



City of Palmer Annexation Strategy

FINAL DRAFT

Prepared for
The City of Palmer

by Agnew :: Beck Consulting
with Kevin Waring Associates and Northern Economics, Inc.

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Area residents

Gateway Community Council

Area business representatives and the Chamber of Commerce

Area farmers and agriculture

Matanuska Greenbelt Trails Association

Mat-Su Trails Council

Area gravel extraction operators

The project team would like to thank the following for their help in providing information and expertise on specific areas of concern:

Palmer City Council

Palmer Planning and Zoning Commission

Palmer City Staff

LETTER FROM CITY OF PALMER

Open letter to Palmer residents and our neighbors

Growth is in our future. The Core Area has grown and changed dramatically over the last 30 years. This transformation is still at work, driven by a large supply of moderately priced land, availability of roads and other infrastructure, ready access to jobs and recreational amenities, and the chance to live in a place that is different from Anchorage and Outside cities. The Matanuska-Susitna Borough forecasts that the Core Area will more than double in population by 2025, with more than twice as many people living, working, driving, shopping, playing, and wanting public services. The odds are good that much of Greater Palmer will be built up over the next several decades.

Annexation is not a cause of this demand-driven growth, but a response. As growth continues, experience shows that residents and businesses will need and want more public services and a more direct, local voice in service and land use decisions. The City of Palmer, already responsible for water and sewer in this area, is the only local government in Greater Palmer with the authority to extend such services.

Looking ahead, the City of Palmer wants to conserve the unique character and quality of community life that residents of Palmer and the surrounding area now enjoy, including our farming tradition, open space, outdoor recreational opportunities and rural residential feel. These are the reasons we all choose to live in this part of the Valley. The City also wants to be able to provide community services where and when they are needed and wanted, and do so in a manner that is affordable and efficient. Finally, the City is committed to sustaining Palmer's fiscal health and long-term vitality as a trade, service, and job center in Southcentral Alaska.

The City believes that annexation, done thoughtfully, can help maintain and improve the quality of life in Greater Palmer. The City also knows that many nearby residents regard the prospect of annexation as more of a problem than a solution. For that reason, the City commissioned this project and report, with the goal of better understanding and addressing their concerns about annexation.

To the citizens of Palmer, our message is that growth will pose both opportunities and new challenges for which we must prepare. To our neighbors in Greater Palmer, we understand that any City-initiated annexation stirs concerns about unsought changes, and that the City must make a good-faith effort to work with you, and understand and respond to your concerns. This report is one part of that ongoing process.

Sincerely yours,

City Manager

REPORT SUMMARY

Purpose of the report

In March 2007, the Palmer City Council held a public hearing on the largest proposed annexation the City has ever considered. At the hearing, the testimony from residents of the proposed annexation area was overwhelmingly opposed. Opponents cited many factors, from expectations that annexation would adversely affect their lives and property to a lack of adequate opportunity to participate in the development of the City's annexation proposal. Some of these issues were based on legitimate concerns. Others arguably reflected a lack of good information about actual impacts. In the face of this opposition, the City Council dropped the proposed annexation.

The reasons for considering annexation have not changed. In fact, with the continued expansion of the hospital district, the reconstruction of Trunk Road and other changes, pressures for growth continue to mount. However, the City decided to take a different approach before reaching conclusions about any future annexations. The City engaged a consultant team, led by the firm Agnew::Beck Consulting, with extensive experience with Palmer planning and fiscal issues and with the annexation process. The City directed the consultant team to:

- Meet with residents and landowners near Palmer to hear and discuss their concerns about annexation.
- Collect and share factual information about annexation issues.
- Work with local residents to develop ideas about possible ways to resolve annexation issues.
- Report its findings back to the City Council and city staff.

Conclusion

Over recent months, the consultant team met numerous times with interested individuals and parties. Participants identified many issues of concern to them. ***This process is not yet complete***, but discussions to date have been substantive and informative. Participants identified many ideas to address or reduce concerns, for example, by changing city zoning code provisions affecting agriculture and by adjusting other city policies that work well in denser developed areas, but are less appropriate outside current city boundaries.

Based on these discussions, we believe that the City can address many of the public's concerns about annexation. Not all concerns can be resolved, but many can, and this could substantially change the public's response to any future annexation recommendations. This process will take more than just a better explanation of the logic for annexation. ***The City must make a genuine commitment to take action to address public concerns.*** Equally important, the City must actively engage affected residents and landowners – potential future constituents – in

the annexation process. This project has started that process; more work is needed to address concerns before proceeding with an annexation proposal.

This summary highlights some of the key concerns and recommended responses from our research and consultations with interested parties to date. The full study follows the summary.

Why consider annexation and Alaska’s process for city annexations

Under Alaska’s Constitution, the Local Boundary Commission (LBC) must approve all annexations. Its process is outlined in the full report. Generally, State law favors city annexations to sustain the fiscal viability of existing cities, and to plan for growth and the efficient provision of essential public services to adjacent areas. We believe the City can make a persuasive case on these grounds to the LBC for approval of a substantial annexation of adjacent territory.

Briefly, the City’s case rests on:

- its very constrained boundaries, coupled with ongoing growth in the City’s periphery.
- its unique ability to plan for and deliver essential public services to adjacent areas as development progresses.
- its demonstrated capacity to provide expanded public services, and do so without impacting the quality and costs of services to existing residents.
- its need to maintain its sales tax revenue base, which accounts for about 50 percent of all municipal revenues and about 80 percent of city tax revenues.

LBC approval of a proposed annexation is just one step toward a successful annexation. Full success depends on the City’s pre-annexation planning, and post-annexation ability to manage the long-term development of annexed territory to the general satisfaction of existing and new residents as well as to the City’s overall benefit. The bulk of this report focuses on actions the City may consider before and after annexation to enhance the success of any LBC-approved annexation.

Potential Annexation impacts

We have grouped the annexation issues into four topics: taxes, public services, land use and rural lifestyles, and agriculture. Many of the issues regarding taxes and public services were factual in nature, e.g., how would annexation affect my taxes and the delivery of public services? We found that the most effective way to address many of these issues was simply to provide information. Additionally, the City can develop, publicize, and commit to plans and schedules for the provision of city services in advance of finalizing any annexation proposal.

The issues related to land use and rural lifestyles, including agriculture, call for a different response. To fully address these issues, the City will need to reconsider and revise certain of its existing land use policies and related codes. The reason for this is that the character of existing and future development in annexed areas is not apt to duplicate the traditional pattern of settlement within the existing City of Palmer. Indeed, part of the City's interest in annexation stems from its lack of vacant land that can be developed according to today's residential and commercial market preferences. Also, some annexation options may include active farmland, active or depleted materials extraction sites, large institutional uses, and regional open space. The City's existing land use codes do not adequately deal with these land uses. The different character of some prospective areas for annexation means that the zoning and other development codes that have been designed for the existing city will need to be refashioned to accommodate the more rural/suburban character of residential, commercial, and other development likely to prevail in annexed areas.

Taxes

Property owners and businesses are naturally concerned that annexation would result in higher property assessments and taxes, additional sales taxes, and higher city license and permit fees. Our research found that within Palmer, the city sales tax currently supplies about 80 percent of locally raised tax revenues and the city property tax about 20 percent. Thus, regarding fiscal issues, the City's primary concern should be protection of its sales tax base. Property tax revenues are a distant second issue. **In any case, as outlined below, our analysis shows that annexation would hardly change property tax rates, and with the exception of sales taxes, would have little or no impact on other taxes and fees.**

- **Property taxes rates.** Annexation would not materially change the property tax rates paid by individual owners. Generally, the city property tax levy is about offset by a lower Matanuska-Susitna Borough tax levy. This year (FY 2010), property owners in the City pay a slightly lower tax rate than property owners abutting the City. Last year, the situation was reversed. Annexation would not affect exemptions for senior citizen or disabled veterans, or farmland use tax deferments.
- **Property assessments.** The Matanuska-Susitna Borough would continue to conduct *all* property assessments. By itself, annexation should not affect property assessments.
- **Sales taxes.** The City's three-percent sales tax would newly apply to taxable purchases at businesses in the annexed territory. This would create a level playing field in a larger part of Palmer's central trade area, and would remove a motive for businesses to locate outside the city boundary to avoid city sales taxes.
- **Miscellaneous fees.** Annexation would not change liability for fee-supported services (e.g., city water/sewer); as now, only properties receiving such services would pay for them.

Businesses and developers in the annexed territory would become newly subject to city business license and permit fees, but these fees are modest in scale. For example, a City of Palmer business license costs \$25 a year. Currently, miscellaneous fees total less than \$94,000 annually for the entire City.

- **Severance taxes.** The City intends to pursue joint planning with materials site owners/operators to facilitate the conversion of depleted sites to other productive economic uses. As part of this process, the City may consider establishing a reasonable severance tax on materials extraction.

Local Public Services

Annexation would affect the delivery of some local public services. Other services would continue unchanged.

- Several services now provided by the Matanuska-Susitna Borough or by borough service areas, or jointly by the Matanuska-Susitna Borough and the City would continue to be provided by the same entities; these are: education, fire and rescue, public safety dispatch, and parks.
- City services funded by user fees (e.g., city water/sewer, airport, golf course, ball fields, ice rink, refuse collection¹) would also continue unchanged. That is, only users of the service would pay. With regard to city water/sewer service, the Regulatory Commission of Alaska has already certificated (that is, authorized but not required) the City of Palmer to provide water/sewer services to most of Greater Palmer, both inside and outside the city. Annexation would not give the City more authority or oblige it to provide service. The City would continue to evaluate new service additions on a case-by-case basis. Annexation would not change the status of existing private water/sewer utilities in any annexed area.
- The City would assume responsibility for police services from the Alaska State Troopers and for road services from the South Colony Road Service Area (RSA) according to a transition plan approved by the LBC. If a proposed annexation would substantially affect the finances and operations of the South Colony RSA, the City has the option to explore, in advance and in consultation with Matanuska-Susitna Borough and the RSA, ways to minimize any adverse effects during the transition.

Land Use and Rural Lifestyles

During project meetings, the prime issue of concern was the uncertain effect of city land use and other codes on land uses and rural lifestyles in any annexed area. This was an issue of concern

¹ The City of Palmer provides refuse collection in part of the City, a private contractor serves other parts of the City. The City operates trash collection as an enterprise fund; it is supported by revenues collected from service users. While the City requires trash collection within existing City boundaries, this requirement may not be necessary in all low density rural areas.

for established residents, private landowners/developers, public landowners, recreationists, materials extraction site operators, and the agriculture community (special concerns of the agriculture community are discussed separately, in the following section).

Any substantial proposed annexation will likely include both undeveloped tracts and existing residential areas with conventional subdivisions and large-lot rural homes. Many established residents and landowners in these areas are satisfied with their existing service arrangements, and are strongly attached to their situation outside city boundaries.

In order to improve public acceptance of annexation, we recommend that the City explore a variety of revisions to its existing land use policies and codes to accommodate prospective annexees, insofar as it can without compromising the essential purposes of annexation. Better information about the practical effect of city land use codes will address some concerns; some code revisions are also advisable. Examples include:

- The City may need to create a new low density residential zone, with relaxed standards for refuse collection, setbacks, fences, application of building codes, and similar adjustments to respond to the needs of rural areas.
- Existing code provisions for the application of zoning to newly annexed property are vague and create needless apprehension. Zoning code revisions that clarify the post-annexation classification of existing uses and unused tracts, coupled with more detailed land use planning before finalizing an annexation proposal would help reduce this apprehension.
- If a proposed annexation includes major new large-tract uses (e.g., educational and other institutional uses, recreation/open space, materials extraction sites), it may be advisable for the City to develop applicable land use policies and code additions in consultation with the appropriate landowners. For large tracts of private land, the City may need to develop new subdivision guidelines, such as an open space/conservation subdivision ordinance,² to provide more flexibility to respond to site-specific physical opportunities and constraints and to encourage retention of trails or other valued open space features.

