



**CITY MANAGER'S OFFICE**

# AGENDA REPORT

**DATE:** October 17, 2017

**TO:** Mayor Butt and Richmond City Council

**FROM:** Bill Lindsay, City Manager

**SUBJECT:** OPTIONS FOR PROCEEDING WITH THE PROPOSED ANNEXATION OF UNINCORPORATED NORTH RICHMOND

## **STATEMENT OF THE ISSUE:**

At its meeting of September 26, 2017, the City Council received a presentation regarding the final fiscal analysis and service plan study on the feasibility of annexing the unincorporated area of North Richmond to the City of Richmond. Following its discussion, the Council requested that staff place the item on the October 17, 2017 agenda to allow additional time for discussion and to look at the feasibility of different options for proceeding with the annexation process.

## **RECOMMENDED ACTION:**

RECEIVE a presentation from City staff regarding different options for proceeding with the North Richmond annexation process and PROVIDE direction to staff regarding submittal of an application to the Local Agency Formation Commission to proceed with annexation and to develop and implement a comprehensive educational and outreach campaign – City Manager's Office (Bill Lindsay 620-6512).

## **FINANCIAL IMPACT OF RECOMMENDATION:**

Based on the fiscal analysis report, if unincorporated North Richmond is annexed to the City of Richmond, there would be a negative annual net impact (expenditures will exceed revenues) to the City at annexation of approximately \$2.2 million. If annexation proceeds, (1) this deficit could have a major impact on current service levels in the existing City of Richmond boundaries; and (2) there are a number of unknown capital needs within the North Richmond area that could require significant one-time or on-going investments. If the City conducted an Existing Conditions Report, which would take an in-depth look at the status of the unincorporated area, a more thorough estimate

on the fiscal impact could be made. The scope of Willdan's work did not include this type of analysis.

Future fiscal impacts to the City depend on the amount and type of future development scenarios (residential and/or nonresidential) that may occur. The development scenarios that feature primarily nonresidential land uses are fiscally negative. The analysis "breaks even" only when a significant amount of residential development has occurred. The fiscal impact also depends on revenue transfers that may be negotiated between the City of Richmond and Contra Costa County.

If the City proceeds with the annexation process, it is highly recommended that the next steps include a comprehensive educational and outreach campaign to provide factual information to impacted individuals about the annexation process. Based on the quantity and scope of the campaign, the total cost for developing educational materials, postage and hosting meetings could range between \$10,000 and \$25,000.

## **DISCUSSION:**

### **Background**

At its meeting of September 26, 2017, the City Council received a presentation from Willdan Financial Services and City and County staff regarding the fiscal analysis and service plan study (Study) on the feasibility of annexing the unincorporated area of North Richmond to the City of Richmond. The agenda report and Study are included as Attachment 1 and Attachment 2, respectively.

Annexation is a process by which a city adds land to its jurisdiction in order to extend city services (e.g., police, fire, roads, sewer, etc.) and laws, and extends voting privileges and other benefits to the residents in the annexation area. Supervisor John Gioia, one of the 5 members of the Contra Costa County Board of Supervisors, represents unincorporated North Richmond and wrote a memo to the North Richmond community regarding the history of unincorporated North Richmond and the proposed annexation (Attachment 3).

Potential benefits of the possible annexation would be to:

- 1) Improve government efficiency in the delivery of municipal services to North Richmond, especially with respect to public safety and public works;
- 2) Improve representation for residents of North Richmond by allowing voters to participate in the election of the Richmond Mayor and Richmond City Council members that can provide a politically accountable government closer in proximity, and thereby, more familiar with issues affecting North Richmond; and
- 3) Improve coordination of land use planning, services, and infrastructure between North Richmond and the City of Richmond.

The Study estimates the net fiscal impact (the difference between the increase in revenues and expenditures) on the City of Richmond due to the additional service demands that would be required within the unincorporated area of North Richmond. For Richmond, the estimated revenues that will be increased include a variety of taxes including, but not limited to, property taxes and utility user tax. Expenditures were calculated by estimating costs to the City for services, including police, fire and facilities maintenance due to an increased service population and service area. The following is a summary of the fiscal impact analysis, explained in further detail (including definitions and assumptions) in the report:

- At annexation, North Richmond will generate revenue to the City of Richmond of \$2.8 million annually, and annual expenditures to serve North Richmond will equal roughly \$4.9 million. Expenditures will exceed revenues by approximately \$2.2 million.
- The development scenarios that feature primarily nonresidential land uses are fiscally negative.
- The analysis “breaks even” only once a significant amount of residential development has occurred.
- Capital costs (i.e. Las Deltas Public Housing Site, lighting upgrades, street maintenance, etc.) are not included in the Study as they are not annual expenditures.

