

City of McMinnville
Planning Department
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STAFF REPORT

DATE: October 26, 2021

TO: Mayor and City Councilors

FROM: Heather Richards, Planning Director

SUBJECT: Ordinance No. 5106, Amending the McMinnville Municipal Code and

Comprehensive Plan, Relative to Annexations

STRATEGIC PRIORITY & GOAL:



GROWTH & DEVELOPMENT CHARACTER

Guide growth & development strategically, responsively & responsibly to enhance our unique character.

OBJECTIVE/S: Strategically plan for short and long-term growth and development that will create enduring value for the community

Report in Brief:

This action is the consideration of Ordinance No. 5106, amending the McMinnville Municipal Code (MMC) and McMinnville Comprehensive Plan to align McMinnville's annexation procedures and requirements with state law and the McMinnville Growth Management and Urbanization Plan (MGMUP). This is a legislative action, recommended by the Planning Commission.

Specifically, Ordinance No. 5106

Repeals:

- Ordinance No. 4636 (as amended by Ordinance No. 4670)
- Title 16 of the McMinnville Municipal Code, entitled, "Subdivisions"

Adds:

• Title 16 to the McMinnville Municipal Code, entitled, "Annexations"

Amends:

- Chapter 17.06 of the McMinnville Municipal Code, Definitions
- Chapter 17.09 of the McMinnville Municipal Code, Zone Classifications, Boundaries and More
- Chapter 17.10 of the McMinnville Municipal Code, Area and Master Planning Process
- Chapter 17.72 of the McMinnville Municipal Code, Applications and Review Process
- Chapter IX, "Urbanization" of the McMinnville Comprehensive Plan

Background:

Annexation is the process by which a municipality, upon meeting certain requirements, expands its corporate limits.

Oregon statewide planning goals require that each city be surrounded by a boundary which is called an urban growth boundary (UGB). The UGB defines the area which the city has identified as being eligible to be included within the city limits during a 20-year planning period to accommodate growth. Annexation is the process for lands within the UGB to become part of the city limits, and thus developed to an urban intensity in compliance with the city's comprehensive plan. Lands within the UGB may be considered for annexation Into the city limits consistent with ORS 222 and local ordinances. Annexations are governed by state laws (Oregon Revised Statute, Title 21, Chapter 222), City Charters, and local ordinances.

A proposal for annexation of territory to a city may be Initiated by the legislative body of the city, on Its own motion, or by a petition to the legislative body of the city by owners of real property in the territory to be annexed. The boundaries of a city may be extended by the annexation of territory that is not within a city and that is contiguous to the city or separated from it only by a public right of way or a stream, bay, lake of other body of water, if the proposal for annexation is approved in the manner provided by the city charter or by ORS 222.111.

Historically In McMinnville, annexations have been governed by Ordinances No. 4130, 4357, 4535, 4624, 4636, and 4670. All of which developed and amended an annexation process for the City of McMinnville over the past forty (40) years. The history of the amendments to these ordinances is nuanced and difficult to administer. (Please see Table 1 below).

The proposed amendments repeal all of these Ordinances and dedicate a chapter of the McMinnville Municipal Code (Title 16) to Annexations for transparency and ease of administration, transferring all of the compliant provisions of the remaining authoritative ordinance, Ordinance No. 4636 as amended by Ordinance No. 4670, to the McMinnville Municipal Code, Title 16, "Annexations"..

Ordinance	Date of Approval	What it does?			
No. 4130	April 7, 1981	 Enacted requirements and procedures for annexation of land to the City of McMinnville. Land must be in the UGB. Land must be contiguous to the city limits. Plan for development must meet comprehensive plan policies. Adequate level of services must be available or made available within three years of annexation. Public hearing at the Planning Commission level. PC provides a recommendation to City Council. City Council public hearing and final decision. City shall attempt to not create islands of non-incorporated territory within the city limits. If an island is created, it needs be annexed within one year. Zoning shall be AH or county zoning until it is rezoned into a city zone for development. 			

