



City of West Liberty  
2017 Annexation Study

hbk  
ENGINEERING

# ACKNOWLEDGEMENTS

HBK staff are pleased to submit this 2017 Annexation Study to the City of West Liberty in good faith, and as an effort to analyze their growth management strategies. Many cities with a similar population size are not in the position to study their growth patterns and often this is to their detriment. It takes foresight and vision to undertake studies and plans that investigate the level of service a City is charged with maintaining. Thanks to West Liberty leaders, HBK feels as though this study will be a powerful decision-making tool that weighs the opportunities and challenges of annexation for the landowners as well as the community.

We would like to sincerely thank Mayor Robert Hartman, City Manager Lawrence McNaul, City Clerk Missy Carter and City Council members:

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This report was produced by HBK staff members: Vanessa Fixmer-Oraiz, Steve Long, and Sam Pelelo-Ray. All analysis was conducted in ArcGIS and AutoCAD and will be provided to the City in digital and print format for reference. For any questions, concerns, or praises please contact our Iowa City office.

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# BACKGROUND

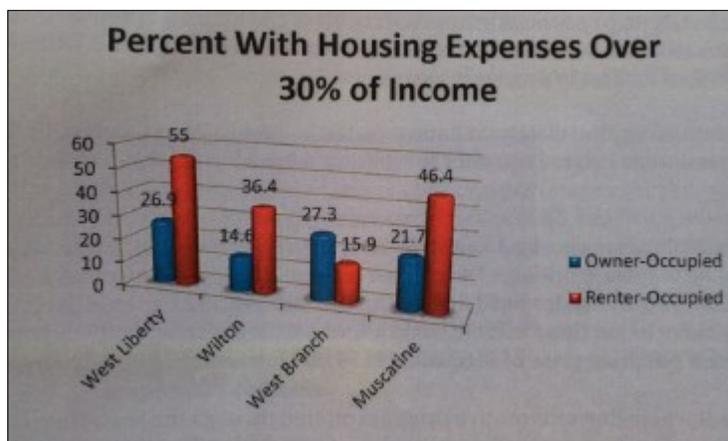
## West Liberty 2016 Comprehensive Plan Update

In April of 2016, the City of West Liberty hired HBK to update their 2006 Comprehensive Plan. The update was an opportunity for the City to obtain public input and an analysis of their current level of services. HBK researched previous planning efforts, conducted public input sessions, held one-on-one interviews, gathered utility data, and discussed creating a Capital Improvements Plan with City Council.

During this process, two aspects coalesced:

1. Reviewing the 2013 West Liberty Housing Needs Assessment provided conclusive results to what several community members expressed feeling anecdotally- there is a need for housing options for homeowners and renters (p.22-23). Some of the contributing factors include: an aging housing stock, a lack of housing diversity, a cost of homeownership that is unattainable for young families, and rehabilitation costs for landlords and homeowners alike.
2. An analysis was performed to understand future growth potential for the City. This analysis included information regarding water and sewer utility locations, which are key indicators for where growth can occur. It was determined that the areas southwest and north of the City are ideal places where housing development is expanding or could expand (p.30).

Looking to the future growth of the community and the potentially positive impact additional housing options can offer, City Council members hired HBK to look further into the data and conduct an annexation study. This study provides an objective analysis of impacts for annexing housing developments located southwest of the City and undeveloped land located to the north of City limits.



Housing expenses should not exceed over 30% of a household's income to ensure livable standards. According to 2010 Census data, over half of the renters and almost one-third of homeowners in West Liberty exceed this percentage.

- "West Liberty Housing Needs Assessment" (p.31)

## Annexation

In Iowa, municipal annexation is codified under Chapter 368, “City Development.” Here annexation is defined as, “the addition of territory to a city” with provisions outlined for ‘Voluntary’ and ‘Involuntary’ annexations, and the procedural descriptions involved. A short overview is provided here:

