

*The Economics of Land Use*



## Technical Report

# SA Tomorrow Annexation Policy and Strategy Assessment

Prepared for:

City of San Antonio

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# **1. INTRODUCTION AND FINDINGS**

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## **Project Purpose**

The annexation policy for the City of San Antonio (the City) is a component of the Comprehensive Plan. During the SA Tomorrow process, the need arose to evaluate the current policies to make sure it matched with the policies being drafted for the overall comprehensive plan. The City's annexation policy was updated recently in 2013. Despite the recent update, there is a need to reevaluate them given that SA Tomorrow is the first major update to the City's comprehensive plan in a few decades.

Economic & Planning Systems, with support from MIG, was tasked with evaluating the existing annexation policy and recommending changes to ensure the policies match with the comprehensive plan policies. As well, there was a desire to revisit the current annexation strategy and priority annexation areas. The development of annexation strategy is an involved and rigorous process and not something that can be completed within the comprehensive plan process. However, the City did want to provide an opportunity for the consultants and plan element working groups to weigh in on whether the current priority areas match with the recommended policies and if they should be reconsidered.

## **Scope of Work and Process**

EPS was tasked with providing a revised annexation policy document and a technical analysis/report for uses to inform the City Council of the changes recommended and any recommendations related to the existing annexation areas. To revise the policies and develop the technical report the following tasks were completed:

1. Review annexation literature and present at the Annexation Summit
2. Analyze peer city annexation policy
3. Conduct outreach meetings with stakeholders and Plan Element Working Group (PEWG) participants
4. Revise the current annexation policy
5. Develop recommendations related to the annexation strategy

The outreach meetings were a major component of the scope of work and were used to develop the recommendations developed. Three PEWG annexation meetings were held throughout the process, which had 40 to 60 participants at each meeting. In addition, individual meetings with SAWS and CPS were held to identify concerns and issues for both parties in relation to annexation. A description of the meetings and the feedback received are provided in this report.

## **Annexation Policy Recommendations**

The revised annexation policy for the City of San Antonio is attached to this document. The annexation policy was revised based on the analysis completed for the process including a review of annexation literature and case studies of peer city annexation policy. The revisions were also

made based on the feedback received from the three meetings with the plan element working group members. The following are the major policy recommendations:

**1. Make the basis for annexation more focused and aligned with the goals of the City.**

The current basis for annexation, the reasons the City would choose to annex, are broad and provide little direction for why to annex. The peer cities analyzed had more focused and fewer reasons for annexation, which makes the subsequent policy more focused and easier to follow. The recommended revised basis for annexation is provided later in this report. The major themes (reasons) to annex identified in the outreach efforts were the need to protect natural, cultural, historic, military and economic assets and to ensure a more orderly development pattern.

**2. Provide annexation policies that align with the context of the areas being considered for annexation.**

The current annexation policy statements do not specify condition or context in which they apply to, therefore it is difficult to understand if a policy should be considered because it may not be applicable to the area being considered. The City should organize policies by three contexts; all areas, undeveloped areas and developed areas. These three context make using the policy document easier and provide more clarity to reasons why the City should consider annexing land that is undeveloped or developed, as they often differ and sometimes are contradictory.

**3. The goals and policies related to the desired development pattern and overall city form should be incorporated into the annexation policy and considered when annexing.**

The current annexation policies provide minimal guidance or evaluation criteria related to the desired form of the built environment the City is hoping to achieve through the comprehensive plan. The City should incorporate policies specific to the City's desired development form into the annexation policies and use the annexation goals developed by the Growth and City Form PEWG as the overriding policies for annexation. These policies are included in the revised annexation policy attached to this report and are listed below. Lastly, the City should consider and measure how well potential annexation areas reinforce the desired city form.

