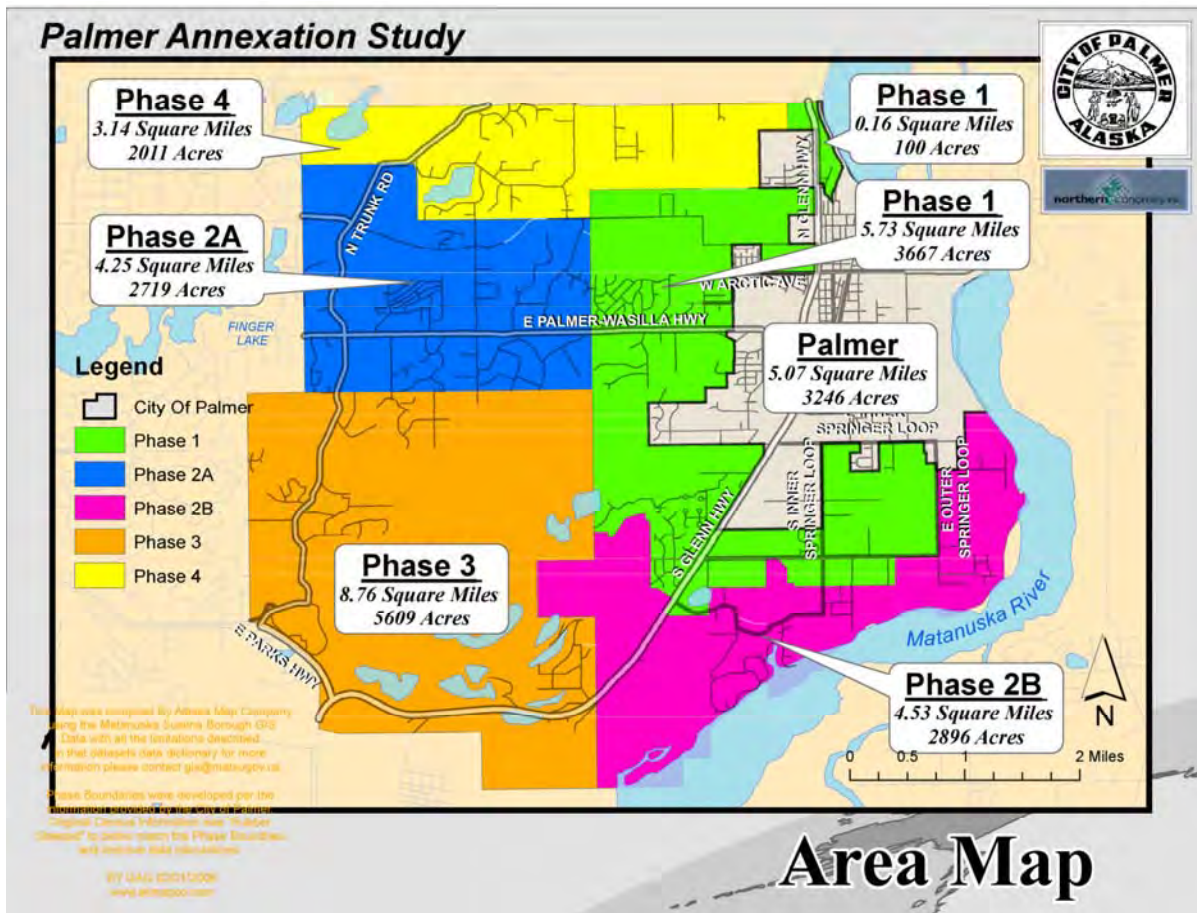


1 Introduction

The purpose of this study is to analyze potential effects of annexing areas outside the current boundaries of the City of Palmer. The focus of the annexation study is to assess the costs and potential revenue—or fiscal effect—of annexing areas outside Palmer’s present city limits. The analysis looks at the following city services: general government expenditures, fire and police protection, road maintenance, and planning and building permitting. The costs of extending sewer and water were not considered because these public services are provided by a separate certificated utility with its own enterprise fund.

The annexation analysis also identifies policies the city should consider in providing municipal services beyond its boundaries, as well as current Local Boundary Commission policies relevant to the city’s annexation policy. Among the land use considerations underlying the annexation analysis are growth and development west of the city (“core area”) and the need to enhance cost effective and efficient development patterns.

