

Delayed Entrada Full Purpose Annexation Cost to the City

On November 10, 2016 City Council approved the Entrada annexation ordinance on first reading and scheduled second and third readings for January 26, 2017. The delay was scheduled in order to provide additional time for the Entrada developer to work with Travis County regarding a request that Travis County consider creation of a Public Improvement District for the planned Entrada subdivision. Because the City did not complete the annexation prior to January 1, 2017, the immediate cost to the City of this delay was minimal due to existing agricultural exemptions on properties involved. The value of the estimated ad valorem revenue to the City at 16-17 tax rate: **\$676.33**. Upon changing to a non-agricultural use, the property owner will owe a rollback tax, calculated as the difference between the taxes paid and the taxes that would have been due based on the property's higher market value, plus seven percent interest for each year, going back up to five years. Again using the City's 16-17 tax rate, the value of the additional ad valorem revenue associated with not annexing the area in 2016: **\$23,401.45**.

Future impact on City tax collection associated with two scenarios proposed by the developer

1. **Defer annexation to December 2017:** If Council does not approve of annexation in January 2017, one alternative would be to proceed with a new annexation process later in 2017. If any of the anticipated new homes are constructed during this time, the negative impacts outlined below could affect those future residents.
2. **Defer annexation to 2053 to coincide with retirement of Public Improvement District (PID) bonds:** If Council does not approve of annexation in January 2017, and Travis County creates a PID, and the Council does not object to the PID creation, and further agrees to defer annexation to allow for issuance of 30 year PID bonds in four phases through 2023, this equates to a loss of **\$35.7 million** ad valorem City taxes (based on the developer's build out assumptions and current City tax rate).

In addition to the financial implications described above, delaying annexation past January 2017 includes the following **negative impacts**:

- A Council decision to not annex Entrada conflicts with adopted policy and **creates an exception and challenges for the City to deliver efficient and effective services**. Previous Councils have consistently approved annexation of areas immediately adjacent to the proposed Entrada subdivision (2007-2015, Cantarra Subdivision and Dessau Business Park).
- There is a potential for confusion regarding public safety response if **next-door neighbors are subject to different regulations (such as outdoor burning and fireworks) and receive different public safety services**.
- Approximately **842 prospective homebuyers/households will not have the benefit of municipal services**, including access to public transportation, needed by residents in urbanizing areas and currently enjoyed by the adjoining Cantarra Subdivision.

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- At build-out the estimated **1,886 voters in Entrada will not be able to vote in municipal elections** expressing their voice in local level decisions impacting their quality of life.
- City will **acquire regular maintenance liabilities for aged infrastructure without the benefit of the revenues** generated by the same tax base in the early years after initial construction. This is particularly important in the case of delaying annexation for decades.
- Upon annexation of land, the City is responsible for reimbursing ESDs. Delayed annexation **increases the City's reimbursement to an ESD.**
- If the 2017 Texas Legislators implement proposed annexation statutes, possibly requiring a vote and petition for annexation areas containing residents, **future annexation is not a guaranteed outcome.**