$15,690,210**	**$2,241,075**	**$14,107,137**	**$5,445,906**	$92,231,358

Source: Community Planning Workshop, 2003

Chapter 4
Evaluation of Annexation Zones

This chapter presents CPW's evaluation of the eight zones under consideration for annexation. The evaluation presents data for each of the criteria[2] described in Chapter 2 and serves as a decision making tool for the City of Redmond.

This chapter consists of a thorough evaluation of Annexation Zones A – H based on criteria specified by SB 122 and the City of Redmond. CPW has divided the information into eight sections, giving each of the zones its own section. Within each Annexation Zone section, the following information is provided:

- *Physical Description*. These subsections provide summary information from the city's tax lot database including size; number of owners consenting to annexation; fiscal information; and planned land uses; a map of the annexation zone; and the annexation zone's proximity to existing uses and proposed urban reserve expansion areas.
- *Development Capacity*. These subsections provide a summary table including existing and projected residential and non-residential land holding capacity of annexation zone.
- *Estimated Revenues and Costs.* These subsections provide a summary table including projected revenues by source and costs by city department based on current revenues and costs and the estimated capacity of each annexation zone. These subsections also estimate costs to the Redmond 2-J school district based on projected increases in the number of school children at full build-out.

  The projected costs and revenues contained within this report are estimates based on a set of assumptions outlined in Appendix G. A variation of plus or minus 10% should be taken into account when reviewing the projected revenues and costs presented in this Chapter.

[2] We do not evaluate equity issues for each annexation zone. While equity was initially identified as a criteria, Council did not place a high priority on this criteria. Moreover, CPW's research found that equity is largely a subjective issue.

- *Urban Services.* These subsections summarize urban service information provided by Redmond staff and CPW's review of functional plans. They identify the current status of urban services and any foreseeable constraints in providing services to the annexation zone. These subsections directly address urban services as defined by SB 122, including: sanitary sewers; water; fire protection; parks, open space, and recreation; and streets, roads, and mass transit. If specific urban services are not addressed under the specific zone, they are addressed in the last section of this chapter, entitled Citywide Urban Services.

The chapter concludes with an overview of capital costs estimated for each urban service by annexation zone. Capital costs for fire and emergency services were not estimated because those costs will not need to be covered by the City of Redmond. A more detailed explanation is provided in Chapter 2.

ZONE A

Physical Description

Zone A is located in the southwest corner of Redmond's Urban Growth Boundary (*See Map 3-1*). Hemholtz Way forms the northwest boundary and Wickiup Avenue provides access to the residential developments in this zone. Zone A encompasses approximately 405 acres and is a mix of undeveloped agricultural land and residential areas. The area is zoned mostly R-2 Limited Residential, but the northern portion is zoned R-4 General Residential.

Table 4-1 provides a complete summary of parcel-level information from the City of Redmond's tax lot database. Zone A is comprised entirely of residentially zoned land, and contains 160 tax lots and an estimated 112 dwelling units.[3] This zone has a total assessed value of $15,120,990 and a real market value of $23,447,545. This equates to an assessed value of approximately $37,330 per acre and a real market value of approximately $57,900.

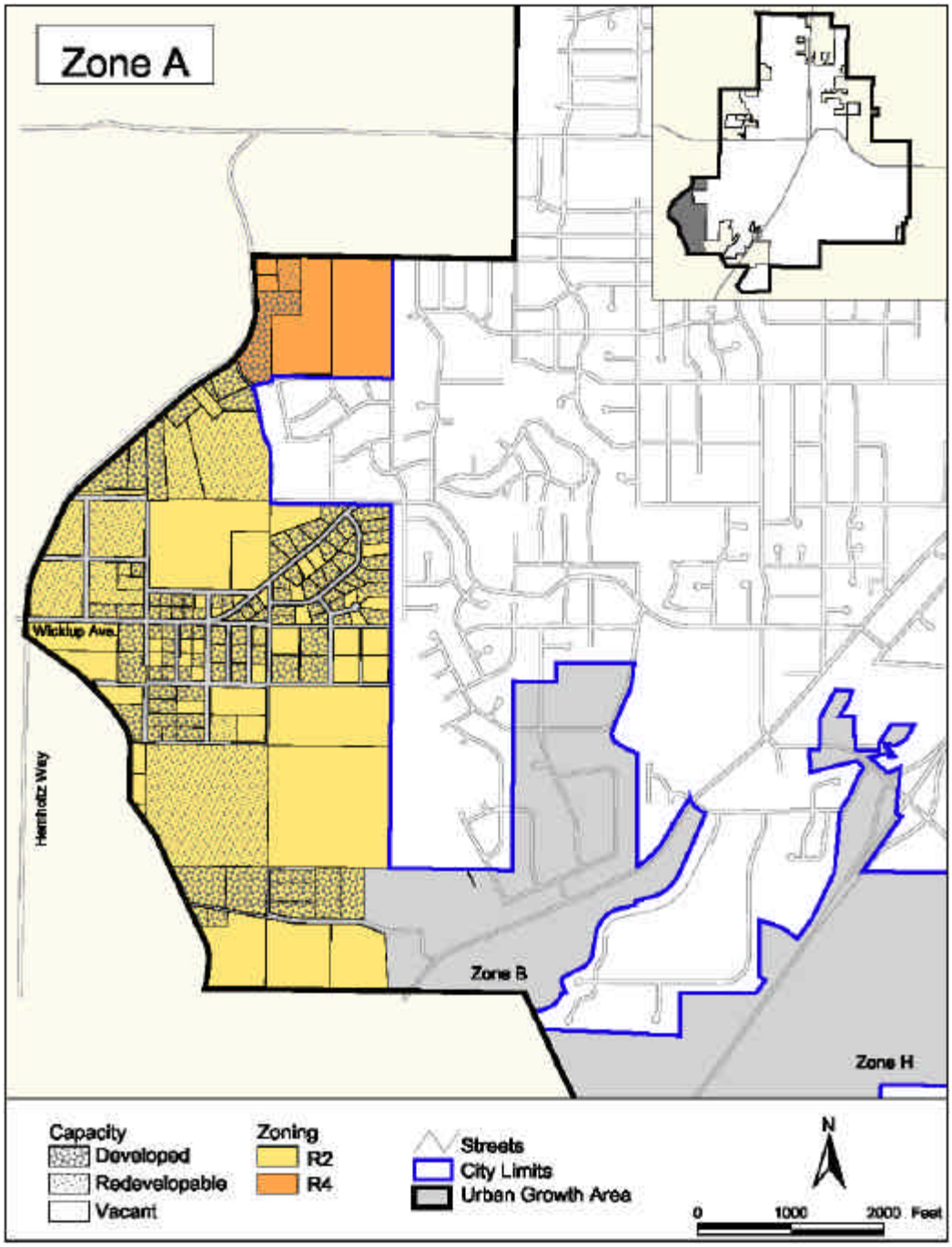
Owners who have agreed to annexation hold approximately 14 percent of the total acreage and 20 percent of the total tax lots. Approximately 49 percent of the total acreage is developed, 43 percent is considered redevelopable and 8 percent is vacant, using land designations determined through Otak's Buildable Lands Study.

Lands surrounding Zone A contain a mixture of residential Comprehensive Plan Map designations. Areas immediately north of Zone A and Salmon Avenue are zoned General Residential (R4). Areas bordering Zone A on the southeast are zoned Limited Residential (R1). Adjacent lands located to the west of Hemholtz way are not within Redmond City limits and are therefore designated within Deschutes County.

According to the draft Urban Reserve Area Concept Map developed by Otak, a 381-acre parcel of land designated as a possible urban reserve area (URA) lies adjacent to Zone A to the south (See Appendix F). This parcel, labeled S-1 on the Concept Map, also contains a large portion of land owned by the Redmond 2-J School District and reserved for the site of a future high school.

[3] CPW estimated the existing number of dwelling units based on a 2001 aerial photograph provided by the City of Redmond.

Map 4-1. Annexation Zone A



Source: Community Planning Workshop, 2003

Table 4-2. Annexation Summary, Zone A

	Total	Percent of Total
Physical Description		
Acreage	405.5	
Number of Tax Lots	160	
Estimated Dwelling Units	112	
Average Year Built	1975	
Fiscal Information		
Assessed Value	$15,120,990	
Median Assessed Value	$94,506	
Real Market Value of Land	$11,957,495	
Real Market Value of Improvements	$11,490,050	
Total Real Market Value	$23,447,545	
Owner Consent to Annexation		
Acreage	54.5	13.4%
Tax Lots	32	20.0%
Planned Land Uses		
R2 - Limited Residential		
Acreage	360.0	88.8%
Tax Lots	154	96.3%
Assessed Value	$14,772,553	97.7%
R4 - General Residential		
Total Acres	45.5	11.2%
Tax Lots	6	3.8%
Assessed Value	$348,437	2.3%

Source: Community Planning Workshop, 2003

Capacity

Using Otak's Buildable Lands database, CPW estimated the residential and non-residential capacity of vacant and redevelopable parcels within Zone A.[4] Table 4-2 shows nearly half of the land in Zone A is vacant, with over 20 percent available for additional residential development (classified as "redevelopable"). At full buildout, CPW estimates Zone A has capacity for more than 1,500 dwelling units, or about 3,823 residents. Zone A accounts for over 39 percent of all of the projected total residential capacity in all of the zones.

[4] It is worth noting that some lands classified as "redevelopable" in the Otak analysis could be classified as "partially vacant." An example would be a five-acre parcel with one dwelling unit. The "redevelopable" remainder would be approximately 4.5 acres.

Table 4-3. Estimated Capacity, Zone A

Acreage	Total	Percent of Total
Developed	122.4	30.3%
Redevelopable	94.2	23.3%
Vacant	186.9	46.3%
Total Acres	**403.5**	

Estimated Capacity at Full Buildout	Total	Percent of All Zones
Existing		
Dwelling Units	112	
Residential Population	280	25.5%
Employment Population	0	0.0%
Projected		
Dwelling Units	1,417	
Residential Population	3,543	41.2%
Employment Population	0	0.0%
Total		
Dwelling Units	1,529	
Residential Population	3,823	39.4%
Employment Population	0	0.0%
Total Population	**3,823**	**21.5%**

Source: Community Planning Workshop, 2003

Estimated Revenues and Costs

CPW projected increased revenues and costs using a methodology briefly described in Chapter 2, and more thoroughly described in Appendix B. As shown in Table 4-3, Zone A, at full build-out, would generate an estimated $3,681,946 in annual revenue for the city and incur $3,821,803 in annual costs. Both labor and operating costs are reflected in the table. CPW estimates an annual deficit of $139,857 for Zone A.

Capital costs are not reflected in Table 4-3 but are presented for each urban service by annexation zone at the end of Chapter 3. Capital costs attributed to this zone are estimated to be $20,521,270 for all capital improvement projects through the year 2020. Of that amount, $8,376,568 is considered an unfunded liability to the City. The remaining portion of $12,144,702 is estimated to be funded by system development charges.

Given the projected population in Zone A at full build-out, CPW estimated that an additional 1,245 children would attend public schools within the Redmond public school district. CPW estimated a deficit of $409,280 to the district ($8,744,857 in revenues minus $9,154,137 in costs) resulting from the new students anticipated in this zone. This amount reflects the State of Oregon budget cuts that took effect in February 2003 (See Appendix E for additional details).

Table 4-4. Revenue and Cost Summary, Zone A

Revenues

Sources	Projected Revenues
Assessment Liens	$0
Charges for Services	$1,215,468
Fines and Forfeits	$18,462
Franchise Fees	$300,287
Intergovernmental Revenue	$183,733
License and Permits	$325,352
Miscellaneous Revenues	$350,915
Property Taxes	$1,287,728
Total Revenues	**$3,681,946**

Costs

Funds	Projected Cost
Administrative	$225,039
Cemetary	$16,026
Community Development	$8,133
Fire	$449,949
Hotel/Motel	$28,833
Mayor/Council	$2,466
Non-Departmental	$23,103
Parks	$187,538
Police	$707,917
Senior Center	$1,183
Transportation	$786,748
Wastewater	$858,188
Water	$526,680
Total Costs	**$3,821,803**
Surplus or (Deficit)	**($139,857)**

Source: Community Planning Workshop, 2003

Urban Services

According to Redmond staff, Zone A is sparsely served with City sewer and water service. Downstream constraints on sewer capacity may limit the development potential of the land until the City's planned Line D sewer line is constructed through the zone, which will occur in two phases. The first phase is planned during the 2000-2005 interval of the Sewer Capital Improvement Plan, and the second phase is planned during the 2006-2010 interval. When ranking the zones according to the availability of services and ease with which new services can be provided, City staff ranked Zone A seventh - the second most challenging zone.

There are no new transportation projects scheduled for Zone A, according to the 2002 Transportation Capital Improvement Plan.

Given the projected population of Zone A, CPW projected the need for several parks including a mini-park, neighborhood park, playfield, and community/sports park. Specifically, in applying Redmond's park standard of 8.5 acres per 1,000 persons, CPW estimates Zone A will require 32.5 acres of parkland at full build-out.

ZONE B

Physical Description

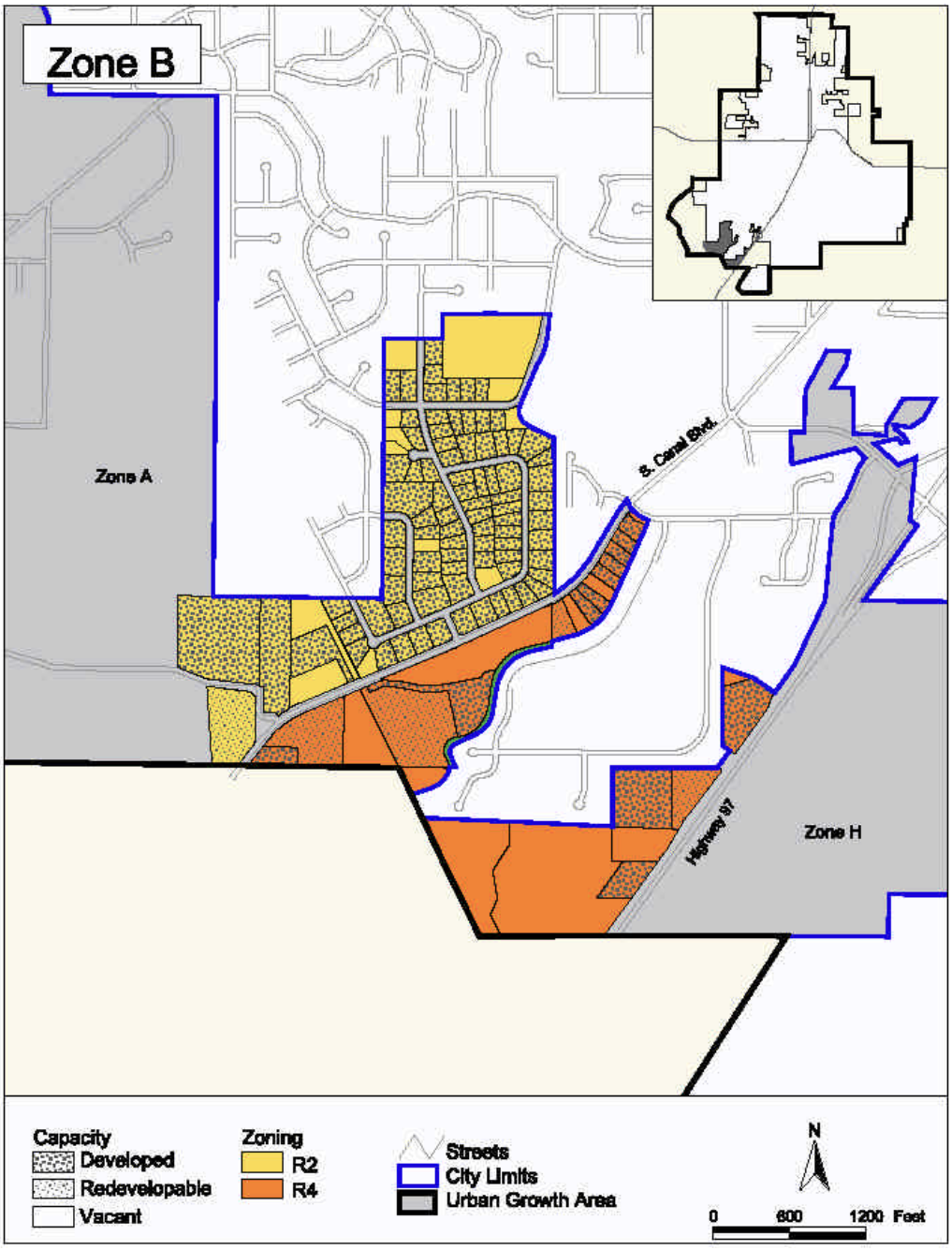
Zone B is located east of Zone A in the southeast region of the UGB, bordered to the south by Highway 97 and accessed mainly by South Canal Boulevard (*See Map 3-2*). Zone B encompasses approximately 169 acres. The residential areas are developed at urban densities although they have no sewers, curbs, sidewalks or storm drains. The area is primarily zoned R-2 Limited Residential. The southern portion is zoned R-4, General Residential.

Table 4-4 provides parcel-level summary information for Zone B. Similar to Zone A, this annexation study area is entirely residential, with the exception of slightly more than one acre of land designated as parkland. Zone B is comprised of a total of 133 tax lots and has an estimated 109 dwelling units. This zone has a total assessed value of $14,029,574 and a total real market value of $18,547,110. This equates to an assessed value of approximately $82,868 per acre and a real market value of approximately $109,552.

Owners who have agreed to annexation hold less than 4 percent of the total acreage and less than 8 percent of the total tax lots. Approximately 63 percent of the total acreage is developed, 16 percent is considered redevelopable and 21 percent is vacant, using land designations determined through Otak's Buildable Lands Study.

Lands adjacent to Zone B include a mixture of residential Comprehensive Plan Map designations. Areas immediately north of Zone B are zoned Limited Residential (R1) while areas immediately south of Zone B (south of S. Canal Street) are zoned General Residential (R4). Zone B is also adjacent to a 422-acre parcel of land, identified as S-2, designated as a potential urban reserve area.

Map 4-2. Annexation Zone B



Source: Community Planning Workshop, 2003

Table 4-5. Annexation Summary, Zone B

	Number	Percent of Total
Physical Description		
Acreage	169.3	
Tax Lots	133	
Estimated Dwelling Units	109	
Average Year Built	1987	
Fiscal Information		
Total Assessed Value	$14,029,574	
Median Assessed Value	$112,440	
Real Market Value of Land	$6,433,810	
Real Market Value of Improvements	$12,113,300	
Total Real Market Value	$18,547,110	
Owner Consent to Annexation		
Acreage	6.3	3.7%
Number of Tax Lots	10	7.5%
Planned Land Uses		
Park		
Acreage	1.4	0.9%
Tax Lots	1	0.8%
Total Assessed Value	$1,240	0.0%
R2 - Limited Residential		
Acreage	90.3	53.4%
Tax Lots	106	79.7%
Total Assessed Value	$12,510,582	89.2%
R4 - General Residential		
Acreage	77.5	45.8%
Tax Lots	26	19.5%
Total Assessed Value	$1,517,752	10.8%

Source: Community Planning Workshop, 2003

Capacity

As illustrated in Table 4-5, approximately 37 percent of the land in Zone B is vacant and only 12 percent is redevelopable. CPW estimates development capacity to include 643 dwelling units, or approximately 1,608 new residents. We project Zone B, at full build-out, to account for over 16 percent of all projected residential capacity in all of the annexation zones.

Table 4-6. Estimated Capacity, Zone B

Acreage	Total	Percent of Total
Developed	85.3	50.3%
Redevelopable	20.6	12.1%
Vacant	62.3	36.7%
Park	1.4	0.9%
Total Acres	**169.6**	

Estimated Capacity at Full Buildout	Total	Percent of All Zones
Existing		
Dwelling Units	109	
Residential Population	273	24.9%
Employment Population	0	0.0%
Projected		
Dwelling Units	534	
Residential Population	1,335	15.5%
Employment Population	0	0.0%
Total		
Dwelling Units	643	
Residential Population	1,608	16.6%
Employment Population	0	0.0%
Total Population	**1,608**	**9.1%**

Source: Community Planning Workshop, 2003

Estimated Revenues and Costs

As illustrated in Table 4-6, CPW estimated that at full build-out the City generate an estimated $1,457,472 in annual revenue from Zone B while incurring estimated operation and maintenance costs of $1,574,237. The result would be an estimated annual deficit of $116,765 for Zone B.

Capital costs attributed to this zone are estimated to be $8,628,810 for all capital improvement projects scheduled through 2020. Of that total, $3,522,190 is considered an unfunded liability to the City, while the remaining portion of $5,106,620 is expected to be funded through system development charges.

CPW also projects that at full build-out a total of 469 new students from Zone B would attend public schools, resulting in a net deficit of $154,178. This amount is based on an estimated annual cost of $3,448,426 and corresponding annual revenue of $3,294,247.

Table 4-7. Revenue and Cost Summary, Zone B

Revenues

Sources	Projected Revenues
Assessment Liens	$0
Charges for Services	$508,953
Fines and Forfeits	$7,731
Franchise Fees	$125,739
Intergovernmental Revenue	$77,280
License and Permits	$136,235
Miscellaneous Revenues	$146,939
Property Taxes	$454,595
Total Revenues	**$1,457,472**

Costs

Funds	Projected Cost
Administrative	$91,584
Cemetary	$6,733
Community Development	$3,421
Fire	$185,634
Hotel/Motel	$12,100
Mayor/Council	$1,035
Non-Departmental	$9,696
Parks	$77,145
Police	$280,924
Senior Center	$496
Transportation	$324,106
Wastewater	$360,262
Water	$221,100
Total Costs	**$1,574,237**
Surplus or (Deficit)	**($116,765)**

Source: Community Planning Workshop, 2003

Urban Services

City staff considers Zone B to have the greatest number of challenges out of all the zones in terms of the availability of existing services and ease with which new services can be provided to it. At present, the zone is not served at its borders with City sewer or water lines. Limits on downstream sewer capacity will constrain the development potential of the area until the City's planned Westside Interceptor Project is constructed through the zone. This capital improvement project is scheduled to be completed during Phase I (2000-2005) and Phase II (2006-2010), according to the Redmond Public Facilities Plan. In addition, the future extension of a City sewer to the zone will incur significant cost due to the required depth of any new line to the area, and the distance from the zone of the existing sewer.