### **Options for Proceeding with the Annexation Process:**

After the presentation and discussion at the September 26<sup>th</sup> City Council meeting, City staff was asked to bring back possible options for proceeding with the annexation process that would incorporate community feedback or allow residents to have a greater voice in the decision. The following five (5) options are being presented:

1. The City of Richmond could submit an application to LAFCO to proceed with annexation;
2. A petition could be submitted to LAFCO by registered voters or property owners in the proposed annexation area to proceed with annexation;
3. The City of Richmond could place an advisory measure on an upcoming ballot;
4. The City of Richmond could mail out an informal ballot (survey);
5. The City of Richmond takes no additional action at this time, and does not submit an application to LAFCO to proceed with annexation.

### **Community Engagement and Educational Campaign**

As part of any option that is selected (except for option 5), it is recommended that City staff develop and implement a comprehensive education and outreach plan that would provide impacted residents and property owners with factual information about the

annexation process. The campaign would not serve to advocate in favor of or against annexation but would, instead, serve as an engagement and education tool that could consist of the following components:

- Development and disseminate of education materials (via mail, at events, etc.) which could include:
  - Information describing annexation and explaining the process,
  - Answers to frequently asked questions (Attachment 4),
  - An outline of benefits and costs associated with the annexation,
  - A description of the protest process,
  - An explanation regarding how to stay involved in the process;
- Multi-lingual meetings and materials;
- Hosted community meetings in different locations (i.e. attend schools and community events) with opportunities for open dialogue, with provision of food and childcare, when possible;
- Opportunities for meeting attendees and/or impacted residents to stay updated on the annexation process and to allow individuals to provide feedback and share concerns (i.e. provide surveys regarding annexation, update the website, etc.);
- Engagement and empowerment of local groups and/or community leaders to participate in the development of the educational materials and to help in conveying community concerns to city staff and/or elected officials;
- A request that LAFCO mail letters to inform residents of upcoming hearings in addition to placing an advertisement in the newspaper. City staff could also mail information in conjunction with what LAFCO's outreach methods.

## **Analysis of Options**

**Option 1 (Staff Recommended):** The City of Richmond submits an application to Local Agency Formation Commission (LAFCO)<sup>1</sup> to proceed with annexation.

Staff recommends that the City develop and disseminate education materials to inform residents, registered voters and landowners in the annexation area so that they are aware of the annexation process, understand how the annexation would impact them, and have information about how to support or protest the proposed annexation. The educational outreach component is critical because the City wants to ensure that individuals have the knowledge necessary to make an informed decision regarding

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<sup>1</sup> (LAFCO) is an independent agency which is responsible for overseeing orderly growth and development, including the extension of government services to those who need them. LAFCO is the entity that will receive the application for annexation and will make a decision regarding annexation.

annexation. The LAFCO annexation process is briefly described below and in more detail in Attachment 5.

1. An annexation application is submitted to LAFCO (Application check-list and other items included in Attachment 6);
2. LAFCO staff reviews application and, once completed, will schedule an initial hearing (takes a minimum of 4 months from submission of application to hearing);
3. LAFCO will hold an initial public hearing to consider the annexation application
  - o LAFCO will do the noticing in the annexation area and within 300 feet of area,
  - o If more than 1,000 pieces of mail are required to be sent out, then LAFCO can place a display ad in a local newspaper;
4. LAFCO may approve (with or without conditions), modify or deny the application;
5. If LAFCO approves the annexation, and if there are any objections to the annexation, then LAFCO holds a second hearing called a “protest hearing.” Protests can be received up to and including the day of the protest hearing. The next step in the process is determined by the number of protests, as outlined below:
  - o Annexation ordered (confirmed) without election: If protests are filed by less than 25% of registered voters or landowners owning less than 25% of the assessed value of land within the annexation area;
  - o Annexation dependent on vote: If protests are filed by at least 25%, but less than 50% of registered voters, or at least 25% of landowners owning 25% or more of the assessed value of land within the annexation area, then the question of annexation goes to an election where only registered voters can participate – (it is a mail-in ballot and the vote is subject to a simple majority);
  - o Annexation is terminated: If protests are filed by 50% or more of the registered voters residing within the annexation area.