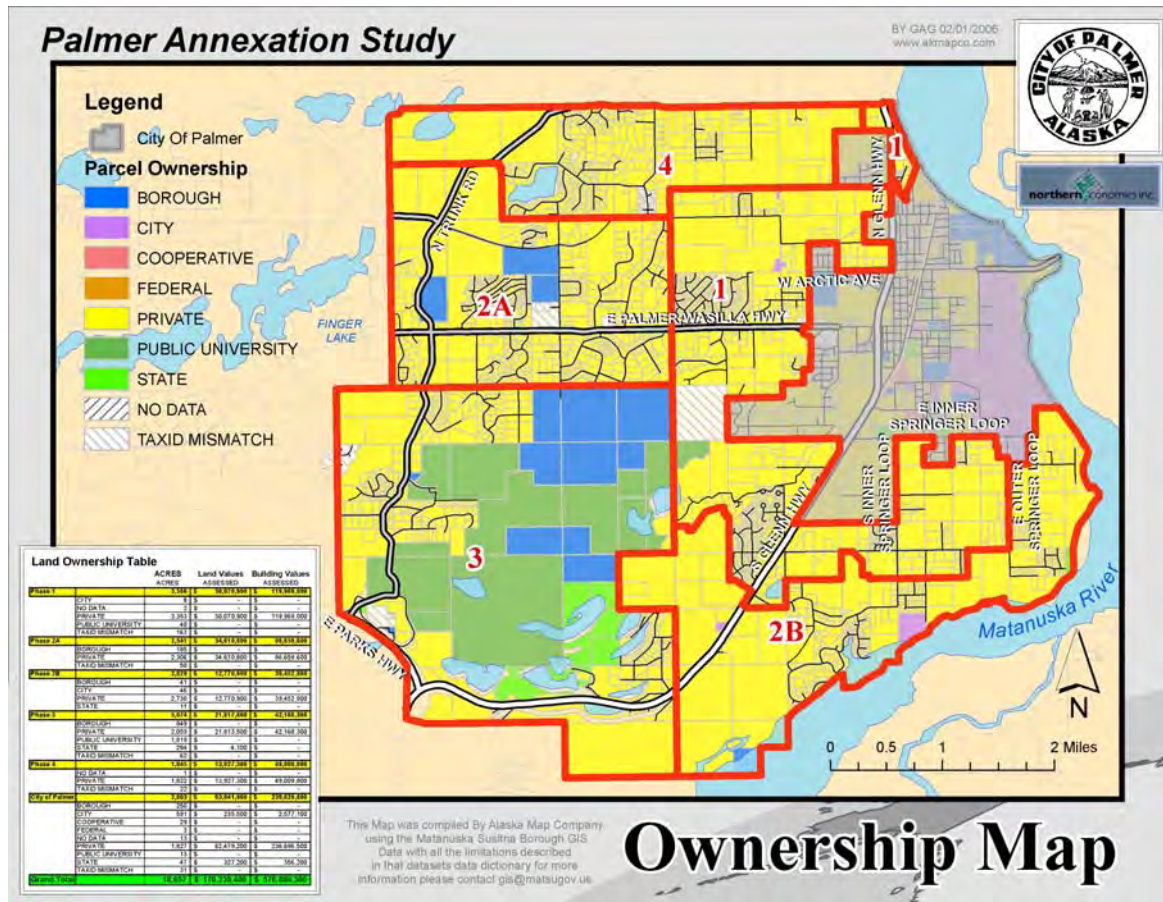
Figure 1. Study Area by Phase



The areas analyzed for assessing the effects of annexation are depicted in the Palmer Annexation Study area map in Figure 1.⁴ These five study areas encompass approximately 26.57 square miles. The *Draft 2006 Comprehensive Plan* establishes a goal for annexation; the plan recommends the city adopt an active annexation strategy to help guide future development. To implement this goal, the plan recommends phased annexations to guide and control growth and provide for effective delivery of municipal services.

Figure 2 illustrates the property ownership for the annexation analysis area. Property ownership patterns impact the fiscal effects of annexation. For instance, in the Phase 3 annexation analysis area, the University of Alaska is a significant property owner. The lack of development on the University's holdings impacts the costs and revenues the city can expect. In addition, state owned lands, including the Bradley-Kepler Lake Recreation Area, are in the Phase 3 annexation analysis area, limiting the amount of land available for future residential and commercial development.