Zone B contains the South Heights subdivision, which currently obtains water service from a private water company: SRH Water Company. When the land in Zone B is annexed into the City of Redmond, the City's Department of Public Works will be required, as a condition of annexation, to provide water services and upgrade existing infrastructure to city standards as dictated by the timing of the public facilities plan.

There are no new transportation projects scheduled for Zone B, according to the 2002 Transportation Capital Improvement Plan.

According to the Public Facilities Plan, 5 acres of parkland is slated to be acquired, which will serve the majority of Zone B. However, CPW estimates additional parkland should be acquired to meet the citywide park standard. The total projected population of 1,608 will warrant the need for approximately 13.6 acres of parkland at full build-out.

ZONE C

Physical Description

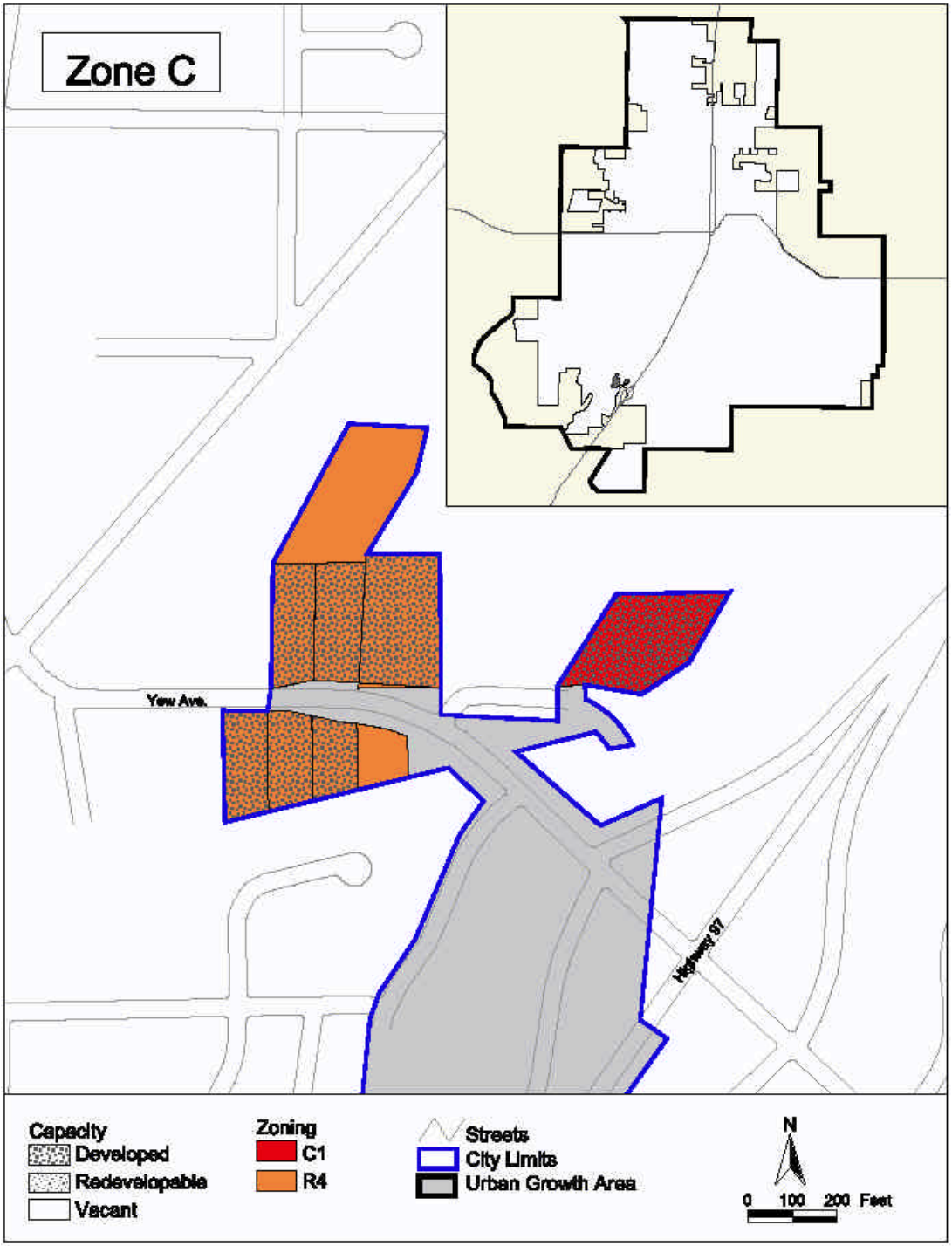
Zone C is located east of Zone B in the southern region of the UGB, and access to the zone is via Yew Avenue adjacent to Highway 97. (*See Map 3-3*) Zone C encompasses less than 7 acres and is completely surrounded by land inside the current city limits. The area is zoned R-4 General Residential with the exception of one parcel on the east zoned C-1 Strip Service Commercial.

Table 4-7 contains the parcel-level data for Zone C. The zone contains only 10 tax lots – three of which have owners who have consented to annexation - and has an estimated 14 dwelling units. Only one lot is zoned for commercial uses. The total assessed value of Zone C is $647,079 and the real market value is $889,030. This equates to an assessed value of approximately $96,579 per acre and a real market value of approximately $132,691.

Owners who have already consented to annexation hold approximately 43 percent of the total acres and 30 percent of the total tax lots. All of the total acreage is designated as developed land, according to Otak's Buildable Lands Study.

Lands adjacent to Zone C have a mixture of Comprehensive Plan Map designations. Lands bordering Zone C on the east are zoned Strip Service Commercial (C1) and lands bordering Zone C on the south and west are zoned General Residential (R4). There are no adjacent Urban Reserve Areas surrounding this zone.

Map 4-3. Annexation Zone C



Source: Community Planning Workshop, 2003

Table 4-8. Annexation Summary, Zone C

	Total	Percent of Total
Physical Description		
Acreage	6.7	
Tax Lots	10	
Estimated Dwelling Units	14	
Average Year Built	1967	
Fiscal Information		
Total Assessed Value	$647,079	
Median Assessed Value	$77,123	
Real Market Value of Land	$342,540	
Real Market Value of Improvements	$546,490	
Total Real Market Value	$889,030	
Owner Consent to Annexation		
Acreage	2.9	43.1%
Tax Lots	3	30.0%
Planned Land Uses		
C1 - Strip Service Commercial		
Acreage	1.2	18.0%
Tax Lots	1	10.0%
Total Assessed Value	$159,788	24.7%
R4 - General Residential		
Acreage	5.5	82.0%
Tax Lots	9	90.0%
Total Assessed Value	$487,291	75.3%

Source: Community Planning Workshop, 2003

Capacity

Zone C is almost entirely developed. As illustrated in Table 4-8, 74 percent of the land is developed, none of it qualifies as redevelopable, and only 1.7 acres are vacant. The zone has no new projected employment capacity, but a projected residential capacity for 12 new dwelling units holding 30 new residents. However, because of the configuration of the land in Zone C, and existing development patterns, the City might expect fewer dwelling units to actually be built on the vacant lands within the zone.

Table 4-9. Estimated Capacity, Zone C

Acreage	Total	Percent of Total
Developed	5.0	74.9%
Redevelopable	0.0	0.0%
Vacant	1.7	26.1%
Total Acres	**6.7**	

Estimated Capacity at Full Buildout	Total	Percent of All Zones
Existing		
Dwelling Units	14	
Residential Population	35	3.2%
Employment Population	24	1.1%
Projected		
Dwelling Units	12	
Residential Population	30	0.3%
Employment Population	0	0.0%
Total		
Dwelling Units	26	
Residential Population	65	0.7%
Employment Population	24	0.3%
Total Population	**89**	**0.5%**

Source: Community Planning Workshop, 2003

Estimated Revenues and Costs

As shown in Table 4-9, CPW projects that at full build-out the City will generate an estimated $51,216 in annual revenue from Zone C and incur an estimated $71,093 in operation and maintenance costs. The result would be an annual deficit of $19,877. Capital costs associated with Zone C are estimated to total $470,508 for all capital improvement projects scheduled through 2020. Of that amount, $193,045 is considered an unfunded liability to the City, with the remaining portion of $277,463 expected to be funded through system development charges.

CPW also projects that a total of 10 new students from Zone C would attend public schools at full build-out – the fewest of any of the zones that have new residential development. The resulting annual costs generated by this increase in student population are estimated to be $73,527, with corresponding annual revenue of $70,240. This would result in an annual net deficit of $3,287.

Table 4-10. Revenue and Cost Summary, Zone C

Revenues

Sources	Projected Revenues
Assessment Liens	$0
Charges for Services	$20,021
Fines and Forfeits	$304
Franchise Fees	$4,946
Intergovernmental Revenue	$3,124
License and Permits	$5,359
Miscellaneous Revenues	$5,780
Property Taxes	$11,682
Total Revenues	**$51,216**

Costs

Funds	Projected Cost
Administrative	$4,605
Cemetary	$321
Community Development	$189
Fire	$9,776
Hotel/Motel	$483
Mayor/Council	$41
Non-Departmental	$387
Parks	$3,361
Police	$13,642
Senior Center	$20
Transportation	$13,856
Wastewater	$15,114
Water	$9,296
Total Costs	**$71,093**
Surplus or (Deficit)	**($19,877)**

Source: Community Planning Workshop, 2003

Urban Services

This zone is surrounded by City sewer and water lines and City staff feel that facilities could be extended to the zone easily. Of the eight zones, Zone C is considered by Redmond Staff to be the second easiest zone to bring up to City water and sewer standards.

There are no new transportation projects scheduled for Zone C, according to the 2002 Transportation Capital Improvement Plan.

In applying the City's park standard, CPW estimates Zone C will require 0.55 acres of parkland at full build-out. However, given the small size of Zone C, park needs will probably not be accommodated within this zone.

ZONE D

Physical Description

Zone D is located slightly east of center along the northern edge of the city limits, Highway 97 runs along the western portion of the zone and North Canal Boulevard runs through the eastern half. (*See Map 3-4*) Zone D encompasses about 308 acres and is mostly in agricultural uses. The area is zoned R-3 Limited Residential along the western portion, C-1 Strip Service Commercial in the center, and R-4 General Residential along the western boundary.

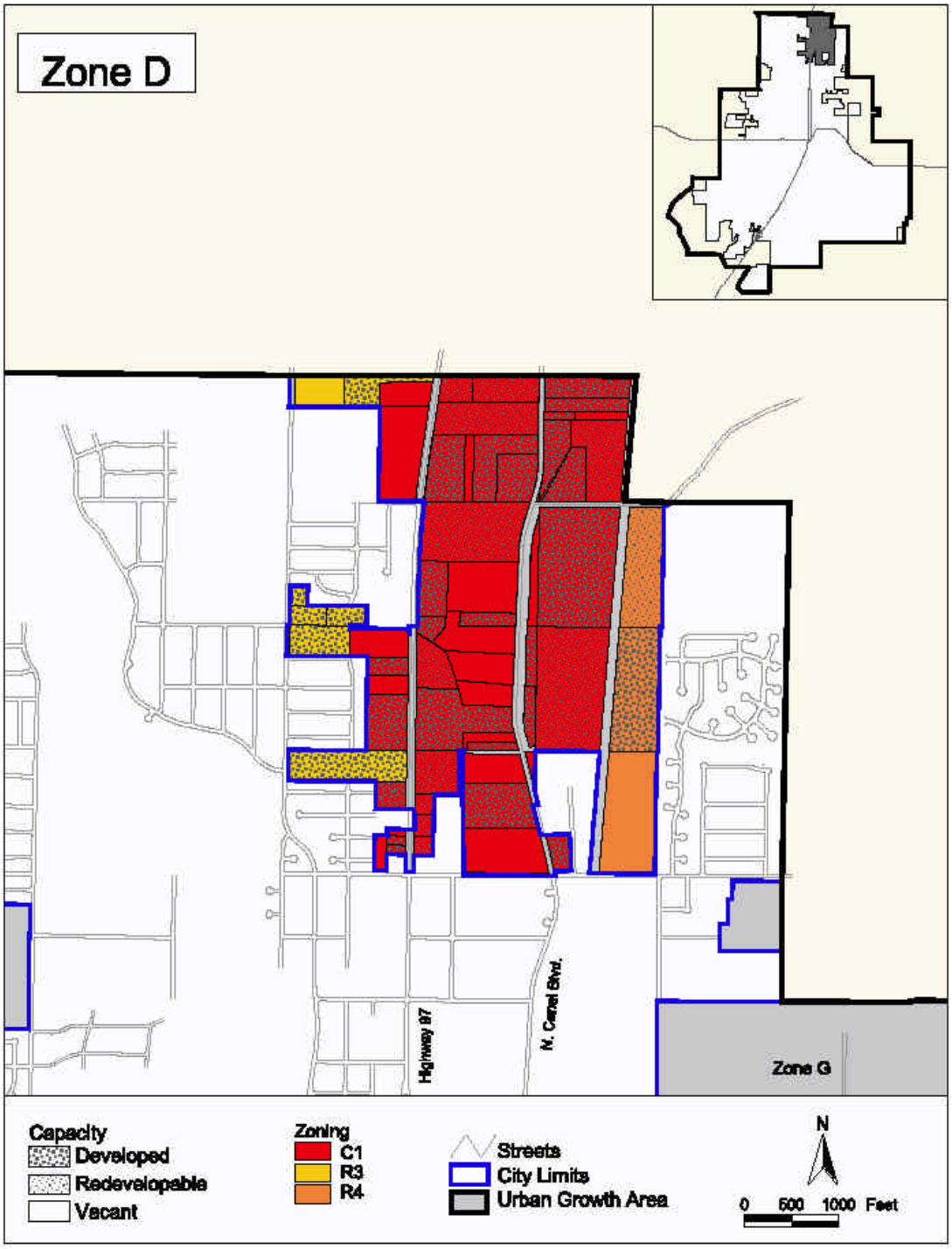
Table 4-10 shows the parcel-level information for Zone D. This zone contains a total of 63 tax lots, but is estimated to have only 16 dwelling units. Over 77 percent of land area is zoned for Strip Service Commercial. It has a total assessed value of $8,260,170 and a real market value of $14,148,975. This equates to an assessed value of $26,784 per acre and a real market value of $45,879 per acre.

None of the lots in this zone have property owners who have consented to annexation.

Areas adjacent to Zone D contain a mixture of residential and commercial designations. Adjacent lands to the west are zoned General Residential (R4). Lands to the south are zoned Special Service Commercial (C3) and High Density Residential (R5). Adjacent lands bordering Zone D on the west are zoned Limited Residential (R3).

According to Otak's Urban Reserve Map, Zone D is also adjacent to a 714-acre parcel of land (labeled N-1) identified as a potential Urban Reserve Area.

Map 4-3. Annexation Zone D



Source: Community Planning Workshop, 2003

Table 4-11. Annexation Summary, Zone D

	Total	Percent of Total
Physical Description		
Acreage	308.4	
Tax Lots	63	
Estimated Dwelling Units	16	
Average Year Built	1959	
Fiscal Information		
Total Assessed Value	$8,260,170	
Median Assessed Value	$85,001	
Real Market Value of Land	$9,493,310	
Real Market Value of Improvements	$4,655,665	
Total Real Market Value	$14,148,975	
Owner Consent to Annexation		
Acreage	0	0.0%
Tax Lots	0	0.0%
Planned Land Uses		
C1 - Strip Service Commercial		
Acreage	239.1	77.5%
Tax Lots	53	84.1%
Total Assessed Value	$6,576,064	79.6%
R3 - Limited Residential - Planned		
Acreage	26.7	8.7%
Tax Lots	7	11.1%
Total Assessed Value	$1,017,274	12.3%
R4 - General Residential		
Acreage	42.5	13.8%
Tax Lots	3	4.8%
Total Assessed Value	$666,832	8.1%

Source: Community Planning Workshop, 2003

Capacity

As shown in Table 4-11, a total of 172.4 acres in Zone D are either vacant or redevelopable. In terms of residential development, Zone D has the capacity for an estimated 265 dwelling units holding 663 residents. At full build-out Zone D will accommodate 6.8 percent of the total residential capacity of the annexation study zones. In terms of commercial development, however, Zone D contains almost 90 percent of the existing employment capacity of all of the study area zones. It has capacity for 4,324 total employees, and at full build-out it will account for almost 54 percent of the total projected employment capacity of all of the zones in this study.

Table 4-12. Estimated Capacity, Zone D

Acreage	Total	Percent of Total
Developed	137.9	44.4%
Redevelopable	86.7	27.9%
Vacant	85.7	27.6%
Total Acres	**310.3**	

Estimated Capacity at Full Buildout	Total	Percent of All Zones
Existing		
Dwelling Units	16	
Residential Population	40	3.6%
Employment Population	2,014	89.0%
Projected		
Dwelling Units	249	
Residential Population	623	7.2%
Employment Population	2,310	39.9%
Total		
Dwelling Units	265	
Residential Population	663	6.8%
Employment Population	4,324	53.6%
Total Population	**4,987**	**28.1%**

Source: Community Planning Workshop, 2003

Estimated Revenues and Costs

As shown in Table 4-12, CPW estimates that at full build-out the City will generate an estimated $3,680,058 in annual revenue from Zone D and incur an estimated $4,119,194 in operation and maintenance costs. The result will be an annual deficit of $439,136. Capital costs attributed to Zone D are estimated to be $25,126,443 for all capital improvement costs scheduled through 2020. The City's unfunded liability is projected to be $10,431,625, while the remaining portion of $14,694,818 is projected to be covered by system development charges.

Given the projected population for this annexation zone, CPW estimated that there would be a total of 218 new students attending public schools from the zone resulting in a net deficit of $71,665. Annual costs are estimated to be $1,602,893, and annual revenues are estimated to be $1,531,228.

Table 4-13. Revenue and Cost Summary, Zone D

Revenues

Sources	Projected Revenues
Assessment Liens	$0
Charges for Services	$1,827,185
Fines and Forfeits	$27,754
Franchise Fees	$451,414
Intergovernmental Revenue	$31,864
License and Permits	$489,094
Miscellaneous Revenues	$527,522
Property Taxes	$325,225
Total Revenues	**$3,680,058**

Costs

Funds	Projected Cost
Administrative	$318,615
Cemetary	$17,944
Community Development	$10,610
Fire	$571,844
Hotel/Motel	$26,872
Mayor/Council	$4,170
Non-Departmental	$21,532
Parks	$95,588
Police	$877,161
Senior Center	$1,102
Transportation	$814,841
Wastewater	$841,379
Water	$517,537
Total Costs	**$4,119,194**
Surplus or (Deficit)	**($439,136)**

Source: Community Planning Workshop, 2003

Urban Services

Immediate development potential in Zone D could be constrained by downstream limitations on sewer capacity. This limitation would not be eliminated until the City's planned Eastside Sewer Interceptor Project is completed. This capital improvement project is scheduled to be completed over the course of three phases spanning from 2000 through 2015, although the portion within Zone D is scheduled to be completed by 2005. At present, the zone is sparsely served by City water and sewer services and City staff consider it to be the third most challenging zone in terms of water and sewer provision.

The Redmond Urban Area Transportation Plan shows a proposed street connection between North Canal Blvd and Highway 97 in Zone D. The transportation Capital Improvement Plan shows this project is eligible

for 100 percent system development charge (SDC) funding. Transportation SDCs are based on vehicle trip generation, rather than where development occurs. SDC revenue from the entire City will be used to fund system-wide infrastructure improvements.

According to the park guidelines listed in the Public Facilities Plan, the projected population warrants additional 5.6 acres of parkland. The Parks' Capital Improvement List has listed 5-acres in parkland acquisition which would serve a majority of Zone D and cover most of the needs attributed to additional population increases in this zone.

ZONE E

Physical Description

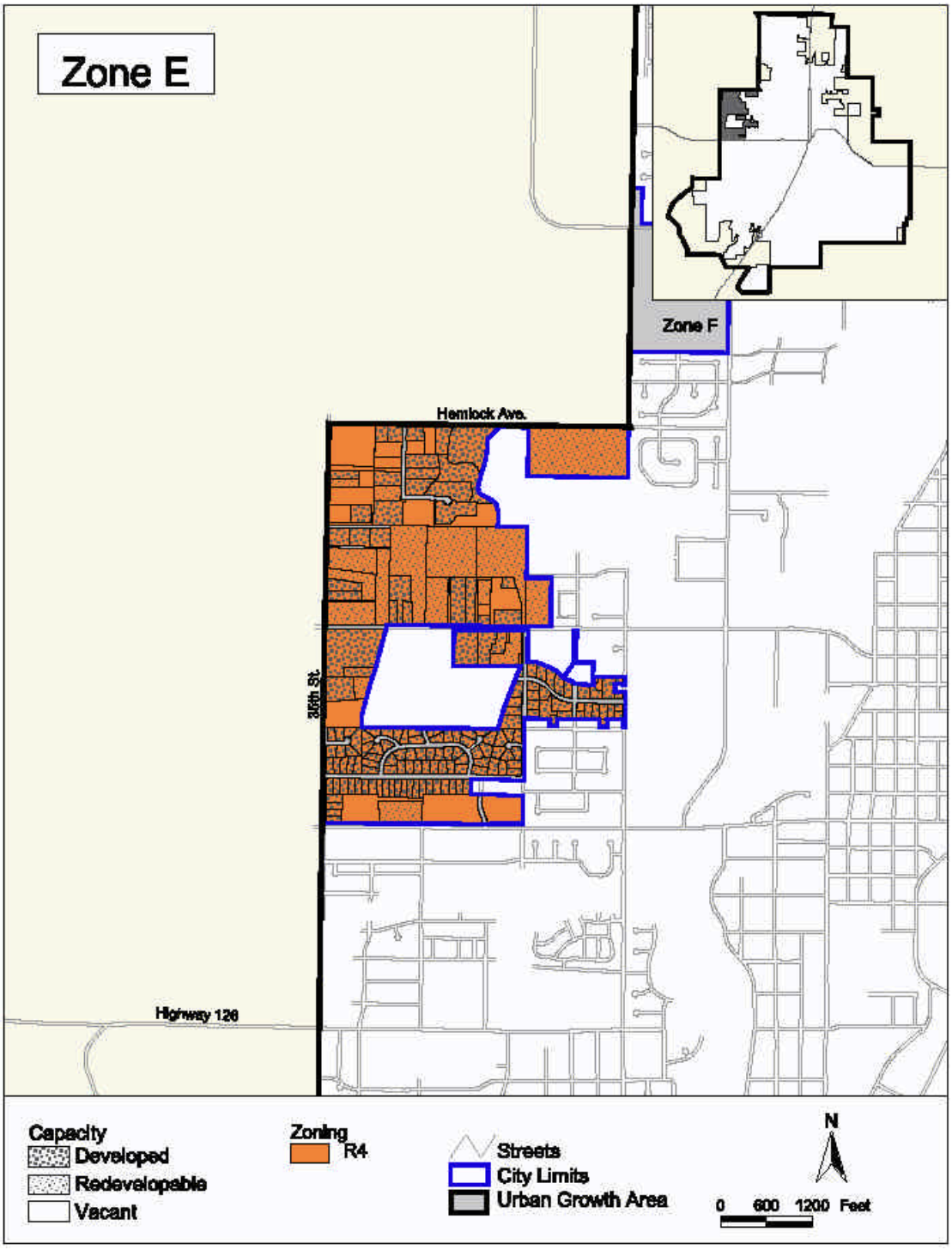
Zone E is located in the western corner of the UGB, bordered to the west by 35th Street, to the south by Highway 126, and to the north by Hemlock Avenue. (*See Map 3-5*) Zone E encompasses approximately 271 acres and is a mix of vacant land and residential developments. The residential areas have no sewers, curbs, sidewalks or storm drains. The entire area is zoned R-4 General Residential.