Agriculture

The agricultural community is deeply concerned that annexation may harm the viability of agriculture by imposing new restrictions and costs. Based on extensive three-way discussions

² An alternative to the standard approach of creating residential subdivisions is the Conservation Subdivision, in which a property is subdivided in a way that reserves some valued feature(s) of the land for community use. The type of feature reserved may be a waterbody, trail(s), community parkland/open space, community agricultural land, historic site(s), etc. and may be reserved for general use by the subdivision residents or public use, depending on the terms of the subdivision. Individual lots tend to be smaller and clustered together more than in conventional subdivisions, but home values tend to equal or surpass those in conventional subdivisions (and maintain their value over time) due to the aesthetic value and community amenities created at the time of subdivision.

with representatives of the agricultural community and city staff, we believe that most of the agricultural community's concerns about annexation can be addressed by revising city policies and codes to be neutral or friendly to agriculture. This would include revisions to agriculture-related sections of the zoning code and other code requirements that may impair the continuance of agriculture as a valued economic activity within the city. In addition, these discussions have helped clarify the significant economic contribution made by agriculture to Greater Palmer, and suggest the need for a more active future role by the City to help sustain local agriculture.

Recommended Annexation Strategy

The following recommendations represent the consultant's advice to the City of Palmer for a successful and effective approach to annexation.

Prior to any future annexation proposals:

The City of Palmer should:

1. Articulate clear goals for City of Palmer annexations in general. Consultants recommend that the City use the following three goals:
 - a. Plan for orderly growth in nearby areas so essential public services can be provided efficiently and cost-effectively where and when warranted. Make plans for needed infrastructure prior to development, to avoid the high costs and inconvenience of retrofitted infrastructure.
 - b. Sustain a desirable quality of life in and around Palmer.
 - c. Protect the City's long-term economic viability and fiscal health.
2. Proactively address legitimate issues created by annexation, prior to annexation. Only by solving these issues first can the City build trust and credibility. A number of these issues are identified in this report, with preliminary recommendations for how the City can address and resolve them. Examples include revised zoning for agricultural lands, creation of a rural residential zone, and revised standards for services in low density residential areas.
3. Establish an explicit approach to deciding when and where to annex territory:
 - a. Though future annexation petitions will be brought on a case-by-case basis as deemed appropriate, the City should define a long-term conceptual boundary for territorial growth. Over time, the cities of Palmer, Wasilla, and surrounding areas will continue to grow. As land is developed and more people locate their homes and businesses in these areas, the two cities will be asked to provide higher levels

of service. In order to provide increased city services, Palmer and Wasilla will annex developed territory, growing closer together. Given these trends, the consultants recommend designating the existing Palmer Water and Sewer Service Area boundary as this long-term conceptual outer boundary for the expansion of City limits.

Identifying the Water and Sewer Service Area as the long-term conceptual boundary for the City of Palmer does not, by itself, mean that the City will actively pursue annexation of this area. Rather, it is meant to a reasonable guide for landowners and the City in preparing for growth and the possibility of future annexations. It may be decades before Palmer's growth warrants annexing to the limits of this long-term conceptual boundary.

- b. Phase annexations within the long-term conceptual boundary, following the criteria below:
 - i. Scale individual annexations to the City's infrastructure, operational and fiscal capability to deliver services.
 - ii. Coordinate the City's annexation planning with other public and semi-public entities that also have major local governance or service responsibilities such the Matanuska-Susitna Borough and its service areas, the University of Alaska, Matanuska-Susitna College, and public utilities, and with applicable Matanuska-Susitna Borough plans (e.g., its Comprehensive Development Plan, Core Area Plan, Long-Range Transportation Plan, and Parks, Recreation and Open Space Plan).
 - iii. Annex vacant territory with imminent development potential sooner rather than later. A major benefit of annexation is that it provides a chance to coordinate and guide infrastructure development. After development occurs, this and other benefits of annexation are often forfeited, and annexation often becomes unwelcome and politically problematic. Specific priorities include:
 - Existing or potential commercial corridors and nodes near the City whose development might erode the City's sales tax base.
 - Undeveloped and/or under-developed tracts with near-term potential for residential or other land uses, in order to ensure that development meets city standards for roads, drainage, utilities, etc.
 - Undeveloped and/or under-developed tracts whose future use and development will have major influence on the quality of life in and

around Palmer (mainly the two major road corridors: the Glenn Highway corridor and the Palmer-Wasilla Highway corridor).

- Nearby vacant tracts whose development potential has been or may be substantially enhanced by public infrastructure investments.
 - Tracts that enhance the City's long-term ability to function as a trade, service, governmental, and job center for Greater Palmer.
 - Built-up areas as requested by residents, or as essential to maintain cost-effective city services, or as required by LBC boundary standards.
- c. Include Planning and Zoning Commission review in the process of deciding when and where to annex territory. A resolution supporting annexation in itself and specific areas would be an asset to the City Council in their decision-making process.

When the City is ready to proceed with future annexation proposal(s):

4. Identifying Priorities for Annexation: If and when the City is ready to move forward with an annexation proposal in the near-term, and considering the criteria presented above, it is the judgment of the consultants that the priority for annexation should be the area bounded by the Palmer-Wasilla Highway corridor on the north, the old Trunk Road on the west and the Glenn Highway corridor on the south and east. Identifying a particular area helps all parties focus attention where benefits of annexation are greatest and limits unnecessary expenditure of planning resources and political energy.
5. Public Process: LBC (Local Boundary Commission) regulations set minimum requirements for local public consultation before an annexation petition is submitted for review. Experience indicates that the City would be wise to greatly expand its local public process for drafting and review of annexation petitions. Based on conversations with Palmer-area residents and business owners, consultants recommend the following measures:
 - Conduct general public outreach regarding annexation issues; work to solve legitimate concerns prior to proceeding with annexation (this report is a part of implementing this recommendation)
 - Define a preliminary territory of interest for consideration for annexation.
 - Hold advance informational meetings and consultations with residents, landowners, and stakeholders in the preliminary territory to learn of local issues and concerns before drafting an annexation petition.

- Prepare a preliminary draft annexation petition for internal review that:
 - Addresses issues raised by residents and stakeholders about the potential impacts of annexation on taxes, services, and land use and rural lifestyles;
 - Analyzes the impact of a prospective annexation on city operations and finances;
 - Evaluates the costs and resource requirements to extend city facilities and services to prospective annexations;
 - Includes a detailed transition plan for the extension of city services in the post-annexation period, and for intended land use policy.
- Initiate appropriate revisions to existing city policies and codes; ensure that critical revisions are in place for timely post-annexation implementation.
- Present the draft petition for public review with residents/stakeholders.
- Present the (revised) draft annexation petition for formal hearing and final action by the city council.

INTRODUCTION

Purpose of the Report

In March 2007, the Palmer City Council held a public hearing on the largest proposed annexation the City has ever considered. At the hearing, the testimony from residents of the proposed annexation area was overwhelmingly opposed. Opponents cited many factors, from expectations that annexation would adversely affect their lives and property to a lack of adequate opportunity to participate in the development of the City's annexation proposal. Some of these issues were based on legitimate concerns. Others arguably reflected a lack of good information about actual impacts. In the face of this opposition, the City Council dropped the proposed annexation.

The reasons for considering annexation have not changed. In fact, with the continued expansion of the hospital district, the reconstruction of Trunk Road and other changes, pressures for growth and change continue to mount. However, the City decided to take a different approach before reaching conclusions about any future annexations. The City engaged a consultant team (led by the firm Agnew::Beck Consulting) that had extensive experience with Greater Palmer planning and fiscal issues and with the annexation process. The City directed the consultant team to:

- Meet with residents and landowners near Palmer to hear their concerns about annexation.
- Collect and share factual information about annexation issues.
- Work with local residents to develop ideas about possible ways to resolve annexation issues.
- Report its findings back to City Council and city staff.

Palmer Annexation Strategy Process

Over the course of a year (2009), the consultant team met numerous times with interested individuals and parties. Early in the process and working with city staff, the consultant team prepared an informational pamphlet to give some background on the project and answer general questions about annexation. Two public workshops were held to gather input on the concerns and questions of the general public. The project team conducted additional research through a series of interviews and small group meetings in order to obtain more detailed information from Palmer-area farmers, business owners, residents and other property owners, outdoor recreation advocates, City Council, and city staff.

At the various meetings, participants discussed many annexation-related issues of concern to them; discussions to date have been substantive and informative. They identified many ideas for

ways to address or reduce concerns, for example, by changing city zoning code provisions affecting agriculture and by adjusting other city policies that work well in denser developed areas, but are less appropriate outside existing city boundaries.

Based on these discussions, we believe that the City can address many of the public's concerns about annexation. Not all concerns can be resolved, but many can, and this could substantially change the public's response to any future annexation recommendations. This process will take more than just a better explanation of the logic for annexation. ***THE CITY MUST MAKE A GENUINE COMMITMENT TO TAKE ACTION TO ADDRESS PUBLIC CONCERNS.*** Equally important, the City must actively engage affected residents and landowners in the annexation process. This project has started that process; more work is needed to address concerns before proceeding with an annexation proposal.

History of Annexation in Palmer

In the past, most annexations to Palmer came at the request of property owners. Annexations were frequent and small in area. Palmer has had 46 separate annexations since its incorporation in 1951, as many as seven in one year and many more than any other city in Alaska.

These numerous annexations-upon-request were typically motivated by the property owners' desire for city sewer and water. They created irregular, meandering city boundaries and numerous enclaves (pockets of unincorporated land within municipal boundaries). This piecemeal growth pattern created practical problems: poor or inefficient service provision, duplication of services, confusion about maintenance responsibilities for roads and drainage, and confusion about applicable land regulations. Also, despite all the annexations, Palmer's boundaries remained very constricted, the smallest of any city of its population in Alaska.

In 1992, the Alaska Local Boundary Commission (LBC) denied Palmer's petition to annex a tract that would have created another enclave inside the city. A few years later, while approving a different annexation, the LBC urged the City to annex the enclaves and take a more comprehensive approach to its need to expand by annexation. In 2002, the LBC approved Palmer's petition to annex the enclaves along with limited additional territory.

In 2006, the City initiated a broad and ambitious project that considered the annexation of a substantial part of "Greater Palmer." Public information about the objectives and impacts of this action was limited, and many people were deeply concerned about the perceived consequences of annexation. Eventually, the City Council dropped the proposal.

Why Consider Annexation

Cities in Alaska annex territory for many reasons. The City of Palmer anticipates that some annexation may be necessary in the future to achieve goals shared by many residents of the Greater Palmer community. These include:

Fiscal Responsibility. Compared to other Alaska communities, Palmer is small and densely developed. A large portion of the land in the city core is used for government functions that do not pay property taxes. For this reason, the City must rely on its sales tax for most of its local tax revenue. Unless the city can grow and spread the costs of services and infrastructure improvements over a larger pool of taxpayers, Palmer will be strained to provide the same level of services in the future. Commercial growth just outside the City's boundaries could create major fiscal challenges for the City, and for residents (within and outside City limits) that benefit from City-provided services.

Efficient Service Provision. With a larger service area, the City can gain economies of scale and access to additional funding to lower the per capita cost of service provision to all residents. Generally, the City has greater power to attract resources (e.g., funding, staff, influence with the State) toward capital improvements and service provision than do entities such as homeowner's associations and local service areas. In addition, if the areas surrounding Palmer are gradually developed, as probably will occur, the City will be likely be required to provide a range of infrastructure and services to these areas. Experience around Alaska and the US has made clear that planning this growth and infrastructure *prior* to development is much less costly than retrofitting developed areas after growth has taken place. Local Alaska examples include the need for very costly retrofits in the Anchorage Hillside area to provide adequate drainage. Another example is the challenge faced by the Matanuska-Susitna Borough in providing road and trail access in outlying areas where subdivision took place without adequate transportation planning.

Maintain Palmer's Unique Character. Many people choose to live in Palmer or the surrounding areas because they enjoy the lifestyle and community values that define the area. As more people move to the area and develop land, the area's character can change, and with it the ability to maintain the lifestyles that established residents value. The City can positively influence the quality of growth and land development with its land use and development codes.