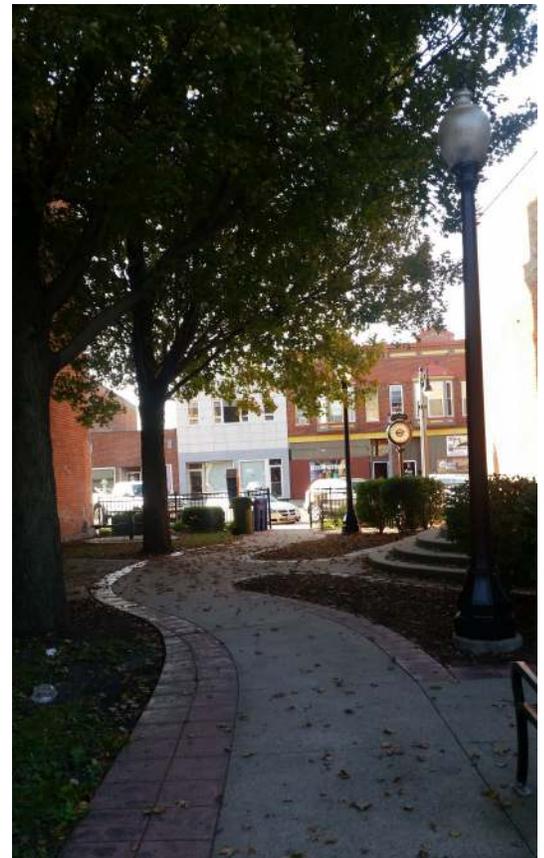
### Voluntary Annexation of Territory

1. All of the owners of land in a territory adjoining a city may apply in writing to the City Council and request annexation.\*
  2. Eighty/Twenty Annexation: An application for annexation may be submitted when at least 80% of the landowners are proponents of annexation. The other 20% can be a mix of voluntary or involuntary.
  3. Voluntary Annexation within an urbanized area of another city, however, this is not relevant to this project.
- \* Annexation of any areas outside of City limits have to be *adjoining*, and must have a common boundary for not less than fifty feet. Land areas may be adjoining even though they are separated by a waterway or roadway.

### Involuntary Annexation of Territory

1. There are six different entities that can request an involuntary annexation: City Council, County Board of Supervisors, regional planning authority, 5% or more of the City’s electors, 5% or more of the electors in the area proposed for annexation, or the City Development Board. It should be noted that these types of annexations can be contentious and emotional, and are not very common in the Iowa landscape. Additionally, there is a more in-depth and lengthy procedural process for this type of annexation.

Procedural flow charts for these annexation processes are located in Appendix X for reference.