Table 4-13 provides the parcel-level information for Zone E. The zone has a total of 179 tax lots and is home to an estimated 174 dwelling units. It has a total assessed value of $15,404,336 and a real market value of $20,980,670. This equates to an assessed value of $56,822 per acre and a real market value of $77,391 per acre.

Owners of 30 percent of the tax lots have consented to annexation. Approximately 80 percent of these parcels are developed, while 4 percent are redevelopable, and 14 percent are vacant.

Adjacent areas south and east of Zone E are designated as General Residential (R4). Areas north and west of Zone E are outside of Redmond Urban Growth Boundary and are therefore designated within Deschutes County. According to Otak's Urban Reserve Map, Zone E is adjacent to two parcels that would be part of a potential Urban Reserve Area. A 674-acre parcel (W-1) to the west is under consideration, and to the north is a 596-acre parcel (W-2) also being considered.

Map 4-5. Annexation Zone E



Source: Community Planning Workshop, 2003

Table 4-14. Annexation Zone Summary, Zone E

	Total	Percent of Total
Physical Description		
Acreage	271.1	
Tax Lots	179	
Estimated Dwelling Units	174	
Average Year Built	1977	
Fiscal Information		
Total Assessed Value	$15,404,336	
Median Assessed Value	$86,117	
Real Market Value of Land	$8,113,725	
Real Market Value of Improvements	$12,866,945	
Total Real Market Value	$20,980,670	
Owner Consent to Annexation		
Acreage	34.5	12.7%
Tax Lots	54	30.2%
Planned Land Uses		
R4 - General Residential		
Acreage	271.1	100.0%
Tax Lots	179	100.0%
Total Assessed Value	$15,404,336	100.0%

Source: Community Planning Workshop, 2003

Capacity

As illustrated in Table 4-14, 18 percent of the land in Zone E is vacant, while 33 percent of it is redevelopable. CPW estimates that this zone has capacity for 995 new dwelling units and 2,488 residents at full build-out. Almost 40 percent of existing population in the eight annexation study areas resides in Zone E.

Table 4-15. Estimated Capacity, Zone E

Acreage	Total	Percent of Total
Developed	131.9	49.0%
Redevelopable	87.6	32.5%
Vacant	49.8	18.5%
Total Acres	**269.2**	

Estimated Capacity at Full Buildout	Total	Percent of All Zones
Existing		
Dwelling Units	174	
Residential Population	435	39.7%
Employment Population	0	0.0%
Projected		
Dwelling Units	995	
Residential Population	2,488	28.9%
Employment Population	0	0.0%
Total		
Dwelling Units	1,169	
Residential Population	2,923	30.2%
Employment Population	0	0.0%
Total Population	**2,923**	**16.5%**

Source: Community Planning Workshop, 2003

Estimated Revenues and Costs

As illustrated in Table 4-15, CPW estimates that at full build-out the City will generate an estimated $2,563,416 in annual revenue from Zone E, while costing an estimated $2,899,024 for operations and maintenance. The result would be an annual deficit of $335,608.

Capital costs attributed to this zone are estimated to be $15,690,210 for all capital improvement projects through 2020. Of that amount, $6,404,579 is considered an unfunded liability. The remaining portion of $9,285,630 is projected to be covered by system development charges.

The population of Zone E at full build-out will result in an estimated 874 new students in public schools, more than any other zone except Zone A. The projected increase of students will cost an additional $6,426,278, with revenues of $6,138,960. The resulting deficit would be $287,318 to the district.

Table 4-16. Revenue and Cost Summary, Zone E

Revenues

Sources	Projected Revenues
Assessment Liens	$0
Charges for Services	$929,326
Fines and Forfeits	$14,116
Franchise Fees	$229,594
Intergovernmental Revenue	$140,479
License and Permits	$248,759
Miscellaneous Revenues	$268,303
Property Taxes	$732,839
Total Revenues	**$2,563,416**

Costs

Funds	Projected Cost
Administrative	$169,830
Cemetary	$12,254
Community Development	$6,219
Fire	$341,389
Hotel/Motel	$22,045
Mayor/Council	$1,885
Non-Departmental	$17,664
Parks	$142,106
Police	$528,964
Senior Center	$904
Transportation	$596,918
Wastewater	$656,156
Water	$402,691
Total Costs	**$2,899,024**
Surplus or (Deficit)	**($335,608)**

Source: Community Planning Workshop, 2003

Urban Services

Developed portions of Zone E are already served by City water service and City sewer service will soon be provided to the borders of the developed areas. City staff consider the development potential of properties south of Antler Avenue to be high. However, the inability of the City to provide gravity service to those properties north of Antler Avenue, as well as the less frequent water service that presently exists in that area, make the development potential of this portion of the zone relatively low. Overall, City staff considers Zone E to be the third easiest zone to bring up to City water and sewer standards.

The Redmond Urban Area Transportation Plan shows a proposed extension of 27th Street from Highway 126 and a traffic signal at that intersection, which is contained within Zone E. The transportation

Capital Improvement Plan shows this project is eligible for partial system development charge (SDC) funding, with additional funding required.

The projected residential capacity within Zone E will necessitate the need for 24.8 acres of parkland at full build-out.

ZONE F

Physical Description

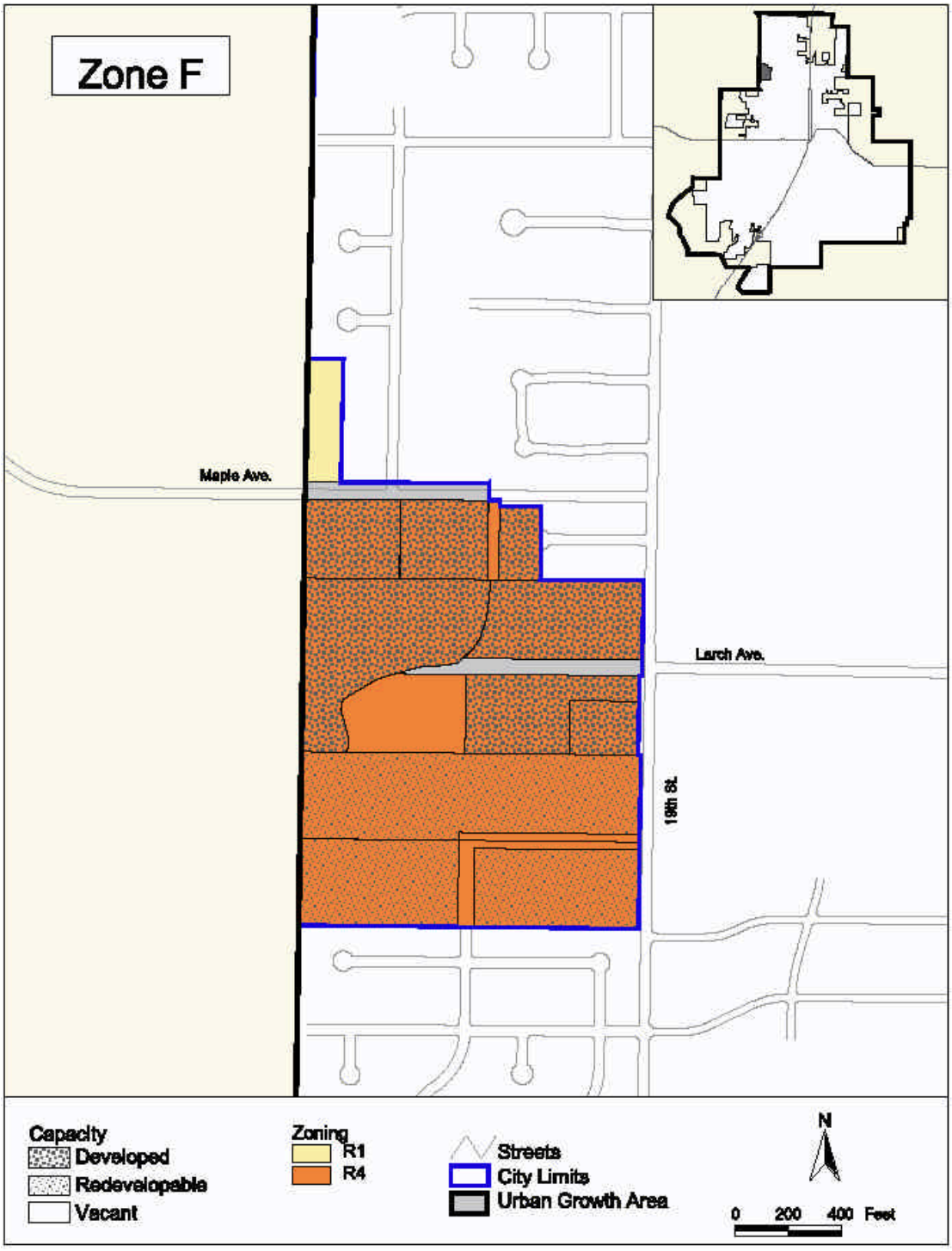
Zone F is located in the northwestern area of the UGB, between Oak Avenue and Ivy Avenue and west of 19th Street. (*See Map 3-6*) It encompasses about 46 acres and is used as agricultural grazing land. The area is zoned mostly R-4 General Residential with a small portion in the north zoned R-1 Limited Residential.

Table 4-16 provides the parcel-level information for Zone F. This zone is comprised of only 16 tax lots and is home to only 13 dwelling units. The average year built for these structures is 1915 – only five years younger than the City of Redmond. The total assessed value of the zone is $246,490, or $5,417 per acre, and its real market value is $674,105, or $14,816 per acre.

Two of the tax lots in the zone have owners who have consented to annexation. Of those tax lots, both parcels are developed.

Zone F is adjacent to a potential 596-acre Urban Reserve Area, which is labeled W-2. Areas surrounding Zone F contain a mixture of residential Comprehensive Plan Map designations. Lands to the north and east are designated Limited Residential (R1) and lands to the south and southeast are designated General Residential (R4). Adjacent lands bordering Zone F on the west are not within Redmond City limits and therefore, are designated within Deschutes County. There are no adjacent Urban Reserve Areas surrounding this zone.

Map 4-6. Annexation Zone F



Source: Community Planning Workshop, 2003

Table 4-17. Annexation Zone Summary, Zone F

	Total	Percent of Total
Physical Description		
Acreage	45.5	
Tax Lots	16	
Estimated Dwelling Units	13	
Average Year Built	--	
Fiscal Information		
Total Assessed Value	$246,490	
Median Assessed Value	$74,632	
Real Market Value of Land	$490,540	
Real Market Value of Improvements	$183,565	
Total Real Market Value	$674,105	
Owner Consent to Annexation		
Acreage	22.2	48.9%
Tax Lots	2	12.5%
Planned Land Uses		
R1 - Limited Residential		
Acreage	1.5	3.2%
Tax Lots	4	25.0%
Total Assessed Value	$171,858	69.7%
R4 - General Residential		
Acreage	44.0	96.6%
Tax Lots	12	75.0%
Total Assessed Value	$74,632	30.3%

Source: Community Planning Workshop, 2003

Capacity

As illustrated in Table 4-17, the largest portion of land available for development is actually land classified as redevelopable. A total of 18.2 acres qualify in this category, over 42 percent of the land in the zone. Only 3.3 acres are vacant. At full build-out, Zone F is projected to contain 167 dwelling units and 418 residents.

Table 4-18. Estimated Capacity, Zone F

Acreage	Total	Percent of Total
Developed	21.2	49.7%
Redevelopable	18.2	42.6%
Vacant	3.3	7.7%
Total Acres	**42.6**	

Estimated Capacity at Full Buildout	Total	Percent of All Zones
Existing		
Dwelling Units	13	
Residential Population	33	3.0%
Employment Population	0	0.0%
Projected		
Dwelling Units	154	
Residential Population	385	4.5%
Employment Population	0	0.0%
Total		
Dwelling Units	167	
Residential Population	418	4.3%
Employment Population	0	0.0%
Total Population	**418**	**2.4%**

Source: Community Planning Workshop, 2003

Estimated Revenues and Costs

As shown in Table 4-18, CPW estimates that at full build-out the City will generate an estimated $362,026 in annual revenue from Zone F and will incur an estimated $405,393 in operation and maintenance costs. The result will be an annual deficit of $43,366.

Capital costs attributed to Zone F would be $2,241,075 for all capital improvement projects scheduled through 2020. Of that amount $914,783 is considered unfunded liability to the City, with the remaining portion of $1,326,292 covered by system development charges.

Given the population of Zone F at full build-out an estimated 135 new students would attend public school, costing the district an additional $992,617, with revenues totaling $948,238 per year. The result would be an annual deficit of $44,380.

Table 4-19. Revenue and Cost Summary, Zone F

Revenues

Sources	Projected Revenues
Assessment Liens	$0
Charges for Services	$132,897
Fines and Forfeits	$2,019
Franchise Fees	$32,833
Intergovernmental Revenue	$20,089
License and Permits	$35,573
Miscellaneous Revenues	$38,368
Property Taxes	$100,247
Total Revenues	**$362,026**

Costs

Funds	Projected Cost
Administrative	$23,398
Cemetary	$1,752
Community Development	$889
Fire	$47,771
Hotel/Motel	$3,153
Mayor/Council	$270
Non-Departmental	$2,526
Parks	$19,811
Police	$70,749
Senior Center	$129
Transportation	$83,524
Wastewater	$93,833
Water	$57,586
Total Costs	**$405,393**
Surplus or (Deficit)	**($43,366)**

Source: Community Planning Workshop, 2003

Urban Services

The parcels in this zone bordering Maple Avenue and 19th Street are already served by City water, sewer, and transportation services and City staff consider Zone F to be the least challenging zone to provide urban services.

There are no new transportation projects scheduled for Zone F, according to the 2002 Transportation Capital Improvement Plan.

Given the projected residential population in Zone F, CPW projected the need for 3.6 acres of parkland at full build-out.

ZONE G

Physical Description

Zone G is located along the eastern edge of the city limits, due north of the airport and Highway 126, west of North Canal Blvd., and south of Negus Way. (*See Map 3-7*) Zone G encompasses approximately 798 acres and is a mix of vacant land and industrial uses. The lower half of the area is zoned OSPR Open Space Park Reserve and a small portion in the southeast corner is zoned Airport. The northern portion is zoned M-1 Light Industrial and M-2 Heavy Industrial.

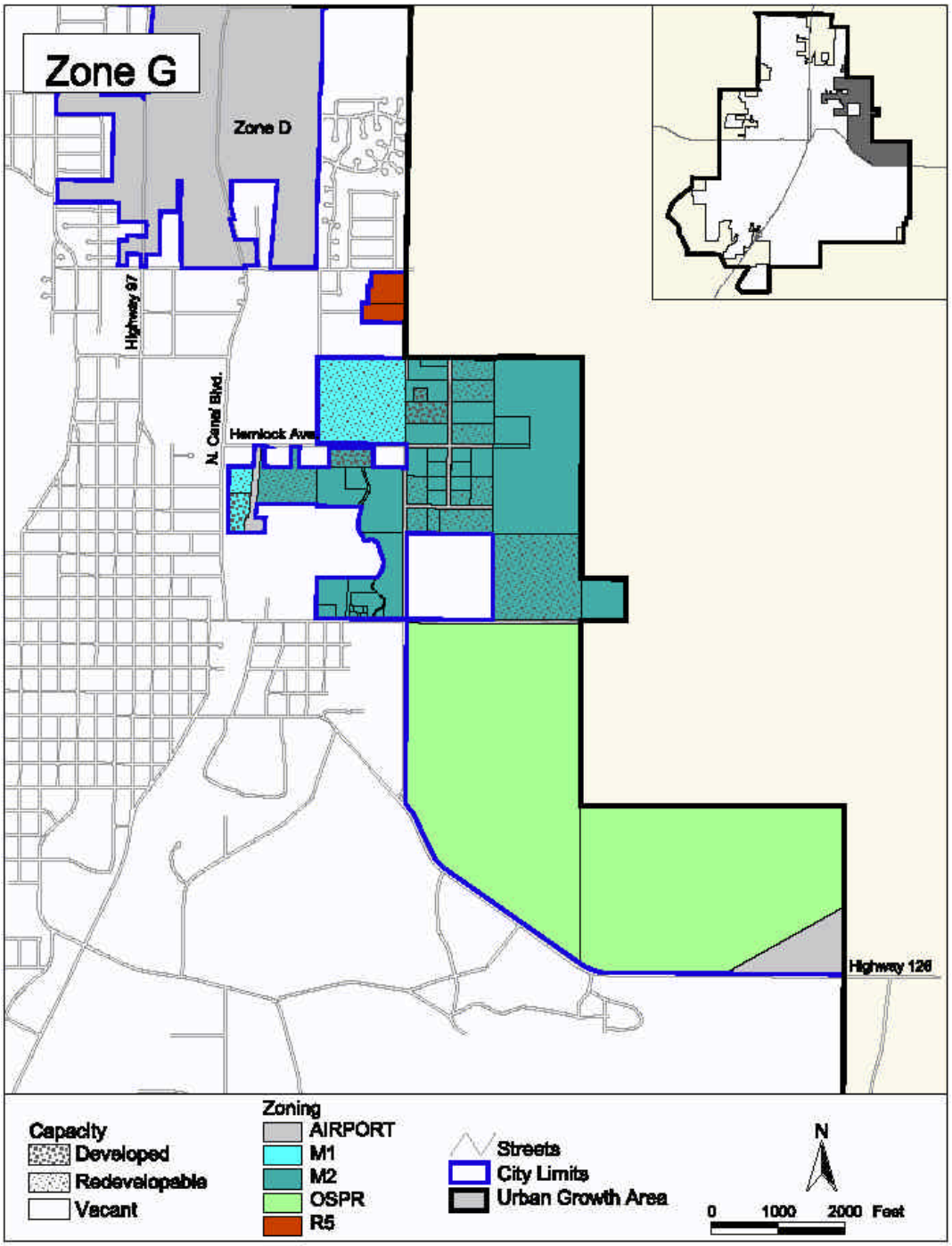
The greatest amount of land, over 57 percent of the zone, is designated for Open Space/Park uses. Heavy Industrial comprises the next largest amount of land, almost 265 acres, and the greatest number of tax lots, 53. Lands designated for airport uses account for 20.9 acres, or 2.6 percent of the zone.

Table 4-19, below, shows the parcel-level data for this zone. Zone G contains a total of 61 tax lots and, despite the fact that over ten acres are zoned for Urban High Density Residential, the zone does not contain any dwelling units. The total assessed valuation of Zone G is $5,401,206.

The owners of 21 of the tax lots have consented to annexation. Nineteen percent of those tax lots are developed, while 31 percent are considered redevelopable, and 50 percent are vacant.

Adjacent lands to the south and southwest are zoned Light Industrial (M1), Tourist Commercial (C5), and Airport. Adjacent lands located west of Zone G are designated Light Industrial (M1), and Heavy Industrial (M2). Adjacent lands located east of Zone G are not within Redmond's Urban Growth Boundary and are thus designated within Deschutes County. Zone G is adjacent to the largest area proposed as an Urban Reserve Area. Labeled E-1, this area contains a total of 1,730 acres and lies directly east of the zone.

Map 4-7. Annexation Zone G



Source: Community Planning Workshop, 2003

Table 4-20. Annexation Zone Summary, Zone G

	Total	Percent of Total
Physical Description		
Acreage	798.1	
Tax Lots	61	
Estimated Dwelling Units	0	
Average Year Built	1961	
Fiscal Information		
Total Assessed Value	$5,401,206	
Median Assessed Value	$72,780	
Total Real Market Value of Land	$11,898,845	
Total Real Market Value of Improvements	$1,120,390	
Total Real Market Value	$13,019,235	
Owner Consent to Annexation		
Acreage	196.0	24.6%
Tax Lots	21	34.4%
Planned Land Uses		
Airport		
Acreage	20.9	2.6%
Tax Lots	1	1.6%
M1 - Light Industrial		
Acreage	46.2	5.8%
Tax Lots	3	4.9%
Total Assessed Value	$538,120	10.0%
M2 - Heavy Industrial		
Acreage	264.9	33.2%
Tax Lots	53	86.9%
Total Assessed Value	$4,672,008	86.5%
OSPR - Park Reserve-Open Space		
Acreage	455.9	57.1%
Tax Lots	2	3.3%
R5 - Urban High Density Residential		
Acreage	10.1	1.3%
Tax Lots	2	3.3%
Total Assessed Value	$191,078	3.5%

Source: Community Planning Workshop, 2003

Capacity

As shown in Table 4-20, Zone G has a high amount of growth potential. It is presently home to no residents and 129 employees--about 5.7 percent of the employees in all of the zones. CPW estimates that Zone G has the capacity for 77 dwelling units and 193 residents. Zone G also has the capacity for an additional 2,492 employees, giving this zone, at full build-out, over 32 percent of all of the projected employees for all of the zones.

The total vacant acreage in Table 4-20 includes approximately 477 acres of land designated as Open Space Park Reserve. CPW did not project residential or non-residential capacity for this vacant land.