Room to Grow. In order to achieve some of the goals identified in the Palmer Comprehensive Plan, such as retaining Palmer's "Small Town America" character, while improving the local economy and expanding local businesses, the city will need room to grow, both for commercial and residential development. Palmer currently has some undeveloped land, but not enough to support the future development of business parks, community parks, or additional housing for the community's labor force. Annexation can help guide growth to appropriate locations and to pay for needed infrastructure.

Alaska's Process for City Annexations

Under Alaska's constitution, the State Local Boundary Commission (LBC) decides on all proposed annexation petitions based on the merits of the petition. The LBC is a quasi-judicial body. It must make its decisions solely on standards in state law and relevant facts. The Alaska Division of Community and Regional Affairs provides staff support to the LBC, and also provides technical assistance to petitioners and to the general public.

There are several procedural options for pursuing city annexation, all of which require LBC approval. For example, annexation may be initiated by unanimous consent of property owners and voters in an area, or by a majority of voters living in an area. But the most commonly used option is the legislative review procedure. That procedure is usually followed when some property owners may object to annexation. It is the option that cities like Palmer customarily must follow to pursue any major annexation. The legislative review option is only available under certain preconditions, listed on the following page.

The LBC's regulations define the key steps in the legislative review procedure, as shown in the diagram on this page. Typically, the LBC's role in the procedure for legislative review annexation petitions takes nine to 12 months or more after submittal of an annexation petition. The procedure provides several opportunities for local public review and comment, and a local public hearing. It also requires tacit approval by the Legislature. It does not require approval by voters or property owners in the area proposed for annexation.

Legislative Review Process

Step 1. Filing the petition

- Petition submitted for technical review by LBC staff
- If complete, petition accepted for filing



Step 2. Public review and comment

- Public notice of petition published; copies available for public review
- Persons and organizations may file comments or briefs for or against petition
- Petitioner may file reply brief



Step 3. LBC staff analysis

- Local public informational meeting on petition
- LBC staff publishes its preliminary report and recommendations to LBC for public review and comment
- LBC staff publishes its final report and recommendation to LBC



Step 4. LBC Hearing and Decision

- LBC holds local public hearing on petition, then decides. The LBC can:
 - approve petition, or
 - amend and approve or conditionally approve petition, or
 - reject petition
- LBC issues written decision
- Upon request by an interested party, LBC may reconsider its decision



Step 5. Implementation

- If LBC approves petition, approval is submitted for legislative review
- Legislature may deny LBC approval by a concurrent resolution, which requires a majority vote of all members in each house
- LBC decisions are subject to judicial appeal by an interested party

LBC Preconditions for Legislative Review Annexations

Territory that meets the other applicable annexation standards may be annexed to a city by the legislative review process if the commission also determines that any one of the following circumstances exists:

- (1) the territory is wholly or substantially surrounded by the annexing city;
- (2) the health, safety, or general welfare of city residents is or will be endangered by conditions existing or potentially developing in the territory, and annexation will enable the city to regulate or control the detrimental effects of those conditions;
- (3) the extension of city services or facilities into the territory is necessary to enable the city to provide adequate services to city residents, and it is impossible or impractical for the city to extend the facilities or services unless the territory is within the boundaries of the city;
- (4) residents or property owners within the territory receive, or may be reasonably expected to receive, directly or indirectly, the benefit of city government without commensurate tax contributions, whether these city benefits are rendered or received inside or outside the territory, and no practical or equitable alternative method is available to offset the cost of providing these benefits;
- (5) annexation of the territory will enable the city to plan and control reasonably anticipated growth or development in the territory that otherwise may adversely impact the city;
- (6) annexation of the territory will promote
 - (A) maximum local self-government; and
 - (B) a minimum number of local government units;
- (7) annexation of the territory will enhance the extent to which the existing city meets the standards for incorporation of cities, and is in the best interests of the state;
- (8) the commission determines that specific policies set out in the Constitution of the State of Alaska, AS 29.04, AS 29.05, or AS 29.06 are best served through annexation of the territory by the legislative review process, and that annexation is in the best interests of the state.

Source: Adapted from LBC Administrative Regulation 3AAC 110.900.

The Alaska State Legislature has enacted laws, and the LBC has adopted regulations, that establish procedures and standards for city annexations. The LBC has also adopted specific standards to evaluate annexation petitions (described on the following page). A petition must meet all applicable standards in order for the LBC to approve it.

Additional information on the LBC's process for city annexations, including the applicable standards in law, can be found under the heading "Annexations to Cities in Alaska" at <http://www.commerce.state.ak.us/dca/lbc/lbcannualreport.htm#genpubs>

LBC Standards for Annexation to Cities

1. Need

The territory proposed for annexation must exhibit a reasonable need for city government.

2. Character

The territory must be compatible in character with the annexing city.

3. Resources

The economy within the proposed expanded boundaries of the city must include the human and financial resources necessary to provide essential city services on an efficient, cost-effective level.

4. Population

The population within the proposed expanded boundaries of the city must be sufficiently large and stable to support the extension of city government.

5. Boundaries

(a) The proposed expanded boundaries of the city must include all land and water necessary to provide the development of essential municipal services on an efficient, cost-effective level.

(b) Presumptively, territory that is not contiguous to the annexing city, or that would create enclaves in the annexing city, does not include all land and water necessary to allow for the development of essential municipal services on an efficient, cost-effective level.

(c) The proposed boundaries of the city must include only that territory comprising an existing local community, plus reasonably predictable growth, development, and public safety needs during the 10 years after annexation.

(d) The proposed boundaries of the city may not include entire geographical regions or large unpopulated areas.

6. Best Interests of the State

The proposed annexation must be in the best interests of the state.

7. Transition Plan

(a) The annexation petition must include a practical plan that demonstrates the capacity of the city government to extend essential city services into the territory proposed for annexation in the shortest practicable time after annexation.

(b) The petition must include a practical plan for the assumption of all relevant and appropriate powers, duties, rights, and functions presently exercised by an existing borough or other appropriate entity in the territory proposed for annexation.

(c) The petition must include a practical plan for the transfer and integration of all relevant and appropriate assets and liabilities of an existing borough or other entity in the territory proposed for annexation.

8. Civil and Political Rights

The annexation must not deny any person the enjoyment of any civil or political right, including voting rights, because of race, color, creed, sex, or national origin.

Source: Adapted from LBC Administrative Regulations 3AAC 110.090 – 3AAC 110.140 and 3AAC 110.910.

Excerpts from Article X of Alaska's State Constitution

Article X, Section 1. Purpose and Construction

The purpose of this article is to provide for maximum local self-government with a minimum of local government units, and to prevent duplication of tax-levying jurisdictions. A liberal construction shall be given to the powers of local government units.

Article X, Section 12. Boundaries

A local boundary commission or board shall be established by law in the executive branch of the state government. The commission or board may consider any proposed local government boundary change. It may present proposed changes to the legislature during the first ten days of any regular session. The change shall become effective forty-five days after presentation or at the end of the session, whichever is earlier, unless disapproved by a resolution concurred in by a majority of the members of each house. The commission or board, subject to law, may establish procedures whereby boundaries may be adjusted by local action.

The Alaska Constitution, Annexation, and the Role of the Local Boundary Commission

Alaska's Constitution sets the framework for city annexations and the special role of the State's Local Boundary Commission (LBC) in annexations. Article X, Section 1 states the fundamental principle of local government in Alaska: "The purpose of this article is to provide for maximum local self-government with a minimum of local government units, and to prevent duplication of tax-levying jurisdictions. . ."

As one scholar of Alaska's Constitution explained, the delegates to Alaska's Constitutional Convention saw that fixed city boundaries could frustrate this constitutional purpose.

In their [the convention delegates'] view, a major failing of municipal government in the older states was the rigidity of boundaries: city, county, and other jurisdictional lines could not, as a practical matter, be modified to respond to changing governmental needs and opportunities.¹

Even before Statehood, annexation had generated conflict and litigation in Alaska. Alaska's constitution-drafters already knew first-hand how local political conflict over annexation could thwart city governments' efforts to adapt their boundaries to changing circumstances.

As a remedy, the delegates proposed in the Constitution (which Alaska voters overwhelmingly approved), the establishment of a state-level, independent Local Boundary Commission with the authority to consider, and approve or reject all proposed local government boundary changes (Article X, Section 12).

In the words of the [Constitutional Convention's] local government committee, this scheme allows boundary decisions to be made "at a level where areawide or

¹ Gordon Harrison, *Citizens' Guide to Alaska's Constitution*.

statewide needs can be taken into account. By placing authority in this third party, arguments for and against boundary change can be analyzed objectively.”²

Thus, the Constitution establishes the LBC as an independent, quasi-judicial body, with the authority and duty to evaluate proposed annexations on their merits, based on standards in state law and relevant facts. Local governmental officials, residents, and others may propose or oppose annexations, but the LBC has the authority to approve or deny proposed annexations.

Consistent with the words of Alaska’s Constitution, the LBC is predisposed to approve annexations that promote maximum local self-government and minimize the number of local government units, or prevent duplication of tax-levying jurisdictions. LBC regulations explicitly favor city annexation over the establishment of a new city or new service area as a means to extend local public services to developing areas close to existing cities. In effect, Alaska’s laws regard annexation as a legitimate, practical, and preferred approach to meet the need for local government services in territory adjacent to existing cities.

² Gordon Harrison, *Citizens’ Guide to Alaska’s Constitution*. Similarly, the Alaska Supreme Court’s first decision involving the LBC affirmed that:

. . . An examination of the relevant minutes of [the Constitutional Convention] shows clearly the concept that was in mind when the local boundary commission section was being considered: that local political decisions do not usually create proper boundaries and that boundaries should be established at the state level. Fairfield Public Utility District No. 1 v. City of Anchorage.

POTENTIAL IMPACTS OF ANNEXATION

This section summarizes and discusses the concerns and questions of Palmer-area landowners, residents and business owners regarding the possible effects of annexation. These issues were raised over the course of a series of small group meetings, one-on-one interviews and two public open house events, one on May 20, 2009 and one on November 16, 2009. Subjects addressed are outlined below:

- Taxes and fees
- Public services
- Land Use and Rural Lifestyles
- Agriculture

The intent of this section is to clarify issues, answer common questions, where appropriate dispell misperceptions, and present recommendations for new approaches the City may consider.

Taxes and Fees

Many people are concerned that the extension of City boundaries could result in a spike in their taxes or other unwelcome government charges. This section reviews these issues. Topics covered and major conclusions are listed below:

- Property Taxes – same within or outside the city
- Assessed Property Value – generally unaffected by annexation
- Sales Tax – three percent tax on taxable sales in annexed areas
- Business License and Other City Fees – would be charged in annexed areas, but these fees are modest
- Building Permit Fees – discussed in Land Use and Rural Lifestyles, under Building Permits and Fees
- Severance Taxes – no major new taxes anticipated
- City Fiscal Balance – preliminary analysis shows a net positive impact

Property Taxes: How would annexation affect property tax levels?

Background: A number of people expressed concerns that annexation could lead to a spike in their property taxes.

Discussion: The City of Palmer and the Matanuska-Susitna Borough both levy a property tax; the City also has a sales tax. The total property tax mil rate of Palmer and surrounding Borough lands is very nearly the same, as shown in the following tables. One reason is that the majority of the total property tax (roughly 10 of 13 mils) is “areawide,” that is, it is levied throughout the borough, including inside city boundaries. As discussed in the services section, expanding the pool of users paying for services may lead to greater economies of scale, which could allow the City to maintain or lower the property tax mil rate or increase services.

Comparison of Taxes and Services

Below, we've compared tax rates and service provision for inside the City of Palmer with the area immediately outside city boundaries in the Matanuska-Susitna Borough.

Property tax rates change from year to year. In FY2009, City of Palmer property owners paid slightly higher taxes than nearby property owners in the Matanuska-Susitna Borough. In FY2010, however, City of Palmer property tax rates were slightly lower than those levied by the Matanuska-Susitna Borough.