Ordinance	Date of Approval	What it does?
No. 4357	February 4, 1986	 Repeals Ordinance No. 4130. In response to state changes to ORS 222, which no longer required two public hearings if all the property owners of the land to be annexed consent to the annexation. City elected to retain a public hearing for annexations at the Planning Commission level and eliminate the one required at the City Council level. Land still must be in the UGB. Land still must be contiguous to city limits. Plan for development must meet comprehensive plan policies. Adequate level of services must be available or made available within three years of annexation. Public hearing at the Planning Commission level. PC provides a recommendation to City Council. City Council public hearing and final decision. City shall attempt to not create islands of non-incorporated territory within the city limits. If an island is created, it needs be annexed within one year. Zoning shall be AH or county zoning until it is rezoned into a city zone for development
No. 4535	April 27, 1993	Amends Ordinance No. 4357 due to state amendments to ORS 222 relative to nonunanimous consent of property owners to be annexed.
No. 4624	May 14, 1996	Amends Ordinance No. 4357 to require that Islands created by annexations be annexed Into the city within one year.
No. 4636	November 12, 1996	Repeals Ordinance No. 4357 in response to local ballot measure No. 36-32 passed on May 21, 1996 to amend the City Charter to read that all annexations except those otherwise mandated by state law, be referred to a vote of the electorate.
No 4670	June 23, 1998	Amends Ordinance No. 4636 relative to the definition of adequate levels of municipal sanitary sewer and water service required within three years of annexation.

The most recent ordinance passed relative to annexations is Ordinance No. 4636, which provides for the following:

All annexations must be:

- Within the UGB
- Contiguous to the city limits
- Complies with the Comprehensive Plan, Volume II, Goals and Policies
- Must have an adequate level of urban services available or made available, within three years time of annexation.
- Findings documenting the availability of police, fire, and school facilities and services shall be made to allow for the proposed annexation.
- Public hearing with the Planning Commission for recommendation of approval to City Council to go to the ballot or denial.
- Cities shall strive to not create Islands of unincorporated territory within the corporate limits of the City
- Land will come Into the City based on underlying comprehensive plan designation and be zoned AH If no other zone has been requested or it does not have a county zone.
- Referred to the electorate for a vote of approval or denial

Just like the city ordinances, the McMinnville City Charter has also been amended over time to reflect changing requirements and procedures for annexations. In 1996, Section 3 of the McMinnville City Charter as adopted in 1971, was amended to read that "Unless mandated by State Law, any annexation, delayed or otherwise, to the City of McMinnville may only be approved by a prior majority vote among the electorate." (Ballot Measure 36-32, May 21, 1996.). This then established a history of annexation requests that were determined by a city-wide vote of the electorate.

In 2016, the Oregon State Legislature passed Senate Bill 1573 amending ORS 222.127, stating that essentially if a landowner, or landowners petition the City for annexation, the legislative body of the city shall annex the property without submitting the proposal to the electors of the city if the property is within the UGB, contiguous to the city limits, meets the comprehensive plan, and conforms to all other ordinances of the city. In other words, the City cannot force a proposed annexation to be put to the voters if all landowners within the proposed annexed area agree to the annexation.

ORS 222,127

- (1) This section applies to a city whose laws require a petition proposing annexation of territory to be submitted to the electors of the city.
- (2) Notwithstanding a contrary provision of the city charter or a city ordinance, upon receipt of a petition proposing annexation of territory submitted by all owners of land in the territory, the legislative body of the city shall annex the territory without submitting the proposal to the electors of the city if:
 - (a) The territory is included within an urban growth boundary adopted by the city or Metro, as defined in <u>ORS 197.015 (Definitions for ORS chapters 195, 196, 197 and ORS 197A.300 to 197A.325)</u>;
 - (b) The territory is, or upon annexation of the territory into the city will be, subject to the acknowledged comprehensive plan of the city;
 - (c) At least one lot or parcel within the territory is contiguous to the city limits or is separated from the city limits only by a public right of way or a body of water; and
 - (d) The proposal conforms to all other requirements of the city's ordinances.
- (3) The territory to be annexed under this section includes any additional territory described in ORS 222.111 (Authority and procedure for annexation) (1) that must be annexed in order to locate infrastructure and right of way access for services necessary for development of the territory described in subsection (2) of this section at

a density equal to the average residential density within the annexing city.

