



Oregon Communities For A Voice In Annexations

Promoting & Protecting Citizen Involvement in Land Use Issues

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June 18, 2013

To: The Honorable Arnie Roblan, Chairman, and members
Senate Committee on Rural Communities and Economic Development

The Honorable Brian Clem, Chairman, and members
House Committee on Land Use

Re: Annexation & Infrastructure Funding 101- Perspectives on Current Challenges
Testimony of OCVA

Dear Committee Chairs, Members and Staff:

OCVA appreciates the opportunity to take part in this discussion.

Our perspective comes from nearly 2 decades of involvement in annexation issues around the state. We were founded to defend the right of citizens to have a meaningful voice in annexation decisions, and to bring more fairness to Oregon's annexation laws.

Our current main issue of concern is "Hostage" annexations. Most of you are already familiar with the problem. Accordingly, I think our purpose here should be to give you our take on why Oregon has these repeated annexation fights and what can we do to reduce or avoid them. We'd also like to offer comments on the infrastructure shortfall around the state.

Annexation battles are about money. In one scenario, unincorporated residents targeted for annexation will usually be faced with much higher tax and service costs. Former General Electric CEO Jack Welch said, "***If you don't supply a quality product at the best price, you'll be out of the game.***" It's no different in the public sector. This is why there's a war when large numbers of people are forced to annex against their will. And the hornets' nest ends up here at 900 Court St.

In the second case, annexations – especially large ones – can cost a community significantly more over time than they bring in with these higher taxes and fees.

For example, when Springfield considered annexing most of the unincorporated territory within its UGB in 1994, the city estimated this would create \$24 million in unfunded liability. The cost issue raises concerns among CITY residents who fear they will have to subsidize the new additions. They respond by passing "Voter Annexation" charter amendments.

Governor Kitzhaber's 1999 "Task Force On Growth" report gave this explanation: ***"The movement for voter approval of annexations derives in a large part from a belief that city governments do not fairly represent the interests of the people most affected by those annexations."***

Citizens want smart growth that is not a drain on their communities' finances. They want a meaningful voice in decisions that affect the destinies of their communities. But citizen opposition to annexation has created conflicts with city governments and development interests and the Legislature has had to deal with the fallout.

Ultimately, if we are to reduce these conflicts, we have to find ways to make annexation more of a "Win-Win" process for all parties involved. We'd like to put some ideas on the table:

Find ways to mitigate the costs that come with annexation. Regarding the ability of citizens to vote on annexations, the Legislature and Oregon's highest courts have repeatedly upheld that right. Accordingly, we think opposition to annexation votes should be refocused toward making annexation more of a "Win-Win" proposition. **Some examples:** Can the tax hike be spread out over a longer period? Is it necessary to connect to expensive sewer and other services right away? Must special districts automatically go away when their service territories are annexed? Are there other ways to improve the benefit-to-cost ratio of annexation so residents will be more sold on the idea? The City of Springfield approached us earlier this year to initiate exactly this kind of discussion. Although the outcome is yet to be determined, we think the effort will be time well-spent.

Revisit previous studies on the cost of growth in Oregon. There have been many studies addressing growth's true costs and funding issues. Some studies say growth more than pays for itself. Others strongly disagree. We simply ask, ***"if growth pays for itself, why did the 'Big Look Task Force' find \$billions in infrastructure funding shortfall around Oregon? Why is Metro anticipating a \$10 billion shortfall in growth-related funding in the next 20 years?"***

What's causing the shortfalls? The aforementioned reports commonly cite the "heavy hitters" as:

1. A dropoff in federal funding and matching grants;
2. The property tax limitations of Measures 5 and 50, and
3. Statutory limitations on system development charges

None of the reports that we've examined flags restrictions on annexations as a source of infrastructure funding problems. Yet we repeatedly hear the argument that unincorporated areas are getting a "free ride" by not annexing to a city and that this is a significant factor in infrastructure shortfall. We have never seen hard facts and data to support this argument. In contrast, Washington County's 2006 "Service Incidence Study" showed something quite different.

Annexation is part of the growth debate – but are the restrictions this body and local laws have put on cities' ability to annex territory at will the primary cause of Oregon's infrastructure shortfall? We think not, and we believe there are opportunities to further examine the growth funding problem. Revisiting the foregoing studies to firmly understand and come to agreement on the causes of the problem is a necessary first start.

Convene another Annexation Work Group. Given the results from the SB 887 work group in 2007, we can understand the reluctance to go down this road again. However, we know that such efforts CAN produce compromise and results, as we saw with then – Representative Roblan’s 2007 work group on HB 2760. We’re willing to try it again.

We don’t have all the answers to these issues but are willing to work with all interested parties to look for “Win-Win” opportunities. We’ve seen such collaboration work in the past. We think it can work again.

Respectfully,

Jerry Ritter

Jerry J. Ritter
Secretary & Legislative Affairs Representative
OCVA