Table 4-21. Estimated Capacity, Zone G

Acreage	Total	Percent of Total
Developed	14.3	1.8%
Redevelopable	127.1	15.9%
Vacant	657.5	82.3%
Total Acres	**798.9**	

Estimated Capacity at Full Buildout	Total	Percent of All Zones
Existing		
Dwelling Units	0	
Residential Population	0	0.0%
Employment Population	129	5.7%
Projected		
Dwelling Units	77	
Residential Population	193	2.2%
Employment Population	2,492	43.0%
Total		
Dwelling Units	77	
Residential Population	193	2.0%
Employment Population	2,621	32.5%
Total Population	**2,814**	**15.9%**

Source: Community Planning Workshop, 2003

Estimated Revenues and Costs

CPW projects that at full build-out Zone G will generate an estimated $2,961,698 in annual revenue to the City while incurring estimated operation and maintenance costs of $2,540,583. The result would be an annual surplus of $421,115. The specific revenues and costs are illustrated in Table 4-22.

It is important to note that Zone G is located within the boundary of Redmond's Enterprise Zone designation. The enterprise zone provides a tax incentive to businesses through a three-year abatement on 100 percent of local property taxes. Table 4-22 provides an estimation of property taxes without accounting for the property tax abatement. With the abatement, the City could expect decreased property tax revenues, which equate to $224,038 per year. The resulting total annual revenues would equal $2,737,660, and the annual surplus would reduced to $197,077.

Capital costs attributed to Zone G are projected to total $14,107,137. Of that total, $5,864,611 is considered the City's unfunded liability, while

$8,242,525 is projected to be funded through system development charges.

CPW projects that a total 67 new students from Zone G would be attending public schools. This will cost the district an additional $492,632 per year, with revenues of $470,607 per year, and resulting in a net annual deficit of $22,025.

Table 4-22. Revenue and Cost Summary, Zone G

Revenues

Sources	Projected Revenues
Assessment Liens	$0
Charges for Services	$1,500,243
Fines and Forfeits	$22,788
Franchise Fees	$370,642
Intergovernmental Revenue	$9,276
License and Permits	$401,580
Miscellaneous Revenues	$433,131
Property Taxes	$224,038
Total Revenues	**$2,961,698**

Costs

Funds	Projected Cost
Administrative	$189,876
Cemetary	$11,104
Community Development	$5,987
Fire	$323,463
Hotel/Motel	$18,713
Mayor/Council	$3,372
Non-Departmental	$14,994
Parks	$44,595
Police	$490,643
Senior Center	$768
Transportation	$522,320
Wastewater	$566,690
Water	$348,059
Total Costs	**$2,540,583**
Surplus or (Deficit)	**$421,115**

Source: Community Planning Workshop, 2003

Urban Services

The development capacity of Zone G may be limited by constraints on the downstream sewer capacity pending construction of the planned Eastside Sewer Interceptor project during Phases II, which is planned during the 2006-2010 interval of the Capital Improvement Plan.

However, the western border of this zone is currently served by City water and sewer services. Overall, City staff rank Zone G fifth out of eight in terms of the ease with which it can be brought up to City water and sewer standards.

A new project added to the 2002 Transportation Capital Improvement Plan is the Hemlock Avenue Modernization Project, which partially intersects Zone G. According to the CIP, Hemlock Avenue is a former County road and its alignment, condition, and grade do not match the City's standards. The project is 20 percent eligible for SDC funding, with a remaining $1,120,000 required to complete the project.

With a large non-residential population and a small residential population, the need for additional parks in Zone G is minimal. CPW projected a need for 6.8 acres of parkland at full buildout in the zone.

ZONE H

Physical Description

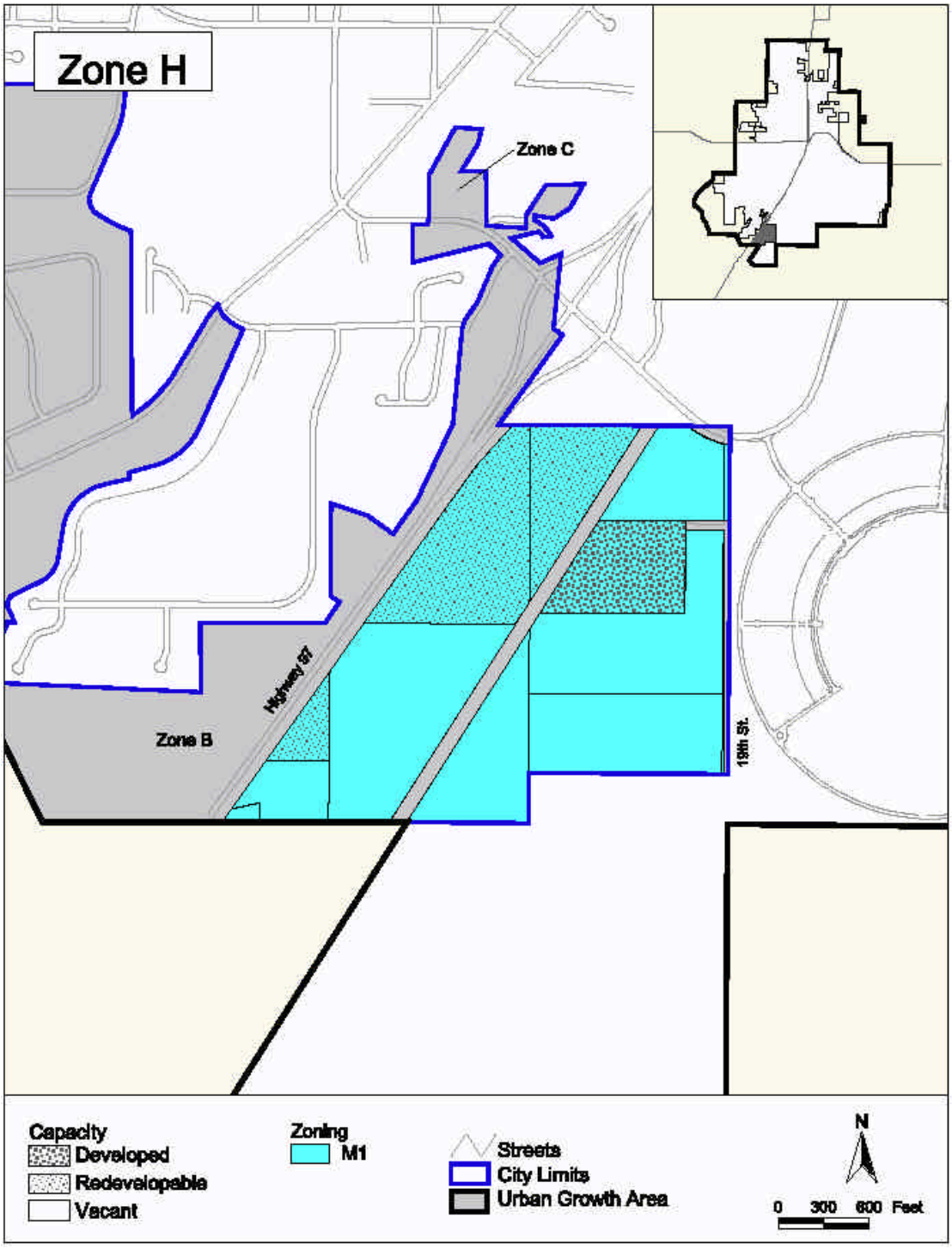
Zone H is located slightly west of center along the southern edge of the city limits. (*See Map 3-8*) Highway 97 forms the western boundary and 19th Street is the eastern boundary of the zone. Zone H encompasses nearly 126 acres and is a mix of industrial/commercial uses and vacant lots located adjacent to the Deschutes County Fairgrounds. The entire study area is zoned M-1 Light Industrial.

Table 4-22 illustrates the parcel-level data for Zone H. It contains a total of 12 tax lots and no dwelling units. The total assessed value of the zone is $867,904, or $6,894 per acre and the total real market value is $2,719,680, or $21,601 per acre.

None of the owners have consented to annexation in this zone.

Areas surrounding Zone H contain a combination of residential, commercial, and open space Comprehensive Plan Map designations. The area immediately to the east of Zone H is currently used for the Deschutes County Fairgrounds. The large area to the south is zone Open Space Park Reserve (OSPR). Areas that border Zone H on the north are zoned Strip Service Commercial (C1) and lands to the west are zoned General Residential (R4). Zone H is also bordered on the south by lands designated within Deschutes County. Zone H is adjacent to a 422-acre parcel, labeled S-2 on the Urban Reserve Map.

Map 4-8. Annexation Zone H



Source: Community Planning Workshop, 2003

Table 4-23. Annexation Zone Summary, Zone H

	Total	Percent of Total
Physical Description		
Acreage	125.9	
Tax Lots	12	
Estimated Dwelling Units	0	
Average Year Built	1967	
Fiscal Information		
Total Assessed Value	$867,904	
Median Assessed Value	$91,458	
Real Market Value of Land	$2,236,850	
Real Market Value of Improvements	$482,830	
Total Real Market Value	$2,719,680	
Owner Consent to Annexation		
Acreage	0	0.0%
Tax Lots	0	0.0%
Planned Land Uses		
M1 - Light Industrial		
Acreage	125.9	100%
Tax Lots	12	100%
Total Assessed Value	$867,904	100%

Source: Community Planning Workshop, 2003

Capacity

As shown in Table 4-23, CPW estimates that Zone H has considerable capacity for new employment. The majority of the land, 114 acres, is either vacant or redevelopable. While there are presently only 97 employees in Zone H, at full build-out CPW estimates this zone could hold a total employment population of 1,092.

Table 4-24. Estimated Capacity, Zone H

Acreage	Total	Percent of Total
Developed	10.8	8.6%
Redevelopable	31.2	25.0%
Vacant	82.9	66.4%
Total Acres	**124.8**	

Estimated Capacity at Full Buildout	Total	Percent of All Zones
Existing		
Dwelling Units	0	
Residential Population	0	0.0%
Employment Population	97	4.3%
Projected		
Dwelling Units	0	
Residential Population	0	0.0%
Employment Population	995	17.2%
Total		
Dwelling Units	0	
Residential Population	0	0.0%
Employment Population	1,092	13.5%
Total Population	**1,092**	**6.2%**

Source: Community Planning Workshop, 2003

Estimated Revenues and Costs

As shown in Table 4-24, at full build-out Zone H will generate an estimated $1,222,322 in annual revenue to the City while incurring operation and maintenance costs estimated at $999,186. The result would be an annual surplus of $223,146.

It is important to note that Zone H is located within the boundary of Redmond's Enterprise Zone designation. The enterprise zone provides a tax incentive to businesses through a three-year abatement on 100 percent of local property taxes. Table 4-25 provides an estimation of property taxes without accounting for the property tax abatement. With the abatement, the City could expect decreased property tax revenues, which equate to $46,256 per year. The resulting total annual revenues would equal $1,176,076, and the annual surplus would equal $176,890.

Capital costs attributed to Zone H are estimated to be $5,445,906 for all capital improvement projects scheduled through the year 2020. Of that amount, $2,267,219 is considered an unfunded liability to Redmond. The remaining portion of $3,178,687 is expected to be covered by system development charges.

Table 4-25. Revenue and Cost Summary, Zone H

Revenues

Sources	Projected Revenues
Assessment Liens	$0
Charges for Services	$646,683
Fines and Forfeits	$9,823
Franchise Fees	$159,766
Intergovernmental Revenue	$0
License and Permits	$173,102
Miscellaneous Revenues	$186,702
Property Taxes	$46,256
Total Revenues	**$1,222,332**

Costs

Funds	Projected Cost
Administrative	$74,584
Cemetary	$4,422
Community Development	$2,323
Fire	$124,435
Hotel/Motel	$7,670
Mayor/Council	$1,312
Non-Departmental	$6,146
Parks	$13,758
Police	$184,401
Senior Center	$315
Transportation	$207,821
Wastewater	$230,486
Water	$141,514
Total Costs	**$999,186**
Surplus or (Deficit)	**$223,146**

Source: Community Planning Workshop, 2003

Urban Services

Properties in Zone H that are located east of the Burlington Northern Santa Fe (BNSF) railroad facility are currently served by City water and sewer services and the properties to the west of the facility will soon be served through the development of a commercial subdivision to the north. Overall, City staff rank Zone H fourth out of eight in terms of the ease with which it can be brought up to City water and sewer standards.

There are no new transportation projects scheduled for Zone H according to the 2002 Transportation Capital Improvement Plan.

There is no residential capacity projected for Zone H because there are no residentially planned uses. Thus, there are no park needs projected for this zone.

Chapter 5
Findings

The purpose of this study was to evaluate the impacts of annexing unincorporated lands within the Redmond Urban Growth Boundary (UGB). Moreover, this report meets the SB 122 requirement that cities complete an annexation evaluation in support of annexation plans. This chapter presents CPW's findings based on the research presented in Chapters 2 through 4 of this report.

The findings are organized by (1) general findings that apply to all of the annexation study areas, and (2) findings for specific annexation zones. CPW did not develop recommendations as part of the annexation evaluation. The implications of the analysis presented in this report will be discussed at a May 20 City Council work session.

Findings

The following section presents key findings from CPW's evaluative research of Redmond's annexation study zones.

General Findings

- **Under most growth scenarios, Redmond will need all of the land within its UGB to accommodate population and employment growth forecast between 2003 and 2020.** The *Buildable Lands Needs Analysis* recently completed by Otak forecasts a 2020 population of 41,051 for Redmond. Otak estimates Redmond will need approximately 3,500 acres of buildable residential land, and about 1,075 acres of commercial and industrial land to accommodate this growth. Otak estimates Redmond currently has a total of 3,000 buildable acres of land (for all types of development) within its UGB. The implication of this finding is that Redmond will need to annex all of the land within the present UGB (as well as expand the UGB) to accommodate growth forecast between 2003 and 2020.
- **The fiscal impact analysis estimates operating deficits for all annexation study zones.** The purpose of the fiscal impact analysis was to estimate annual current, direct, and public revenues and costs to provide municipal services for each study zone at full build-out. The estimated costs and revenues vary depending on the total acreage and capacity of each annexation zone. Table 5-1 summarizes estimated costs and revenues for each annexation study zone.

- **Analysis of City of Redmond capital improvement programs revealed capital deficits for all annexation study zones.** CPW used per capita capital costs derived from city documents to estimate capital costs associated with servicing each annexation zone at full build-out. Using this method, CPW estimates a total of $92,231,358 in capital costs attributed to growth in all annexation zones. Of this amount, approximately 59% would be funded by system development charges. The remaining 41%, or $37,974,621, is considered Redmond's unfunded service liability.
- **Proposed sewer system improvements will service some annexation areas before others.** The East Side and West Side Interceptor projects are major sewer system upgrades that will affect development in certain annexation zones. The key timing issues apply to Zones A, B, D, and G.

  The City of Redmond Wastewater Capital Improvement Plan presents a timeline spanning two phases for installation of the East Side Interceptor. The timing of the East Side Interceptor will have an affect on the timing of annexing Zones D and G. The portion of the project affecting Zone D is scheduled to be completed during Phase I (2000-2005). For Zone G, the northern portion (King Way to Antler Avenue) of the wastewater project will be completed during the 2006-2010 time interval. The southern portion of the project (South of Antler Ave) is not scheduled to be completed until Phase II (2011-2015).

  The timing of the West Side Interceptor also spans multiple phases in the Wastewater Capital Improvement Plan. The portion of the project affecting Zones A and B is scheduled to occur during Phase II (2005-2010). In addition, the Line D sewer line, which will serve Annexation Zone A, is scheduled for Phase II (2005-2010). City staff has indicated that annexation and development potential will revolve around the availability of sewer and water service to each zone.

  If Redmond follows the schedule outlined in the Public Facilities Plan, the Westside Sewer Interceptor Project will provide sewer capacity to Zones E and F during the 2000-2005 Phase. The Westside Interceptor will provide sewer capacity to Zones A, B, C and H during the 2006-2010 Phase. The Eastside Sewer Interceptor Project will provide sewer capacity to Zone D in the 2006-2010 Phase. By 2010, it will reach Antler Avenue, providing sewer capacity to about half of Zone G. During the 2011-2015 Phase, the project will extend south of Antler Avenue, providing sewer capacity to the southern half of Zone G.
- **The Enterprise Zone Designation, which applies to Zones G and H, will affect short-term property tax revenues**

related to industrial businesses. The Redmond enterprise zone includes the entire annexation study zones of G and H. The enterprise zone provides businesses with a three-year abatement on 100% of local property taxes for new capital investment in buildings and equipment in the zone. Businesses can qualify for an additional two years of abatement by increasing employment and meeting other conditions. In addition, the city waives many permit fees and discounts the charges for some urban services.

CPW estimated property tax revenue based on the existing assessed value of tax lots in the annexation zones. If a business operating on a tax lot in Zone G, qualifies for enterprise zone benefits, the city will forego property tax revenues from that tax lot as well as a percentage of some permit fees and charges. CPW estimates the potential tax abatement at about $200,000 annually if all of the eligible properties participate and are built out at the same time. The enterprise zone designation terminates in 2008.

Specific Findings by Zone

One of the primary objectives of the evaluation study is to provide data useful to the Redmond City Council for developing priorities and policies in the Annexation Plan. This section provides summary data and findings for each individual annexation study zone.

Table 5-1 compares key characteristics for each study zone. This table shows the total and buildable acreage within each zone, the existing and estimated population at full build-out, and fiscal information including the revenue, cost, and deficit per population equivalent, acre, and buildable acre.

Table 5-2 shows a zone-by-zone comparison and ranking of key evaluation criteria. Criteria including residential and non-residential capacity, buildable acres, consent to annex, estimated total assessed value, and ease and availability of services, were assigned a number ranging from one to eight, which corresponded with a high to low value (finding). Conversely, the fiscal criteria displayed in the table were assigned a number ranging from one to eight, which corresponded with a low to high value (finding). The final row presents an average unweighted ranking of all criteria in the table.

Table 5-1. Comparison of Key Characteristics by Annexation Study Zone

	Zone A	Zone B	Zone C	Zone D	Zone E	Zone F	Zone G	Zone H
Acreage								
Total Acres	406	169	7	308	271	46	836	126
Buildable Acres	278	82	2	148	133	21	287	111
Population Capacity								
Existing Residential Population	280	273	35	40	435	33	0	0
Existing Non-Residential Population	0	0	24	2,014	0	0	129	97
Total Existing Population Equivalent	*280*	*273*	*59*	*2,054*	*435*	*33*	*129*	*97*
Estimated Residential Population	3,543	1,335	30	623	2,488	385	193	0
Estimated Non-Residential Population	0	0	0	2,310	0	0	2,492	995
Total Estimated Population Equivalent	*3,543*	*1,335*	*30*	*2,933*	*2,488*	*385*	*2,685*	*995*
Total Residential Capacity	3,823	1,608	65	663	2,923	418	193	0
Total Non-Residential Capacity	0	0	24	4,324	0	0	2,621	1,092
Total Capacity Population Equivalent	*3,823*	*1,608*	*89*	*4,987*	*2,923*	*418*	*2,814*	*1,092*
Percent at Full Buildout								
Residential Capacity	100%	100%	73%	13%	100%	100%	7%	0%
Non-Residential Capacity	0%	0%	27%	87%	0%	0%	93%	100%
Consent to Annex								
Percent of Total Tax Lots	21%	8%	30%	0%	30%	13%	34%	0%
Fiscal Information								
Revenues	$3,681,946	$1,457,472	$51,216	$3,680,058	$2,563,416	$362,026	$2,961,698	$1,222,332
Costs	$3,821,803	$1,574,237	$71,093	$4,119,194	$2,899,024	$405,393	$2,540,583	$999,186
Surplus or (Deficit)	*($139,857)*	*($116,765)*	*($19,877)*	*($439,136)*	*($335,608)*	*($43,366)*	*$421,115*	*$223,146*
Revenue/Population Equivalent	$963	$906	$575	$738	$877	$866	$1,052	$1,119
Cost/Population Equivalent	$1,000	$979	$799	$826	$992	$970	$903	$915
Deficit/Population Equivalent	*($37)*	*($73)*	*($223)*	*($88)*	*($115)*	*($104)*	*$150*	*$204*
Revenue/Acre	$9,080	$8,609	$7,644	$11,933	$9,456	$7,957	$3,541	$9,709
Cost/Acre	$9,425	$9,299	$10,611	$13,357	$10,694	$8,910	$3,038	$7,936
Deficit/Acre	*($345)*	*($690)*	*($2,967)*	*($1,424)*	*($1,238)*	*($953)*	*$503*	*$1,772*
Revenue/Buildable Acre	$13,266	$17,857	$29,266	$24,805	$19,239	$17,506	$25,638	$11,052
Cost/Buildable Acre	$13,770	$19,287	$40,624	$27,765	$21,758	$19,603	$21,993	$9,034
Deficit/Buildable Acre	*($504)*	*($1,431)*	*($11,358)*	*($2,960)*	*($2,519)*	*($2,097)*	*$3,645*	*$2,018*

Source: Community Planning Workshop, 2003

Table 5-2. Annexation Criteria Rankings

	Zone A		Zone B		Zone C		Zone D		Zone E		Zone F		Zone G		Zone H	
	Finding	**Rank**	**Finding**	**Rank**	**Finding**	**Rank**	**Finding**	**Rank**	**Finding**	**Rank**	**Finding**	**Rank**	**Finding**	**Rank**	**Finding**	**Rank**
Residential Capacity	3,823	1	1,608	3	65	7	663	4	2,923	2	418	5	193	6	0	8
Non-Residential Capacity	0	5	0	5	24	4	4,324	1	0	5	0	5	2,621	2	1,092	3
Buildable Acres	278	2	82	6	2	8	148	3	133	4	21	7	287	1	111	5
Consent to Annex (% of Tax Lots)	21%	3	8%	5	30%	2	0%	6	30%	2	13%	4	34%	1	0%	6
Total Operating Deficit	($139,857)	6	($116,765)	5	($19,877)	3	($439,136)	8	($335,608)	7	($43,366)	4	$421,115	1	$223,146	2
Total Deficit by Population Equivalent	($37)	3	($73)	4	($223)	8	($88)	5	($115)	7	($104)	6	$150	2	$204	1
Total Deficit by Acre	($345)	3	($690)	4	($2,967)	8	($1,424)	7	($1,238)	6	($953)	5	$503	2	$1,772	1
Total Deficit by Buildable Acre	($504)	3	($1,431)	4	($11,358)	8	($2,960)	7	($2,519)	6	($2,097)	5	$3,645	1	$2,018	2
Estimated Total Assessed Value	$208,900,990	1	$73,746,334	3	$1,895,079	8	$52,759,370	4	$118,884,336	2	$16,262,490	6	$36,344,436	5	$7,503,904	7
Ease and Availability of Services	--	7	--	8	--	2	--	6	--	3	--	1	--	5	--	4
Total Unweighted Ranking	**2**	**3.4**	**5**	**4.7**	**8**	**5.8**	**7**	**5.1**	**4**	**4.4**	**6**	**4.8**	**1**	**2.6**	**3**	**3.9**

Source: Community Planning Workshop, 2003

Table 5-3. Unweighted Ranking Summary

Unweighted Rank	Zone	Summary Table Score
1	Zone G	2.6
2	Zone A	3.4
3	Zone H	3.9
4	Zone E	4.4
5	Zone B	4.7
6	Zone F	4.8
7	Zone D	5.1
8	Zone C	5.8

Source: Community Planning Workshop, 2000

Zone A

- CPW estimates that Zone A contains 40% of the future residential growth capacity included in all of the annexation study zones.
- According to Otak's Urban Reserve Area Concept Map, Zone A is adjacent to a proposed urban reserve area that contains land owned by the Redmond #2J School District. The District has proposed to build a new high school on this site.
- Downstream constraints on sewer capacity may limit the development potential of the land until the City's planned Line D sewer line is constructed through the zone, which will occur in two phases: 2000-2005 and 2006-2010.