Proposed FY2010 Property Taxes		
	Palmer	MSB
MSB Areawide	9.980 mills	9.980 mills
MSB Non-areawide	None	0.429 mills
Road Service Area	None	1.780 mills
Fire Service Area	None	0.800 mills
City	3.000 mills	None
Total	12.980 mills	12.989 mills

On a \$300,000 house, this means that in FY2009, a property owner inside the City of Palmer paid \$86.10 more in taxes, but in FY2010, that property owner would pay \$2.70 less in taxes.

Example Tax Comparisons FY2009 and FY2010			
	FY2009 Mill Rates	Assessed Value	Property Tax
Palmer	13.326	\$300,000	\$3,997.80
MSB	13.039	\$300,000	\$3,911.70
Difference in property taxes			+ \$86.10
	FY2010 Mill Rates	Assessed Value	Property Tax
Palmer	12.980	\$300,000	\$3,894.00
MSB	12.989	\$300,000	\$3,896.70
Difference in property taxes			- \$2.70

What does the “mill rate” mean?

A millage rate (or “mill rate”) is used to calculate property taxes. An easy way to think about the mill rate is the number of dollars charged in taxes per \$1,000 of assessed value.

For example:

The annual property taxes on a house with an assessed value of \$200,000 and a tax rate of 15 mills would be:

$$= \$15 \times 200$$

$$= \$3,000$$

To get an idea of what the actual dollar amount differences would be between City of Palmer taxes and Matanuska-Susitna Borough taxes, as shown in the Palmer Annexation Comparison table, we have included the examples below.

Example Tax Comparisons			
	FY2010 Mill Rates	Assessed Value	Property Tax
Palmer	12.980	\$190,000	\$2,466.20
MSB	12.989	\$190,000	\$2,467.91
Difference in property taxes			- \$1.71
Palmer	12.980	\$250,000	\$3,245.00
MSB	12.989	\$250,000	\$3,247.25
Difference in property taxes			- \$2.25
Palmer	12.980	\$300,000	\$3,894.00
MSB	12.989	\$300,000	\$3,896.70
Difference in property taxes			- \$2.70
Palmer	12.980	\$450,000	\$5,841.00
MSB	12.989	\$450,000	\$5,845.05
Difference in property taxes			- \$4.05

Property Value: Would annexation increase property assessments?

Issue: Many people would like to know how annexation would affect assessed values and the underlying property values of land and houses: do assessed values tend to go up with annexation, so that the amount of taxes that property owners end up paying upon annexation increases, even if the mil rate doesn't change?

Discussion: **The Matanuska-Susitna Borough prepares tax assessments for the entire borough,** inside and outside Palmer. Assessed values are intended to reflect the actual market value of assessed properties. The project team's review of recent Matanuska-Susitna Borough assessment data has found no evidence that past annexations (or the prospect of annexation) to the City of Palmer has affected property assessments.

The market value and assessed value of properties could be affected indirectly by annexation, but generalizations are hard to make. On the one hand, if annexation leads to better services, better land management and other positive changes, over time these trends could enhance property values. For example, annexation could lead to land use policies that reduce the likelihood of incompatible land uses in residential areas. On the other hand, if annexation leads to undesirable restrictions on land, higher taxes, etc., these changes might reduce the value of properties inside city boundaries compared to similar properties outside the city.

Ultimately, the primary factors affecting property values are the overall growth of Southcentral Alaska, the balance of land supply and demand, and the character of specific parcels. City or borough governments may have some impact on these issues through the expansion of infrastructure and other policies. However, neither the City nor Borough can greatly impact the level of regional growth.

Sales Tax: Would annexation require businesses to charge a sales tax?

Issue: Recent and past votes in the Matanuska-Susitna Valley show that residents are not enthusiastic about a borough-wide sales tax. Businesses typically do not want to have to charge Palmer's city sales tax, as this either requires an increase in prices (if the tax is passed along to the consumer) or reduction in profits (if the business absorbs the tax). Concern was expressed that a sales tax could impair a business' ability to compete with businesses outside Palmer city boundaries. Others had questions about what goods and services would be subject to the sales tax, including: phone, electric and gas utility bills, medical services, housing rentals and internet purchases.

Discussion: If Palmer expands, businesses in annexed areas would be required to collect a city sales tax on taxable sales. Palmer currently has a three percent sales tax, with a \$1,000 cap per item/service. The sales tax is the main tax revenue generator for the City, and revenues help pay for a range of city services including police, fire fighters, road work, and parks.

The impact of a sales tax on purchasing decisions is relatively small. For most goods and services the dollar amount of sales tax collected per transaction is not large enough to cause a customer to seek another vendor in order to avoid paying the sales tax.

Items that are subject to the sales tax include: phone services, electricity, gasoline and housing rentals. Medical services are not subject to the Palmer sales tax, nor are internet purchases unless the business providing the purchased product is based in Palmer.

City Fees: What fees would be charged for businesses and other activities?

Issue: Some people expressed a concern about “hidden taxes” such as the requirement to purchase a Palmer business license, vendor license or other fees.

Discussion: The City currently offers a fee schedule listing all city fees; the fee schedule can be viewed, printed or downloaded from the City of Palmer website: <http://www.cityofpalmer.org/> (click on 2009 Fee Schedule). The City’s website also offers online forms to apply for required permits. The City of Palmer Office of Community Development can help answer additional questions about permitting. Questions about licenses or fees should be addressed to the department associated with the license or fee as listed in the City’s fee schedule.

Generally, these fees are modest. A business license, for example, currently costs \$25 annually. Business licenses are required by city ordinance as a means to generate revenues from businesses operating in the City. Fees from business license applications offset other city revenue sources, and are used for the administration of services such as police, fire fighters, road work, parks and recreation, and other services that benefit citizens and businesses.

Severance Taxes: Will annexation change taxes on natural resource extraction?

Issue: Operators of natural resource extraction sites are concerned that upon annexation, the City will impose a severance tax on the extracted materials to support services unrelated to extraction operations.

Discussion: City policy regarding materials extraction is as follows: upon annexation, existing natural resource extraction operations would, upon application, be granted legal nonconforming status. Starting a new extraction operation in the City requires an approved Conditional Use Permit and is presently permitted only on land zoned for industrial purposes. This policy can help ensure that new natural resource operations do not unduly impact adjoining uses, such as a residential subdivision.

Greater Palmer includes parcels currently used for natural resource extraction. It is recommended, and the City of Palmer intends, to work with gravel operators to develop an ordinance addressing natural resource extraction issues, including a process to facilitate the conversion of depleted extraction sites to other productive uses and the issue of severance taxes. The City does not intend to impose significant new taxes beyond those currently in place.

Fiscal Balance: Will annexation change the city’s balance of revenue and service costs?

Issue: Under Alaska law, cities must balance their budgets each year. Some people have asked how expanding city boundaries would affect the City’s fiscal health (i.e., the balance between tax revenues generated and services required), and whether it would affect the City’s ability to balance its budget each year.

Discussion: Currently Palmer primarily relies on its three percent sales tax. Sales tax revenues make up just over 50 percent of total city revenues.¹ If a large new retail facility (e.g., a “big box” store such as Wal-Mart or Home Depot) were built just outside Palmer’s existing city limits, the result would be a notable shift in retail spending from inside to outside city limits, and a drop in

¹ Sales and use taxes accounted for \$4,439,825 (or 53 percent) of \$8,412,343 in total revenues in the City of Palmer’s 2008 Adopted Budget. In the City’s 2009 Draft Budget, sales and use taxes account for \$4,893,018 (or 56 percent) of \$8,675,047 in total revenues.

city sales tax revenue. This negative effect on city revenues would require either budget and service cut-backs, or off-setting increases in property taxes and/or service charges.

To prevent this adverse impact on its finances, the City should consider the option to annex territory with prime commercial development potential just outside existing city boundaries: the eastern section of the Palmer-Wasilla Highway, and the south section of the Glenn Highway leading into Palmer. (See the final section of this chapter for more details on this topic.)

Issue: Many people want to know whether increasing the area of Palmer and adding more households to be served would affect the cost and quality of public services inside and outside current city boundaries.

Discussion: The Alaska Local Boundary Commission requires answers to these questions as part of a formal annexation proposal. The City would be required to document anticipated revenue and service requirements associated with a specific annexation proposal. A general overview of issues associated with this topic is presented below.

The amount of revenue generated versus services required varies according to land use patterns and intensity of development. Some of the variables that affect the net fiscal consequences are highlighted below:

- **Level of service.** In general terms, the City is expected to provide the same type and level of services in annexed areas as it does within the City today. Some services, however, may not be required at the level currently offered in the City. For example, refuse collection by the City might not be required in low density areas (see discussion under services).
- **Requirement for new public programs and facilities.** As Greater Palmer continues to grow, and depending on the size and character of the area annexed, the City might have to add capacity to maintain service levels (e.g., increasing the number of Palmer police officers or building a new fire station).
- **Economies of scale.** A larger population could enable the City to achieve economies of scale in service provision and facilities use that would lower the per capita cost of providing these services and facilities.
- **Fiscal impact of annexing different land uses.** Different land uses generate different amounts of tax revenue and require differing levels of services. In general, commercial uses generate more revenue than they require in service expenditures. In contrast, residential uses (unless densities are fairly high) commonly require more service expenditures than they generate in tax revenues. Because commercial areas are usually net revenue generators, the amount of new revenue generated by possible future annexations will depend in large part on the amount of commercial land (and commercial activity) annexed by the City. Annexation of commercial areas affects the City's fiscal health in two ways: 1) avoiding sales tax revenue loss to a "sales tax advantaged area" just outside the City (keeping the sales tax playing field level), and 2) gaining sales tax revenue as the city's population and service burden grows.

Public Services

This section gives an overview of how public services are provided in the areas surrounding Palmer today, and how this might change with annexation. Topics addressed are outlined below. The table that follows provides a summary of how service provision would or would not change with annexation.

- Water and Sewer
- Fire Service
- Police Service
- Library
- Refuse Collection
- Road Maintenance

Annexation: Before/After Comparison

	Inside City	Outside City	If Annexed
Local Taxes			
Property tax assessment	MSB	MSB	Same
Property taxes (FY2009)	9.980 mills	9.980 mills	Same
MSB Non-areawide	None	0.429 mills	None
Road Service Area	None	1.780 mills	None
Fire Service Area	None	0.800 mills	None
City	3.000 mills	None	3.000 mills
Total	12.980 mills	12.989 mills	12.980 mills
Sales tax rate	3%	None	3%
Senior citizen and disabled veteran property tax exemption	Yes	Yes	Same
Farm use land assessment deferment	Yes	Yes	Same

Tax-supported services			
Police	City	State Troopers	City
Roads	City	South Colony RSA	City
Emergency Medical Services (EMS)	MSB	MSB	Same
Fire and rescue ¹	Palmer Emergency Services	Palmer Emergency Services	Same
Public safety dispatch ²	Palmer Dispatch Center	Palmer Dispatch Center	Same
Library ³	City	MSB	City
Parks ⁴	City/MSB	City/MSB	Same
User-fee Services			
Water and sewer utility	City/Private user fees, where served	City/Private user fees, where served	Same
Airport and golf course	City user fees	Not provided by MSB	Same
Ball fields and ice rink	City/MSB user fees	City/MSB user fees	Same
Refuse collection	City/Private user fees	Private user fees	Same
Land Use Regulation			
Subdivision plats	MSB	MSB	Same
Land Use Regulations	City zoning	Core Area conditional use permits, etc.	City
Building code	City	None	City
Other			
School attendance areas	MSB School District	MSB School District	Same
Elections and voting	City and Borough elections	Borough elections	City and Borough elections

Notes

1. MSB funds Palmer Emergency Services to provide fire service outside the City, and funds all rescue services.

2. MSB shares cost through a cooperative agreement with the City.
3. The City library and Mat-Su Borough libraries currently serve all borough residents. The Mat-Su Borough currently funds part of the City library's budget, although this share is declining and will end completely in the Summer of 2011.
4. City and MSB parks are open to all users.