**Growth and City Form Plan Element Working Group Annexation Policies**

- 1. Work with AACOG, AAMPO, and other regional partners to determine a consistent approach for forecasting growth in the region and develop a strategic, proactive approach to annexation that is consistent with the adopted growth forecast.**
- 2. Ensure the City's annexation policy supports desired city form through the application of the Unified Development Code.**
- 3. Ensure that newly annexed residents of the City receive a comparable level of service as current residents.**
- 4. Ensure that annexation decisions do not create an undue fiscal burden on the City or utility providers (SAWS and CPS Energy).**
- 5. Ensure that the City's growth and annexation plan provides direction for decisions made by the major utility providers, SAWS and CPS, so they can aid in reinforcing the Comprehensive Plan.**

## Annexation Strategy Recommendations

The revised annexation policies provide a more focused basis for annexation, but there are still multiple reasons for annexation provided. The policy revisions are still relatively broad and provide a fair amount of flexibility for the City for annexation. The policies do not provide a strong recommendation on whether the City should continue with a substantive, large scale annexation strategy or adopt a limited approach to annexation in the future. If the City decides to take a strong position (either way) on annexation, then the policies may need to be revisited to match with this shift in policy direction. Changes are more likely to be necessary if the City decides to greatly curtail annexation activity in the short and long term. The following recommendations related to the annexation strategy are provided to help frame the discussion around annexation for the City's policy makers.

### Key Annexation Priorities

The following priorities should be the main objective of any annexation strategy the City develops. The current priority annexation areas for the City should be reassessed to ensure they are in line with these priorities and additional regional coordination is likely necessary before the City continues with its current annexation strategy. Regardless of future annexation activities, these priorities should be paramount.

- 1. The long term growth plans of the City, SAWS and Bexar County should be coordinated and documented specifically in policies related to the City's ETJ, SAWS' CCN areas for water and sewer, and utility service agreements.*
- 2. The City, Bexar County, and other regional jurisdictions and partners need to develop a strategic, regional approach to growth that reinforces regional goals related to transportation, sustainability and resource protection. The regional growth approach needs to identify ways to reduce the amount of urban level development in the unincorporated portion of Bexar County.*
- 3. The City should prioritize the protection of its natural resources, specifically the Edwards Aquifer, and enhance policies and tools needed to protect the continued recharge of the aquifer and water quality within the aquifer.*
- 4. The City should consider annexing any areas that have the greatest potential for aiding the protection of natural, cultural, historic, military and economic assets.*
- 5. The City needs to make sure annexation policies ensure the long term fiscal health of the City.*
- 6. The City needs to make sure annexation policies do not lead to disinvestment in the existing portions of the City and enable the City to balance resources in an equitable manner.*

### Recommendations

#### **1. The City should reexamine the existing priority annexation areas**

The current priority annexation areas seem to be the logical areas for continued annexation. However, they should be revisited to ensure they match with the revised policy and goals developed through SA Tomorrow and consider the priorities of the City for annexation.

## **Implications of an Annexation Strategy**

It is likely that any annexation strategy may negatively impact the priorities above in some way and therefore the City must identify additional policies, tools and strategies that are outside the use of annexation to mitigate the impacts of an annexation strategy. The implications of annexation are identified below to illustrate the issues and considerations the City must address to mitigate impacts of one course of action versus another. The issues identified are not a comprehensive list of the potential impacts but a variety of major themes that will likely need to be addressed and were identified through the outreach process. The purpose is to illustrate that policy and tools are needed to augment any annexation policy and strategy that go beyond annexation itself.

### ***Growth Context***

Bexar County is forecast to grow by over a half million households and jobs over the next 20 to 30 years. There is substantial growth expected for San Antonio. While many of SA Tomorrow policies are focused on encouraging infill development, the City cannot accommodate all new growth through infill. The City did not proactively annex high growth areas from 2000 to 2012, with major annexations being a 21 square mile area around the Toyota manufacturing plant and a 10 square mile area around the Government Canyon State Natural Area. In the absence of the City expanding, a significant amount of development occurred in the unincorporated portion of Bexar County (nearly 150,000 increase in population in the unincorporated portion of the county from 2000 to 2013). Bexar County has limited authority to guide and control growth in the county, as it lacks authority to zone and perform inspections on new construction and lacks revenue tools to provide increased services. Utility service (water, sewer, and electricity/gas) are provided by SAWS and CPS in these areas and are within their CCN area, which require they provide services if requested and standards are met. As a result, no jurisdiction or service provider had the authority to say no to new development.