Zone B

- SRH Water Company provides water service to the South Heights residential subdivision. The City of Redmond will need to develop an urban services agreement with the water company before proceeding with annexation.
- City staff consider Zone B to have the greatest number of challenges out of all the zones in terms of the availability of existing services and ease of providing new services.

Zone C

- According to Public Works staff, Zones C is ranked second in terms of the ease of providing the zone with urban services.
- Zone C is the only landlocked annexation study area, but is small and primarily developed. Thus, this zone is developed at almost at full capacity. The vacant parcels within this zone (1.7 acres) are zoned as general residential (R4).

Zone D

- Zone D is zoned primarily for commercial uses. About 78% of its 308 acres are designated as commercial, and 22% designated as residential.
- At the time this study was conducted, there are no property owners in Zone D who have consented to annexation at the time of this study.
- Zone D is the third most challenging zone to service in terms of water and sewer provision. At present, the zone is sparsely served by City water and sewer services and immediate

development potential in Zone D could be constrained by the completion of the East Side Interceptor project in 2005.

- CPW projected the highest annual deficit for this zone. The estimated deficit per buildable acre of $22,022 was highest out of all annexation study zones.

Zone E

- According to city staff, the City sewer system will be unable to provide gravity service to the area of Zone E north of Antler Avenue. Pump stations will be required to service future development.
- Zone E, designated entirely residential, is 49% developed, with approximately 33% of its acreage classified as redevelopable and 18% of its acreage classified as vacant.

Zone F

- Based on a ranking of ease and availability of urban services, Zone F ranks highest according to Redmond staff. City sewer, water, and transportation services currently serve the parcels bordering Maple Avenue and 19th Street, which equal nearly 80% of the entire zone.

Zone G

- The Wastewater Capital Improvement Plan timeline calls for the Eastside Interceptor to extend south as far as Antler Avenue by 2010 and to extend further south in the time window of 2010-2015. Similar to other zones, the availability of sewer service can serve as a development constraint, but can also serve to direct future growth to desired areas.
- This zone includes approximately 477 acres of land classified as vacant in Otak's buildable lands inventory, but designated Open Space Park Reserve and Airport.
- The entire study area of this annexation zone is included in Redmond's enterprise zone designation. Industrial businesses that qualify for enterprise zone benefits may result in a short-term decrease of property tax revenue to the City.

Zone H

- Zone H is completely zoned light industrial and has 82.9 acres (66% of the zone) of vacant industrial land.

- At the time this study was completed, Zone H does not have any property owners who have consented to annexation.
- The entire study area of this annexation zone is included in Redmond's enterprise zone designation. Industrial businesses that qualify for enterprise zone benefits may result in a short-term decrease of property tax revenue to the City.

Additional Considerations

There are several issues to consider when thinking about adopting annexation plans.[5] These issues may affect the proposed timing and sequence of annexations, other elements of local annexation policy, and the City's overall growth management strategy.

- **Meeting legislative requirements.** The City of Redmond is required to enter into urban service agreements with all service providers within its UGB before sending the plan to vote. Urban service agreements must address difficult issues such as service area changes, levels of service, and fiscal impacts. According to ORS 195.060-.085, any urban service that is provided in the affected territory must be addressed. Those five urban services are (1) sanitary sewer; (2) water (3) fire protection: (4) parks, open space, and recreation, and; (5) streets, roads, and mass transit.

  The City of Redmond has the following agreements relevant to this study currently in place: (1) an intergovernmental agreement between the City and the Deschutes County Rural Fire Protection District #1; (2) a memorandum of understanding between the City and the Deschutes County Rural Fire Protection District #1 for personnel costs; (3) an intergovernmental agreement between the City and the Redmond School District #2J; (4) an intergovernmental agreement between Deschutes County via its Sheriff's Office, and the City via its Police Department.

  Redmond's Special Legal Counsel compared the City's existing service agreements with statutory requirements[6]. The counsel reviewed existing agreements against the six elements required of urban services agreements: (1) Who will provide the service; (2) What is each entity's role in the future provision of the

[5] Source: Oregon TGM, Tools of the Trade. http://www.lcd.state.or.us/tgm/pub/3annex.htm

[6] The City of Redmond's Special Legal Counsel, Pamela J. Beery from the law firm Beery & Elsner, LLP, reviewed Redmond's urban service agreements for compliance with state law and the city's ability to use them in an annexation plan. A more detailed description of counsel's findings can be found in Appendix G, Urban Services Agreements.

service; (3) What will be the service territory of each provider; (4) Who will be responsible for planning and managing the service delivery; (5) How will any transition in service provision be handled; and (6) What will the process be for future review and modification of the agreement?

Following is a brief overview of the five key urban services and how they are addressed in Redmond's urban service agreements.

Sanitary Sewer. There are currently no agreements with service districts for sanitary sewer service. The 1998 Agreement with Deschutes County mentions sanitary sewer but does not address transitions in service or funding for projects. The Agreement must address transitions in services and funding to comply with state requirements.

Water Service. There are currently no agreements addressing water service. The Agreement with Deschutes County does not meet the requirements of state law concerning provision of water service. The provision in the Agreement should address transitions in service and funding for projects. An additional agreement with the SRH Water Company, which provides water services to a subdivision in Zone B, must be reached prior to approving an annexation plan for the City of Redmond. CPW estimates this will not pose a significant time barrier.

Fire Protection. The three fire protection agreements mentioned above assure coverage and cost recovery for both the City and the affected Districts. They specifically address dispatch, personnel costs, and shared fire protection service delivery. However, they do not meet requirements of state law because they do not meet all of the six required elements of urban services agreements.

Parks, Open Space, Recreation. The 1997 Agreement with Central Oregon Park and Recreation District and the School District does not meet state requirements for an urban service agreement governing parks, open spaces, and recreational facilities. Section 7(a) of the Agreement specifically states that the agreement is not "intended to create any legal obligations or liabilities among the parties."

Streets, roads, and mass transit. The Agreement with Deschutes County does not currently meet state requirements because it does not address funding. As such, the Agreement will require additional language addressing funding to meet requirements of state law.

Legislation under ORS 195.020 also requires the jurisdiction to

develop a coordination agreement prior to implementing an annexation plan. According to Redmond's Special Legal Counsel, a third variation on the urban services agreement requirement would allow the City to submit a proposed annexation plan for the entire urban growth boundary territory to a vote, under an "urban service provider annexation" approach. The elements of all these agreements (urban services and coordination) can be combined in any fashion deemed appropriate by the affected local governments.

- **Credibility and plan adoption.** It is important to build credibility, both from a city and territory perspective, for the data and cost-benefit analysis that explains the types of services and the revenue and taxation impacts. The data collection and outreach are needed for people to make informed decisions. The formal plan adoption and election are the final steps in the process.
- **Property tax strategy.** Annexation laws have an important feature that affects property taxes. The laws provide that during the first ten full fiscal years after annexation takes effect, the rate of taxation in the annexed area *may* be phased in. The purpose of this feature is to lessen the disincentive of higher city taxes that is often the main source of objection by area residents. It also allows for phasing in a full range of city services.
- **Residents' concerns.** The possibility of annexation often raises anxiety in area residents. It is important to address these concerns early in the process. A public outreach program to educate people about the benefits of annexation is needed. Such a program should include both territory residents and city residents because they will both vote on the plan.
- **Effective date of annexation**. Legislation contained within ORS 222.180 allows jurisdictions to set effective dates of annexation. The effective date cannot be any later than 10 years after the date of a proclamation of annexation as described in ORS 222.177.
- **Annexation Guidelines**. CPW identified additional guidelines that other cities have used to identify annexation priorities. Basic principles should be carefully considered in the selection of any area for annexation. These include the following considerations:[7]

[7] Source: The Utah League of Cities and Towns. http://www.ulct.org/resources/staff_notes/fonnesbeck/training_materials/Annexations.html.

1. The boundaries of the annexation area should be drawn in accordance with the ability (both from a geographic and economic standpoint) of the city to provide services. The need for services should be taken into account. The general terrain of the area should allow for expansion of utilities without prohibitive costs.
2. The population and assessed valuation of the area should be sufficient to allow the area to pay its fair share of the cost of providing services.
3. The area should contribute to the logical growth pattern of the city and should encourage orderly growth. Where possible, irregular boundaries should be avoided.
4. It should be no larger than what the city is able to service adequately with capital improvements and services within a reasonable time.
5. The area should be adaptable to anticipated expansion requirements of the city for residential or commercial/industrial purposes.
6. The boundaries of an area should be drawn to include residents who are generally favorable toward annexation or where annexation can be demonstrated to be advantageous to the residents of both the fringe area and the city.
7. In drawing boundaries of an annexation area, due regard should be given to special districts in the area.
8. Consideration should also be given to the costs and impacts of not annexing the area.

Next Steps

The evaluation report is the first step in the annexation planning process. The process is largely driven by state statute. Following is a brief overview of the next steps in the process:

- **Council Work Sessions.** The adoption of an annexation plan is a serious policy step for Redmond. The May City Council work session underscored the complexity of issues facing Redmond as it contemplates forecast growth. CPW recommends that the Redmond City Council continue to hold work sessions on the Annexation Plan until it feels comfortable with the findings and the choice of a final policy direction.
- **Annexation Plan.** Based on recommendations provided by the Redmond City Council and Redmond Staff, CPW will complete an annexation plan that the City can use in annexing the proposed study areas.

- **Urban Service Agreements.** Urban service and coordinated agreements are legally required as a precondition to annexation. According to the advice of the City of Redmond's legal counsel, an urban service agreement should be reached with the SRH Water Company prior to annexing Zone B.

  Furthermore, the Urban Service Agreements currently in place require significant revision according to Pamela Beery, Redmond's special legal counsel. A memorandum outlining the specific ways in which current urban service agreements do not comply with the terms of annexation can be found in Appendix G.

- **Hearing.** According to SB 122, Redmond must hold a public hearing where residents within the city limits and within the property to be annexed will have the opportunity to be heard. Once each week for two successive weeks prior to the day of the hearing, Redmond must post notice of the hearing published in the local newspaper.

- **Public Outreach**. Because the plan must go to a public vote, it is essential that residents understand the plan. The plan is intended to provide a level of certainty about the schedule for annexation and service extension, level of service standards, and the fiscal impact of these changes. This information lets those who are undecided on the issue make an informed decision.

- **Public Vote.** After adopting an annexation plan, a jurisdiction must submit the plan to its own voters and to the voters of the sought-after territory. Both territory and annexing electors have a vote, but it is the cumulative majority of both votes that is sufficient to certify an annexation. In other words, regardless of the outcome of the individual votes in either the territory or city, if the combined total of both votes is in favor, the annexation is approved.

Appendix A
Community Profile

Overview

The City of Redmond is located on the east side of the Cascade Mountains in the northern portion of Deschutes County. Redmond's semi-arid climate brings a relatively low average annual precipitation of 8.64 inches. Resting on a plateau at an elevation of 3,077 feet above sea level, Redmond is close to a variety of recreational opportunities in the high desert and the high Cascades. Roberts Field, the region's only commercial airport, is owned and operated by the City of Redmond and located within the city limits.

Population

During the 1990s, Deschutes County experienced a rapid increase in population, adding more than 40,400 new residents in just ten years and increasing its population by almost 54 percent. According to the Population Research Center at Portland State University, the County added another 11,133 persons between 2000 and 2002, bringing the population to 126,500. Net migration has contributed approximately 88% of the population growth in Deschutes County since 1990.[1]

Redmond's population has grown even faster. Between 1990 and 2000, Redmond's population increased by 88 percent, growing from 7,163 to 13,815. According to the Deschutes County Coordinated Population Forecast 2000-2025, Redmond's population will increase to 21,582 people by 2005 and 41,051 people in 2020.

Table A-1. Population Trends, Redmond & Deschutes Co. (1980-2002)

	Redmond	Deschutes County
1980	6,452	62,142
1990	7,165	74,958
% Growth, 1980-1990	*11%*	*21%*
2000	13,481	115,367
% Growth, 1990-2000	*88%*	*54%*
2002	16,110	126,500
% Growth, 2000-2002	*20%*	*10%*

Source: 1980–2000 US Census; 1980-2002 Center for Population Research and Census, Portland State University

Households & Household Composition

According to the U.S. Census, the average household size in Redmond remained approximately 2.5 persons between 1990 and 2000.

In 2000, Redmond had 5,260 households. Of those households, 3,618 were family households, representing almost 69 percent of the total households. The number of actual households increased by 46% between 1990 and 2000, and the percentage of families and married people remained relatively constant.

In 2000 643 (12.2% of total households) households were listed as being "female householder, no husband present" this number is up from 274 (9.6% of total households) in 1990. In 2000, 3,618 (68.8% of total households) households were listed as "family households" this number is up from 1,910 (67.2% of total households) in 1990.

The median household income in Redmond has grown from $23,383 in 1990 to $33,701 in 2000. CPW used the Consumer Price Index to determine what the median income in 1990 is worth in 2000 dollars, the inflation adjusted 1990 median income for Redmond is $30,408.39. The median household income is rising in Redmond along with the population.

Housing Occupancy & Tenure

In 1990 Redmond had a total of 2,932 housing units, in 2000 there were 5,584 housing units. This represents a 47 percent increase in the number of housing units in only ten years. In 2000, the vacancy rate for Redmond was 5.8 percent, an increase from 3.7 percent in 1990. In 2000, the City of Redmond had 5,378 occupied housing units. Of those housing units, 3,294 were owner occupied and 2,084 were renter occupied.

Employment & Industry Trends

During the 1990s, unemployment in Deschutes County averaged 1.3 percentage points higher than the statewide average. The Oregon Employment Department (OED) partially attributes Deschutes County's relatively high unemployment rates to the rapid population growth experienced within the county. The rapid population growth in the county presents a barrier to lowering the unemployment rate. However, a recent study compiled by OED finds that the available labor pool in Deschutes County is highly educated.

Between 1990 and 2000 Deschutes County witnessed healthy job growth within most industry sectors. The highest growth rate (94.6%) within the region occurred in the construction and mining sector. According to the OED, this growth is directly attributed to the region's

expanding population, which spurred growth in both residential and commercial construction.

Tourism and travel are also significant contributors to the economy. According to a report prepared for the Oregon Tourism Commission by Dean Runyan Associates, travel spending in Deschutes County totaled $352.5 million in 2001, generating 6,120 jobs in food service, recreation and travel services. In 1991, travel spending totaled $205.6 million, generating 4,920 jobs, according to the report.

Between 2000 and 2010, the Oregon Employment Department projects 15 percent employment growth for Deschutes County. The OED projects 12.5 percent employment growth for the rest of the state.

Approximately 99 percent of the anticipated growth in Deschutes County will occur in non-manufacturing employment, specifically trade (especially retail trade) and services. According to the OED, the need to provide services to the expanding population is expected to increase government employment as well.

Conclusions

The City of Redmond is located in the fastest growing county in the state, has been experiencing rapid growth, and is expected to continue to experience rapid growth for the next 20 years. Between 1990 and 2000 the population in Redmond grew more than four times faster than the rest of the state on average. The Oregon Employment Department notes that the county's rapid growth is partially responsible for a relatively high unemployment rate.

[1] 2000 U.S. Census. www.census.gov.

Appendix B
Annexation Legislation

The following excerpt from the 2001 Oregon Revised Statutes is included on this site to assist in your research on an issue. Please be aware that there are likely to be other statutes and rules, both federal and state, that may apply based on a specific event or fact situation. Also, most court-made law will not appear in a statute.

Even if the statute on its face looks like it covers the situation, it may not. We urge you to consult your city attorney about your city's specific situation.

Oregon Revised Statutes, 2001 Edition

The text appearing in this section was produced from material provided by the Legislative Counsel Committee of the Oregon Legislative Assembly. The official record copy is the printed published copy of the Oregon Revised Statutes. The text in the database is not the official text of Oregon law.

Chapter 195

Local Government Planning Coordination

2001 EDITION

COORDINATION AGREEMENTS

(Agreements Generally)

195.205 Annexation by provider; prerequisites to vote; public hearing. (1) A city or district that provides an urban service may annex territory under ORS 195.020, 195.060 to 195.085, 195.145 to 195.235, 197.005, 197.319, 197.320, 197.335 and 223.304 that:

(a) Is situated within an urban growth boundary; and

(b) Is contained within an annexation plan adopted pursuant to ORS 195.020, 195.060 to 195.085, 195.145 to 195.235, 197.005, 197.319, 197.320, 197.335 and 223.304.

(2) A city or district may submit an annexation plan to a vote under subsection (5) of this section only if, prior to the submission of the annexation plan to a vote:

(a) The territory contained in the annexation plan is subject to urban service agreements among all appropriate counties and cities and the providers of urban services within the territory, as required by ORS 195.065 and 195.070, and:

(A) Such urban service agreements were in effect on November 4, 1993; or

(B) They expressly state that they may be relied upon as a prerequisite of the annexation method authorized by ORS 195.020, 195.060 to 195.085, 195.145 to 195.235, 197.005, 197.319, 197.320, 197.335 and 223.304; and

(b) The territory contained in the annexation plan is subject to an agreement between the city and county addressing fiscal impacts, if the annexation is by a city and will cause reductions in the county property tax revenues by operation of section 11b, Article XI of the Oregon Constitution.

(3) Prior to adopting an annexation plan, the governing body of a city or district shall hold a public hearing at which time interested persons may appear and be heard on the question of establishing the annexation plan.

(4) The governing body of the city or district shall cause notice of the hearing to be published, once each week for two successive weeks prior to the day of the hearing, in a newspaper of general circulation in the city or district.

(5) If after the public hearing required under subsection (3) of this section, the governing body of the city or district decides to proceed with the annexation plan, it shall cause the annexation plan to be submitted to the electors of the city or district and to the electors of the territory proposed to be annexed under the annexation plan. The proposed annexation plan may be voted upon at a general election or at a special election to be held for that purpose. [1993 c.804 §13]

195.210 Election procedures. (1) The statement summarizing the measure and its major effect in the ballot title of a proposal for adoption of an annexation plan shall contain a general description of the boundaries of each territory proposed to be annexed. The description shall use streets and other generally recognized features. Notwithstanding ORS 250.035, the statement summarizing the measure and its major effect shall not exceed 150 words.

(2) The notice of an annexation plan election shall be given as provided in ORS 254.095 and 254.205, except that in addition the notice shall contain a map indicating the boundaries of each territory proposed to be annexed. [1993 c.804 §14; 1995 c.79 §72; 1995 c.534 §9]

195.215 Election certification; order. (1) The governing body of the city or district shall determine the results of the election from the official figures returned by the county clerk. If the governing body of the city finds that a majority of all of the votes cast in the territory and the city favor the annexation plan, then the governing body, by resolution or ordinance, shall proclaim the adoption of the annexation plan. The governing body of the district shall certify the results of the election to the appropriate county governing body. When a majority of all of the votes in the territory and district are in favor of the annexation plan, the county governing body by order shall so declare. The proclamation or order declaring approval of the annexation plan shall contain a legal description of each territory annexed.

(2) Annexation of particular tracts of territory shall take effect in accordance with the provisions of the adopted annexation plan. [1993 c.804 §15]

195.220 Annexation plan provisions. (1) An annexation plan adopted under ORS 195.205 shall include:

(a) The timing and sequence of annexation.

(b) Local standards of urban service availability required as a precondition of annexation.

(c) The planned schedule for providing urban services to the annexed territory.

(d) The effects on existing urban services providers.

(e) The long-term benefits of the annexation plan.

(2) An annexation plan shall be consistent with all applicable comprehensive plans. [1993 c.804 §16; 1997 c.541 §341]

195.225 Boundary commission review; action; plan amendment; election. (1) In areas subject to the jurisdiction of a local government boundary commission, the boundary commission shall conduct an advisory review of an annexation plan for conformity with annexation plan requirements set forth in ORS 195.220, 199.462 and the rules of procedure of the Land Conservation and Development Commission.

(2) If a boundary commission finds that an annexation plan does not comply with ORS 195.220, 199.462 or the procedural rules of the commission, the boundary commission, by order, shall disapprove the annexation plan and return the plan to the governing body of the city or district. The order of the boundary commission that disapproves an annexation plan shall describe with particularity the provisions of the annexation plan that do not comply with ORS 195.220, 199.462 or the

procedural rules of the commission and shall specifically indicate the reasons for noncompliance.

(3) The governing body of the city or district, upon receiving an order of the boundary commission that disapproves an annexation plan, may amend the plan and resubmit the amended plan to the boundary commission.

(4) After a boundary commission reviews an annexation plan, the annexation plan shall be submitted to the electors of the city or district and affected territory as provided in ORS 195.205.

(5) Notwithstanding ORS chapter 199, annexations provided for in an annexation plan approved by the electors of a city or district and affected territory do not require the approval of a local government boundary commission.