Water and sewer: Would annexation force residents and landowners to connect to city water and sewer?

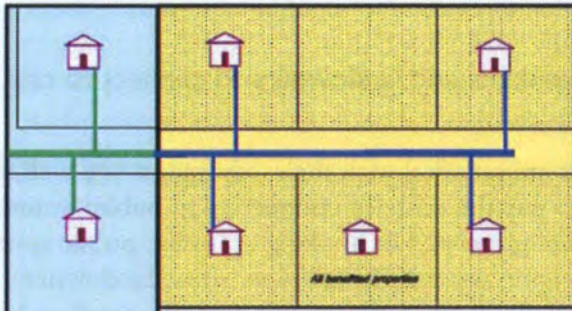
Issue: Many residents outside current city limits are satisfied with their existing on-site well and septic systems and do not want to be required to pay the costs of connecting to public water and sewer. There are, however, some property owners interested in hooking up to the public system, because of site-specific problems with wells or septic systems. In addition, some landowners may wish to subdivide their property into lots smaller than 40,000 square feet (the smallest lot permitted for an on-site well and septic system).

Discussion: The city water and sewer utility already extends southwest along the Glenn and Parks Highways to Trunk Road, substantially outside existing City of Palmer boundaries. The rules concerning extension and hookups to City water and sewer are the same inside and outside the City; therefore public water and sewer issues are unaffected by annexation.

The rules concerning provision of water and sewer service within the water and sewer service area are summarized below, and in the diagram on the following page. For more information, contact Carter Cole, Director of Public Works at the City of Palmer.

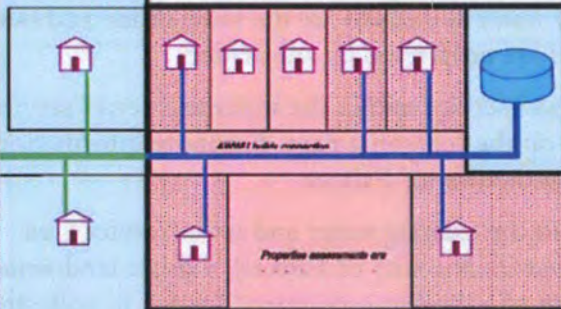
- Under existing rules (which apply throughout the existing water and sewer service area regardless of whether property is inside or outside the City of Palmer), a single landowner or group of landowners can form the equivalent of a local improvement district, to collectively pay to construct the water and sewer mains that link the area to the city system. This decision requires a vote of the affected property owners. If the vote gets approved by the majority of voters, all individual property/homeowners in the affected area have to pay their share of the communal costs of the sewer mains. Individuals within the served area are not obliged to hook up their property/home to the city system.
- If a property is located along a main extended to serve other properties, the property owner has the option to hook up to the water or sewer line.
- The only situation in which a property owner could not rely on a private onsite water and wastewater systems is if their land is so severely constrained by site conditions that they cannot meet the requirements of Title 18 of the Alaska Administrative Code, Chapter 72 (18 AAC 72), which addresses private water and wastewater systems. The easiest guide to understanding State criteria for allowing the installation of well and septic systems is the Installer's Manual for Conventional Onsite Domestic Wastewater Treatment and Disposal Systems, available online at: <http://www.dec.state.ak.us/water/wwdp/pdfs/72manual.pdf>

Three Programs for Extending Municipal Water and Sewer Service



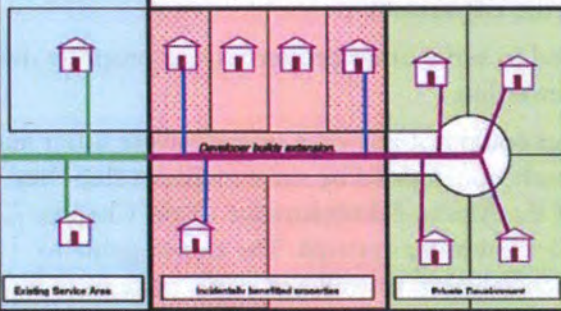
Special Assessment Improvement District

Property owners petition the City to provide service and vote to assume costs of construction. The City administers balloting, design, and construction. Cost is recovered by special assessment assigned to each parcel in the district (shaded lots). Connection is not required, but all properties are assessed if ballot passes, regardless of whether the connection is made.



Utility Capital Improvements

The City extends pipe to address a service requirement for existing customers (for example, a reservoir site.) Homes along the route are incidentally benefitted by the construction, and are notified of the availability and estimated cost. Properties are assessed a Levy-Upon-Connection (LUC) only when the property owner chooses to connect (shaded lots).



Mainline Extension Agreement (Private Development)

A land developer establishes an agreement with the City to extend underground utilities. Homes along the route of the extension are incidentally benefitted and are notified of the availability and estimated cost. Property owners choosing to connect within three years of completion of construction pay an assessment to reimburse a portion of the developer's project cost. After three years, the property owners can connect to the system without the special assessment charge.

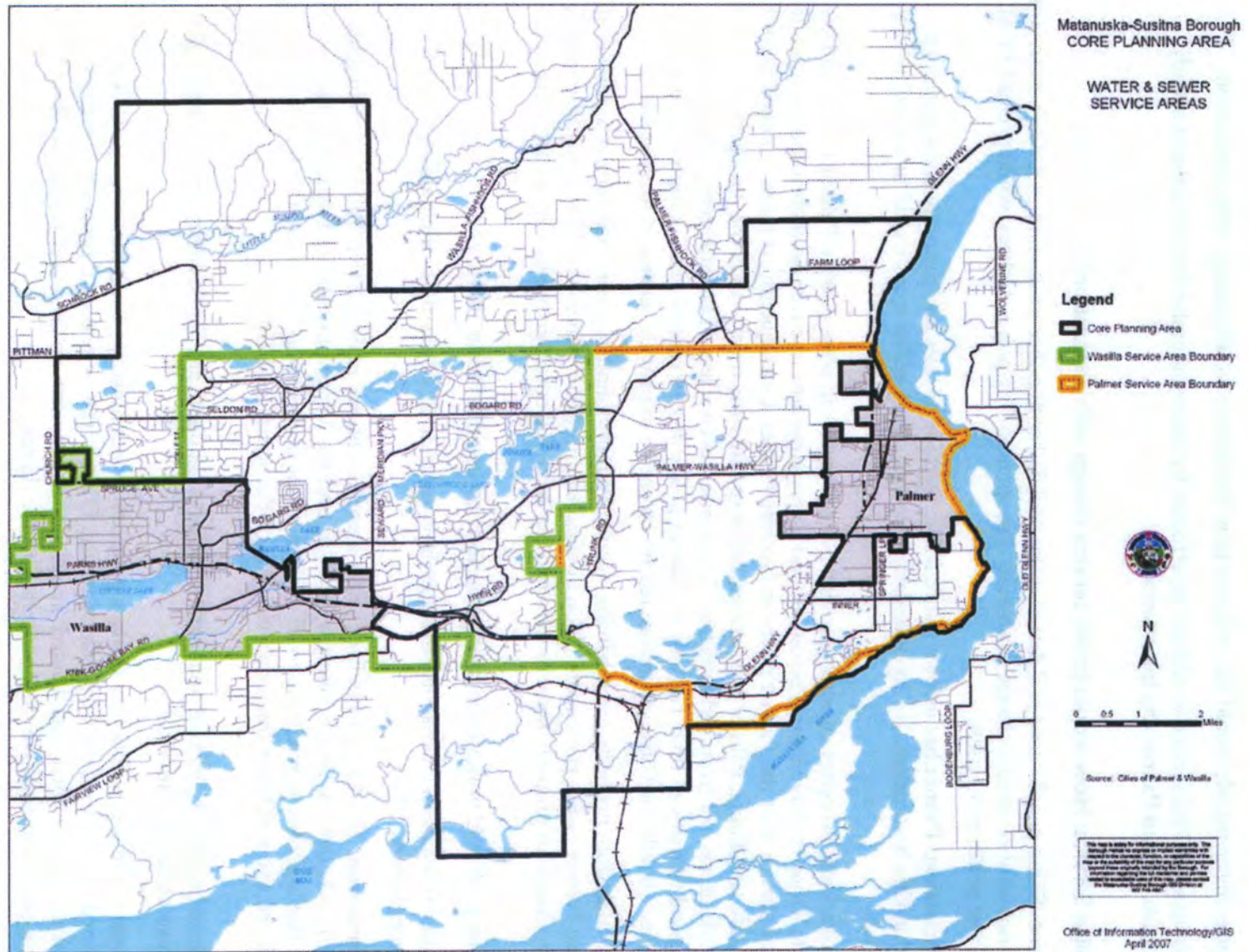


Figure 12: Certified Service Areas for Public Water and Sewer Utilities, Cities of Palmer and Wasilla

Fire Service: How would fire service change with annexation?

Issue: Many people would like to know how fire service would change with annexation.

Discussion: Fire service would not be affected by annexation; the fire service area already extends beyond Palmer city boundaries.

Police Service: How would police service change with annexation?

Issue: Some people have said that they are satisfied with police protection as it exists today and do not want or need a change from State Troopers to City police. Others would prefer City of Palmer police protection.

Discussion: Palmer has its own police force, paid for by sales and property taxes generated within City boundaries. If City boundaries expand, newly added areas would be served by City police.

Alaska State Troopers currently provide police services in areas outside Palmer City boundaries. State Troopers have limited resources and a very large area to cover, so their response times tend to be slower than the Palmer police in Greater Palmer. Consequently, if there is a need for police outside City limits, Palmer police often can respond more quickly than the Troopers. If there is a simultaneous call from within Palmer boundaries, even if less of an emergency, the City must respond to that call first. The City of Palmer police *does not* receive extra compensation for service outside the City; it therefore has no incentive to provide service in these areas.

In conclusion, property owners living outside Palmer boundaries currently receive some benefit from Palmer police protection. Upon annexation, property owners would experience minimal, if any, change in property taxes or sales tax, but have full coverage by the City police force.

Library: Would annexation change options to use the Palmer library?

Issue: Some people would like to know how annexation would affect their ability to use the Palmer library.

Discussion: The City currently operates a popular library in downtown Palmer. Funding has historically been provided jointly by the City and the Matanuska-Susitna Borough. Traditionally, the Borough has provided up to 45 percent of the library budget annually; this funding is being reduced and will be no longer provided as of the summer of 2011.

Refuse collection: Would annexation require residents and landowners to use the City's refuse collection service?

Issue: Currently, within City limits, a property owner must pay for refuse collection. Within a defined service area, the City collects refuse. Outside the service area, property owners must contract to have their trash hauled. Some property owners would prefer not to pay the City for trash collection and take their own trash to the dump.

Discussion: The City requires mandatory refuse collection because, in a fairly densely settled city, it has to ensure everyone takes responsibility for their refuse. This protects public health by reducing the spread of disease and helps keep the community attractive.

Before proceeding with annexation, the City should investigate the feasibility to create a zone, in very low density areas, where a refuse collection contract is not required. In concept, in very low density areas, it might be practical to not require residents to have a refuse hauling contract, as long as other trash-related ordinances are followed.

Road Service: How would annexation affect road maintenance?

Issue: Some people expressed a preference, if annexed, to have the South Colony Road Service Area (RSA) continue to provide road maintenance, rather than the City of Palmer.

Discussion: The City of Palmer currently provides the same basic road services as are provided by the South Colony RSA. Upon annexation, the City would assume responsibility for this function. Depending on the geography of an annexation, this might affect how efficiently the RSA is able to service its remaining area.

One option for future road service would be for the City to contract with the South Colony RSA to provide road maintenance in some existing subdivisions, particularly in lower density areas, for a transitional period. Some combination of City and RSA service provision might be most efficient in Greater Palmer. This option should be explored by the City prior to annexation.