(4) When the legislative body of the city determines that the criteria described in subsection (2) of this section apply to territory proposed for annexation, the legislative body may declare that the territory described in subsections (2) and (3) of this section is annexed to the city by an ordinance that contains a description of the territory annexed. [2016 c.51 §2]

The Oregon Legislature adopted this amendment to ORS 222.127 In 2016 because It had been determined that some cities were using the electorate vote to prevent the necessary growth of the city to meet Its required population absorption. (33 cities were managing annexations in this manner.)

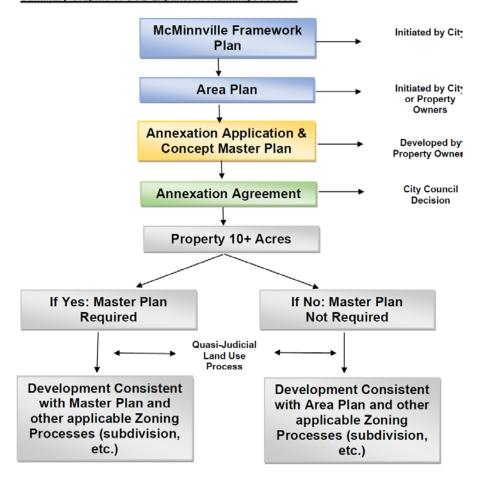
Corvallis and Philomath challenged the law shortly after It was enacted, arguing that the law Infringed on the home rule authority of cities to choose when and where to extend their boundaries. The Court of Appeals ruled In May, 2020 against the two cities, upholding the 2016 law amendments. The court cited key exceptions In the cities' charters that waive election requirements If an annexation Is "mandated by state law". The City of McMinnville has similar language In Its City Charter.

In December, 2020, the McMinnville City Council approved Ordinance No. 5098, adopting the McMinnville Growth Management and Urbanization Plan. Within that plan was a new annexation process for the City of McMinnville that would allow for thoughtful and Intentional planning prior to annexation and compliance with ORS 222, the Oregon Statute that governs annexation processes In the State of Oregon.

This annexation process is predicated on three major components:

- Area Plan
- Annexation Agreement
- Master Plan

Summary Graphic of UGB Expansion Planning Process:



Comprehensive Plan Policies Governing Annexations:

- 71.05 The City of McMinnville shall encourage annexations and rezoning which are consistent with the policies of the Comprehensive Plan so as to achieve a continuous five-year supply of buildable land planned and zoned for all needed housing types. (Ord.4840, January 11, 2006; Ord. 4243, April 5, 1983; Ord. 4218, November 23, 1982)
- 155.00 The ability of existing police and fire facilities and services to meet the needs of new service areas and populations shall be a criterion used in evaluating annexations, subdivision proposals, and other major land use decisions.
- 183.00 The City of McMinnville, with the cooperation of Yamhill County, shall establish three categories of lands within the Urban Growth Boundary. Future urbanizable lands are those lands outside the city limits, but inside the Urban Growth Boundary. These lands shall be retained in agricultural resource zones until converted to urbanizable lands by annexation to the City of McMinnville. Urbanizable lands are those lands within the city limits which are not yet developed at urban densities. Conversion of these lands to the urban classification shall involve fulfillment of the goals and policies of this plan, provision of urban services, and application of appropriate implementation ordinances and measures. Urban lands are those lands within the city limits developed at urban densities.

- 187.40 The Great Neighborhood Principles shall guide long range planning efforts including, but not limited to, master plans, small area plans, and annexation requests. The Great Neighborhood Principles shall also guide applicable current land use and development applications.
- 187.90.00 Prior to annexation of all lands greater than 10 acres in size, property owners shall submit a Master Plan for approval. (Proposed amended policy language per Attachment C).

