

**Draft Principles for
Urban Services Planning Agreement** (revised May 13th)

* The following principles are strictly from Gladstone's perspective. These principles have not been considered yet by other cities in North Clackamas County.

URBAN SERVICES

* For purposes of this presentation, urban services are defined as those services funded by property tax revenue. These services generally consist of law enforcement, libraries, land use planning, administration, and any other property tax funded services provided by both the cities and county.

DOUBLE TAXATION/TAX SUBSIDY

* "Double taxation" occurs when city taxpayers pay for similar city and county services, but receive services primarily from their city, thereby resulting in city taxpayer subsidy of services for owners of unincorporated property.

* An extensive study in 1988 determined that city taxpayer subsidy of law enforcement services for unincorporated property owners was about \$2.7 million/year.

* In the 1970s, the cities prompted Clackamas County to submit a library levy to reduce the degree of tax subsidy. City taxpayer subsidy is increasing as Clackamas County pays for rising personnel costs under property tax limitation by decreasing funding for libraries countywide.

* We estimate that tax inequity currently causes the 180,000 city taxpayers, who reside in Clackamas County, to provide about \$6 million/year in subsidy through provision of Clackamas County law enforcement and libraries services for owners of unincorporated property.

FUNDING AND SERVICE LEVELS

* Clackamas County receives almost the same amount of property tax revenue regardless of whether an area is incorporated or not.

* Incorporation of the urban/unincorporated area, and cities accepting responsibility for urban services including road maintenance would "free up" a substantial amount of property and gas tax revenue for county services that could more equally benefit all taxpayers in the county.

* Freeing up a substantial amount of property tax revenue would also allow Clackamas County to mitigate the affects from property tax limitation rather than decreasing funding for libraries and other services.

* In addition, cities in North Clackamas County would receive about \$59/capita or \$5.3 million/year more in State shared revenues if the urban/unincorporated area was incorporated instead of this revenue being distributed to other cities in Oregon.

INCORPORATION / ANNEXATION

- * Incorporation including annexation is a method to mitigate tax subsidy.
- * A decision on annexation generally rests with affected property owners, rather than cities having this authority, since virtually all annexations require consent of affected property owners.
- * Annexation of already urbanized areas are usually more difficult since population density and the number of property owners who must consent to annexation is greater compared to annexation of generally vacant lands. As a result, annexation of already urbanized areas is usually done “piece meal”.
- * In addition, annexation of generally vacant land where a developer needs essential water and/or sewer service is much more common compared to annexation of land already developed and served by water and sanitary sewer.
- * Water and/or sanitary authorities impede annexation and perpetuate tax subsidy by prohibiting city provision of water and/or sanitary sewer service to annexed properties.
- * Annexation and urban service planning areas are different.
- * Annexation is the actual event of a district or city bringing property into its jurisdictional boundary.

URBAN SERVICE PLANNING AREAS

- * Urban service planning areas indicate where cities plan to provide service someday contingent upon annexation.
- * A 1988 “Three Cities Agreement” established urban service planning areas in North Clackamas County excluding the Oak Lodge area.
- * We believe that the Three Cities Agreement is obsolete in part because of incorporation of Damascus.
- * A new cities agreement would help minimize turf issues between cities in North Clackamas County.
- * We believe that a new cities agreement should consider the interests of all taxpayers regardless of where they currently own property, rather than representing the interest of one city’s taxpayers at the expense of all others.
- * A new cities agreement will probably be contingent upon the cities’ ability to reach consensus through comprise.
- * A new cities agreement could include “overlapping areas of interest” where cities are not able to presently reach agreement on which city should be the ultimate service provider.
- * A new cities agreement could be reached by fewer than four cities in North Clackamas County.
- * A draft of a new cities agreement could be prepared for consideration by cities within the next thirty days.