Land Use and Rural Lifestyles

Many people have voiced a concern that annexation will disrupt what has drawn them to live in this part of Alaska. These qualities include relatively few regulations, few neighbors, and immediate access to open space and nature. These are common concerns around the State. This section looks into topics in relationship to annexation. Specific topics include:

- Rural Life - Nature Nearby and Not Too Many Neighbors
- Land Management Authority
- Land Use Designations/Zoning
- Subdivision Regulations
- Controls on Commercial Uses
- City Regulations in a Rural Setting (Home-based businesses, ATV's, Guns, etc.)

Rural Life: How might annexation affect the rural character (“nature nearby and not too many neighbors”) of Greater Palmer? Will annexation trigger unwanted new development?

Issue: Much of Greater Palmer is currently undeveloped, and areas that are developed are generally low or medium density residential with a rural Alaskan character. People are concerned that annexation could disrupt this situation. (Potential impacts of annexation on regulations – another dimension of rural character – are covered separately below.)

Discussion: While people may associate annexation with growth, in practice the forces that affect the amount and character of new development are driven by the private marketplace. Regardless of annexations, the Core Area of the Borough has grown dramatically over the last three decades. The forecast is that this transformation will continue. Past and future growth are driven by a large supply of moderately priced land, availability of roads and other infrastructure, ready access to jobs and recreational amenities, and the chance to live in a place that is different

from Anchorage and “outside” cities. The Matanuska-Susitna Borough forecasts that the Core Area will more than double in population by 2025, with more than twice as many people living, working, driving, shopping, playing, and wanting public services. Expansion of the hospital area, planned redevelopment of the gravel pits, expansion of Trunk Road and other roads are all evidence of the rapid changes continuing in the area.

While growth and change may be inevitable, residents and businesses in the area do have the potential to help guide this growth to retain the qualities they like about the area. Annexation places more of these tools in local hands. The remainder of this section outlines specific ways to address this issue.

Land Management Authority: How do land use planning responsibilities change upon annexation?

Issue: By state law, the Matanuska-Susitna Borough is responsible for land use planning in the Borough. People want to know how this would change with annexation, and what these changes would mean.

Discussion: Upon annexation, the Matanuska-Susitna Borough would delegate certain land use planning responsibilities, including zoning, to the City of Palmer. Other types of responsibilities, notably subdivision regulation, would remain with the Borough.

Land Use and Zoning: What land use zones be applied to newly annexed land?

Issue: Property owners want assurances that they will be able to make reasonable use of their property, free of unreasonable regulations. Questions have been raised about if and how land would be rezoned upon annexation. A number of people expressed confusion about the “transitional” zone in the City’s zoning code.

Discussion: The Borough adopted its updated “Core Area Land Use Plan” in 2007, which includes Greater Palmer. Matanuska-Susitna Borough zoning rules establish basic land use standards in Greater Palmer, including a mandatory land use permit, policies on building setbacks, and limitations of certain uses. The Borough is currently working on an update of its existing zoning code.

If the City of Palmer were to annex property outside its existing boundaries, the City would acquire zoning power over these areas. The City’s current approach to zoning annexed property is outlined in the city code, as described below:

17.16.060 Annexation zoning.

When land becomes a part of the city by means of annexation, the land shall be zoned as follows:

- A. Privately owned parcels primarily used for single-family residential purposes shall be classified as R-1, single-family residential;
- B. Parcels owned by a governmental agency and intended for uses allowed in a public use district shall be classified as P, public use;
- C. Parcels owned by a governmental agency and not intended for uses allowed in a public use district shall be classified as T, transitional use;

- D. Privately owned parcels primarily used for other than single-family residential purposes shall be classified as T, transitional use;
- E. Privately owned parcels not in use upon the effective date of the annexation shall be classified as T, transitional use. (Ord. 632 § 3, 2004; Ord. 454 § 4, 1992)

Significant changes are needed to this current zoning framework. It is recommended, and the City has committed to, changing this approach to zoning in annexed areas. This will include providing more clarity about uses encouraged and discouraged in transitional areas, and narrowing the use of this zone to particular situations.

Clarifications to the existing process for zoning newly annexed territory could be done through a three-step process:

1. As part of the City's process to develop an annexation proposal, prepare a preliminary land use plan map with generalized land use classifications (e.g., residential, commercial, industrial, and park/conservation, agriculture) for the territory proposed for annexation. These preliminary classifications may be based on the city development goals and the Core Area Comprehensive Plan Land Use Plan Map. Accompany this map with an explanation of the intent of these designations, allowing for refinements in boundaries, uses and intensity of use upon annexation approval by the LBC.
2. Identify areas where current or likely future uses are not a good fit with existing zoning codes. For these areas, develop general intentions for new or revised zoning districts. New categories that may be needed include: a low density/rural residential zone, a revised agriculture zone, and changes to better accommodate home-based business. (*See more on these topics below.*)
3. After annexation approval, work with landowners to make the specific needed amendments to the City's land use plan, based on the generalized land use classifications in the preliminary land use plan.

Subdivision: Will annexation change subdivision procedures?

Issue: Landowners are concerned about their ability to subdivide land within City boundaries.

Discussion: While the City can comment on proposed subdivisions, it does not directly regulate subdivision activity. The Borough will continue to exercise its borough-wide subdivision authority.² Annexation would not affect the Borough's subdivision policies and regulations. The City does not have authority to enforce the subdivision standards in Palmer Municipal Code Chapter 16.

Controls on Commercial Uses: Will annexation change land use regulations applied to business and commercial uses?

Issue: Businesses are concerned about City regulations on the types of businesses/land uses allowed on property and the possibility of having a different set of rules for development that they would have to follow.

² Matanuska-Susitna Borough Code, Title 27: Subdivisions

Discussion: The Matanuska-Susitna Borough currently does not have any specific zoning designations for commercial land that apply to Greater Palmer. The Matanuska-Susitna Borough-adopted Core Area Plan identifies several general areas for commercial development along the Glenn Highway south of Palmer and along the Palmer-Wasilla Highway. Consequently, annexation could lead to the identification of new, more specific rules guiding commercial activities.

The City of Palmer has several different zoning designations for various types of commercial uses, including a Limited Commercial District, General Commercial District, Business Park District, Industrial District, and three districts associated with the airport.

Zoning codes are intended to benefit businesses and homeowners by regulating the appearance and location of land uses so that nuisances are minimized and public safety is maintained. Upon annexation, a given parcel of land would be given a City of Palmer zoning designation most appropriate to the existing/intended use of the land.

- Future zoning would be determined using existing land use and adopted regional land use policy (such as the Core Area Plan Land Use Plan Map) as a starting point.
- Nonconforming uses (such as a building located within a setback) would generally be “grandfathered” (i.e., the use would be identified as a non-conforming but legal use, and the landowner would only have to change them upon significant redevelopment of the land). Chapter 17.68 of Palmer’s City Code sets forth regulations for nonconforming uses and structures.
- Home based businesses – the existing Palmer code allows for home based businesses, but is more oriented to the small town setting within existing City limits than the more rural character of surrounding areas. Consequently, new code language will be needed to accommodate the types of home-based businesses found in areas surrounding Palmer.
- Commercial development along the two highways leading out from the City may require a different set of guidelines than what is provided under the existing code, for example, providing standards to provide for good access and adequate signage, while also avoiding the potential downsides of strip retail development. The Palmer Comprehensive plan outlines general strategies on this topic. The City should investigate this issue further and if advisable, develop a new commercial zone appropriate for commercial development along major road corridors. Likewise, the City should investigate the need for a flexible zoning category that would allow a range of commercial and residential uses in lower density, rural settings (see more below under home based businesses).

City Regulations in a Rural Setting: Will annexation lead to more restrictions on the types of activities common in low density, rural areas?

Overview: People are concerned that annexation could limit or prohibit uses that are customary in rural areas, including uses like home-based businesses, raising animals, or operating ATVs. (Agricultural activities are covered separately in the following section.) These are legitimate concerns. Land uses inside existing city boundaries are relatively compact. Rules that are helpful in that setting may not be needed or appropriate in a lower density setting.

The City will likely need to develop a new “rural residential” land use zone, to be applied in areas where low density residential uses exist today and are likely to remain in the future.

Several of the specific issues related to this general subject are further discussed below:

Home-based and Rural Businesses

Issue: Some property owners have both a residence and commercial operations on their land; they are concerned about how their land would be zoned and taxed upon annexation, and whether they could be forced to subdivide or discontinue some existing use of their land.

Discussion: All existing City of Palmer residential zoning districts allow home-based occupations, but do not allow buildings used exclusively for commercial purposes on the property. For property owners with a significant commercial use in addition to residential, Palmer's zoning code has established the C-L Limited Commercial District "in which the principal use of land is for a combination of dwellings and commercial enterprises." The C-L zoning district has restrictions on the allowable type of business and building configuration which may or may not be applicable to properties annexed into the City. For specific cases where an annexed property would not comply with the allowed uses in any of Palmer's existing zoning districts, the City might choose to grandfather the property under an existing zoning district and/or revise existing zoning code as appropriate. In limited situations, where a particular use is distinctly incompatible and discouraged in an area, the City might identify the property as not in conformance (vs. "grandfathered," i.e., legally non-conforming)

The City will consult with property owners to agree upon an appropriate zoning designation for all land annexed into the city, accommodating existing and/or desired future uses as much as possible.

Non-pet, Non-agricultural Animals

Issue: Some property owners keep non-pet, non-agricultural animals such as horses or sled dogs on their property; they are concerned about whether they would be able to continue this existing use of their land.

Discussion: The City should develop policies allowing non-pet, non-agricultural animals (horses, mushers, etc) in a rural residential zone. This might require amendments to Title 6 (Animals) and/or Title 17 (Zoning). The City will consult with affected property owners in considering where to allow these uses.

Land Use Regulations and Visual Quality

Issue: Homeowners associations offer an alternative or supplement to City regulations in dealing with the character of subdivisions, such as "unsightly premises." The traditional means for homeowners to manage these issues are a set of Codes, Covenants and Restrictions (CCR's).

Discussion: City zoning regulates the compatibility of neighboring land uses; it provides some predictability about the location of uses that generate higher levels of nuisances (e.g., noise, light, emissions), and therefore helps protect the value of adjacent properties. Zoning can also be used to control certain characteristics of uses, typically through policies on building dimensions and setbacks.

Homeowners associations can also regulate the character and appearance of their member properties through subdivision covenants, codes and restrictions (CCRs), which can be as

detailed as regulating the colors of building exteriors and yard maintenance. Any existing CCRs would be unchanged upon annexation.

The track record of CCR's is mixed. Because CCRs are private agreements, they must be enforced by the homeowners association. In some instances CCR's are actively understood and enforced; in other areas CCRs are weakly enforced, and become effectively moot.

Neither the Borough nor the City of Palmer has authority to enforce CCRs in its jurisdiction. A homeowners association may enforce its own CCRs beyond what the Palmer Municipal Code requires, but if a CCR conflicts with Palmer Municipal Code, the City will enforce its own code, policies and regulations. If these are more restrictive, Palmer Municipal Code will prevail.

Building and Fire Codes

Issue: Some businesses are concerned that City of Palmer building codes (including electrical and fire codes, as well as having to obtain city building permits) may restrict their business operations. For example, one business owner asked, "Can I still put up a tent for a tent sale or is the City going to regulate, or even prohibit that? Will I have to get a permit for it?" Other people have commented that building permits are unnecessary in any context, as lending institutions set standards during construction or at times of sales. Some businesses/residents expressed frustration at the requirement to pay building permit fees, particularly for minor expansions or structures not for habitation.

Discussion: The City enforces its building codes through a building permit process. Building permits help to ensure building safety by enforcing adherence to uniform building safety codes. This protects both current and future occupants, and helps sustain the overall quality of a community's built environment. The Matanuska-Susitna Borough has also adopted building codes, but does not have a system in place to enforce them. In addition to building permits, the City requires permits for fences, signs and for temporary building/structures if the temporary structure will remain in place longer than six months.

State fire marshal approval is required for commercial buildings in both the City and the Matanuska-Susitna Borough.