Comprehensive Plan Proposals Relative to Annexations:

- "Urban Holding" (UH) Zoning Map Designation. The City shall establish an "Urban Holding" (UH) zone, which may be applied to lands within the UH Comprehensive Plan Map designation. Lands within the UH Comprehensive Plan map designation may be annexed and rezoned to UH as an interim designation before urban zoning is applied, subject to completion of the master planning process consistent with an approved annexation agreement. (Ord. 5098, December 8, 2020)
- 48.90 **Annexation Process.** The City shall update its annexation ordinance (Ordinance No. 4357) to reflect new statutory requirements and a process consisting of an annexation agreement with the City Council that includes a conceptual master plan but is not a land-use process. (Ord. 5098, December 8, 2020)
- 48.95 **McMinnville Yamhill County Urban Growth Boundary Management Agreement.** The City shall update its urban growth boundary management agreement (Ordinance No. 4146) with Yamhill County. (Ord. 5098, December 8, 2020)

Comprehensive Plan Proposal 48.90 Instructs the City to update its annexation ordinance to reflect new statutory requirements and a process consisting of an annexation agreement with the City Council that Includes a conceptual master plan but Is not a land-use process.

The new language recommended for Title 16, "Annexations", reflects the provisions of ORS 222, the provisions of local Ballot Measure 36-32 passed In 1996 that are still relevant after Senate Bill 1753 (2016) was adopted and the process and values adopted with the MGMUP In December, 2020.

Discussion:

There are two inherent processes associated with an annexation: 1) demonstration of compliance with the McMinnville Comprehensive Plan, which is a land-use process; and 2) process and action of annexation, which is a governance process.

The land-use process demonstrating compliance with the McMinnville Comprehensive Plan is required prior to the property being annexed into the city limits. Per the proposed amendments, properties with a UH Comprehensive Plan Map designation, this process will entail the adoption of an Area Plan as a supplemental document to the McMinnville Comprehensive Plan as well as the adoption of a Master Plan prior to the annexation action for properties larger than 10 acres. For properties with a Residential Comprehensive Plan Map designation, this process will entail a Comprehensive Plan Map amendment and Zoning Map amendment. For properties with a Commercial or Industrial Comprehensive Plan Map designation, this process will entail a Zoning Map amendment. All of these land-use processes are

considered a Type IV land-use process requiring at a bare minimum a public hearing with the Planning Commission, the Planning Commission voting on a recommendation to the City Council and final action by the City Council.

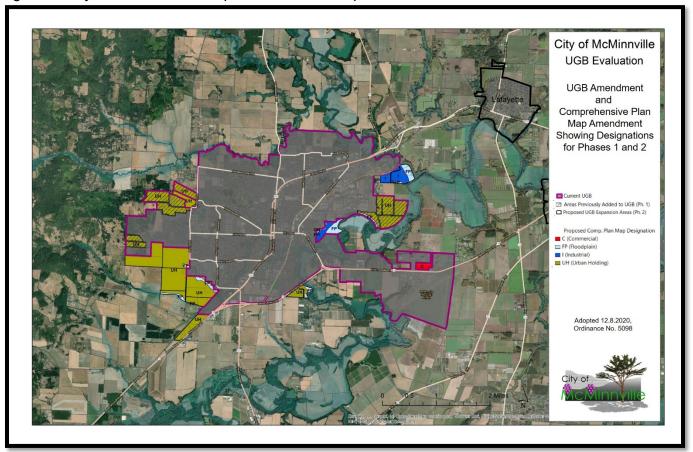


Figure 1: City of McMinnville Comprehensive Plan Map.

The governance process will require an annexation application, an annexation agreement for all annexation requests approved by City Council and a City Council adopted ordinance approving the annexation. The annexation will not take effect until the land-use process is concluded including any associated appeals.

For properties with a UH Comprehensive Plan designation, the first step of the annexation process is the adoption of an Area Plan that delineates a high level land-use plan for the area identifying future comprehensive plan designations and city zoning that will meet the intention of the adopted Framework Plan which outlined the need for housing, employment land, and public amenities in that area to serve the city's acknowledged need for growth and development. This Area Plan will be adopted by the City Council as a supplemental document to the McMinnville Comprehensive Plan. This process will be a Type IV legislative land-use application requiring a public hearing with the Planning Commission and a final decision by the City Council.