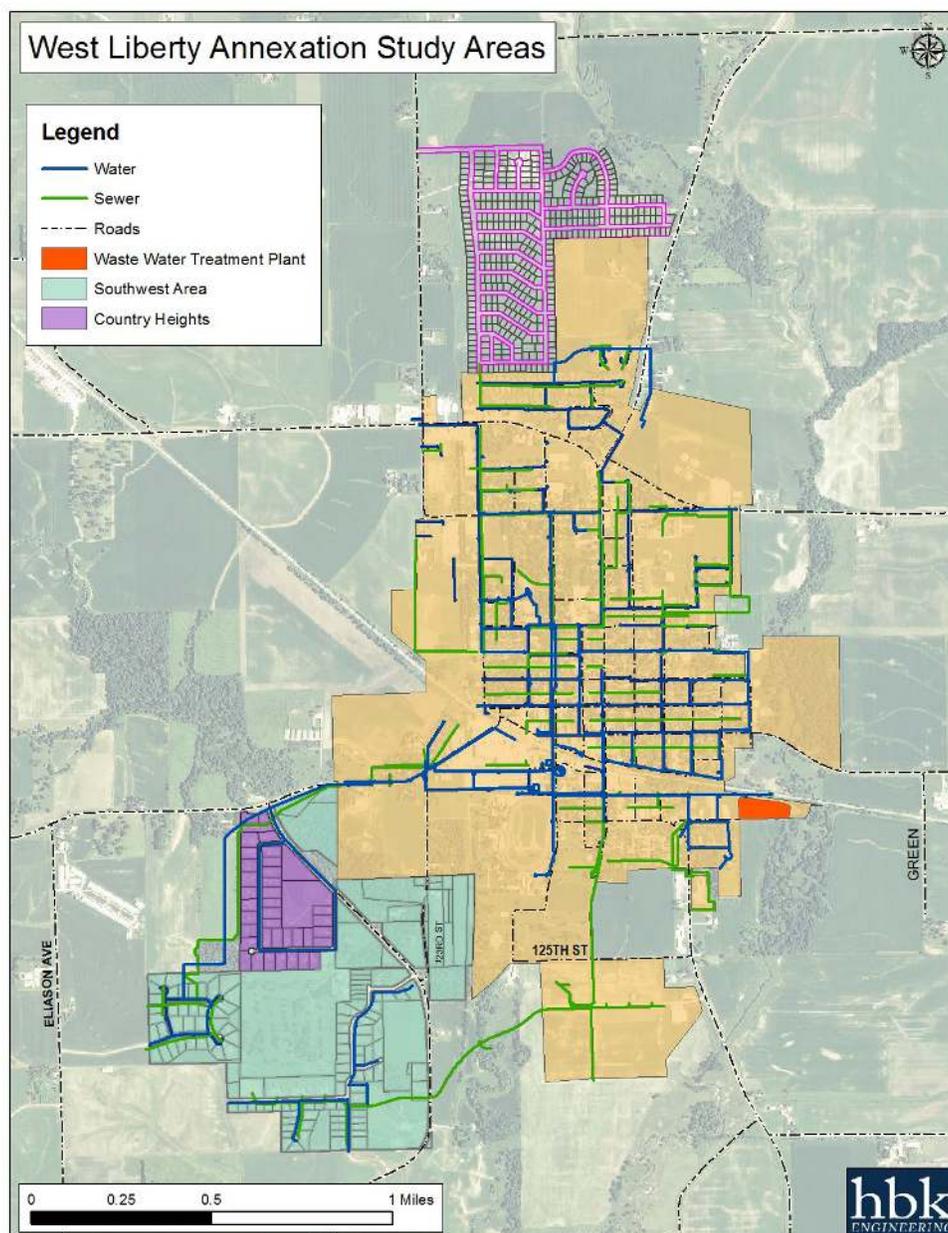


Ron-de-voov Park located in the heart of downtown West Liberty offers residents a relaxing place to gather.

# SCOPE AND APPROACH

## Scope

This annexation analysis encompasses the southwest area where the Comprehensive Plan noted existing development and potential for further growth. Given the ‘adjacent land’ requirement for annexation, all parcels to the southwest of the city limits were considered for annexation. Additionally, the area directly north of the City limits was included in the Growth Fringe Area as an area with potential for low-density residential development.



## Approach

This annexation study utilizes a two-prong approach:

- 1) Calculate annexation changes to the current County property data with an increased City tax levy.
  - This process takes current property tax information for areas located outside of the city and replaces them with the increased City tax rate. This will result in an understanding of the increased property tax costs to the homeowner and the increased tax base that will be made available to the West Liberty community.
- 2) Analyze the change in premium utility fees that County residents currently pay.
  - Being incorporated into the City will result in a decreased cost in utility fees to landowners who currently pay a premium fee. Coincidentally, this will also result in a loss of revenue to the West Liberty community.

To quantify these changes, this study uses current municipal service fees and tax property data for the fiscal year 2016-2017:

Tax Rates		
	County Property Tax Rate	29.15755 per \$1000 of assessed taxable property
	City Property Tax Rate	40.32558 per \$1000 of assessed taxable property
Municipal Services		
	Pre-Annexation Water Fee	\$12.80 per 1,000 gallons
	City Water Fee	\$8.25 per 1,000 gallons
	Pre-Annexation Sewer Fee	Base Fee: \$26.83 per month + \$5.38 per 1,000 gallons
	City Sewer Fee	Base Fee: \$18.50 per month + \$4.77 per 1,000 gallons

### Households

2014 Census data indicates that the average household size for West Liberty is 3.6 individuals, which results in an estimated population of 475 people inhabiting the 132 dwellings located in the southwest area. The proposed development in the north area can support 400 dwellings that would add an additional 1,000+ people to the City. According to the 2010 Census, West Liberty has 3,736 citizens, and while the addition of the southwest area would bring the population to over 4,000 people, the proposed north development would push the population over 5,000. Obviously, this is not a change that would happen overnight, but it should be noted that municipalities are more competitive for certain grant funding opportunities once they cross the 5,000 population threshold.