Figure 2. Property Ownership for the Annexation Analysis Area⁵



Source: Alaska Map Company, 2006.

⁴ The study authors note that the phases are geographical study areas for the purposes of the analysis and not proposed annexation boundaries. Any annexation petition submitted by the COP may or may not match the boundaries included in this analysis. Consequently, the authors also note that the results presented in this study are phase-specific and may not apply if boundaries submitted in a petition do not match the boundaries included in the analysis.

⁵ The table in this figure is replicated in Appendix C.

According to the Draft 2006 Comprehensive Plan, Palmer is within the rapid growth area of the southern Matanuska-Susitna Borough. With this growth come opportunities and challenges:

- Pressures for expanding due to build out of new subdivisions, offices, and shopping centers. There is a need for consistent community development and zoning standards in areas near Palmer.
- Higher demand for public services and market demand for amenities. Population growth will reach thresholds providing sufficient market support for a new scale of commercial development and public services ranging from big box retail to a new regional hospital
- Traffic growth outpacing road capacity. Annexation is needed to allow Palmer to plan for necessary transportation improvements and control land use along the major highways

These boundaries extend north on the Glenn Highway to Palmer Fishhook Road, then east-west along Palmer Fishhook to Trunk Road. The southern boundary runs along the East Parks Highway running east of the regional hospital and intersecting with the Glenn Highway. The proposed annexation areas take in property south of Springer Loop Road. For the purposes of the planning and fiscal effects analysis, the entire area has been separated into five areas: Phase 1, Phase 2A, Phase 2B, Phase 3, and Phase 4.

The City of Palmer retained Northern Economics services to conduct a prior annexation analysis in 2000/2001. Up until the 2000/2001 annexation study, the city historically had a demand-driven annexation policy. When there was a request for annexation, the city considered it. The 2001 annexation analysis assisted the city in its petition to the LBC to annex several enclaves. The current annexation study further provides the city and its decision makers a systematic way to articulate the annexation options for a ten-year planning period. The fiscal effects analysis of five priority areas will provide the basis for community discussion at the City Council level in mid-2006.

1.1 Local Boundary Commission

Annexation is an option available for Alaska cities, boroughs, and unified municipalities to extend their boundaries. Annexation standards are established by State law (the *Alaska Administrative Code* [AAC]) and regulation and are overseen by the Alaska Local Boundary Commission (LBC). In its review of proposed municipal annexations, the LBC considers seven major standards:

- The territory must exhibit a reasonable need for city government (3 AAC 110.090[a]).
- The territory may not be annexed to a city if essential city services can be provided more efficiently and more effectively by another organized city or borough (3 AAC 110.090[b]).
- The territory must be compatible in character with the annexing city (3 AAC 110.100).
- The economy of the proposed post-annexation boundaries must include the human and financial resources necessary to provide essential city services on an efficient, cost-effective level (3 AAC 110.110).
- The population within the post-annexation boundaries must be sufficiently large and stable to support the extension of city government (3 AAC 110.120).
- The proposed post-annexation boundaries must include all areas necessary to provide full development of essential city services on an efficient, cost-effective level (3 AAC 110.130).
- The proposed annexation must be in the balanced best interests of the state, the territory proposed for annexation, the annexing city, and the borough in which the annexation is proposed.

This study does not advocate for or against annexation of territory by the City of Palmer. That goal is already incorporated in Palmer's *Draft 2006 Comprehensive Plan* and in prior adopted plans. This study focuses on the fiscal effects of annexation and provides an initial overview of whether annexations of five areas meet 3 AAC 110.110, LBC standards, and the approximate fiscal cost/benefit to the City of Palmer.

1.2 Background

The City of Palmer is in the MSB, approximately 42 road miles north of Anchorage, on the west bank of the Matanuska River. The Glenn Highway and the Alaska Railroad run north-south through the city. The Palmer-Wasilla Highway and the Glenn Highway intersect inside the city limits.

The community began with homesteading activities and the building of the Alaska Railroad in 1916. In 1935, President Franklin Roosevelt's New Deal program brought about the relocation to Palmer of more than 200 colonist families from Great Lakes states (Smythe, 1999). In 1951, Palmer incorporated as a city.