Both the Borough and the City require permits for certain types of land development and construction. Although the Matanuska-Susitna Borough does not require or issue Certificates of Occupancy, it requires other permits for certain types of construction and development, including a Flood Hazard Development Permit for any development located in designated special flood hazard areas, for development/construction if a driveway or other development will affect a borough-managed public right-of-way or easement. The Borough also has recently established a Land Use Permit process. Both the City and Borough require Conditional Use Permits for certain types of high impact uses, such as adult entertainment or gravel extraction.

Palmer building permit fees are based on the total value of the structure or improvements to be built, ranging from \$25 to upwards of \$6,000 for structures valued over \$1,000,000. Fees charged for obtaining building permits contribute toward the cost of administering and enforcing building codes and follow a sliding scale based on the value of the structure to be built, based on the assumption that the greater the value of the structure, the more complex it is and/or the more people it will shelter, thus requiring more time and expertise to review and approve.

The City intends to keep intact the current building permit process for annexed areas. However, the City is open to considering revisions to this process, particularly in the case of small structures or fences in rural settings that are not used for human habitation (e.g., a storage shed).

Agriculture

The following section responds to a number of concerns voiced by the Palmer-area agricultural community about the City's future annexation plans. This group has voiced strong concerns about the potential of City policies to negatively affect farm operations.

Specific topics include:

- Overview
- Water and wastewater regulations
- Guns
- Taxes, assessments, and fees
- Agricultural zoning and other land use issues

This report also includes a brief discussion of addressing agricultural viability on the regional level. Although it was not raised as a specific concern by the Greater Palmer agricultural community, many of the issues that farmers are encountering locally are region-wide issues that will ultimately need to be addressed on a regional scale.

Regional efforts to address agriculture concerns

Several of the issues raised during this annexation strategy project relate to state regulations and permits that would not be affected by annexation. For these items, some explanation is offered and the general recommendation is to support state-level reforms where appropriate. In its 2009 report, Building a Sustainable Agriculture Industry, the Alaska Division of Agriculture has acknowledged several issues brought up by Palmer-area farmers, including: the need to increase recognition of the agriculture industry's value, the need to ensure that regulations and implementation allow the producer to continue to fill present markets and encourage new markets, and the need for advocacy from various government, institutional and private groups, including local/municipal governments. In Objective 7.5 of that report, the ADOA committed to reviewing existing legislation and regulations to determine applications to agricultural land that allow such land to remain in agricultural production; such rules include taxation and regulations to protect agricultural lands, and regulations regarding waste disposal and application.

Overview: Does the City of Palmer understand the economic value of agriculture in the Greater Palmer area; is the City willing to take action to help sustain local agriculture?

Issue: Farmers are concerned the City does not recognize agriculture as a viable land use in the Greater Palmer area, providing jobs and income that help support the community. Farmers are concerned that the City only sees agriculture as a temporary activity until the properties can be used for commerce or housing.

Discussion: The history of the City of Palmer is rooted in agricultural traditions. Excerpts from the City's Comprehensive Plan reinforce the City's support for agriculture. Over the last several months, in discussions with local farmers, city staff has made clear that they understand the contributions made by farming to the local economy, the rarity and value of local agricultural lands, and the challenges faced by farmers. While these statements of general support are a start, the agricultural community seeks a more active supportive approach. The remainder of this section outlines several specific changes the City is exploring; all designed so that annexation and City policy generally is a support, not a hindrance, to the aspirations of area farmers.

Palmer Comprehensive Plan

The protection and support of agriculture in Palmer is included among the land use and economic vitality goals of the 2006 Palmer Comprehensive Plan. This is an important point to highlight: if revisions to Palmer Municipal Code are not consistent with the comprehensive plan, they could be ruled invalid by court. Revised language to the City's agricultural zoning district should therefore refer to the Palmer Comprehensive Plan.

Land Use (pages 6-25 and 6-26)

GOAL 8: Sustain Palmer's agricultural traditions.

Palmer is the center of Alaska's longest established and most successful agricultural region. The Palmer area has good soils, access to markets, a favorable climate and skilled farmers. Like many fast growing communities, Palmer is facing the challenge that lands that are excellent for agriculture are also attractive for residential development. Many of these lands have already been converted to nonagricultural uses, and a number of farms have recently been purchased for residential development.

Objective A: Support creation of mechanisms to preserve high quality farmlands. Encourage retention of agricultural lands, recognizing that not all existing agricultural lands will remain in agricultural use.

The community has long wished to preserve portions of Palmer's agricultural lands for agricultural uses, to provide jobs, provide agricultural products, and preserve the community's character. The City supports the effort of local groups to retain agricultural lands, although the City will not be the primary leader of this effort. Options to protect farmlands for agricultural use include:

- Form a land trust or partner with an established trust to work with land owners to acquire development rights on agricultural land.
- Establish an open space district with the capacity to raise funds for land acquisition.
- Support efforts of groups like the State Fair who may be able to acquire and hold farmlands as part of their ongoing operations.
- As the City expands, apply land use zoning and property tax policies that encourage retention of agricultural lands where property owners wish to keep land in agricultural use.

Objective B: Support and maintain Palmer's rural, farming identity and traditions.

The creation of an Agricultural Processing and Product Development Center is being proposed by the Matanuska-Susitna Borough. The borough hopes to combine the facility with the School

District Central Kitchen already in Palmer. The City supports this effort to promote and provide incentives for using local agricultural produce in the development of new products at the center. There are other goals in this Land Use chapter and the Economic Vitality chapter which present additional strategies to achieve this objective, including, developing community gardens and expanding the Farmer's Market at Friday Fling.

Economic Vitality (pages 7-6 and 7-7)

GOAL 5: Support efforts to better promote Palmer as a travel destination and place to live and do business.

Palmer's distinctive character and attractions should be actively promoted, to attract visitors, and new residents and businesses. Specific tourism targets include Alaska residents from Anchorage and beyond, as well as out-of-state independent and package travelers.

Objective C: Support efforts to sell Palmer's agricultural products both statewide and locally.

Palmer is Alaska's best known agricultural area. Palmer is the agricultural trading and supply center for the Matanuska Valley. The Valley's farms and dairy herds yield two-thirds of Alaska's agricultural products. Major crops grown in the Valley include potatoes, lettuce, carrots, peas, squash, radishes, cauliflower, broccoli, and cabbage. Hay is another common agricultural product grown in Palmer and throughout the Valley.

The city supports the effort of the Matanuska-Susitna Borough to construct an Agricultural Processing and Product Development Center with commercial kitchens for rent. The commercial kitchens would help support expansion of "value-added" agricultural products in the community and serve as an incubator for small agricultural businesses. For example farmers with small agricultural plots could use this facility to produce niche agricultural goods such as pickled beans or peas.

Palmer's agricultural products include selling qiviut (musk ox wool) to Alaska Native women in rural villages throughout the state. The qiviut is made into approximately 2,700 garments which are sold by an Anchorage Cooperative to tourists. The musk oxen are raised on the 75-acre musk ox farm in Palmer which also serves as a tourist attraction for visitors to Palmer.

The community should encourage events that celebrate and promote local products and expand the Farmer's Market at Friday Fling to attract more visitors to Palmer for fresh locally-grown produce. The City recognizes the value of promoting agricultural products and agricultural heritage as one way to increase the economic health of the community.

Water and Wastewater Regulations: Would a property owner still be able to drill a well? Will there be restrictions on manure management?

Issue: Farmers are concerned that restrictions on drilling wells and manure disposal will negatively impact their farm operations.

Discussion: Because both of these issues are regulated by the State of Alaska, annexation would not affect a farmer's ability to drill wells or dispose of manure on their property. However, if State-level reforms are needed, the City can support agricultural reform measures.

Wells: The State of Alaska regulates the drilling of water wells and water appropriation; annexation into the City of Palmer would not affect a property owners' ability to drill a well. The Alaska Department of Natural Resources (DNR) issues permits to appropriate water, which would be required for the volumes of water used by agricultural operations. Drinking and waste water is the purview of the Alaska Department of Environmental Conservation (ADEC). The applicable regulations include Title 18, Chapter 80 of the Alaska Administrative Code (18 AAC 80 Drinking Water) and Title 18, Chapter 72 of the Alaska Administrative Code (18 AAC 72 Wastewater). On the local level, property owners can be required to obtain a building permit to drill a well, but Palmer *does not* require this.

The City of Palmer plans to build a wastewater treatment plant, which would provide warmed, tertiary treated and disinfected water that could be used by farmers for irrigation. For more information, contact Carter Cole at the City of Palmer, Public Works Department.

Manure: Manure management would not be affected by annexation. It is regulated by the State, and no local ordinances regulate manure disposal. Applicable State regulations include Title 46 of the Alaska Statutes (AS 46) and Title 18, Chapter 60 of the Alaska Administrative Code (18 AAC 60). ADEC's Division of Environmental Health, Solid Waste Program offers an informative guide, including references to applicable State regulations, resources, and guidelines for dealing with manure, which can be found on the Internet at:
<http://www.dec.state.ak.us/eh/sw/April%202009%20Factsheets/Working/Factsheet%20Docs%20&%20HTML's/Manure%20Management.pdf>

Guns: Would a farmer be able to shoot a gun?

Issue: Some members of the farming community are concerned that, if annexed, they would not be able to fire a gun on their property.

Discussion: Palmer Municipal Code Chapter 9.74.010 (Discharge of Firearms) prohibits firing a gun within city limits, except that permits may be issued by the city to gun clubs for practice in facilities and situations that meet National Rifle Association safety recommendations.

A farmer might need to fire a gun to protect livestock and/or crops from bear or moose. In such a case, State rules about the defense of private property would supersede city code against discharging firearms. It may be appropriate to allow use of guns in the proposed "rural residential" land use zone mentioned above. A farmer might also need to fire a gun for harvesting livestock and/or euthanasia.

Taxes and Assessments: Would farm operations be negatively impacted by assessments, local taxes and fees?

Issue: Some farmers are concerned that, if annexed, their farm operations might be negatively impacted by assessments, local taxes and fees, including:

- Property tax (based on a concern that annexation could result in an increase the market value of farmland and an associated increased in the land's assessed valuation)
- Sales tax
- Business license
- Fees for applying fertilizers

- Building permit fees for agricultural structures
- Assessments for infrastructure improvements in which Local Improvement Districts (LIDs) have been structured in ways that unfairly tax farmers

Discussion: Some of the taxes and fees listed above would *not* be impacted by annexation; others would be incurred by farm operations if annexed into the City. These are addressed individually below:

Property tax: Annexation generally does not change the assessed value of farmland or other properties (see more on this issue in the Taxes and Services section above). Both the State and Federal governments offer tax deferment or tax credit programs for agricultural land; a farmer's ability to take advantage of these programs would not be affected by annexation.

State law allows farmers to tie the value of their properties to agricultural use (rather than, for example, use for residential subdivisions). Alaska Statutes Sec. 29.45.060 (Farm or agricultural land) enables tax deferment for some of the property tax burden if ten percent of the farmer's gross income comes from farming. State law requires local governments to assess and tax farmland at its value for farm use only. AS 29.45.060 (a) states: "[farmland] shall be assessed on the basis of full and true value for farm use and may not be assessed as if subdivided or used for some other nonfarm purpose." However, "If the land is sold, leased, or otherwise disposed of for uses incompatible with farm use or converted to a use incompatible with farm use by the owner, the owner is liable to pay an amount equal to the additional tax at the current mil levy together with eight percent interest for the preceding seven years, as though the land had not been assessed for farm use purposes." The existing state law allowing taxes to be based on agricultural (rather than development) values would not be affected by annexation.

Furthermore, the US Internal Revenue Service allows the deduction of real estate and personal property taxes on farm business assets (e.g., farm equipment, animals, farmland and farm buildings) as a farm business expense.³

Sales tax: The City of Palmer currently charges a three percent sales tax, with a \$1,000 cap per item or service. All businesses in the City are required to collect sales taxes on taxable sales, which are the primary source of revenue for the City. If deemed in the interests of the greater community, the City could exempt direct sales of local farm produce at farmers markets from the City sales tax. Currently the City does have an exemption for certain owner/builder expenses.