### Safety

Currently, West Liberty has 1.6 police officers per 1000 residents, and the annual salary and benefit cost is \$51,910 for a full-time police officer. The addition of the southwest area would not trigger additional police service, however, if development occurs in the north this would potentially add additional personnel. The fire department currently covers services to the southwest area; thus, additional staff would not be needed for incorporating this area.

# RESULTS

## *Additional Municipal Services*

While City services currently include garbage collection, the difference in fee is one dollar per month. Given this minimal difference in fee schedule, HBK did not analyze the fee change for this study. However, it should be noted that the City is slated to begin a curbside recycling program that would greatly benefit the southwest and north areas. Since this program is not currently running, adding this service should be included in future studies.

## *Additional Municipal Funds*

Additionally, each municipality receives funding from the state via motor vehicle registration fees, motor fuel taxes, and an excise tax imposed on vehicle rentals and trailers. This fund is called the Road Use Tax Fund (RUTF), and for the fiscal year 2016-2017 is calculated as \$120.50 per capita.<sup>1</sup>



The Strand is an independently-owned movie theater that has been in the community since 1910. The theater provides residents with a space to not only premier current movies, but to host piano recitals, weddings, and family reunions as well.

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<sup>1</sup>Iowa League of Cities: Budget Special Report for Fiscal Years (FY) 2016-2017

## Southwest Area

All parcel data was aggregated for this report in order to avoid specific identifiers for private property owners. The subdivisions located in the southwest area include: Hormel’s Acres, Country Heights, Terrace Ridge, Elder Ridge SD, Elder Ridge SD Phase II, and Elder Ridge SD Phase III. The mean taxable property value in the entire southwest area is around \$218,000 and is primarily single-family homes and duplex townhomes. The table below highlights key data used in this analysis:

### Tax Information for Southwest Area

Total # Parcels	178
Total # Households	132
Household Size (Owner-Occupied) 2014 ACS*	3.6
Estimated Population	475.2
2016 Gross Assessed Value of Properties	\$ 28,602,550
2016 Net Taxable Value of Properties	\$ 16,434,114
Total Gross Taxes Before Annexation (County)	\$ 479,177
Total Gross Taxes After Annexation (City)	\$ 662,715
RUTF Increase (\$120.50)	\$57,262

\* 2010-2014 American Community Survey 5-Year Estimates. Selected Housing Characteristics. West Liberty, IA

All subdivisions receive municipal water and sewer services except Country Heights, which does not utilize sewer services. As opposed to City residents, households in these subdivisions pay premium utility service fees, as noted above, because they do not reside within City limits but receive City services.

The Country Heights subdivision was evaluated separately because the area does receive water and garbage collection, but not sewer services.

### Country Heights

**39 Parcels, 37 Households**

City Water Expense Before Annexation (County)	\$34,099
City Water Charges After Annexation (City)	\$21,978
Decrease in Water Revenue to City	\$12,121
No Sewer	N/A

Post-annexation average annual savings per household for water: \$330

The remaining southwest area includes several single family homes as well as multi-family duplexes.

<b>The Remaining Southwest Area</b>	<b>139 Parcels, 95 Households</b>
City Water Expense Before Annexation (County)	\$ 87,552
City Water Charges After Annexation (City)	\$ 56,430
City Sewer Expenses Before Annexation (County)	\$ 67,454
City Sewer Expenses After Annexation (City)	\$ 35,198
Decrease in Water Revenue to City	\$ 31,122
Decrease in Sewer Revenue to City	\$ 32,256

Post-annexation average annual savings for water: \$330  
 Post-annexation average annual savings for sewer: \$340  
 Total average annual savings per household: \$670

Looking at the data as a whole, these are the annual costs and benefits per parcel of land:

**Tax Increase Analysis**

Total tax increase to annexed residents	\$183,538
Gross Average Annual Tax increase per Parcel	\$1,030

Breaking this down further into additional monthly costs to landowners and households, a range appears dependent on the taxable value, **between \$20 - \$200 a month**. This monthly cost breakdown does not indicate an amount that is paid in-lieu of service fees and taxes, it is only meant to demonstrate the difference between the tax increase and utility fee savings for landowners and households.