Ordinance No. 5098 adopting the MGMUP also adopted amendments to the McMinnville City Code, Chapter 17.10, that provides the criteria and requirements for area plans and master plans.

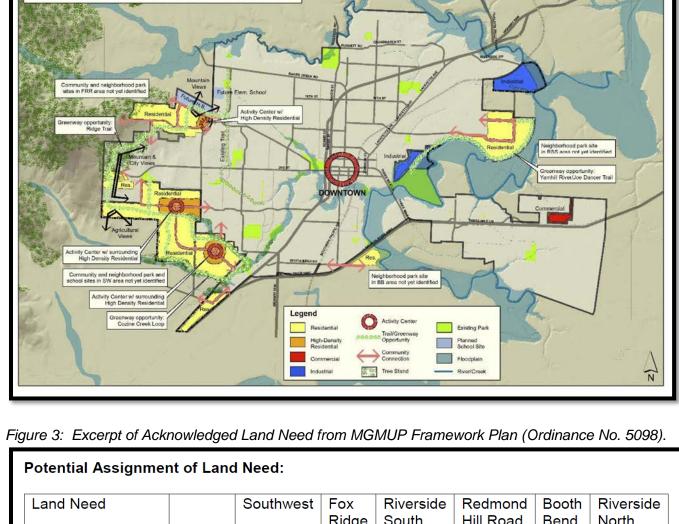


Figure 2: Framework Plan Map from MGMUP Framework Plan adopted by Ordinance No. 5098.

McMinnville UGB Framework Plan 12.8.2020

Potential Assignment of Land Need:											
Land Need		Southwest	Fox Ridge Road	Riverside South	Redmond Hill Road	Booth Bend Road	Riverside North				
Residential											
R-5	36										
Davisa	acres										
Parks											
Neighborhood	88.11										
Park	acres										
Community Park	58.84										
	acres										
Greenways/Natural	106.81										
Areas	acres										
Schools	43										
	acres										
Commercial	39.3										
	acres										
Industrial	Surplus										

The next step is for the landowner(s) to submit an annexation application to the City of McMinnville including all of the elements described in proposed Section 16.20.02. One element that will be required in the annexation application is a conceptual master plan demonstrating how the development of their property will achieve the intent of the Area Plan when annexed to the City. The conceptual master plan will be strictly an advisory document for the city's development of an annexation agreement, however it should serve as a baseline for a future land-use application to show compliance with the McMinnville Comprehensive Plan and Municipal Code. For this process the landowner(s) should be meeting with city staff to discuss Area Plan compliance, public infrastructure needs, etc.

After the application is submitted, the landowner(s) will need to enter into an Annexation Agreement with the City Council outlining the contractual terms of annexation. (Proposed Section 16.30.030 and 16.40.020 of the MMC). The Annexation Agreement is an annexation contract between the landowner(s) and the City Council determining what is expected from both parties for the annexation to be successful.

The Annexation Agreement Is the opportunity for the City to require elements of the concept master plan that the City deems Is necessary for the public good associated with the annexation. This typically Includes the dedication and development of necessary public Infrastructure Improvements, as well as the dedication and development of public parks and trails, and in some cities, the development of necessary affordable housing to meet the city's future housing need. The Annexation Agreement is approved by Resolution of the City Council. This action does not bind the Concept Master Plan to the property nor is it a land-use action. However, the Annexation Agreement does identify the land-use process that the applicant needs to follow to demonstrate compliance with the McMinnville Comprehensive Plan as well as a timeframe in which to achieve the appropriate land-use approvals, in order to annex their property into the city. This land-use process needs to be concluded prior to the annexation becoming effective.

After the landowner(s) have achieved all of the performance metrics of the Annexation Agreement, the City Council would then consider the annexation by ordinance. This process would be conducted in adherence with ORS 222.

The proposed amendments to Title 16 of the MMC describe all of the annexation requirements and processes needed outside of the land-use process for annexations in order to be compliant with ORS 222.111 and to reflect historic community values relative to annexations.