The crux of the matter is the differential between current service levels provided by Bexar County and neighborhood specific providers (such as street maintenance, security or volunteer fire departments), and the services that can be provided by a city. In some cases these developments have services equal to what city residents enjoy, especially in more affluent neighborhoods with well managed home owners associations that act in a quasi-municipal manner. In other cases, the services have been replicated on smaller scale applications and are potentially sufficient. However, in others the lack of city services is clear. It is not in the City's or region's best interest to continue to allow large-scale, urban-level development in the unincorporated portion of the County without an alternative service provider replicating city services.

The City of San Antonio is now faced with this issue. Does the City annex outward to ensure an orderly growth pattern and prevent health and safety issues that can come from the lack of development standards and inspections? Or does the City allow growth to continue as it has in the recent past? Or does the City allow for the creation of new municipalities within its ETJ?

### ***Issues and Considerations***

The following issues regarding continued annexation and outward growth were identified during the process. The considerations/implications regarding each issue is provided, as well as potential courses of action for the City to take to address the issue.

#### Services Provision

Consideration 1- Development in the unincorporated portion of the County served by fragmented service providers can be effective on a limited basis.

- More affluent neighborhoods are willing and able to structure services, such that they receive adequate levels of service.
- Fire service typically involves volunteer staff.
- Security services typically involve combination of private firms backed by the county sheriff.
- Solid waste is contracted privately.
- Current residents with these solutions appear to be content and adequately served.

Consideration 2 – The replication of urban services does not work as well for less affluent neighborhoods based on past experiences.

- Self-funded solutions become less viable without a well-funded and comprehensive Home Owners Association.
- Neighborhoods become more reliant on County services, which are not funded adequately for urban density or even available.

Consideration 3 – The future opportunities for growth in the unincorporated portions of the County are now more in the south and southwestern part of the county, which will likely be less affluent and service provision will become more problematic.

- Market trends suggest that housing prices are at their highest in the north and drop moving south.
- Lower priced neighborhoods will have fewer resources to create an alternative set of urban services.
- In some cases, these neighborhoods will become more reliant on Bexar County, which is limited in what it can provide.
- Life safety issues addressed through building codes may not receive the full attention they deserve and may become the City's issues to address in the future.
- The quality of life and quality of built environment of the larger Bexar County/San Antonio region may suffer.

Consideration 4 – In addition to addressing the challenges of the five priority annexation areas currently defined by the City, there is a larger issue of growth coordination for future decades that should be addressed now.

- The current CCN's of utility providers stipulate that they must service new development.
- Expansion of any CCN will facilitate additional growth in Bexar County and surrounding counties, especially since SAWS and CPS are the most attractive provider.



- The development of additional service providers may occur if CPS or SAWS do not serve it, which may present issues for SAWS similar to issues the City faces in terms of substandard development.
- Coordinating growth policies with the utility providers, with a focus of sewer CCN, will enable the City to limit the degree of unincorporated development or the pressure for the City to grow beyond Bexar County.

#### Recommendations

***2. The City and Bexar County should meet to develop a coordinated approach and policy regarding development in the unincorporated portion of Bexar County.***

The ultimate goal is to develop a joint approach and policy to future growth. The meeting(s) should focus on how the City and Bexar County can work jointly to mitigate the negative impacts of new development and identify tools and strategies to address impacts. As a coordinated approach is developed, coordination with regional stakeholders (utility providers, service providers, and other stakeholders) should be held to help to vet the approach.

***3. The City and SAWS should set up regular meetings to coordinate growth plans and address impacts of planned development.***

The City and SAWS should hold quarterly or bi-annual meetings to coordinate on planned development (both greenfield and infill) and future growth plans. At least annually, a meeting should be focused on long-term growth issues and identifying potential conflicts with long term growth plans that could be mitigated. CPS and other providers should be included in long-term growth discussions.

#### Asset Protection

Consideration 5 – The importance of preserving the Edwards Aquifer cannot be overstated.

- The City has tools, such as land use designations and zoning, to control the extent of development in the EARZ area but their use requires annexation.
- Alternative tools and strategies are needed for protection of the aquifer in addition to annexation.
- A strategic and stringent approach to ensure maximum recharge opportunities and ensure large water quality is in the interest of the region.