Today Palmer has a population of approximately 5,382 residents within an area of approximately 5.07 square miles. Population density is high, leaving little vacant area for growth within city boundaries. According to the *Draft 2006 Comprehensive Plan*, Palmer's ability to plan for and manage future growth is constrained by its small physical area (Agnew::Beck, 2006). It has the smallest area and greatest population density of Alaska's mid-sized cities—cities of 2,000 to 6,000 residents. (Agnew::Beck, 2006). Much of the non-residential land within current city boundaries is found at the Palmer Municipal Airport, golf course, Alaska State Fairgrounds, and other institutional uses. Much of the Palmer area's recent growth and development has taken place near Springer Loop, which is outside municipal boundaries and not zoned. Additional growth has occurred to the west along the Palmer-Wasilla Highway—again, outside city boundaries and not zoned.

According to the *Draft 2006 Comprehensive Plan*, the City of Palmer needs additional area for community expansion. The city provides a variety of services, including operating a water and sewer utility; providing police and fire protection, planning and zoning, animal control, library services, and parks and recreation services; and maintaining streets, sidewalks, and storm sewers. The city owns and operates Palmer Municipal Airport. The city-owned golf course is operated under contract with a management firm. The high level of service Palmer has in four areas means they have much to offer urbanizing areas:

- High quality local law enforcement services provided by the city police department. The state troopers in the community are also an asset. Urban growth in the Palmer area requires more services than the State troopers can provide.
- High level of fire protection services, which combined with city piped water system and enforcement of local building codes have yielded a good fire insurance rating (ISO) of 4. This ISO rating is the one of the best in the MSB and results in lower fire insurance premiums for Palmer residents. Wasilla also has some areas rates ISO 4.
- High level of service for street maintenance and snow removal.
- Planning and zoning land use policies that protect against incompatible uses.

The *Draft 2006 Comprehensive Plan's* Goal 10 recommended that there be a plan for the phased expansion of city boundaries. The plan calls for a detailed planning study and cost-benefit analysis of the area proposed for annexation. In 2005, the city retained Northern Economics services to conduct an annexation analysis, utilizing the analytical approach applied in the 2001 annexation analysis.

Prior to the 2001 annexation analysis, city annexations typically involved parcels that were subdivided into many small lots or housed a large commercial development, all needing sewer and water. Such annexation decisions created irregular, meandering city boundaries, with enclaves of non-annexed properties isolated within the city's perimeter boundaries.

The LBC recommended that the city address the problem of enclaves, and to do so in a comprehensive manner rather than through its traditional, piecemeal approach (Smythe, 1999). The 2000/2001 annexation study addressed some of these problems. The current study is a continuation of a phased annexation strategy that is founded on a strong economic base.

Projected Land Use Development within the City

As Palmer's city boundaries now exist, there is very little area for future growth. Large blocks of property are taken up by the Palmer Airport, the Alaska State Fair, and other recreational and institutional uses. Residential land use within the city takes place primarily on lots less than one-half acre in area. Undeveloped tracts exist within the Cedar Hills, Brittany Estates, and Golden Glenn Estates subdivisions. Availability of water and sewer service provides a basis for these parcels to develop into high-density, single-family residential properties similar to the existing lots.

The area within Palmer's existing boundaries is expected to experience growth in both institutional and residential uses. Many local and state government offices are located in Palmer. For example, the Alaska Courthouse and the Mat-Su Pretrial Facility anchor many of their legal-related services in Palmer. As the population grows, demand for such services within the MSB grows, and such organizations require more office space.

Land uses in the area outside Palmer's city limits are a mix of residential, agriculture, and some commercial, industrial and institutional uses. Although there is community support for agricultural development, some lands now used for farming will be occupied by residential development to meet market demand, particularly in the Springer Loop Road area. As limited remaining residentially zoned supply is developed, there will be financial incentives for property owners to convert agriculture lands for commercial development.

Although the City of Palmer has no direct jurisdiction over the type of development outside its boundaries, it will be important for the city to have a clear policy for setting land use policy in future annexation areas. The city, state and MSB should cooperate in major developments.

Figure 3 depicts the existing development patterns in the annexation analysis area.