The proposed amendments to Title 17 clarify the land-use processes involved with annexations.

Planning Commission Recommendation (Please see Attachment 2 for draft minutes of the September 16, 2021 Planning Commission Public Hearing to consider the proposed amendments).

The Planning Commission hosted a public hearing to consider the proposed amendments on September 16, 2021. At that meeting they closed the public hearing and voted to recommend the proposed amendments to the City Council for approval.

Public Testimony (Please see Attachment 1 for public testimony received).

The proposed amendments and process were provided to the City Council at a work session on July 21, 2021. The City Council directed staff to move forward with the proposed amendments.

After the work session the City Council received a letter from Mark Davis expressing his concerns about the proposed process. This letter was addressed In follow-up comments by the City Attorney at

the next City Council meeting on July 27, 2021. Mark Davis followed up that City Council meeting with an additional email to city staff on August 1, 2021 and the City Attorney replied on August 5, 2021. .

Mark Davis' testimony primarily focused on whether or not the provision of public participation and opportunity for appeals are being retained In the annexation process with the proposed code amendments. Prior to the legislative amendments In 2016, a McMinnville annexation application was reviewed by the Planning Commission with a public hearing for compliance with the comprehensive plan and zoning ordinance. The Planning Commission made a recommendation of approval or denial to the City Council. The City Council would then review the Planning Commission recommendation and decide whether or not they supported the recommendation (that the proposed development plan associated with the annexation complied with the comprehensive plan and zoning ordinance) and would then approve or deny the request to be put on the local ballot. The decision for compliance with the comprehensive plan and zoning ordinance was a quasi-judicial process with clear and objective criteria and the opportunity for appeal to the Land Use Board of Appeals (LUBA) by both the applicant and opponents depending upon the final decision of the City Council. Then the decision of the electorate was the final action of approval without opportunity for appeal. However, the popular vote by the electorate was, in the view of the 2016 legislature, too discretionary, and was eliminated as an allowed annexation requirement for properties that want to annex into the City that meet the comprehensive plan and local ordinances and has full consent of the property owners in the territory to be annexed.

ORS 222.127 Is very specific in that It Instructs cities to annex property Into the city If It meets the performance metrics laid out In ORS 222.127(2), removing the opportunity for a discretionary decision.

- (2) Notwithstanding a contrary provision of the city charter or a city ordinance, upon receipt of a petition proposing annexation of territory submitted by all owners of land in the territory, the legislative body of the city **shall** (emphasis added) annex the territory without submitting the proposal to the electors of the city if:
 - (a) The territory is included within an urban growth boundary adopted by the city or Metro, as defined in <u>ORS 197.015 (Definitions for ORS chapters 195, 196, 197 and ORS 197A.300 to 197A.325)</u>:
 - (b) The territory is, or upon annexation of the territory into the city will be, subject to the acknowledged comprehensive plan of the city;
 - (c) At least one lot or parcel within the territory is contiguous to the city limits or is separated from the city limits only by a public right of way or a body of water; and
 - (d) The proposal conforms to all other requirements of the city's ordinances.

The proposed process eliminates the discretionary popular vote of the electorate based upon the fact that new laws do not allow cities to utilize that process for annexation decision-making in certain instances. However, it retains the quasi-judicial review of the proposal by the Planning Commission and the City Council for compliance with the comprehensive plan and zoning ordinance through an Area Plan process for all properties designated UH on the comprehensive plan map and then a master plan and comprehensive plan map amendment/zone map amendment process for properties 10 acres of more with a UH comprehensive plan map designation; or a comprehensive plan map amendment/zone map amendment for parcels less than 10 acres that are in the city's UGB and designated UH on the comprehensive plan map; or a zone map amendment for properties that are in the city's UGB and designated industrial or commercial on the comprehensive plan map. A requirement for compliance with the Comprehensive Plan remains in the process with the opportunity for required public participation and opportunity for appeal.