(6) A city or district shall submit an annexation plan approved by the electors and a copy of the resolution, ordinance, order or proclamation proclaiming an annexation under an approved annexation plan to the local government boundary commission filing with the Secretary of State, Department of Revenue, assessor and county clerk of each county in which the affected territory is located. [1993 c.804 §17]

195.235 Application of other annexation procedures. The method of annexing territory to cities or districts set forth in ORS 195.205 to 195.225 is in addition to and does not affect or prohibit other methods of annexation authorized by law. [1993 c.804 §18]

Chapter 222

City Boundary Changes; Mergers; Consolidations; Withdrawals

2001 EDITION

GENERAL PROVISIONS

222.111 Authority and procedure for annexation, generally. (1) When a proposal containing the terms of annexation is approved in the manner provided by the charter of the annexing city or by ORS 222.111 to 222.180 or 222.840 to 222.915, the boundaries of any city may be extended by the annexation of territory that is not within a city and that is contiguous to the city or separated from it only by a public right of way or a stream, bay, lake or other body of water. Such territory may lie either wholly or partially within or without the same county in which the city lies.

(2) A proposal for annexation of territory to a city may be initiated by the legislative body of the city, on its own motion, or by a petition to the legislative body of the city by owners of real property in the territory to be annexed.

(3) The proposal for annexation may provide that, during each of not more than 10 full fiscal years beginning with the first fiscal year after

the annexation takes effect, the rate of taxation for city purposes on property in the annexed territory shall be at a specified ratio of the highest rate of taxation applicable that year for city purposes to other property in the city. The proposal may provide for the ratio to increase from fiscal year to fiscal year according to a schedule of increase specified in the proposal; but in no case shall the proposal provide for a rate of taxation for city purposes in the annexed territory which will exceed the highest rate of taxation applicable that year for city purposes to other property in the city. If the annexation takes place on the basis of a proposal providing for taxation at a ratio, the city may not tax property in the annexed territory at a rate other than the ratio which the proposal authorizes for that fiscal year.

(4) When the territory to be annexed includes a part less than the entire area of a district named in ORS 222.510, the proposal for annexation may provide that if annexation of the territory occurs the part of the district annexed into the city is withdrawn from the district as of the effective date of the annexation. However, if the affected district is a district named in ORS 222.465, the effective date of the withdrawal of territory shall be determined as provided in ORS 222.465.

(5) The legislative body of the city shall submit, except when not required under ORS 222.120, 222.170 and 222.840 to 222.915 to do so, the proposal for annexation to the electors of the territory proposed for annexation and, except when permitted under ORS 222.120 or 222.840 to 222.915 to dispense with submitting the proposal for annexation to the electors of the city, the legislative body of the city shall submit such proposal to the electors of the city. The proposal for annexation may be voted upon at a general election or at a special election to be held for that purpose.

(6) The proposal for annexation may be voted upon by the electors of the city and of the territory simultaneously or at different times not more than 12 months apart.

(7) Two or more proposals for annexation of territory may be voted upon simultaneously; however, in the city each proposal shall be stated separately on the ballot and voted on separately, and in the territory proposed for annexation no proposal for annexing other territory shall appear on the ballot. [1957 c.613 §2 (enacted in lieu of 222.110); 1959 c.415 §1; 1967 c.624 §13; 1985 c.702 §7]

222.115 Annexation contracts; recording; effect. A contract between a city and a landowner relating to extraterritorial provision of service and consent to eventual annexation of property of the landowner shall be recorded and, when recorded, shall be binding on all successors with an interest in that property. [1991 c.637 §4]

222.120 Procedure without election by city electors; hearing; ordinance subject to referendum. (1) Except when expressly required to do so by the city charter, the legislative body of a city is not required to submit a proposal for annexation of territory to the electors of the city for their approval or rejection.

(2) When the legislative body of the city elects to dispense with submitting the question of the proposed annexation to the electors of the city, the legislative body of the city shall fix a day for a public hearing before the legislative body at which time the electors of the city may appear and be heard on the question of annexation.

(3) The city legislative body shall cause notice of the hearing to be published once each week for two successive weeks prior to the day of hearing, in a newspaper of general circulation in the city, and shall cause notices of the hearing to be posted in four public places in the city for a like period.

(4) After the hearing, the city legislative body may, by an ordinance containing a legal description of the territory in question:

(a) Declare that the territory is annexed to the city upon the condition that the majority of the votes cast in the territory is in favor of annexation;

(b) Declare that the territory is annexed to the city where electors or landowners in the contiguous territory consented in writing to such annexation, as provided in ORS 222.125 or 222.170, prior to the public hearing held under subsection (2) of this section; or

(c) Declare that the territory is annexed to the city where the Department of Human Services, prior to the public hearing held under subsection (1) of this section, has issued a finding that a danger to public health exists because of conditions within the territory as provided by ORS 222.840 to 222.915.

(5) If the territory described in the ordinance issued under subsection (4) of this section is a part less than the entire area of a district named in ORS 222.510, the ordinance may also declare that the territory is withdrawn from the district on the effective date of the annexation or on any subsequent date specified in the ordinance. However, if the affected district is a district named in ORS 222.465, the effective date of the withdrawal of territory shall be determined as provided in ORS 222.465.

(6) The ordinance referred to in subsection (4) of this section is subject to referendum.

(7) For the purpose of this section, ORS 222.125 and 222.170, "owner" or "landowner" means the legal owner of record or, where there is a recorded land contract which is in force, the purchaser thereunder. If there is a multiple ownership in a parcel of land each consenting owner shall be counted as a fraction to the same extent as the interest of the owner in the land bears in relation to the interest of the other owners and the same fraction shall be applied to the parcel's land mass and assessed value for purposes of the consent petition. If a corporation owns land in territory proposed to be annexed, the corporation shall be considered the individual owner of that land. [Amended by 1953 c.220 §2; 1955 c.51 §1; 1961 c.511 §1; 1967 c.624 §14; 1971 c.673 §2; 1985 c.702 §8; 1987 c.818 §11; 1993 c.18 §39]

222.125 Annexation by consent of all owners of land and majority of electors; proclamation of annexation. The legislative body of a city need not call or hold an election in the city or in any contiguous territory proposed to be annexed or hold the hearing otherwise required under ORS 222.120 when all of the owners of land in that territory and not less than 50 percent of the electors, if any, residing in the territory consent in writing to the annexation of the land in the territory and file a statement of their consent with the legislative body. Upon receiving written consent to annexation by owners and electors under this section, the legislative body of the city, by resolution or ordinance, may set the final boundaries of the area to be annexed by a legal description and proclaim the annexation. [1985 c.702 §3; 1987 c.738 §1]

Note: 222.125 was added to and made a part of ORS chapter 222 by legislative action but was not added to any smaller series therein. See Preface to Oregon Revised Statutes for further explanation.

222.130 Annexation election; notice; ballot title. (1) The statement summarizing the measure and its major effect in the ballot title for a proposal for annexation shall contain a general description of the boundaries of each territory proposed to be annexed. The description shall use streets and other generally recognized features. Notwithstanding ORS 250.035, the statement summarizing the measure and its major effect shall not exceed 150 words.

(2) The notice of an annexation election shall be given as provided in ORS 254.095 and 254.205, except that in addition the notice shall contain a map indicating the boundaries of each territory proposed to be annexed.

(3) Whenever simultaneous elections are held in a city and the territory to be annexed, the same notice and publication shall fulfill the requirements of publication for the city election and the election held in the territory. [Amended by 1967 c.283 §1; 1979 c.317 §4; 1983 c.350 §33; 1995 c.79 §80; 1995 c.534 §10]

222.140 [Repealed by 1979 c.317 §26]

222.150 Election results; proclamation of annexation. The city legislative body shall determine the results of the election from the official figures returned by the county clerk. If the city legislative body finds that the majority of all votes cast in the territory favors annexation and the city legislative body has dispensed with submitting the question to the electors of the city, the city legislative body, by resolution or ordinance, shall set the final boundaries of the area to be annexed by a legal description and proclaim the annexation. [Amended by 1983 c.83 §23; 1983 c.350 §34; 1985 c.702 §9]

222.160 Procedure when annexation is submitted to city vote; proclamation. This section applies when the city legislative body has not dispensed with submitting the question of annexation to the electors of the city. If the city legislative body finds that a majority of the votes cast in the territory and a majority of the votes cast in the city

favor annexation, then the legislative body, by resolution or ordinance, shall proclaim those annexations which have received a majority of the votes cast in both the city and the territory. The proclamation shall contain a legal description of each territory annexed. [Amended by 1983 c.350 §35; 1985 c.702 §10]

222.170 Effect of consent to annexation by territory; proclamation with and without city election. (1) The legislative body of the city need not call or hold an election in any contiguous territory proposed to be annexed if more than half of the owners of land in the territory, who also own more than half of the land in the contiguous territory and of real property therein representing more than half of the assessed value of all real property in the contiguous territory consent in writing to the annexation of their land in the territory and file a statement of their consent with the legislative body on or before the day:

(a) The public hearing is held under ORS 222.120, if the city legislative body dispenses with submitting the question to the electors of the city; or

(b) The city legislative body orders the annexation election in the city under ORS 222.111, if the city legislative body submits the question to the electors of the city.

(2) The legislative body of the city need not call or hold an election in any contiguous territory proposed to be annexed if a majority of the electors registered in the territory proposed to be annexed consent in writing to annexation and the owners of more than half of the land in that territory consent in writing to the annexation of their land and those owners and electors file a statement of their consent with the legislative body on or before the day:

(a) The public hearing is held under ORS 222.120, if the city legislative body dispenses with submitting the question to the electors of the city; or

(b) The city legislative body orders the annexation election in the city under ORS 222.111, if the city legislative body submits the question to the electors of the city.

(3) If the city legislative body has not dispensed with submitting the question to the electors of the city and a majority of the votes cast on the proposition within the city favor annexation, or if the city legislative body has previously dispensed with submitting the question to the electors of the city as provided in ORS 222.120, the legislative body, by resolution or ordinance, shall set the final boundaries of the area to be annexed by a legal description and proclaim the annexation.

(4) Real property that is publicly owned, is the right of way for a public utility, telecommunications carrier as defined in ORS 133.721 or railroad or is exempt from ad valorem taxation shall not be considered when determining the number of owners, the area of land or the assessed valuation required to grant consent to annexation under this

section unless the owner of such property files a statement consenting to or opposing annexation with the legislative body of the city on or before a day described in subsection (1) of this section. [Amended by 1955 c.51 §2; 1961 c.511 §2; 1971 c.673 §1; 1973 c.434 §1; 1983 c.350 §36; 1985 c.702 §11; 1987 c.447 §117; 1987 c.737 §4; 1999 c.1093 §12]

222.173 Time limit for filing statements of consent; public records. (1) For the purpose of authorizing an annexation under ORS 222.170 or under a proceeding initiated as provided by ORS 199.490 (2), only statements of consent to annexation which are filed within any one-year period shall be effective, unless a separate written agreement waiving the one-year period or prescribing some other period of time has been entered into between an owner of land or an elector and the city.

(2) Statements of consent to annexation filed with the legislative body of the city by electors and owners of land under ORS 222.170 are public records under ORS 192.410 to 192.505. [1985 c.702 §20; 1987 c.737 §5; 1987 c.818 §8]

Note: 222.173 to 222.177 were added to and made a part of ORS chapter 222 by legislative action but were not added to any smaller series therein. See Preface to Oregon Revised Statutes for further explanation.

222.175 City to provide information when soliciting statements of consent. If a city solicits statements of consent under ORS 222.170 from electors and owners of land in order to facilitate annexation of unincorporated territory to the city, the city shall, upon request, provide to those electors and owners information on that city's ad valorem tax levied for its current fiscal year expressed as the rate per thousand dollars of assessed valuation, a description of services the city generally provides its residents and owners of property within the city and such other information as the city considers relevant to the impact of annexation on land within the unincorporated territory within which statements of consent are being solicited. [1985 c.702 §21; 1987 c.737 §6; 1987 c.818 §9]

Note: See note under 222.173.

222.177 Filing of annexation records with Secretary of State. When a city legislative body proclaims an annexation under ORS 222.125, 222.150, 222.160 or 222.170, the recorder of the city or any other city officer or agency designated by the city legislative body to perform the duties of the recorder under this section shall transmit to the Secretary of State:

(1) A copy of the resolution or ordinance proclaiming the annexation.

(2) An abstract of the vote within the city, if votes were cast in the city, and an abstract of the vote within the annexed territory, if votes were cast in the territory. The abstract of the vote for each election shall show the whole number of electors voting on the annexation, the

number of votes cast for annexation and the number of votes cast against annexation.

(3) If electors or landowners in the territory annexed consented to the annexation under ORS 222.125 or 222.170, a copy of the statement of consent.

(4) A copy of the ordinance issued under ORS 222.120 (4).

(5) An abstract of the vote upon the referendum if a referendum petition was filed with respect to the ordinance adopted under ORS 222.120 (4). [1985 c.702 §4; 1987 c.737 §7; 1987 c.818 §10]

Note: See note under 222.173.

222.179 Exempt territory. The amendments to ORS 222.210, 222.230, 222.240 and 222.270 made by chapter 702, Oregon Laws 1985, do not apply in territory subject to the jurisdiction of a local government boundary commission. [1985 c.702 §27]

Note: 222.179 was enacted into law by the Legislative Assembly but was not added to or made a part of ORS chapter 222 or any series therein by legislative action. See Preface to Oregon Revised Statutes for further explanation.

222.180 Effective date of annexation. (1) The annexation shall be complete from the date of filing with the Secretary of State of the annexation records as provided in ORS 222.177 and 222.900. Thereafter the annexed territory shall be and remain a part of the city to which it is annexed. The date of such filing shall be the effective date of annexation.

(2) For annexation proceedings initiated by a city, the city may specify an effective date that is later than the date specified in subsection (1) of this section. If a later date is specified under this subsection, that effective date shall not be later than 10 years after the date of a proclamation of annexation described in ORS 222.177. [Amended by 1961 c.322 §1; 1967 c.624 §15; 1973 c.501 §2; 1981 c.391 §5; 1985 c.702 §12; 1991 c.637 §9]

222.183 Notice of annexation when effective date delayed for more than one year. (1) If the effective date of an annexation is more than one year after the date of a proclamation of annexation, the city, through its recorder or other city officer or agency performing the duties of recorder under this section, shall send notice to the county clerk of each county within which the city is located. The notice shall be sent not sooner than 120 days and not later than 90 days prior to the effective date of the annexation.

(2) The notice described in subsection (1) of this section shall be in addition to any other notice or filing required under ORS 222.010 to 222.750. [1995 c.607 §67]

Note: 222.183 was added to and made a part of 222.010 to 222.750 by legislative action but was not added to any smaller series therein. See Preface to Oregon Revised Statutes for further explanation.

Appendix C
Measure 50

History and Explanation of Measure 50

Oregon voters approved Ballot Measure 50 in May 1997. The measure amended the Oregon Constitution to limit the amount of property value subject to taxation. The value limit is called maximum assessed value.[1] Under Measure 50, Oregon's tax system is predominately a rate-based system, where tax rates are set by law or by voters, and levies are calculated as rates times assessed value. While Measure 50 cuts local property tax, it does not reduce taxes that pay bonded debt or taxes that repay existing debt financed with operating levies.[2]

Measure 50 was intended to cut local property taxes and limit their growth.[3] Under the provisions of Measure 50, the maximum assessed value for a property in Oregon for the 1997-98 tax year was set at 90 percent of its 1995-96 real market value. For example, if a residential property had a real market value of $100,000 for the 1995-96 tax year, its 1997-98 maximum assessed value would have been $90,000. The maximum assessed value for each property is then allowed to grow a maximum of 3 percent per year, but cannot exceed the real market value of the property. Certain property events such as new construction can cause the maximum assessed value to increase more than 3 percent. New construction affects maximum assessed value if it increases the value of the property by more than $10,000 in any one year or $25,000 within any consecutive five years. These changes may not have a dollar for dollar impact on maximum assessed value. The taxes of an individual property are calculated as the tax rate times the property's assessed value.

Taxing districts in existence in 1997-98 were given permanent operating tax rate limits according to a formula set by Measure 50. The permanent tax rate replaced the former tax base amount of the taxing district. Measure 50 established a permanent tax rate of $6.1647 per $1,000 of assessed valuation for the city of Redmond.[4] The State revised the permanent tax rates in May 1998, reducing the City's rate to $6.1643 per $1,000. This rate includes the previous General Fund (tax base, fire and public safety equipment levies), Street Fund and Park Fund levies. Assessed valuations are limited to a maximum increase of 3% per year. Assessed values for new construction are determined under the rules of Measure 50. *Annexations increase the assessed values within the City.*

Most taxing districts are allowed to ask their patrons for temporary taxing authority above the permanent rate limitation. This type of authority, however, is not available to education service districts.[5] This

authority is called a local option tax. Local option taxes are limited to five years for operations and up to 10 years for capital construction purposes. Measure 50 allows voters to approve new, short-term option levies outside the permanent rate limit if approved by a double majority. In a double majority vote, a ballot must receive a majority of affirmative votes in an election in which at least 50 percent of the registered voters in a district must cast a ballot. The double majority requirement does not apply to an election held in November of an even-numbered year.

Measure 50 required the Oregon Legislative Assembly to limit the ability of local taxing districts to impose new or additional fees, taxes, assessments or other charges to use as alternative sources of funding to make up for property tax revenue reductions caused by Measure 50 unless the new or additional fee, tax, assessment or other charge is approved by voters.[6]According to the text of Measure 50, if two or more local taxing districts merge, the limit on the property tax rate that the merged district can impose shall be the rate that would produce the same tax revenue as the local taxing districts would have cumulatively produced if the merger had not occurred.[7]

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[1] Oregon Department of Revenue, *Property Taxes in Oregon*, September 2002.

[2] Ibid.

[3] Oregon Department of Revenue Research Section, *Measure 50 and the Permanent Rate Calculations*, December 1997.

[4] City of Redmond Budget Document for Fiscal Year 1998-99.

[5] Oregon Department of Revenue, *Property Taxes in Oregon*, September 2002.

[6] Text of Oregon Ballot Measure 50, March 1997.

[7] Ibid.

Appendix D
Methodology

This appendix presents two memorandums sent to Redmond Staff. The first memorandum, dated March 5, 2003, presents a detailed description of the methodology used in CPW's evaluation of eight annexation study areas, The second memorandum, dated June 11, 2003, summarizes the assumptions used in this study, as well as revised cost and revenues estimates based on direction from Redmond staff.

March 5, 2003

TO: Chuck McGraw and Bob Quitmeier, Redmond Planning Department
Mary Meloy and Chris Doty, Redmond Public Works Department
Chris Earnest, Redmond Finance Department
FROM: Amy Lapin and Bob Parker, Community Planning Workshop
SUBJECT: REDMOND ANNEXATION PLAN: METHODOLOGY

Background

A required element of the Annexation Plan is the evaluation of costs and revenues. Moreover, costs and revenues are a priority for the Redmond City Council. To identify the most appropriate approach for the fiscal analysis, CPW researched methods for evaluating the fiscal impact of annexation. This memorandum summarizes the literature on fiscal impact analysis and CPW's proposed methodology for completing the cost and revenue components of the annexation evaluation.

Fiscal Impact Analysis

A large part of this project will involve fiscal impact analysis—a method of evaluating costs and revenues. Fiscal impact analysis is the act of projecting *direct*, *current*, and *public* costs and revenues associated with residential and nonresidential growth. Consistent with this definition and accepted professional practice, CPW's analysis will measure d*irect* impacts, or primary costs and immediate revenues. It will *not* measure indirect impacts such as increased property values due to public investment, because of the difficulty in accurately predicting those costs. In addition, the analysis will evaluate *current* costs and revenues to project future costs and revenues. Implicit in the term *current* costs is the assumption that the costs and revenues associated with providing services will increase at the same rate. Finally, the analysis will focus

on *public* costs only, and not the private costs of public actions (for example, the costs passed on to developers or consumers through local land use regulations or building, health, and fire codes).

Most fiscal impact analyses use one of two approaches: average costing or marginal costing:

- *Average costing* estimates costs attributed to annexation based on the average cost per unit of service (municipal and school district services) times the number of units the development is estimated to require.
- *Marginal costing* considers existing excess or deficient capacity of services and evaluates existing demand/supply relationships for local governmental and school services.

In the long run, however, the two techniques yield similar results. Our review of the literature suggests that average costing is the most appropriate method for Redmond based on its population growth rate, service capacity, and growth objectives.

Fiscal impact analysis requires making predictions for future costs and revenues based on current facts and assumptions. CPW proposes to use "hard data" whenever available, but in many cases the data does not provide a complete picture, and requires assumptions about future conditions. The following list presents the key assumptions in the fiscal impact analysis:

- The fiscal impact analysis is based on the assumption that each annexation zone will receive levels of service similar to those provided within the current city limits of Redmond.
- The current level of service in Redmond is the benchmark for forecasting comparable levels of service, staffing, and costs in each annexation zone. This study does not evaluate whether Redmond's existing levels of service are excessive or deficient in terms of current staffing and resources. While these issues are beyond the scope of the current analysis, they are important questions that require serious consideration when a city contemplates boundary expansion.
- Some cities that have undertaken annexations in the past have experienced increased demand for services beyond what would be expected subsequent to annexation. CPW's methodology will estimate costs based on population-driven and service standard forecasts, but may not fully reflect this increased demand because of the difficulties in accurately calculating this demand.

Cost and Revenue Analysis Methods

Based on the average costing approach, CPW proposes to use a combination of two methods for estimating costs and revenues: the Service Standard and Per Capita Multiplier Methods.

The Service Standard Method is an average costing method that uses averages of employee and capital facility service levels to estimate costs. This method estimates the total number of additional employees and associated costs, and the total increase in capital and operating expenses for each city department that will be required as a result of growth. The method assumes that over the long run, service levels, in terms of employees and department costs, rise in correspondence with population growth.

The Per Capita Multiplier Method also uses the average costing approach. It is the most common method for projecting the impact of population change on local municipal and school district costs and revenues. This method relies on detailed demographic information by housing type (total household size and number of school-age children) and the average cost, per person and per pupil, of municipal and school district operating expenses (including the amortization of capital expenditures) to project an annual operating and capital cost assignable to a particular population change. The method is based on the following four assumptions:

- Over the long run, current average operating costs per capita and per student are the best estimates of future operating costs;
- Current local service levels are the most accurate indicators of future service levels and that they will continue on the same scale in the future;
- Current composition of the current population will be similar to the composition of the future population; and
- The current distribution of expenditures will remain constant and will serve as the primary indicator of the way in which additional expenditures will be subsequently allocated.