Consideration 6 – Protecting the missions of military installations is a major concern of the stakeholders that participated and should be a main objective of the City.

- Providing buffers around these installations is critical to their on-going operations and the continued investment of the Military.
- The primary tool for providing buffers is using annexation to allow the City to put in desired land use designations.

Consideration 7- Given the current options, the City of San Antonio is best positioned to address regional needs, such as transportation, environmental protection, and economic development, as a single, integrated entity.

- The limitations of the authority for Bexar County and the difficulty of incorporation for sizeable, new communities makes alternatives to annexation less appealing.
- Limited annexation activity and decreased development in unincorporated Bexar County could lead to the proliferation of smaller municipalities, which may complicate regional solutions.

#### Recommendations

**4. *The focus of the City's annexation strategy should be oriented around protecting its assets and long term opportunities (natural, cultural, historic, military and economic).***

The extension of City services and regulations should provide a significant improvement to annexed areas. The implications of non-action should be analyzed to identify the upside to annexation and potential mitigation approaches that could be used instead of annexation.

**5. *Annexation areas should have multiple reasons for being considered for annexation that fit within the revised basis for annexation.***

The City should not explore large scale annexations for one singular, primary reason or purpose. Annexing primarily to ensure new development is built to City standards should not be the only goal. Annexing just to protect an asset should not be a goal. The annexation should serve multiple purposes and fit within a coordinated growth strategy.

**6. *Annexation should not be the primary tool and strategy used by the City to protect its assets.***

A toolbox of alternatives to annexation to achieve goals in lieu of annexation should be developed.

#### Fiscal Benefit

Consideration 8- The City should strive for a fiscal benefit from annexation.

- The City's analysis of the priority annexation areas shows a positive impact overall and positive impacts for all but one area.
- The two studies commissioned by the City to evaluate the fiscal impact analysis completed by the City found that the analysis may have over-estimated the benefits from the annexation areas.
- The one priority annexation area, I-10 East, which was found to have a fiscal burden, is being considered to try and solve considerable health and safety concerns and address regional flooding issues. The annexation PEWG participants expressed positive reactions to annexing for these purposes even with the added costs, although concerns were raised about the ultimate costs and unknown issues the City will be burdened with.
- The priority annexation areas identified are large, partly due to the need to support the required expansion of City services, specifically fire service, to serve any areas annexed outside of existing service areas. Annexation of only commercial properties and vacant land may not generate enough revenue to offset costs, which may lead to the inclusion of existing residential neighborhoods into annexation areas despite the fact that some of these areas do not need City services.

## Recommendations

### ***7. The City should modify its fiscal impact analysis policy and methodology for reviewing annexation areas based on the annexation working group's findings.***

The findings from the fiscal impact studies completed recently should be incorporated into the annexation policy document and the revised approach should be used to reassess the priority annexation areas.

## Community Equity

Consideration 9- As the City grows, it will face increasing challenges regarding resource allocation.

- The City may not be well positioned to expand more resources to areas on the edge of the City when investment is needed into the existing portions of the City.
- The increased size of the City increases the scale of the services provided by the City and competing budget priorities may hamper services in the City. It is difficult to judge the optimal size and scale of the City in regard to cost effective provision of services such as fire protection, police and roadway maintenance. It should not be assumed that increased growth will create incremental increases in costs and revenue. The type of development (mix of uses, density) that occurs in annexation areas has a significant impact on fiscal health and should be considered and is not uniform in different areas.
- The larger the City becomes, the more diverse the community will become, which means increased competition for resources among areas of the City. As well, the diversity of residents may present political barriers to achieving the visions and goals developed by the current residents of the City.
- There is opposition to some of the annexation areas the City is proposing. Some of this opposition is from existing residents who will not benefit from being annexed, at least in their perception. The annexation of existing neighborhoods has greater emotional and political impacts than other types of areas being considered.

## Recommendations

### ***8. The City should avoid annexing areas where there is limited opportunity to impact the quality of life through City services, investment and regulations.***

Large scale annexation can have unforeseen implications that may inhibit the City from achieving its goals. The benefit to the existing area and the City should be considered, as well as the implications of annexing versus not-annexing.