The final act of Annexation cannot occur unless this compliance is demonstrated, and properties will not be considered annexed until all opportunities for the land-use appeal have been exercised.

The proposed process actually provides an additional layer of public process and opportunity for appeal with the added provision of the need for an adopted Area Plan prior to annexation if the property is located in an urban holding comprehensive plan designation in the urban growth boundary. The Area Plan will be adopted as a supplemental document to the Comprehensive Plan and subject to a public hearing with the Planning Commission and a final decision by the City Council, <u>and</u> it can also be appealed to LUBA. The only occasions where an Area Plan Is not required Is for land that Is designated either commercial or Industrial land In the UGB on the City's Comprehensive Plan map, or is less than 2 acres in size and attached to a parcel that is partially in the city limits.

This is the process that was proposed and adopted by the MGMUP. it actually adds an additional layer of review to the process outlined in ORS 222.127, by requiring the adopted Area Plan and Master Plan prior to annexation. Since these were adopted as Comprehensive Plan policies and zoning ordinance amendments with Ordinance No. 5098, they qualify as part of the ORS 222.127(2)(d) provision.

All of the other provisions of the McMinnville's previous annexation ordinances that are not considered clear and objective land-use standards but still reflect the value of McMinnville relative to annexations have been captured in the proposed Title 16 amendments, including:

- Must have an adequate level of urban services available or made available, within three years time of annexation. (Proposed MMC 16.20.020(K)(1)).
- Findings documenting the availability of police, fire, and school facilities and services shall be made to allow for the proposed annexation. (Proposed MMC 16.20.020(K)(3)).

Mark Davis provided testimony at the Planning Commission public hearing indicating that his concerns had been alleviated relative to the public process and opportunity to appeal if the property's annexation was not compliant with the comprehensive plan, however he did express his continued concern with the number of UGB islands within the city limits that should be annexed into the City of McMinnville and encouraged the City to consider how to annex those properties into the city limits.

The City also received comments from Sid Friedman on August 18, 2021, expressing concerns about the clarity of the process and the distinction of land-use processes versus governance with some recommended amendments. Staff reviewed those, incorporated the recommended amendments, and restructured some of the proposed amendments to further clarify and distinguish the process, including requiring the annexation application prior to the annexation agreement and requiring a concept master plan as part of the annexation application so that it is required of all properties that want to annex into the city in order to help inform the development of the annexation agreement.

Friends of Yamhill County then provided a letter dated September 15, 2021, appreciating the consideration of Sid Friedman's comments and supporting the final proposed amendments.

Attachments:

- Attachment 1: Public Comments Received
- Attachment 2: Planning Commission Minutes September 16, 2021
- Attachment 3: Ordinance No. 5106
 - o Exhibit A G 3-21 Decision Document
 - Exhibit B Proposed Amendments

Fiscal Impact:

There is no immediate fiscal impact to the City of McMinnville with this action.

Alternative Courses of Action:

- 1) ADOPT Ordinance No. 5106, approving G 3-21 and adopting the Decision, Findings of Fact, and Conclusionary Findings provided in Ordinance No. 5106.
- 2) ELECT TO HOLD A PUBLIC HEARING date specific to a future City Council meeting.
- 3) SEND THE PROPOSAL BACK TO THE PLANNING COMMISSION for further review and recommendation regarding one or more issues, including the additional amendment and supplemental findings recommended by staff.
- **4) DO NOT ADOPT** Ordinance No. 5106, providing findings of fact based on specific code criteria to deny the application in the motion to not approve Ordinance No. 5106.

Recommendation:

Staff recommends the Council adopt Ordinance No. 5106, which would approve Docket G 3-21, as recommended by the Planning Commission.

"THAT BASED ON THE FINDINGS OF FACT, THE CONCLUSIONARY FINDINGS FOR APPROVAL, AND THE MATERIALS SUBMITTED BY STAFF AND RECOMMENDED BY THE PLANNING COMMISSION, WITH THE ADDITIONAL AMENDMENT AND SUPPLEMENTAL FINDINGS RECOMMENDED BY STAFF, I MOVE TO ADOPT ORDINANCE NO. 5106."