State and local general sales taxes are also allowed as a federal tax deduction, if they are collected on non-depreciable farm business expense items (including assets for use in farm business) as part of the cost of those items.⁴

Business license: Currently, the City of Palmer charges an annual fee of \$25 for all businesses operating within the City of Palmer. This nominal fee is used to cover the administrative costs of tracking and regulating businesses within the City.

Fees for applying fertilizers: The application of pesticides, fertilizers, disposal of animal carcasses, and manure management is regulated and permitted by the State (ADEC Division of Environmental Health, Solid Waste Program); annexation by the City of Palmer would not affect the application of this program. However, if reforms to this program are needed, the City can explore agricultural reform measures.

³ source: IRS Publication 225, Farmer's Tax Guide, 2008

⁴ source: IRS Publication 225, Farmer's Tax Guide, 2008

Building and fence permit fees: The City currently requires building permits for farm structures. Palmer building permit fees are based on the total value of the structure or improvements to be built and range from \$25 to upwards of \$6,000 for structures valued at over \$1,000,000. Palmer also requires a fence permit of \$24.50, which can be applied to a moveable fence, so that only one permit is needed on a given parcel, as long as the property owner updates the City as to the location of the fence. The fence permit is used in residential and commercial areas to enforce height restrictions on fences; for agricultural land, the permit is used to track the location of electric fences for public safety reasons. Because of the significant potential for wind and seismic damage, the City would prefer to enforce building codes via building permits in the interests of public safety, regardless of the use of the structure. However, in order to avoid placing unnecessary financial burden on farmers, the City will explore options to reduce building and fence permit fees for non-residential buildings on land zoned for agriculture.

Local Improvement Districts/Special Assessments: Chapter 3.28 of the Matanuska-Susitna Borough Code allows property owners to create local improvement districts (LIDs) to finance the extension of natural gas distribution and other infrastructure.⁵ Per ordinance, the process is driven by the property owners. The Borough merely lends its authority to property owners as a means to enable them to finance what they collectively and voluntarily decide to approve.

Local Improvement Districts (LIDs) have been used to implement infrastructure improvements for residents in ways that may unfairly tax farmers. For instance, some farmers have reported that the natural gas utility brought services to the area, ran pipes across farm property and charged costs per lot (regardless of whether the landowner hooked up or not). The utility estimated the assessments by the number of lots, rather than by property lines. Because of the large size of their parcels, farmers were charged for several lots. In any case, the City of Palmer has no role in LIDs created under borough ordinance, whether inside or outside the City.

Palmer Municipal Code (Chapter 3.08) provides for the creation of special assessment districts to finance city capital improvements. The City Council, or benefitting property owners by petition, may initiate formation of special assessment districts.

Agricultural Zoning and Other Land Use Issues

Issue: Members of the farm community voiced concerns about a number of land use issues, including:

- Agricultural zoning district
- Setback requirements
- Vehicle Storage
- Animals
- Conflicts with neighbors
- Soil Protection
- Eminent Domain

⁵ MSB Code, Title 3: Revenue and Finance, Chapter 3.28 Special Assessments http://nt5.scbbs.com/cgi-bin/om_isapi.dll?clientID=208986467&headingswithhits=on&hitsperheading=on&infobase=matsubor.nfo&record={66A7}&softpage=PL_frame

Discussion:

Agricultural zoning district: Palmer's Agricultural zoning district has traditionally treated agriculture as an interim use for land intended for other development/uses. It does not provide adequate protection for agricultural operations as a viable, long-term land use. The City is committed to working with farmers to revise Title 17.56 (Agricultural District), and has prepared a draft ordinance for review by agriculture interests. This revised code will then be presented to the City Council for adoption.

Setback requirements: Existing City setback requirements for animals would require some farmers to move fences, which could be expensive and arguably unnecessary. According to Title 17.56.080 (Agricultural District Minimum lot requirements), existing setback requirements for structures are a minimum of 25 feet for front or rear yards, and a minimum of six feet for a side yard (10 feet if the side yard is on a corner lot). Fences are not required to meet the structure setback requirements and may be placed a few inches inside the property line, *unless* they are being used to keep animals 25 feet from the property line, to meet the animal setback requirements in PMC 6.08.020 (Animal restrictions). Setbacks for fences and all farm structures can be revised in the agricultural zoning district code and revised for agricultural operations in PMC Chapter 6.08 Animal Regulations.

Vehicle storage: Farm operations often include the need to store vehicles on the land; farmers are unsure whether Palmer city code allows this. Palmer Municipal Code Chapter 8.37 (Junk Vehicles) states that it is "unlawful for the owner, tenant or other person in possession or control of any property to cause or allow a junk vehicle⁶ to be placed or remain in public view on such property for more than 10 days." However, the City's current agricultural zoning district (Chapter 17.56) allows vehicle storage as a conditional use, which requires a conditional use permit (Chapter 17.56.040). Palmer's agricultural zoning district could be revised to allow vehicle storage among the permitted uses (rather than as a conditional use).

Animals: Some farmers are concerned that city regulations concerning animals would negatively impact their farm operations. Palmer Municipal Code, Title 6 (Animals) regulates the keeping of animals, including livestock. Section 6.08.020.A (animal restrictions) allows livestock to be kept on agriculturally-zoned land or on a lot larger than one acre in size, provided the animal(s) is(are) never closer than 25 feet from an exterior lot line. Just as with the concern about fencing, setback requirements for livestock can be problematic for farmers. Other sections of PMC Title 6 that could interfere with farm operations include 6.08.050 (Noise from animals) and 6.08.060 (Odors originating from animals). These two sections were written primarily to apply to animals kept as pets, and were intended for the relatively densely settled areas of the existing City. PMC Title 6 could be revised to allow smaller setbacks for livestock, and to allow noise and odor from livestock as associated with normal farm operations on agriculturally-zoned property.

Conflicts with neighbors: Residential neighbors often complain about nuisances from farms such as noise, smells, and hours of operation. Even though farmers are legally protected under Alaska's Right to Farm legislation, over time, the collective political influence of a large residential subdivision next door to a farm can be difficult to overcome, due to the volume of homeowner

⁶ 8.37.010 A junk vehicle is defined as: (1) stripped, wrecked or otherwise inoperable due to mechanical failure, and (2) has not been repaired because of mechanical difficulties or because the cost of repairs required to make it operable exceeds the fair market value of the vehicle; provided, however, if such motor vehicle is currently registered for operation on the public roads of the city and is insured under the requirements of AS 28.22.011, then it is presumed not to be a "junk vehicle."

complaints. Potential conflicts with neighboring subdivisions also include trespass, vandalism, liability issues, and equipment damage.

Where residential properties are located adjacent to or nearby farms, real estate disclosures are one legal protection meant to inform homeowners about potential noise and odor nuisances that are an unavoidable aspect of farm operations and which they legally accept upon purchase of their properties. Yet some area residents claim that real estate disclosures are not always happening. Other conflicts, such as trespass and vandalism, are an unfortunate occurrence requiring public safety (police) assistance.

The City can take steps to enforce real estate disclosures and educate homeowners about living next door to farms. The City could also address this issue in other ways, such as:

- Including an Agricultural Use Notice in its zoning ordinance. The Agricultural Use Notice would basically put all parties on official notice that because agriculturally-zoned lands within the City of Palmer are used for commercial agricultural production, owners and users of these or neighboring properties may be subjected to nuisances associated with normal agricultural operations (e.g., noise, odors, dust), and that they should be prepared to accept these because the State of Alaska's Right-to-Farm laws may bar them from obtaining a legal judgment against normal agricultural operations.
- Passing a resolution not to enact nuisance ordinances that would restrict normal farming practices.
- Requiring resource management easements for new residential development adjacent to an agricultural zone. A resource management easement would waive the homeowner's legal right to object to lawful farming operations on adjacent lands. It would be recorded as part of the landowner's deed before a building permit is issued and any construction begins.
- Passing a formal policy statement in support of local farming in the form of a local right-to-farm ordinance. Similarly to the agricultural use notice and resource management easements, such an ordinance might require that a notice be placed on the deed to all properties in agricultural areas, cautioning buyers about noise, odors, dust, etc. from neighboring farm operations.
- Publishing and widely distributing a friendly, but direct informational brochure for new residents about what to expect when living in rural areas. One example is a "code of the west" published for the Bitterroot Valley of Montana <http://issuu.com/tadhmmm/docs/code-of-the-west>

Soil protection: Many farmers are concerned about the conservation of high quality agricultural soils (in Alaska, these are Class II and III soils). Palmer currently does not make any value judgments in approving building permits on Class II or III soils; annexation would have no effect on this matter. The State (Alaska Department of Agriculture, ADOA) has committed to encouraging the development of State Farm Conservation Plans and/or Soil and Water Conservation Plans that incorporate a best practice approach, and protect agricultural land under the Right to Farm legislation (Objective 7.2 of the 2009 Building a Sustainable Agriculture Industry Report).

The City could consider adopting policies related to the use of high quality agricultural soils. One option could be to state that conservation of Class II and III soils could be an explicit goal in a revised Agricultural Zoning District. Such a policy would likely need to recommend (but not mandate) the protection of such areas, for example, through encouraging creation of an

agricultural land trust that would allow willing sellers to sell development rights and maintain agricultural use rights. The City and most land owners are not likely to support a policy that would restrict an owner's flexibility ability to use their property.

Easements and Eminent Domain: Many farmers voiced concerns about roads, easements and other improvements being routed through farmland and disrupting their farm operations. In the case of easements, a utility might have an easement across farm land for underground pipes, which would disrupt farm operations if the utility ever had to dig up a portion of a farmer's fields to bury or perform maintenance on the pipes. For other physical improvements, eminent domain might be used to take farmland for constructing a road, for example. In some cases, government or utility officials may find it easier to deal with a single farmer than several homeowners and cheaper to construct on farmland, which tends to be flat, well-drained land with few buildings to demolish or build around.

Infrastructure improvements are made by the City of Palmer, the Matanuska-Susitna Borough, the State of Alaska and private utilities; they will happen regardless of whether the land is inside or outside city boundaries (e.g., Trunk Road realignment). The City can adopt a preferential policy to route public infrastructure improvements around rather than across farmland, where feasible, but not all future circumstances can be predicted, nor does the City necessarily have any power to control the outcome, where State or Borough improvements are being made. A more robust Agricultural Zoning District could help to provide greater protection to farmland in these situations.

Regional Agriculture Infrastructure

In the long-term, many of the agriculture issues raised during this process are likely to persist, regardless of what land is annexed into the City, as the economic pressure to develop farmland for residential and commercial purposes continues to vie against the desire to retain agriculture as a viable local industry and an important aspect of local history and identity. The City may want to consider working with the Matanuska-Susitna Borough, State agencies, other Alaska farm communities, and other groups on a more comprehensive farm protection strategy. As noted earlier, farm and farmland protection is a stated goal of the Palmer Comprehensive Plan and may be most effective if an Agriculture District is established where rules are different on most or all of the issues described in this report.

Agriculture Districts are designated specifically for commercial agriculture, although farmer participation is usually voluntary. Farmers receive a package of locally-tailored benefits, such as tax relief, additional protection from specific local regulations that interfere with the ability to farm, nuisance suits, eligibility for Purchase of Agricultural Conservation Easement programs or grants. In return, farmers agree to restrict the use of their land to agricultural use or open space for the term of the contract. Agriculture Districts are generally authorized by state legislature and implemented locally. It might be possible to implement an Agriculture District through Alaska's existing Soil and Water Conservation District program.

An Agriculture District would have the most effective application where there are large, relatively contiguous blocks of agricultural and/or vacant land, soil quality is high, residential densities are very low, and development pressures are modest. In the Palmer area, this would most likely apply to the area north of the Palmer-Wasilla Highway and in portions of the Springer system. This designation may be less appropriate in much of the area between the Palmer-Wasilla and Glenn Highways, as most of the agricultural land in this area is close to existing development and/or commercial corridors.