## 2. ANNEXATION POLICY

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The main purpose of this analysis was to align the SA Tomorrow plan policies with the annexation policy. This chapter summarizes the recommended changes to the annexation policies based on the outreach efforts with the plan element working groups and evaluation of annexation policy in peer cities.

### **Annexation Case Studies**

Case study research was conducted on annexation policies in five cities to further inform the analysis of San Antonio's policies. The policies of Austin, Houston, Fort Worth, San Marcos, and Oklahoma City were examined and key elements regarding the source document, scope, reasons for annexation, and decision criteria were analyzed and used as points of comparison. The peer cities were chosen to capture a wide range of reasons for annexation, similarities to San Antonio, and mainly in Texas due to the impact of State laws on annexation that differ in other states.

#### **Policy Source Document**

Annexation policies are found in a variety of source documents – either within the city's comprehensive plan, as a part of the City Code, or as a standalone policy. In some cases, a city will not have a distinct policy at all and simply an informal guideline – this is often only the case when the city is not actively annexing land. The most common source document for annexation policy is the comprehensive plan. That is where San Antonio's policy currently resides, and is also where Austin, Fort Worth, and Oklahoma City source their policy. Austin's policy is also housed within the City Code, while San Marcos has a standalone annexation policy and Houston has no formalized policy.

#### **Scope**

Annexation policies generally outline when, where, and how cities annex new territory. The scope of a city's policy often depends on the goals of annexation and how actively the city wishes to annex land, and can range from being a broad framework for how a city should approach annexation to providing a prescriptive process for finding areas to annex and making an annexation determination. The scope of a policy may be influenced by other regulations, such as state laws prescribing city responsibilities when annexing land.

#### **Reasons for Annexation**

Cities have many reasons and goals for annexation. One of the most common reasons for a city to annex land is to improve service efficiency. Other common reasons include applying zoning and development regulations to nearby or adjacent areas, expanding the tax base, and generally growing the city.

While annexation can be undertaken for a variety of reasons, the five most common in these policies are:

- General growth: cities looking to expand their boundaries

- Provide services to new and/or development areas: cities looking to expand the “urban” environment to newly developing areas
- Improve service efficiency: cities looking to improve the efficiency of existing service delivery, often by improving contiguity of service areas
- Expand the tax base: cities looking to draw resources from a broader population
- Apply zoning/development standards: cities looking to influence the type, scale, or other characteristics of development that will happen in adjacent or close by areas

## Decision Criteria

Depending on the goals annexation is meant to achieve, the decision criteria cities use to determine whether or not to annex certain areas will vary. The main criteria found in the case studies are: the fiscal feasibility or fiscal impact of annexation, the area’s need for or city’s ability to provide services, the current level of development in the area, the area’s spatial relation to the city (often whether or not it is contiguous), and the impact of annexation on inter-governmental relations. Annexation decisions may also include other factors, and often use multiple decision criteria. In some cities criteria are weighted in the decision-making process, often in favor of fiscal impacts, but this is not always the case.

While the details of the policies are often related to a city’s specific goals, in general the range of policy detail and reasons for annexation often correlates with a greater desire to annex/expand – cities more actively looking to annex land will have more detailed, far-reaching policies.

## Key Takeaways

While San Antonio’s existing policy has many of the same elements as the other cities examined, it is overall a broader and more all-encompassing policy than the other cities. The existing policy includes a broad scope, many reasons for annexation, and loose criteria to annex. The other policies examined are more focused, or tied more closely to general planning and development goals.

The annexation policy should be reflective of the desired outcome. Linking the policy to planning and development goals can help achieve this. For example, if a city simply wants to grow, the annexation policy can reflect that. However, if there are more specific goals or if there are only areas with certain characteristics that a city would be interested in, the annexation policy should be tailored to growth and development that achieve those goals.

