

Staff Report
PROPOSED ANNEXATION ALONG E. LINCOLN WAY

March 27, 2012

Background:

At their regular meeting on February 14, 2012, the Ames City Council approved adding the extension of water and sanitary sewer to the Capital Improvements Plan (CIP) to serve the eastern annexation area. The eastern annexation area is located north of Lincoln Highway, directly east of the current City limits, west of 590th Avenue and south of the Union Pacific Railroad. On March 6, 2012, the Ames City Council supported this decision by allocating funds in the FY 2012-2013 budget for the extension of utilities to serve the eastern annexation area. Prior to moving ahead with the installation of these utilities, the City Council has requested that the Ames Economic Development Commission representatives meet with property owners in the area to determine the level of support for voluntary annexation.

In response to this request, the AEDC initiated conversations to obtain signed annexation petitions from property owners in this eastern annexation area. It appears from these conversations that not all of the property owners see a benefit from annexing into the City and, therefore, in order to secure unanimous support from the eight property owners, the City Council should consider the following three strategies.

Issue 1– Support For Annexation Conditioned On The City Extending Utilities

The five owners of the agricultural parcels have stated that they would be willing to agree to annexation as long as this commitment is subject to the City extending utilities to the area. The staff will need to explore the possibility of utilizing a pre-annexation agreement in order to satisfy this condition of these property owners.

Issue 2- Support For Partial Tax Abatement

The three residential property owners and one commercial property owner may be agreeable to annexation subject to the granting of partial tax exemption that could be made available by the Council to properties annexed into a city. In accordance with Iowa Code section 368.11, the City of Ames has the ability to offer a period of partial tax exemption under certain conditions.

It is believed that the partial tax abatement incentive would provide some relief to these developed properties as they transition from the Story County to the City of Ames tax structure. **It is important to note that any tax abatement would reduce only the City portion of the overall tax rate.** The staff will need to explore the options available for providing partial tax abatement to satisfy this

condition of these property owners.

Issue 3 – Waiver of Water and Sewer Connection Fees

It is likely that a connection fee district will be established to finance the extension of the water and sewer infrastructure. In this way, property owners will be required to reimburse the City for a portion of the infrastructure costs if, and when, connection is made to the City's systems. The three residential property owners and one commercial property owner also may be interested in seeking a waiver of any connection fees as an incentive to garner their support for annexation should they connect to the City's infrastructure.

NON-CONSENTING PROPERTIES

It is likely that even with offering the annexation inducements, identified above, that the residential properties will not wish to annex. The three residential properties total 0.7% of the land area within the eastern annexation area. The City staff will need direction on how to move forward with the residential properties if they remain non-consenting. The available options are the following:

80/20 Annexation: Please note that the City Council may decide to move forward with the annexation with a minimum of 80 percent of the property within the annexation area consenting to the annexation. This type of annexation, 80 percent consenting, is still identified in the Iowa Code as a voluntary annexation. Typically, non-consenting properties, such as the three residential properties in the annexation area, are included in an annexation application to prevent the creation of an island or to create a more uniform boundary. Considering that the deployment of infrastructure to this area would also open up approximately 400 acres of land south of Lincoln Highway, the inclusion of these properties, even as non-consenting, would be recommended.

Voluntary Annexation: A 100% voluntary annexation can occur by leaving the three residential properties out of the annexation petition. This would allow the three residential properties to remain in the County and request voluntary annexation in the future. Unfortunately, this option may preclude properties to the south of Lincoln Highway to be annexed in the future because of the prohibition against creating islands, effectively pushing the involuntary annexation to a future date.

CITY COUNCIL DIRECTION NEEDED

Assuming that the City Council wants to encourage the voluntary annexation of the area, then it is recommended that the staff pursue developing appropriate agreements that reflect the conditional support for all of the property owners and the partial property tax abatement and utility connection fee waivers for the three existing residential properties and one commercial area.

If staff is unable to secure unanimous support for annexing this area, the Council will have to consider a 80/20 annexation is possible.