The proposed methodology for estimating costs blends these two methods, while the methodology for estimating revenues uses the Per Capita Multiplier Method. We propose these two methods because they are widely accepted fiscal impact methods that are relatively easy to implement and easy to interpret. Methods for estimating costs and revenues are described below.

Estimating Costs: The Theory

The proposed method for estimating costs is a combination of the Service Standard and Per Capita Multiplier Methods. CPW will use the Service Standard Method to project the number of additional city employees required as a result of growth, as well as the costs associated with new employees. The Per Capita Multiplier method will then be applied to estimate annual capital and operating costs associated with residential and employment growth. Both methods require data on characteristics of each annexation zone at full buildout including: the number of dwelling units; population; number of school-age children;

total acres for commercial and industrial uses, and budget data on labor, capital, and operating costs for each city department.

The steps for estimating costs attributed to growth from annexation are as follows:

1. Determine the total residential population, employment, and school-aged child population resulting from residential and non-residential growth.
2. Based on a ratio of full-time equivalent (FTE) employees per city department per capita, project the number of new FTEs each department will require as a result of growth.
3. Calculate the average annual FTE-based costs (wages, salary, and benefits) per FTE according to each department.
4. Estimate the total annual FTE-based costs for all additional FTEs required for each department.
5. Determine the residential and non-residential share of capital and operating costs attributed to growth.
6. Calculate the average annual capital and operating costs for each city department on a per capita and per employee basis.
7. Estimate total annual capital and operating costs by multiplying the estimated residential and non-residential population growth for each annexation zone by the per capita and per employee capital and operating costs for each city department.
8. Estimate total annual costs based on growth by adding total FTE costs to total capital and operating costs.

Proposed Methods For Estimating Costs Associated With Annexation Zones

This section specifically applies the general steps outlined above and provides a detailed description of how CPW proposes to accomplish each step. The data sources CPW will use for estimating costs will be derived from the City of Redmond, the State of Oregon, the U.S. Census, and Otak's buildable lands study. Additional sources will be used if necessary.

Step 1: Determine the total residential, employment, and school-aged child population resulting from residential and non-residential growth;

The first step in the process is to estimate development capacity in each annexation zone. That capacity can then be converted into projected population and employment growth. The methods for estimating population and employment capacity depend on planned uses. CPW will use data from the Otak buildable lands study to estimate capacity. It is important we use the Otak report to ensure that assumptions used in

our cost and revenue estimates are consistent with the buildable lands study.

The population estimate begins with dwelling unit estimates by type (single- and multi-family). The number of dwelling units is multiplied by the average household size for each dwelling unit type to estimate population capacity. The number of school-aged children is then estimated using a ratio of school-aged children to total population. The employment estimate begins with either an estimate of employees per acre (based on planned uses) or development capacity (measured in square feet) and square feet of built space per employee. The employee per acre method is simpler and probably as accurate as the square feet of built space per employee method. (This step is illustrated in Table 1 in Appendix A).

Step 2: Based on a ratio of FTEs per city department per capita, project the number of new FTEs each department will require as a result of growth.

CPW assumes that staffing requirements within each city department will increase proportionally to increases in Redmond's total population. To project the number of new employees each city department will need as a result of growth, CPW will obtain the total number of full-time equivalents (FTEs) for each city department from the 2002-2003 fiscal year budget.

CPW's analysis of FTE-based costs will be based on the employment costs listed in 2002-2003 fiscal year budget. The city departments which have costs attributed to FTEs are as follows: Police; Fire; Administrative Services; Community Development; Transportation; Parks; Water; Wastewater; Cemetery; and Airport.

CPW will then calculate a ratio of FTEs to Redmond's July 1, 2002 population estimate, obtained from Portland State's Center for Population Research and Census. The FTE-Per Capita ratio approximates the number of employees per resident that are required in each department. The estimated residential population from Step 1 will be multiplied by the FTE-Per Capita ratio to arrive at the number of projected new city employees necessitated by the increase in population. To ensure that our FTE estimates are valid, CPW will calculate similar FTE-Per Capita ratios from the Redmond's previous five fiscal year budgets. Adjustments may occur by department if population increases have not produced any significant corresponding increases in FTEs over the previous five years. (This step is illustrated in Table 2 in Appendix A).

Step 3: Calculate the average annual FTE-based costs (wages, salary, and benefits) per FTE according to each department.

The next step in the process is to calculate the total costs associated with the estimated increase of FTEs. CPW will obtain all costs attributed to compensating FTEs, including wages, salaries, bonuses, and benefits, for each city department from Redmond's 2002-2003 Fiscal Year Budget. We recognize that each employee-based cost will

include a full range of positions and salaries, and thus will expand the analysis to include all positions outlined in the 2002-2003 fiscal year budget. FTE-based costs will be divided by the total FTEs, by position and by city department, resulting in an average cost per FTE. This average cost per FTE will then be applied to the number of estimated FTEs to project costs associated with the total projected FTEs.

Similar to the methods discussed in Step 2, CPW will obtain FTE-based costs, by department, from the previous five fiscal year budgets to compare the validity of our estimations. Adjustments may occur by department if compensation and benefits costs per FTE have changed significantly over the previous five years. (This step is illustrated in Table 3 in Appendix A).

Step 4: Estimate the total annual FTE-based costs for all additional employees that will be required for each department.

This step completes the first portion of the service standard methodology: the determination of costs associated with an estimated increase in FTEs. CPW will multiply the total projected FTEs estimated in Step 2 by the per-FTE costs estimated in Step 3 to arrive at the total annual FTE-based costs. (This step is illustrated in Table 3 in Appendix A).

Step 5: Determine the residential and non-residential share of capital and operating costs attributed to growth.

Since the type of development – residential or non-residential – has different implications for a community's fiscal balance sheet, CPW proposes the following steps for determining the portion of capital and operating costs associated with residential and non-residential uses. The residential share of capital and operating costs will be estimated by dividing the residential assessed value and residential acres in each zone by the total assessed value and total acres, respectively. The two resulting percentages are averaged and this value will represent the residential share of capital and operating costs. The non-residential share of capital and operating costs will be derived by subtracting the residential share from 100%. The methodology is consistent with the approach used in several different fiscal impact analysis studies reviewed by CPW.

The share of residential and non-residential costs, as calculated above, will serve as a baseline percentage. CPW will rely on the knowledge of Redmond staff to make final determinations regarding the portion of costs associated with residential uses versus the portion of costs associated with non-residential uses for each city department. Some of the annexation zones in this study do not have any non-residential planned land uses. Thus, the share of costs attributed to residential uses will be 100% and the share of costs attributed to non-residential uses will be 0%. (This step is illustrated in Table 4 in Appendix A).

Step 6: Calculate the average annual capital and operating costs for each city department on a per capita and per employee basis

The next step involves obtaining capital and operating costs per city department from the City of Redmond's 2002-2003 fiscal year budget. Capital and operating costs, as obtained from Redmond's budget include the following funds: Police; Fire; Hotel/Motel; Senior Center; Non-departmental; Administrative Services; Community Development; Transportation; Parks; Water; Wastewater; Cemetery; and Airport.

CPW will derive capital and operating costs by subtracting costs attributed to compensation and benefits (e.g., labor) from the total costs by city department. CPW will then multiply the residential and non-residential shares of costs by the capital and operating expenses of each department. To calculate the average annual capital and operating costs on a per capita and per employee basis, the residential share of costs will be divided by Redmond's July 1, 2002 population and the non-residential share of costs will be divided by Redmond's total employment. (This step is illustrated in Table 5 in Appendix A).

Although not illustrated in Table 5 in Appendix A, this step will also estimate costs per student based on a projected increase in school-aged children for each annexation zone. A cost per student will be calculated through data obtained from the Redmond School District's most recent fiscal year budget.

Step 7: Estimate total annual capital and operating costs by multiplying the estimated residential and non-residential population growth for each annexation zone by the per capita and per employee capital and operating costs for each city department.

After calculating capital and operating costs on a per capita and per employee basis in the previous step, these figures will be multiplied by the projected residential and non-residential population growth for each city department. (This step is illustrated in Table 5 in Appendix A).

Step 8: Estimate total annual costs based on growth by adding total employee costs to total capital and operating costs.

Finally, after FTE-based and capital and operating costs have been projected for the additional residential and employee population growth as a result of annexation, the two amounts will be combined to project the total costs for each annexation zone. (This step is illustrated in Table 6 in Appendix A).

Estimating Revenues: The Theory

The Per Capita Multiplier Method is the primary method used to estimate revenue from sources including: licenses and permits, franchise fees, fines and forfeits, assessment liens, changes for services and SDC's, and miscellaneous revenues. Property tax revenue is typically estimated by projecting the total assessed value at full buildout multiplied by the City's property tax rate. Intergovernmental revenues are determined by multiplying the projected residential

population by the per capita distribution amounts for each intergovernmental revenue source.

The following steps outline the methods for estimating revenues associated with growth from annexation:

1. Determine the total residential population, employment, and school-aged child population resulting from growth.
2. Obtain the total revenues for each source of revenue from the City's most recent budget.
3. Excluding property tax and intergovernmental revenues, determine the weighted share of revenues attributed to residential growth and revenues attributed to non-residential growth.
4. Calculate the average annual revenues for each source on a per capita and per employee basis.
5. Estimate property tax revenues by multiplying the projected assessed value of both residential and non-residential lands at full buildout by the City's property tax rate.
6. Estimate intergovernmental revenue by multiplying the projected residential population of each annexation zone by the per capita distribution amount of each intergovernmental revenue source.
7. Estimate total revenues based on growth by adding property tax revenues, intergovernmental revenues, and remaining sources of revenues.

Proposed Methods For Estimating Revenues Associated With Annexation Zones

This section specifically applies the general steps outlined above and provides a detailed description of how CPW proposes to accomplish each step. The data sources CPW will use for estimating revenues will be derived from the City of Redmond, the State of Oregon, and Otak's buildable lands study. Additional sources will be used if necessary.

Step 1. Determine the total residential population, employment, and school-age child population resulting from growth.

Similar to the methodology for estimating costs, the first step in the process is to estimate development capacity in each annexation zone. That capacity can then be converted into projected population and employment growth. CPW will use the same projected residential, school-aged children, and employment population growth determined in Step 1 from the cost methodology. (This step is illustrated in Table 1 in Appendix B).

Step 2: Obtain the total revenues for each source of revenue from the City's most recent budget.

CPW will obtain the total revenues for each revenue source from Redmond's 2002-2003 fiscal year budget. According to this budget, the

following sources of revenue will be used to estimate revenues resulting from annexation: (1) Property taxes; (2) Intergovernmental revenues; (3) Licenses and permits; (4) Franchise fees; (5) Fines and forfeits; (6) Assessment liens; (7) Charges for Services and SDCs; and (8) Miscellaneous sources of revenues. (This step is illustrated in Table 2 in Appendix B.)

Step 3: Excluding property tax and intergovernmental revenues, determine the weighted share of revenues attributed to residential growth and revenues attributed to non-residential growth.

The calculation for estimating revenues based on property taxes and intergovernmental revenues require a different methodology than the other sources of revenues listed above, so they will be addressed in the subsequent two steps. The other sources of revenues (licenses and permits, franchise fees, fines and forfeits, assessment liens, charges for services and SDCs and miscellaneous revenues) will be calculated using the Per Capita and Per Employee method.

CPW will use the same calculation in Step 5 of the Cost Methodology for determining the residential and non-residential share of costs. This allocation will serve as a baseline for modifying the residential and non-residential revenue share based on each source of revenue. CPW will assess each revenue source to determine a more accurate allocation of residential and non-residential revenues based on the types of revenues collected for each source. CPW will then consult Redmond staff to confirm the validity of these allocations.

After the shares of residential and non-residential revenues are determined, these percentages will be multiplied by the total revenue amounts by source. (This step is illustrated in Table 3 in Appendix B).

Step 4: Calculate the average annual revenues for each source on a per capita and per employee basis.

To estimate per capita revenues associated with growth within each annexation zone, CPW will divide the residential share of revenues by Redmond's July 1, 2002 population estimate. Similarly, to estimate per employee revenues associated with growth within each annexation zone, CPW will divide the non-residential share of revenues by Redmond's total employment.

The per capita and per employee sources of revenues will be multiplied by the projected population and employment increases within each zone. The resulting figures will be summed to estimate the total revenue for each annexation zone. (This step is illustrated in Table 4 in Appendix B).

Step 5: Estimate property tax revenues by multiplying the projected assessed value of both residential and non-residential lands at full buildout by the City's property tax rate.

The largest source of revenue calculated will result from the collection of property taxes. To project the revenues generated from property tax, CPW will determine the total taxable assessed value of each zone at full

buildout. The total taxable assessed value of each zone will be estimated by first evaluating current developed land and its total assessed value to determine the assessed value per acre based on different development types (i.e.: single family homes, industrial, and commercial). Then, the assessed value per acre will be applied to buildable land within each zone, based on an assumption of what development will exist at full buildout. (This step is illustrated in Table 5 in Appendix B).

The projected assessed value of property within each annexation zone will be multiplied by the City of Redmond's property tax rate. CPW has listed all tax rates listed in Redmond's 2002-2003 fiscal year budget and will rely on the direction of city staff to determine the applicable tax rates for this evaluation. (This information is provided in Table 5 in Appendix B).

Step 6: Estimate intergovernmental revenue by multiplying the projected residential population of each annexation zone by the per capita distribution amount of each intergovernmental revenue source.

State shared revenues are based on per capita distributions derived from the following sources: highway user taxes; liquor tax revenues; cigarette tax revenues; and the 9-1-1 emergency telephone tax. Each year, the per capita distribution amount for each source of revenue is modified. However, since fiscal impact analysis has defined projecting current costs, CPW proposes to use the distribution amounts for fiscal year 2002-03. As of January 2003, the highway user tax per capita distribution is $39.26, the liquor tax per capita distribution is $8.55, the cigarette tax per capita distribution is $1.92, and the 9-1-1 emergency telephone tax is $4.38. Each source of revenue is based on a per capita allocation to jurisdictions throughout Oregon. Thus, CPW will project state shared revenue by multiplying the per capita distribution amount for each revenue source by the projected residential population of each annexation zone. (This step is illustrated in Table 6 in Appendix B).

Although not illustrated in Table 6 in Appendix B, this step will also estimate revenues per student based on a projected increase in school-aged children for each annexation zone. Revenues per student will be calculated using data from the Redmond School District's most recent fiscal year budget.

Step 7: Estimate total revenues based on growth by adding property tax revenues, intergovernmental revenues, and remaining sources of revenues.

In this step, CPW will combine the estimated revenues calculated in Steps 4, 5, and 6 for the estimated total revenue attributed to each annexation zone.

Topics for Discussion

As CPW researched and prepared the methodology discussed above, the following questions arose which require clarification and/or guidance from city staff:

- Are costs associated with the capital improvement plans developed by the Public Works Department reflected as amortized capital costs within the current 2002-2003 fiscal year budget?
- How should the differential costs of servicing certain annexation zones be addressed? Our initial thought is making adjustments based on projects described in functional plans and through discussions with public works staff.
- Should funds that are operating on a cost recovery basis, such as the Airport, be included in our cost and revenue evaluation? We don't think so—these are basically self-supporting City services that should never rely on general fund revenues or fees for service associated with housing or employment.
- Based on the proposed methods for determining the residential and non-residential allocation attributed to costs and revenues, will Redmond staff provide a detailed review of the allocations?
- The annexation zone (Zone B) that includes the South Heights neighborhood is currently being serviced by the SRH Water Company. Subsequent to the annexation of that zone, will the City of Redmond provide water services?
- According to the 2002-2003 fiscal year budget, the revenues and costs for SDC's are identical. Should the cost and revenue evaluation of SDC's be included in our report? We don't think so—over a 20-year period the revenues and capital expenditures should be more or less equivalent.

Should there be any changes made to the city departments listed as part of the methodology in estimating FTE costs or to the funds listed as part of the methodology in estimating capital and operating costs? We think there probably should be. For example, Redmond will still have one City Manager in 2023.

June 11, 2003

TO: **Chuck McGraw, Redmond Planning Department**
Chris Doty, Redmond Public Works Department
Chris Earnest, Redmond Finance Department
FROM: **Amy Lapin and Bob Parker, Community Planning Workshop**
SUBJECT: FISCAL IMPACT ASSUMPTIONS

On May 27, CPW presented the findings from the draft annexation evaluation report to the Redmond City Council. Councilors indicated that they could not provide direction to CPW without having additional time to review the report and digest the findings—particularly those related to fiscal impact analysis. The following week, CPW discussed fiscal impact methods and assumptions employed in the draft report with Redmond staff. The result of the Council meeting and CPW's conference call with staff was that CPW agreed to: (1) modify several assumptions in the fiscal impact analysis, (2) provide a summary of the assumptions that underlie fiscal impact analysis, and (3) provide a revised fiscal impact analysis based on the modified assumptions.

This memorandum summarizes key assumptions and presents our revised fiscal impact analysis figures. City staff directed CPW to use base assumptions on population, density, and buildable lands from Otak's Buildable Lands Study completed for the City of Redmond in March 2003. Additional assumptions were based on conversations and direction from Redmond staff as well as extensive research on Fiscal Impact Analysis methods.

General Methods and Assumptions

Fiscal Impact Analysis (FIA) is the act of projecting *direct*, *current*, and *public* costs and revenues associated with residential and non-residential growth. Fiscal impact analysis requires making estimates of future costs and revenues based on current facts and assumptions. CPW used "hard data" whenever available, but in many cases the data did not provide a complete picture, and required assumptions about future conditions. The following list presents key general assumptions used in our analysis:

- The City of Redmond will require all of the land within its Urban Growth Boundary to accommodate population and employment growth forecasts between 2003 and 2020.
- Each annexation zone will receive levels of service similar to those provided within the current city limits of Redmond.
- Current levels of service in Redmond are the benchmarks for forecasting comparable levels of service, staffing, and costs in each annexation zone. Through conversations with staff, CPW

identified certain city departments that were operating with excess capacity in terms of both labor and operating expenses. Furthermore, CPW assumed that certain departments would achieve economies of scale as population increased in Redmond. Thus, modifications to the benchmarks were made to reflect these assumptions.

- Some cities that have undertaken annexations in the past have experienced increased demand for services beyond what would be expected subsequent to annexation. CPW's methodology estimates costs based on population-driven and service standard forecasts, but may not fully reflect this increased demand because of the difficulties in accurately calculating this demand.

- In estimating the marginal cost of population growth in each annexation zone, CPW used a combination of two FIA methods - the Service Standard Method and the Per Capita Multiplier Method – to estimate costs. CPW used the Per Capital Multiplier Method only for estimating revenues. Appendix D of the Evaluation Report describes these methods in detail.

Cost Assumptions

CPW used the Service Standard Method to project the number of additional city employees required as a result of growth, as well as the costs associated with new employees. The Per Capita Multiplier method was applied to estimate annual operating costs associated with residential and employment growth.

The following steps outline the methods for estimating revenues associated with growth from annexation:

STEP 1: Determine the total residential population, employment, and school-aged child population resulting from residential and non-residential growth.

- Existing residential population was calculated by multiplying the number of dwelling units within an annexation zone by an average household size supplied by Otak. Projected residential population was estimated based on dwelling unit/acre assumptions on buildable and redevelopable parcels as designated by Otak's Buildable Lands Study.
- Existing and projected employment was projected by multiplying the number of acres of commercial and industrial land by employee-per-acre assumptions designated in Otak's Buildable Lands Study.
- School-aged child population was estimated by multiplying the current ratio of school-aged children-total population of Redmond to the marginal residential population growth in each annexation zone.

STEP 2: Based on a ratio of full-time equivalent (FTE) employees per city department per capita, project the number of new FTEs each department will require as a result of growth.

- CPW assumed that staffing requirements within each city department would increase at some proportion relative to Redmond's total population growth.

  - Through conversations with staff, CPW determined that some departments add employees in direct proportion to population growth. These departments are: Police; Transportation; and Parks. Even though the Police department tracks costs in terms of service calls, CPW assumed that service calls would increase proportionally with population growth, and therefore used a directly proportional growth rate in projecting labor costs.
  - Other departments, because of current levels of service, add employees at a rate proportionally less than population growth. These departments are: Fire and Administrative Services.
  - Finally, other departments will not add employees or will recover the cost of additional employees due to population growth. These departments are: Mayor/Council; Hotel/Motel; Senior Center; Non-Departmental; Community Development; Water; Wastewater; and Cemetery.

STEP 3: Calculate the average annual FTE-based costs (wages, salary, and benefits) per FTE by city department.

- After obtaining FTE-based costs from the 2002-2003 Fiscal Year budget, CPW calculated the average cost per FTE by dividing total costs by the total number of FTEs for each city department.

STEP 4: Estimate the total annual FTE-based costs for all additional FTEs required for each department.

STEP 5: Determine the residential and non-residential share of capital and operating costs attributed to growth.

- The portion of costs associated with residential and non-residential uses was estimated using acres and average assessed value in residential and non-residential designations.

  - After completing this calculation, CPW assumed that operating costs within each city department would increase at some proportion relative to Redmond's total population growth.

  - Through conversations with staff, CPW determined that some departments increase operating costs in direct proportion to population growth. These departments are: Police; Hotel/Motel; Transportation; and Parks.
  - Other departments, because of current levels of service or economies of scale, increase operating costs at a rate proportionally less than population growth. These departments

are: Wastewater; Mayor/Council; Administrative Service; Fire; Senior Center; Non-Departmental; and Cemetery.

- Finally, CPW assumed the Community Development department will recover increased operating costs due to population growth by increasing department fees, and will thus not incur additional operating costs due to population growth.

STEP 6: Calculate the average annual capital and operating costs for each city department on a per capita and per employee basis.

- To estimate per capita and per worker figures, CPW divided the residential costs and non-residential costs by Redmond's total population and total workforce, respectively. Per capita and per worker figures were then multiplied by projected residential and non-residential populations at full build-out.

STEP 7: Estimate total annual capital and operating costs by multiplying the estimated residential and non-residential population growth for each annexation zone by the per capita and per employee capital and operating costs for each city department.