## Annexation PEWG Input

All of the Plan Element Working Group members from each plan element were invited to participate in a series of annexation specific meetings. The participants had the opportunity to provide input into the revised annexation policies directly in two ways. The first was an annexation meeting, annexation meeting 1, focused completely on the annexation policy and incorporating their policy work for each plan element into the annexation policy for the City. The recommended changes to the annexation policy were presented at the subsequent two annexation meetings. In addition, an online, interactive survey was created to allow participants to review the revised policy and answer questions about the changes at the same time. Eleven participants took the online survey (out of approximately 60 people who regularly participated in the meetings). This section provides a summary of the feedback gained from the participants.

## **Annexation Meeting 1**

The first annexation meeting was focused on three components:

1. Reviewing San Antonio's existing annexation policies
2. Understanding how other communities address annexation (case studies)
3. Identifying policies from SA Tomorrow that should be incorporated into the annexation policy.

In reviewing the existing annexation policies, meeting participants examined the current evaluation categories, policies, and criteria and provided feedback on whether there were categories missing, there were too many categories, which existing criteria and policies made sense, and which do not fit.

After case studies were reviewed, meeting participants were asked which aspects of those case studies were most applicable to San Antonio, and if there were aspects of the case study policies that are missing from San Antonio's policy.

To identify the policies from SA Tomorrow that should be incorporated into the annexation policy, meeting participants classified each policy as "applicable to annexation," "somewhat applicable to annexation," or "not applicable to annexation." Discussion then focused on how the policies that are applicable or somewhat applicable can be applied to annexation policy.

Most of the SA Tomorrow policies – 202 of 364, or 55 percent – were deemed applicable to annexation. The four most common themes in these policies were the environment, transportation, military, and development form. There was a desire to more explicitly consider the environment and environmental impacts, to incorporate transportation impacts and development/connectivity potential into decisions, to more specifically incorporate military interests and concerns, and to differentiate between existing and potential/planned development and the different considerations required for the two situations. These themes and feedback were used to refine the city's annexation policies.

## **Annexation Policy Survey**

The online survey walked the participants through the major changes made within in the annexation policy document. The participants were asked how well the change addressed the issues they identified within the annexation meetings. The response was overwhelmingly positive, as only one response provided a response of not well for any of the changes suggested. The participants were also provided ample open comment response opportunities. These open comments provided the opportunity to suggest specific changes to any of the portions of the document. A handful of suggestions were made and incorporated into the policy. The suggested changes included mainly tweaks to policy statements. Two specific comments were to try and incorporate the negative aspects of annexation into the policy as the policy statements were seen as too positive/optimistic and to enhance policies related to environmental protection.

## Recommended Changes

The main purpose of this process was to incorporate the goals and policies that were developed for SA Tomorrow into the annexation policy. The focus of the changes made was to ensure this incorporation occurred. There are five substantive changes recommended;

- Modification of the Basis for Annexation
- Modification to the Evaluation Categories that each policy statement falls under
- Addition of three organizational contexts for policy statements (All areas, developed areas, and undeveloped areas)
- Addition and modification to the specific policy statements
- Modifications to the Location Selection Criteria

### Basis for Annexation

The first recommended modification to the annexation policy is revising the basis for annexation. The basis for annexation is the purpose or reason why a city should annex. The case studies found that most of the comparable cities had more focused reasons for annexation. Below are the current basis for annexation and the recommended changes. The major change is to reduce the number of reasons and incorporate the need to protect natural, cultural, historic, military and economic assets. This incorporation was prompted by the plan element working group members. This was identified by several members as the primary reason the City should annex.

#### Current Basis

1. To apply zoning and development standards
2. To create efficiency in service delivery
3. To maximize return on the city's investment in infrastructure and business incentives
4. To protect and expand the tax base
5. To provide municipal services beyond those available in rural areas

#### Recommended Basis

1. To ensure orderly development through zoning and development standards
2. To create efficiency in service delivery and provide services beyond those available in rural areas
3. To maximize San Antonio's economic opportunities and return on the city's investment in infrastructure
4. To protect natural, cultural, historic, military and economic asset

### Evaluation Criteria

The annexation policy statements are organized in the current document by five evaluation categories. These evaluation categories organize the policy statements into categories that reflect the basis for annexation. The recommended changes to the evaluation criteria are to be more specific with the purpose/intent of the policies and to more directly reflect the basis for annexation. As a result, policies that relate to the need to protect natural, cultural, historic, military and economic assets are provided first and under a new category. A new category was added, development form, to provide policies to ensure the annexation policy will to ensure that annexed areas match with the development form desired within SA Tomorrow. The current evaluation criteria and the recommended revision as are shown below.