Included below is the City’s annual net result after a decrease in premium fees have been calculated:

Decrease in Water Revenue	\$31,122
Decrease in Sewer Revenue	\$32,256
Increase in Tax Revenue	\$186,470
Increase RUTF	\$57,262
<b>Net Result</b>	<b>\$180,354</b>

## Infrastructure Considerations

When considering annexation of adjacent unincorporated parcels, it is important to consider any infrastructural upgrades that are required by municipal code. The Country Heights development is currently not served by municipal sewer and according to city code, private wells would not be acceptable; thus property in this subdivision would need to be connected to municipal sewer services. Correspondence with Veenstra and Kimm, Inc., the City's contracted engineer for general services, has indicated that due to the topography of the area and where the current sewer line is located, a lift station would need to be installed. Here are the total estimated cost breakdown:

Assuming 105 people @ 100 gal/person (plus the country club)

Lift Station Flow Size - 50 gpm to handle peak flows with a generator	\$250,000
Force Main - 3000'-4000' (depending on route)	\$160,000
<u>Collection Sewers - 8" minimum about 4600', connecting houses</u>	<u>\$230,000</u>
Total	\$640,000

In addition to sewer upgrades, it has been discovered that the water lines within the Country Heights subdivision are inadequate and have resulted in significant leaks. These issues would need to be addressed to meet City code. An estimated cost to repair is at least \$100,000, although it is difficult to have a more accurate number until more information is provided.

Annexation of this area could potentially place the cost burden of nearly \$800,000 to address these repairs onto current West Liberty residents. Per our estimates, the City would receive an annual net gain of ~\$164,000, which would take roughly four and half years for that debt to be paid. There are other mechanisms to address this issue, such as requiring current residents of the Country Heights subdivision to pay for upgrades over a longer period of time. Additionally, the City can use General Obligation bonds and require homeowners to pay it back.



## North Area

Akers Subdivision is one of the more recent housing developments established in the early 2000s on the north side of town. The lot lines for this subdivision were used as a template to generate another potential housing development just outside of the northern city limits. This proposed new development incorporates an additional 400 parcels to the northern area. This type of land development is currently shown as low-density, single-family housing; however, the inclusion of town homes or duplexes would introduce a spectrum of housing options that could further benefit residents.

While the inclusion of such a development would cost the City to run services to the site, developers typically pay for roadway and stormwater infrastructure. To match the Akers subdivision, a price-point for each house was estimated at \$200,000. Using the state's residential rollback rate of 47.5%, this would potentially generate 25.8M worth of taxable property within city limits. Applying the current City tax levy, this could result in over 1M additional dollars for the West Liberty community.

To be sure, this is an ambitious housing development and one that would have to occur in smaller increments over a longer period of time. However, it does demonstrate the potential for additional and much needed housing stock within West Liberty's city limits. The increase in tax base could provide amenities that residents outlined in the Comprehensive Plan, such as an extensive trail system, sidewalk connectivity in every neighborhood, improved alley conditions, more parks, better playground and athletic facilities, and potentially even a year-round recreation center.



West Liberty Foods is a turkey processing plant that employs a significant portion of the West Liberty workforce. Given this economic driver, workers need adequate housing, which impacts the housing market.

# RECOMMENDATIONS

## *Conclusions*

The costs and benefits of annexation should be carefully considered. This annexation study seeks to provide clear and concise information that will assist decision-makers and residents in navigating this terrain.

Below is a final breakdown of benefits and challenges to both the landowners, households and the West Liberty community.

### *Benefits to landowners and households:*

Roadway maintenance and streetlights become City responsibility.

Increase in City police pending northern development.

Decrease in monthly utility expenses.

Connection to City sewer system and addressing water issues for Country Heights subdivision

### *Challenges for landowners and households:*

Increase in property taxes.

Costs associated with decommissioning septic systems and potential cost to connect to City services

### *Benefits to West Liberty community:*

Increase in tax base.

Increase in RUTF from the state.

Increase in population

Opens opportunities for grant funding opportunities.

### *Challenges for West Liberty community:*

Costs for new utility connections in north area.