STEP 8: Estimate total annual costs attributed to residential and non-residential growth by summing total FTE and operating costs.

Revenue Assumptions

The Per Capita Multiplier Method was the primary method used to estimate revenue from sources including: licenses and permits, franchise fees, fines and forfeits, assessment liens, changes for services, and miscellaneous revenues. Property tax revenue was estimated by projecting the total assessed value at full buildout multiplied by the City's property tax rate. Intergovernmental revenues were determined by multiplying the projected residential population by the per capita distribution amounts for each intergovernmental revenue source.

The following steps outline the methods for estimating revenues associated with growth from annexation:

STEP 1: Determine the total residential and employment population resulting from growth at full build-out of each annexation zone.

- Same methods and assumptions as Step 1 for costs.

STEP 2: Obtain the total revenues for each source of revenue from the City's most recent budget.

STEP 3: Determine the share of revenues attributed to residential and non-residential growth for all revenue sources except property tax and intergovernmental revenues.

- The portion of costs associated with residential uses and non-residential uses was estimated using acres and average assessed value in residential and non-residential designations.

STEP 4: Calculate the average annual revenues for each source on a per capita and per employee basis. CPW used the following assumptions:

- To estimate per capita and per worker figures, CPW divided the residential revenues and non-residential revenues by Redmond's total population and total workforce, respectively. Per capita and per worker figures were then multiplied by projected residential and non-residential populations at full build-out.

STEP 5: Estimate property tax revenues by multiplying the projected assessed value of both residential and non-residential lands at full build-out by the City's property tax rate.

- For residential land, CPW calculated the average assessed value of all developed residential parcels that contained structures built after 1995 and had assessed values greater than $0.
- For non-residential land, CPW calculated the average assessed value of all developed commercial and industrial parcels with assessed values greater than $0.
- The following table summarizes the average assessed values, based on zoning designation, used in this study:

	R2	R4	R5	C1	M1	M2
Avg. Assessed Value	$145,000	$108,000	$152,000	$160,000	$60,000	$71,000

STEP 6: Estimate intergovernmental revenue by multiplying the projected residential population of each annexation zone by the per capita distribution amount of each intergovernmental revenue source.

- Based on April 2003 estimates from the League of Oregon Cities, the following per capita figures were used to calculate intergovernmental revenues:
  - Highway user tax: $37.59;
  - Liquor tax: $8.55; and
  - Cigarette tax: $1.92.

Revised Fiscal Impact Analysis

Based on the assumptions presented above, costs and revenues were projected for eight annexation study areas defined by Redmond Public Works staff. The following table presents cost and revenue projections that were revised from the projections presented to the City Council on May 27th.

The projections are substantially different for a few key reasons:

- CPW modified the assumptions related to the residential and non-residential allocation of costs. Our initial assumption was that non-residential areas increased operating and labor costs in city departments in the same manner as residential areas. After additional research, CPW modified the assumption such that non-residential population growth affected increases in labor and operating costs *half* as much as residential population growth.
- CPW modified the proportional rate of growth (in labor and operating expenses) for *some* departments (namely, wastewater, water, community development, and fire) based on conversations with staff regarding those departments' ability to achieve economies of scale. This better represents the assumption that these departments will operate on a cost recovery basis. It should be noted that although the Fire Department does not operate on a cost recovery basis, the department has made several long-term service investments that justified modifications made to the labor and operating growth rates.

Revenue and Cost Summary

Revenues	Zone A	Zone B	Zone C	Zone D	Zone E	Zone F	Zone G	Zone H	Total
Sources									
Assessment Liens	$0	$0	$0	$0	$0	$0	$0	$0	$0
Charges for Services and SDCs	$1,215,468	$508,953	$20,021	$1,827,185	$929,326	$132,897	$1,500,243	$646,683	$6,780,777
Fines and Forfeits	$18,462	$7,731	$304	$27,754	$14,116	$2,019	$22,788	$9,823	$102,997
Franchise Fees	$300,287	$125,739	$4,946	$451,414	$229,594	$32,833	$370,642	$159,766	$1,675,222
Intergovernmental Revenue	$183,733	$77,280	$3,124	$31,864	$140,479	$20,089	$9,276	$0	$465,846
License and Permits	$325,352	$136,235	$5,359	$489,094	$248,759	$35,573	$401,580	$173,102	$1,815,053
Miscellaneous Revenues	$350,915	$146,939	$5,780	$527,522	$268,303	$38,368	$433,131	$186,702	$1,957,660
Property Taxes	$1,287,728	$454,595	$11,682	$325,225	$732,839	$100,247	$224,038	$46,256	$3,182,609
Total Revenues	**$3,681,946**	**$1,457,472**	**$51,216**	**$3,680,058**	**$2,563,416**	**$362,026**	**$2,961,698**	**$1,222,332**	**$15,980,164**
Costs									
Funds									
Administrative	$225,039	$91,584	$4,605	$318,615	$169,830	$23,398	$189,876	$74,584	$1,097,530
Cemetary	$16,026	$6,733	$321	$17,944	$12,254	$1,752	$11,104	$4,422	$70,557
Community Development	$8,133	$3,421	$189	$10,610	$6,219	$889	$5,987	$2,323	$37,772
Fire	$449,949	$185,634	$9,776	$571,844	$341,389	$47,771	$323,463	$124,435	$2,054,262
Hotel/Motel	$28,833	$12,100	$483	$26,872	$22,045	$3,153	$18,713	$7,670	$119,869
Mayor/Council	$2,466	$1,035	$41	$4,170	$1,885	$270	$3,372	$1,312	$14,551
Non-Departmental	$23,103	$9,696	$387	$21,532	$17,664	$2,526	$14,994	$6,146	$96,047
Parks	$187,538	$77,145	$3,361	$95,588	$142,106	$19,811	$44,595	$13,758	$583,904
Police	$707,917	$280,924	$13,642	$877,161	$528,964	$70,749	$490,643	$184,401	$3,154,401
Senior Center	$1,183	$496	$20	$1,102	$904	$129	$768	$315	$4,916
Transportation	$786,748	$324,106	$13,856	$814,841	$596,918	$83,524	$522,320	$207,821	$3,350,134
Wastewater	$858,188	$360,262	$15,114	$841,379	$656,156	$93,833	$566,690	$230,486	$3,622,106
Water	$526,680	$221,100	$9,296	$517,537	$402,691	$57,586	$348,059	$141,514	$2,224,463
Total Costs	**$3,821,803**	**$1,574,237**	**$71,093**	**$4,119,194**	**$2,899,024**	**$405,393**	**$2,540,583**	**$999,186**	**$16,430,512**
Surplus or (Deficit)	**($139,857)**	**($116,765)**	**($19,877)**	**($439,136)**	**($335,608)**	**($43,366)**	**$421,115**	**$223,146**	**($450,348)**

Appendix E
Data Tables

Table E-1. Trends in Per Capita Expenditures, Redmond, 1992-2001

City of Redmond, Oregon - Fiscal Year 2002-2003 Adopted Budget
General Governmental Expenditures by Function
Budgetary Basis for 10 Years - June 30, 2001

Fiscal Year	General Government	Public Safety	Highways & Streets	Culture & Recreation	Airport	Capital Outlay	Debt Service	Total
1992	$1,210,634	$2,233,877	$537,510	$196,149	$2,285	$1,116,027	$1,230,420	$6,526,902
1993	$1,328,537	$2,415,060	$571,573	$217,209	$0	$1,509,899	$1,196,445	$7,238,723
1994	$1,759,205	$2,587,362	$611,959	$254,380	$0	$1,251,320	$3,457,208	$9,921,434
1995	$2,039,968	$2,650,327	$765,170	$272,485	$0	$2,171,090	$836,490	$8,735,530
1996	$2,064,693	$2,950,876	$919,040	$370,335	$0	$2,292,229	$809,765	$9,406,938
1997	$2,418,300	$3,394,985	$827,853	$438,553	$0	$3,141,024	$915,448	$11,136,163
1998	$2,286,294	$3,619,525	$939,806	$348,421	$0	$2,928,059	$998,538	$11,120,643
1999	$2,578,511	$3,872,285	$1,096,841	$432,142	$0	$2,002,103	$1,044,896	$11,026,778
2000	$2,942,176	$4,245,878	$1,219,431	$359,920	$0	$2,447,729	$2,457,729	$13,672,863
2001	$3,247,377	$5,067,345	$1,898,683	$487,701	$0	$4,085,824	$1,574,896	$16,361,826

Per Capita Expenditures

Fiscal Year	General Government	Public Safety	Highways & Streets	Culture & Recreation	Airport	Capital Outlay	Debt Service	Total
1992	$145	$267	$64	$23	$0.27	$133	$147	$780
1993	$148	$270	$64	$24	$0	$169	$134	$808
1994	$182	$268	$63	$26	$0	$130	$358	$1,028
1995	$193	$250	$72	$26	$0	$205	$79	$825
1996	$185	$264	$82	$33	$0	$205	$72	$842
1997	$202	$283	$69	$37	$0	$262	$76	$929
1998	$184	$291	$76	$28	$0	$235	$80	$894
1999	$201	$302	$86	$34	$0	$156	$82	$861
2000	$218	$315	$90	$27	$0	$182	$182	$1,014
2001	$217	$339	$127	$33	$0	$273	$105	$1,094
Low	$145	$250	$63	$23	$0	$130	$72	$780
High	$218	$339	$127	$37	$0.27	$273	$358	$1,094
10-yr avg	$188	$285	$79	$29	$0.03	$195	$132	$908

Source: Community Planning Workshop, 2003

Table E-2. Trends in Per Capita Revenues, Redmond, 1992-2001

City of Redmond, Oregon - Fiscal Year 2002-2003 Adopted Budget
General Governmental Revenues by Source
Budgetary Basis for 10 Years - June 30, 2001

Fiscal Year	Taxes	Inter-governmental Revenue	License & Permits	Franchise Fees	Fines & Forfeits	Assessment Liens	Charges for Services & SDCs	Other	Total
1992	$1,862,443	$1,086,892	$300,570	$388,743	$47,015	$544,235	$1,415,381	$874,667	$6,519,946
1993	$2,217,789	$766,707	$375,399	$403,735	$59,658	$734,366	$998,027	$1,028,540	$6,584,221
1994	$2,464,621	$750,551	$793,866	$410,373	$52,686	$663,578	$1,165,882	$2,527,392	$8,828,949
1995	$2,842,090	$631,333	$726,832	$474,914	$75,855	$552,438	$1,383,870	$802,330	$7,489,662
1996	$3,309,313	$1,027,165	$605,050	$508,269	$64,648	$336,517	$1,247,065	$913,541	$8,011,568
1997	$3,544,061	$1,178,690	$782,223	$663,939	$65,014	$458,205	$1,737,121	$469,239	$8,898,492
1998	$4,210,986	$992,882	$995,045	$763,901	$74,360	$591,169	$1,855,743	$509,872	$9,993,958
1999	$4,587,848	$1,304,512	$1,113,138	$959,580	$81,535	$488,182	$3,106,085	$461,820	$12,102,700
2000	$4,954,788	$1,227,704	$1,215,871	$988,416	$87,851	$272,892	$3,834,715	$974,340	$13,556,577
2001	$5,655,799	$1,603,412	$1,163,177	$1,398,251	$82,144	$272,220	$4,548,384	$892,987	$15,616,374

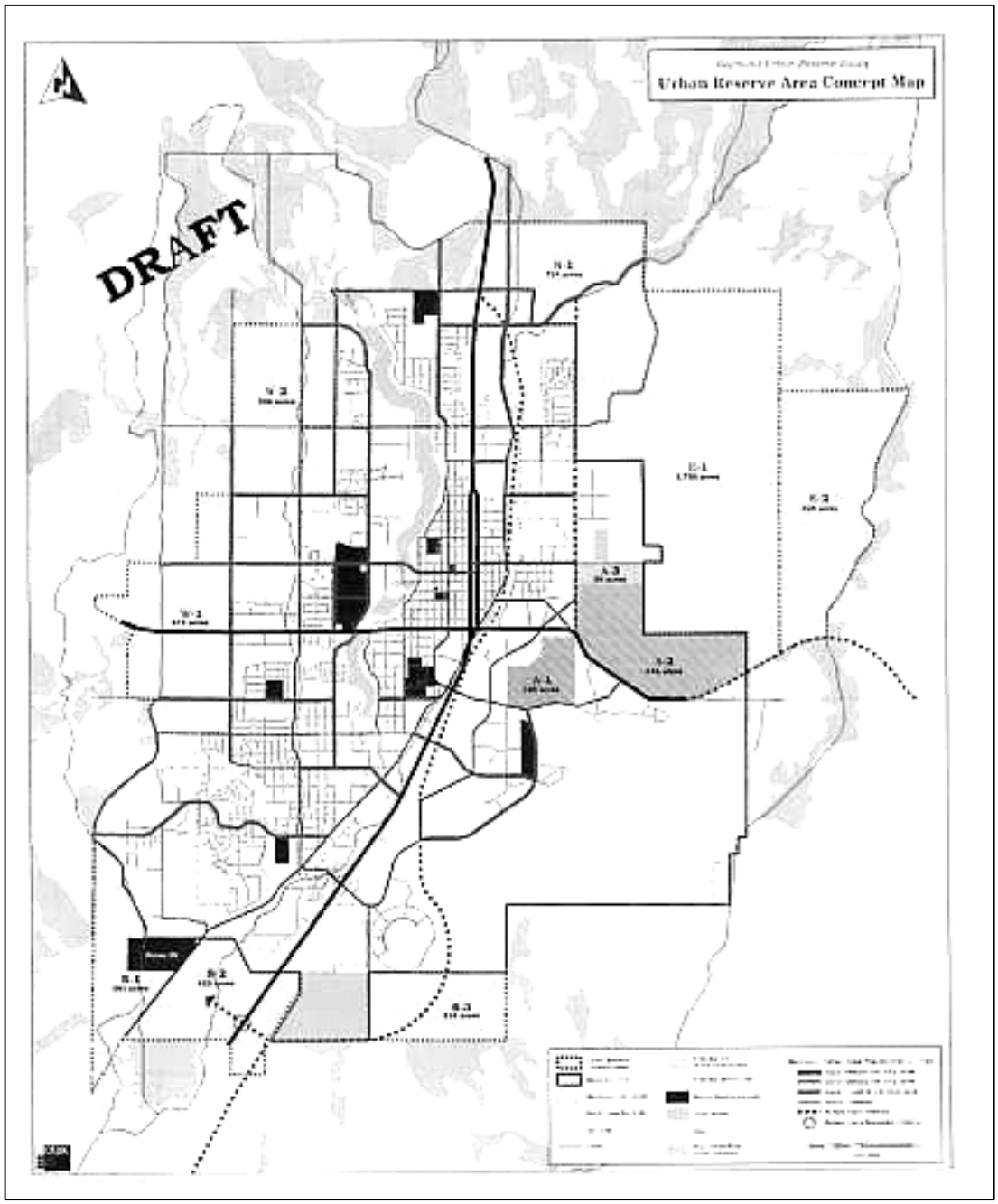
Per Capita Revenues

Fiscal Year	Taxes	Inter-governmental Revenue	License & Permits	Franchise Fees	Fines & Forfeits	Assessment Liens	Charges for Services & SDCs	Other	Total
1992	$223	$130	$36	$46	$6	$65	$169	$105	$779
1993	$248	$86	$42	$45	$7	$82	$111	$115	$735
1994	$255	$78	$82	$43	$5	$69	$121	$262	$915
1995	$269	$60	$69	$45	$7	$52	$131	$76	$708
1996	$296	$92	$54	$45	$6	$30	$112	$82	$717
1997	$296	$98	$65	$55	$5	$38	$145	$39	$742
1998	$339	$80	$80	$61	$6	$48	$149	$41	$804
1999	$358	$102	$87	$75	$6	$38	$242	$36	$945
2000	$368	$91	$90	$73	$7	$20	$284	$72	$1,006
2001	$378	$107	$78	$93	$5	$18	$304	$60	$1,044
Low	$223	$60	$36	$43	$5	$18	$111	$36	$708
High	$378	$130	$90	$93	$7	$82	$304	$262	$1,044
10-yr avg	$303	$92	$68	$58	$6	$46	$177	$89	$839

Source: Community Planning Workshop, 2003

Appendix F
Urban Reserve Areas

Map F-1. Draft Redmond Urban Area Concept Map



Source: Community Planning Workshop, 2003

Appendix G
Urban Service Agreements

To: Chuck McGraw, Senior Planner
City of Redmond

From: Pamela J. Beery, Special Legal Counsel

Subject: Urban Services Agreements

Date: May 12, 2003

*********Confidential Attorney-Client Privileged Communication*********

You are undertaking a review of Redmond's urban services agreements for compliance with state law and the City's ability to use them to implement an annexation plan. You submitted the following agreements for analysis under these requirements:

Parties	Date	Expires	Subject Matter
City/Fire Districts (Deschutes Rural, Crooked River)	10/83	Perpetual	Dispatch services
City/Deschutes Rural Fire	7/02	Perpetual	Personnel/staffing costs
City/Deschutes Rural Fire	7/99	6/02 renewable	Fire protection, cost recovery
City/Deschutes Co. Sheriff	2/02	6/03 renewable	Radio services
City/Humane Society	6/02	6/03 renewable	Animal boarding
City/Central Oregon Park, School District	6/97	annual renewable	Cooperative agreement on SDC's, grounds and programs
City/Deschutes County	7/98	Perpetual	Urban Growth Area Management

You ask whether these agreements are sufficient to comply with applicable legal requirements, and if not, what additional agreements or provisions are required.

Overview of legal requirements

Under the terms of ORS 195.060-.085, cities, counties and special districts serving urban growth boundary territory with populations exceeding 2,500 are required to have urban services agreements in place by the conclusion of the first periodic review of the city's Comprehensive Plan. Any "urban service" being provided in the affected territory must be addressed. Those five "urban" services are:

- ✓ sanitary sewer
- ✓ water
- ✓ fire protection
- ✓ parks, open space and recreation
- ✓ streets, road and mass transit

There are two broad categories of agreements contemplated by the statutes – coordination agreements under ORS 195.020, and urban services agreements under ORS 195.060-.085. A third variation on the urban services agreement requirement would allow the City to submit a proposed annexation plan for the entire urban growth boundary territory to a vote, under an "urban service provider annexation" approach. The elements of all these agreements can be combined in any fashion deemed appropriate by the affected local governments.[8]

The statutes set forth the key elements of the urban services agreement, and the factors the parties are to consider in developing the agreement. The basic idea is to protect the recipients of urban services, both fiscally and in terms of service delivery, through anticipated changes in governance through annexation.

The elements required of each urban services agreement are the following six elements:

- ✓ Who will provide the service?
- ✓ What is each entity's role in the future provision of the service?
- ✓ What will be the service territory of each provider?
- ✓ Who will be responsible for planning and managing the service delivery?
- ✓ How will any transition in service provision be handled? This includes ownership of facilities, annexation of territory, transfer of funds for capital improvement plan projects, other measures for enhancing cost efficiency.
- ✓ What will the process be for future review and modification of the agreement?

The statutes also provide ten factors to be considered as the above six questions are answered:

1. Financial, operational and managerial capacity to provide service.
2. Effect on cost of the service, quality of service, and clear identity of the provider of the service.

[8] I assume that Redmond is not located within a high growth school district and is therefore not subject to the requirements of ORS 195.110, which are additional requirements not addressed in this summary.

3. Physical factors.
4. Feasibility of creating a new entity to provide the service.
5. Elimination of duplication in service provision.
6. Economic, demographic and sociological trends.
7. Allocation of charges reflects cost to serve different users.
8. Matching tax supported services with the payers of the tax.
9. Equitable allocation of cost as between existing and new development.
10. Economies of scale.

Finally, if the City wishes to develop a statutory annexation plan (as contrasted with a local plan identified as a matter of City policy), the agreements need to contain express language stating that they can be relied on in support of the plan to be submitted to the voters, and the City and county need to have an agreement concerning any reduction in property tax revenue to the County as a result of annexation.

Comparison of Redmond agreements to statutory requirements

Following is a brief overview of the five key urban services and how they are addressed in the agreements noted in the table above.

1. Sanitary sewer.

There are no agreements with service districts for this service. The 1998 Agreement with Deschutes County mentions sanitary sewer service in Section 13, "Special Provisions". Subsection B of Section 13 of that agreement establishes that the joint Sewerage Facilities Plan (presumably, the Capital Improvement Plan for this system) governs in the urban growth boundary area. It also describes annexation as being favored over "formation or expansion of special districts". The parties agree that they will plan facilities in such a manner as to avoid duplication and to "provide greater efficiency and economy of operation". The Agreement states that Systems Development Charges will be addressed in a separate agreement.

This agreement falls short of the requirements for an urban services agreement in that it doesn't address transitions in service or funding for projects. It is possible that the separate SDC agreement might cover these topics at least as to transfers of funds. The agreement should be clarified as to how services will be transitioned. If there are any special districts providing service in the urban growth area, separate agreements are needed with those entities.

2. Water.

There are no agreements addressing water service. Section 10 of the agreement with the County provides that the City shall perform public facility planning in the urban growth area. Section 13(B)(2) of the same agreement also provides generally for early annexation and the same "efficiency and economy" language noted above in the discussion of sanitary sewers. These provisions fall short of the requirements of state law.

3. Fire Protection.

There are three fire protection agreements in the materials I received. These address dispatch, personnel costs, and shared fire protection service delivery. While an excellent practice to insure fire and life safety and interoperability, these agreements, too, fail to meet the requirements of state law. They are designed, instead, to assure coverage and cost recovery for both the City and the affected Districts.

4. Parks, Open Space, Recreation.

The 1997 Agreement with the Central Oregon Park and Recreation District and the School District, too, falls short of meeting requirements for an urban services agreement governing parks, open spaces and recreational facilities. It is a coordination agreement, and while it speaks to avoiding duplication of services and shared funding of a capital improvement plan, it also specifically states that it is not "intended to create any legal obligations or liabilities among the parties" at Section 7(a).

5. Streets, roads and mass transit.

Assuming there are no mass transit districts operating in the Redmond UGA, the Agreement with Deschutes County would be the document to address these facilities and services. Section 14 of that Agreement contains some limited provisions to assure consistency in street standards but does not address funding. As such, additional language would be required to meet the requirements of state law.

I hope this overview of the agreements as compared to state law requirements is useful to you as you consider the city's urban services planning strategy.