#### Current Evaluation Criteria

1. Existing or planned level of development
2. Service delivery needs
3. Need to protect public health, safety, and welfare
4. Intergovernmental relations
5. Fiscal considerations

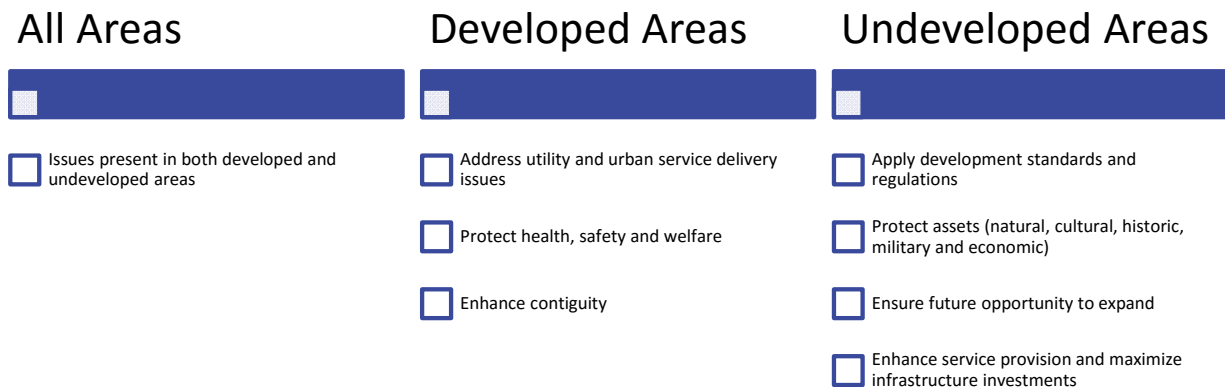
#### Revised Evaluation Categories

1. Protection of economic, cultural, historic, natural, and military assets
2. Service delivery needs
3. Public health, safety, and welfare
4. Intergovernmental relations
5. Economic and fiscal health
6. Development form

### Policy Context

The current evaluation criteria include a criteria with policies addressed to the different types of context annexation areas can have. The policies were meant to state that the City considers annexing both developed and undeveloped land. This set of policies was too broad and did not provide guidance on the attributes of developed or undeveloped land that the City should consider and strive for. The policies are currently contradictory or confusing without specificity to the whether they apply to undeveloped or developed areas. To remedy this, the policies under each evaluation category are organized under three categories referring to which context they apply to. The three categories are all areas, developed areas and undeveloped areas. The reason to annex land in each context is different and therefore need more specific policy statements. The aim of the policy statements for each context is provided below in **Figure 1**.

**Figure 1**  
**Annexation Policy Context Categories**





## **Location Selection Criteria**

The majority of substantive changes to the annexation policy document are within the annexation policy section of the document but there was one significant change within in the annexation plan section. In the annexation plan section, there is series of location selection criteria that should be used to vet potential annexation areas. These criteria are the measurements needed to judge if the annexation area being evaluated fits within the annexation policy statements. There are six categories of criteria in the current policy. The categories are recommended to be expanded to eight to include location criteria related to development and city form (City Form) and to the assets of the areas (Area assets). These additions are added to match with the feedback received that the policies need to consider development form and should be focused on using annexation to protect assets (natural, cultural, historic, military, and economic).

### 3. ANNEXATION STRATEGY AND PLAN

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This chapter provides an analysis of the major issues and considerations that impact San Antonio's annexation strategy. The issues were identified through the literature review completed within this process, meetings with CPS and SAWS, the three annexation PEWG meetings, and the analysis completed within the Comprehensive Plan Initial Studies.

#### **Major Issues and Considerations**

The major areas of consideration identified within the process are explored in this section to illustrate the various implications of annexing or not annexing.