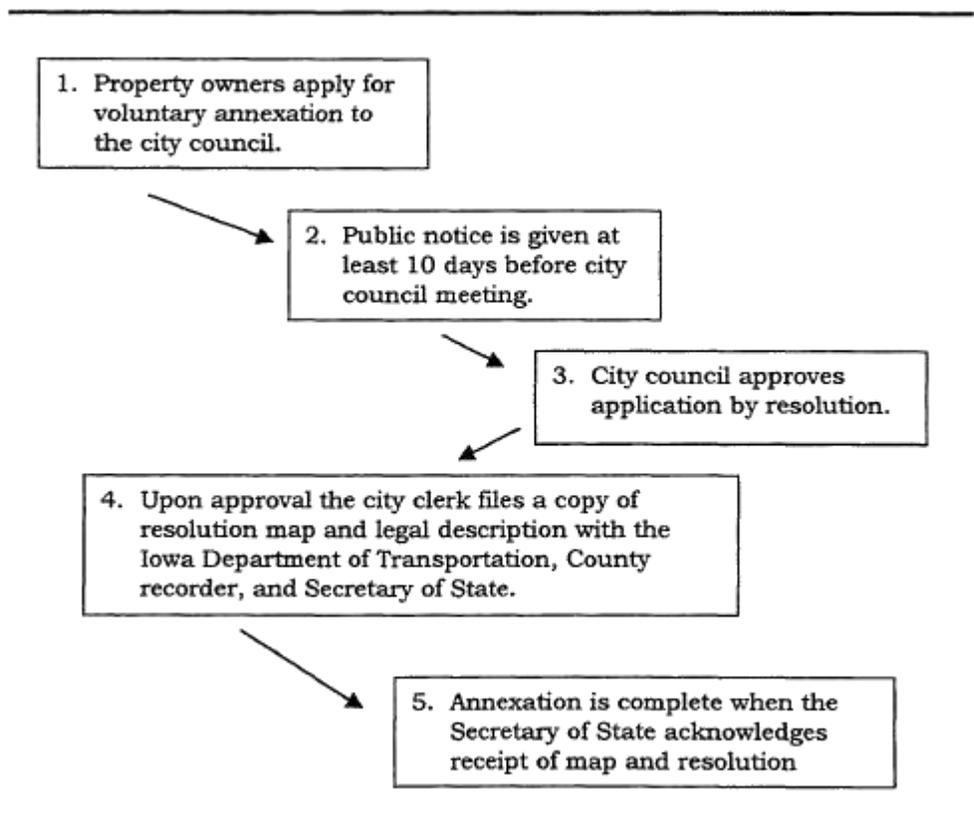
Costs for new water and sewer service connections in Country Heights subdivision

The City has asked for HBK's recommendation regarding annexation. Our staff want to clearly state that voluntary annexation is the best pathway forward in this situation; therefore, annexation should be pursued only when the majority of landowners and households in the southwest area are in favor of being incorporated. That said, after reviewing the costs and benefits from this report, if repairs to the sewer and water services can be reasonably managed, HBK recommends pursuing voluntary annexation of the southwest area with a city-sponsored property tax abatement process. This tax abatement process could begin with an annual increase of 10% every year until 100% is reached over a ten-year period. By utilizing this 10-year process, it would allow landowners and households enough time to adjust their budgets and make informed decisions for their families.