City staff could bring forth the completed application and tax sharing agreement to City Council prior to submission to LAFCO. The City of Richmond could withdraw the annexation application at any time after submission to LAFCO, but prior to when the LAFCO Commission takes action on the item. For example, if the City were not satisfied with the outcome of the negotiations with the County and other special districts regarding the tax sharing agreements, then the City Council could decide to withdraw the application. (An approved tax sharing agreement is required before the annexation application can be deemed complete and set for hearing.)

**Option 2:** A petition is submitted to LAFCO by registered voters or property owners in the proposed annexation area to proceed with annexation.

Per Lou Ann Texeira, Executive Director of LAFCO, the petition must be submitted by either not less than 25% of the registered voters in the area or by not less than 25% of the landowners in the area owning at least 25% of the assessed value of the land (Gov. Code §56864.1.(a)) due, in part, to the fact that the North Richmond proposal also involves detachments from districts (i.e., fire district, county services areas). The following petition process is involved:

- A notice of intent to circulate a petition must be filed with LAFCO before circulating the petition (Gov. Code §56700.4);
- The petition must follow a prescribed format (Gov. Code §56700);
- Signatures on the petition must be collected within 6 months of collecting the first signature (Gov. Code §56705);
- There are financial disclosure requirements (Gov. Code §56700.1);
- If it is a landowner petition, there are special rules as to determining the assessed value of the land (i.e., land that is tax exempt, joint tenancy, etc.) (Gov. Code §56710).

Applications submitted by petition also require city involvement (i.e., pre-zoning and sometimes general plan amendments, property tax exchange agreement, etc.), and sometimes the imposition of special taxes, terms and conditions, etc. The responsibility for advancing this option would be on the petitioners; however, the City could provide support in developing and disseminating education materials to inform residents, registered voters and landowners in the annexed area of the annexation process.

**Option 3:** The City of Richmond places an advisory measure on an upcoming ballot.

An advisory measure would allow registered voters in unincorporated North Richmond (and the City of Richmond, if desired) to vote on whether or not they think unincorporated North Richmond should be annexed to the City of Richmond.

This option is specifically not recommended by staff, as it is overly complex, and could possibly result in two elections on the same basic issue; i.e., (1) an advisory measure, and (2) an election called by LAFCO.

The soonest the advisory measure could be placed on the ballot would be for the June 5, 2018 election. The City Clerk's Office has funds budgeted in the FY 17-18 budget for an election and, therefore, the costs of placing an advisory measure of the ballot would not require an additional allocation of funds.

The City would also have to budget funds and dedicate staff time to produce and distribute educational materials regarding the advisory measure.

The key dates for the June 5, 2018 Primary Election include:

<b>Filing Period</b>	
November 2017 – February 2018	Write advisory measure; Legal and Financial analysis; City Council to adopt a resolution requesting that the advisory measure be placed on the June 5 <sup>th</sup> election ballot
March 9, 2018	Last day to place a Measure on the ballot. Several things need to happen before this due date
March 15, 2018	Local Measure Letter assigned
March 21, 2018	Deadline for Primary Arguments
March 26, 2018	Deadline for Rebuttal Arguments
April 5, 2018	Last day to file Writ of Mandate
April 26, 2018	Estimated Voter Information Guide mailing

**Option 4:** City of Richmond Informal Ballot (survey)

The City could send out a mailing to North Richmond residents to include: (1) Responses to frequently asked questions (FAQs) about the annexation (Attachment 6), and (2) an informal ballot (with pre-paid postage to make it easier for residents to return the ballot to the city) asking residents to mark whether they are for or against annexation.

This option is much less expensive than placing an advisory measure on an upcoming election ballot but could allow City Council to hear from land owners, business owners, and both registered and non-registered voters within unincorporated North Richmond. As with Option 3, however, this process would be somewhat duplicative with a non-binding mail-in survey followed by, possibly, a binding mail-in ballot.

**Option 5:** The City of Richmond does not submit an application to LAFCO to proceed with annexation.

If the City of Richmond decides to not submit an application to LAFCO, then the City Council would have the opportunity to revisit the topic at a later date. This option could allow City Council and staff with time to host community meetings, conduct research on the topic and produce additional reports (i.e. Existing Conditions Report, Market Analysis, etc.) to provide key information that might help elected officials and residents make a future informed decision regarding annexation.

**DOCUMENTS ATTACHED:**

Attachment 1 – September 26, 2017 agenda report

Attachment 2 – Service Plan and Fiscal Analysis for the proposed annexation of unincorporated North Richmond

Attachment 3 – Memo from Supervisor John Gioia to the North Richmond community

Attachment 4 – North Richmond Annexation Frequently Asked Questions

Attachment 5 – LAFCO Application Documents

Attachment 6 – Diagram of LAFCO's Annexation Process