



## Land Use & Environment Committee

### Annual Annexations Briefing.

**Agenda Date:** 9/27/2012  
**Agenda Item Number:** 4.A  
**File Number:** 12-0573

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**Type:** report **Version:** 1 **Status:** Filed

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**Agenda Item:**

Annual Annexations Briefing.

**Issue:**

Whether to proceed with any annexations, particularly the two 'islands' in the northwest portion of the City.

**Committee Recommendation:**

None; last comparable briefing was on September 26, 2011.

**City Manager's Recommendation:**

Staff will continue westside "islands" annexation process unless otherwise directed by Council (Option 1).

**Staff Contact:**

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**Presenter(s):**

Todd Stamm, Planning Manager, Community Planning and Development

**Background and Analysis:**

Olympia's Urban Growth Area (UGA) was created by Thurston County consistent with the Growth Management Act, the County-wide Planning Policies, and the joint City-County Comprehensive Plan. Annexation beyond the UGA boundary is prohibited by the Washington Growth Management Act. Among the goals set forth in the Urban Growth Management and Annexation chapter of the Plan are to, "Support annexations which create logical boundaries and reasonable service areas within the urban growth area, including annexation of unincorporated islands within the city limits," and to, "Annex only areas where the City has the capacity to provide services."

It has been the City's practice to seek annexation of the largest area practical to avoid piecemeal annexations and avoid difficult 'remainder' annexations, annex property where development is pending and lack of annexation may result in development being substantially inconsistent with City standards, and to facilitate the annexation process in an open public setting. Only under special circumstances has it been the City's practice to initiate annexation of new territory. Instead, annexations are generally initiated by interested property owners. The unincorporated urban growth area includes three 'islands' that are surrounded by the City.

Until 2009 there were only two basic methods of annexation: by special election (rarely employed by Olympia) and by petition of the property owners of at least 60% of the assessed value of the area to be

annexed. (Only 50% is required for 'islands.')

Since 1995, Olympia has required anyone seeking new water or sewer service outside the City limits to provide the City with the authority to sign a petition for future annexation of the served property. Similarly, owners of property already served by such utilities may obtain services at a reduced rate by agreeing to future annexation. These provisions have resulted in numerous 'commitments to annex.' In 2009 the State provided a third method of annexation for those cases where a County, a City, and the relevant Fire District are all in agreement that an area should be annexed. This new method provided an opportunity to address the identified service inefficiency of Olympia's 'islands' and led the Council to direct City staff to explore annexing these islands by this method.

#### *"Island" Annexations*

City staff has been working with representatives of Thurston County, McLane and Lacey Fire Districts, and the City of Tumwater to evaluate this new annexation process. Tumwater is engaged because their city includes nine similar 'islands' that they are interested in annexing and Thurston County wants to ensure uniformity of the approach to this problem. All jurisdictions agree that annexation of islands by three-party agreement is an appropriate approach. However, details of final agreements are still being discussed. Of the three areas at issue, those on the westside total only about 25 acres, include no known businesses, and are both within the McLane Fire District. In contrast, the eastside 'island' is within the Lacey Fire District, includes a business area, extends over 250 acres, and has ongoing residential development. As a result, annexation issues are much more complex in that area.

Public information meetings hosted by City staff late in 2010 identified issues of concern to residents and property owners in all three island areas. Business owners expressed particular concerns associated with resulting tax changes. As a result of these meetings, planned public hearings regarding the three island annexations have been postponed, the effort to annex the eastside island has been deferred indefinitely, and additional public outreach is envisioned for the westside islands. Staffing limitations have resulted in that public outreach being postponed. The staff proposes to reactivate the westside islands annexation process by hosting another public information in the near future. Note that as a result of recent housing construction, property values may have reached the point where annexation by the 'petition' method is now an option for the Division Street island. This possibility would be explored at this public meeting.

#### *Perimeter Urban Growth Area*

There are seven contiguous unincorporated areas surrounding the City totaling over 5,000 acres. The largest of these is the area along Yelm Highway, which is about one-tenth the size of the City of Olympia. The utility extension practices described above have resulted in 'commitments' to annex from owners of over 60% of many of these areas. (Note that although these commitments authorize the City to sign an annexation petition, they do not waive a resident or property owner's right to object to annexation.) Because large annexations can have significant fiscal impacts, given the current economic climate the City is not pursuing such annexations.

#### **Neighborhood/Community Interests (if known):**

City staff hosted an informational meeting for property owners and residents of the two westside 'islands' over a year ago. As is common, the possibility of annexation raised many questions and some concern about changes in public services and governance. Staff proposes to repeat this meeting to reintroduce the possibility of annexation of these areas. Property owners in other parts of the unincorporated urban growth areas have expressed both support and objections to annexations over the years.

#### **Options:**

- A. Staff will continue westside "islands" annexation process unless otherwise directed by Council.
  
- C. Recommend that all activities associated with annexations be suspended except for those initiated by private parties.

**Financial Impact:**

No specific impact. Generally fiscal impacts of small annexations is minimal.