# APPENDICES

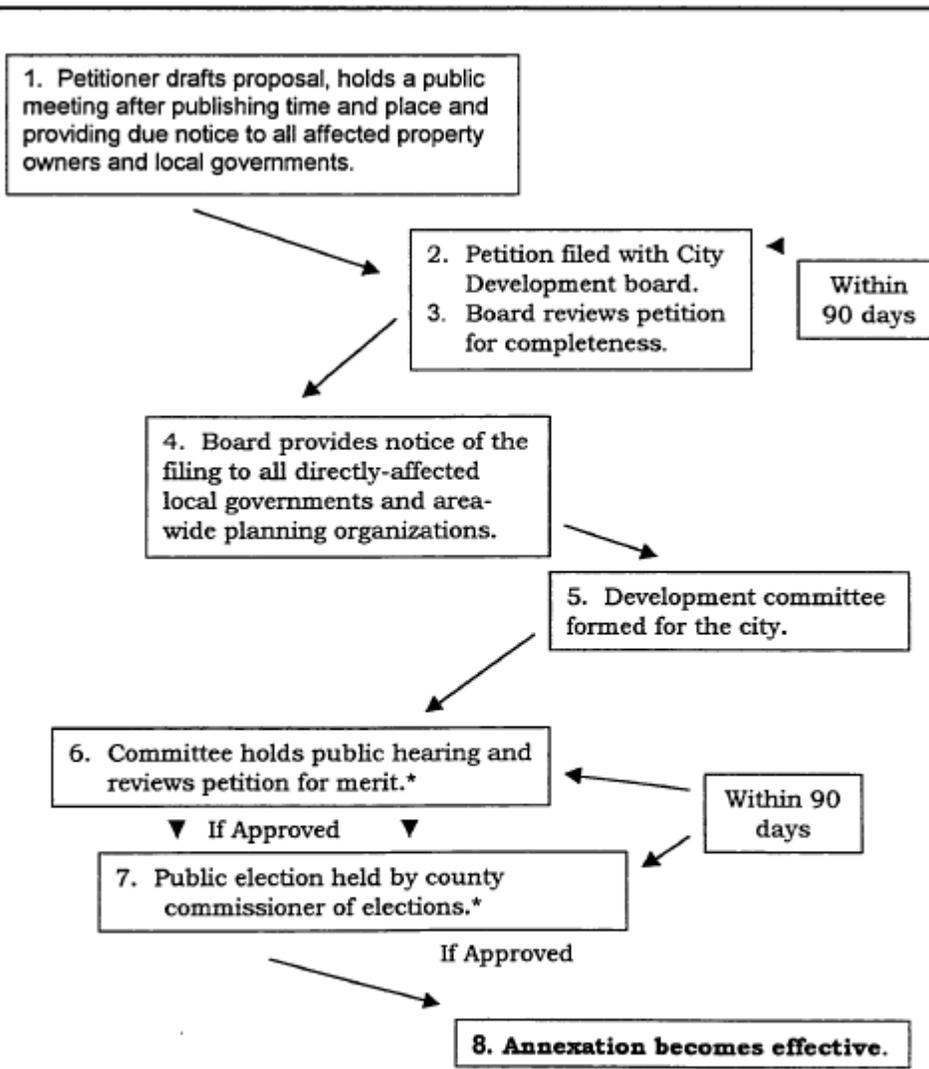
## Appendix X

### Voluntary Annexation Procedural Flow Chart



“Annexation of Iowa: An Analysis of the Iowa Annexation Statutes”  
Habeger, Robin  
Iowa State University

Involuntary Annexation  
Procedural Flow Chart



\*Affected parties may appeal to the court.

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## Examples from the Raw Data

### County versus City Levies (current versus annexed)

Total Assessment	County Levy	City Levy	Residential Rollback	Taxable Value	Gross County	Gross City	Net Difference	Monthly Increase
\$38,780	29.1575	40.3256	0.569391	\$22,080	\$643.83	\$890	\$246	\$20
\$183,160	29.1575	40.3256	0.569391	\$104,289	\$3,040	\$4,205	\$1,164	\$97
\$405,310	29.1575	40.3256	0.569391	\$230,779	\$6,728	\$9,306	\$2,577	\$214

#### Equations:

$(\text{Total Assessment} * \text{Rollback}) = \text{Taxable Value}$

$(\text{Taxable Value} * \text{Tax Levy}) / 1000 = \text{Gross Value}$

### Changes in Utility Service Fee

Premium Fee Water	City Water	County Sewer	Premium Fee Water	Water Savings	Sewer Savings	Total Savings
\$921	\$594	\$710	\$362	\$327	\$348	\$675

### Overall Net Difference (Levies + Service Fee Savings) per household

Total Assessment	Taxable Value	Gross County	Gross City	Water/ Sewer Savings	Net Benefit	Annual Cost	Monthly Cost
\$183,160	\$104,289	\$3,040	\$4,205	\$675	\$3,530	\$490	\$40