##### **Jurisdictional Issues and Service Availability**

One of the central questions to the issue of annexation is the provision of services. What is the optimal combination of services? Who gets them? Who pays? And, what is the best way to ensure proportional benefit for the cost?

Changes to annexation law in 1999 made annexation more onerous for the City. As a result, the City curtailed its annexation efforts from 2000 to 2012. In the absence of annexation, a large amount of development occurred in the unincorporated portion of Bexar County. The impacts of this amount of development lead Bexar County to commission a study in 2014 to understand the impacts of urban level development in unincorporated Bexar County. The study identified that Bexar County is limited, even more than most Texas counties, in its authority to fund and provide services to urban level development. The authorities Bexar County has are shown in **Figure 2**. The major limitations include the inability to adopt zoning, perform building inspections, and raise any revenue to offset the costs to the County of new development through sales or use tax or impact fees. Development within the City's ETJ that occurs in the county is subject to subdivision plan approval by the City, but the City cannot regulate the use or density of development. The City can only grant approval of the subdivision given the development plans meet the land development code requirements that appropriate for the use and density planned. Furthermore, there are no mechanisms for ensuring development is built to the standards in the plan once plans are approved. The report Bexar County commissioned provides a good set of recommendations for how to potential remedy these issues and should be used as a starting point for changes considered at the county level.

As areas become annexed and are incorporated into the City of San Antonio, residents and businesses enjoy a greater level of service. The crux of the matter is the differential between current service levels provided by Bexar County and the prospective, regional providers (such as SAWS), and neighborhood specific providers (such as security or volunteer fire departments). In some cases these are equal to what city residents enjoy (specifically water and sewer). In other cases, the services have been replicated on smaller scale applications and are reasonably sufficient. However, in others, such as trash collection, the lack of city services is clear.

As areas are annexed, they benefit from city police protection and city fire department service. Additionally, building and development standards are applied and the streets, parks, homes,

commercial buildings are constructed to higher standards. Additional benefits include the City's ability to participate in regional solutions to economic growth, land use, transportation, and sustainability. Key attributes are the City's ability to manage growth and protect key economic assets, such as military bases. Other benefits include health and human services, code enforcement, animal care and enforcement, as well as comprehensive solid waste collection and recycling.

In some cases, an alternative set of services has been established. Examples include volunteer fire departments, gated communities with private security, and private solid waste collection. Where the wealth of a sub community is insufficient, service provision dwindles. In some cases, baseline services from Bexar County are all that are provided.

**Figure 2**  
**Texas County and City Authority Comparison**

	County	Home-Rule City	Bexar County
Can Adopt Home Rule Charter		X	
Limits on Overall Increase in Revenue	X	X	X
Authority To Levy Property Tax	X	X	X
Authority to Levy General Fund Sales and Use <sup>1</sup>	X	X	
Authority to Levy Special Purpose Tax <sup>2</sup>	X	X	X
Authority to Create Special Districts	X	X	X
Authority to Charge Franchise Fees		X	
Authority to Levy Impact Fee <sup>3</sup>	X	X	
General Debt Contracting Authority		X	
Zoning Authority		X	
Solid Waste Disposal Service Authority <sup>4</sup>	X	X	*
Water Service Authority	X	X	X
Sewerage Service Authority	X	X	X
Public Transit Authority	X	X	X
Airport Authority	X	X	X

Source: Tischler-Bise; Bexar County

## Utility Provision

The availability and quality of utility services has a significant impact on where development can occur. If services are available, the likelihood the area can develop increase regardless of the jurisdictional control.

Utilities are regulated by the Texas Public Utilities Commission (PUC). Each utility has a geography of service called a CCN, or Certificate of Convenience and Necessity, which grants exclusivity to the utility provider to all retail demand within that geography. In addition, it obligates the utility to providing service existing and prospective customers located in its service area.

### ***CPS Service Area***

The CPS service area is extensive. As shown on the following page in **Figure 3**, the CPS service area is expansive and it encompasses land well outside the City of San Antonio's boundaries. The availability of power is needed for development but is often not one of the major barriers that must be overcome for development to occur. The cost to extend power service is low compared to other utilities, such as water and sewer. Given that CPS has the exclusive right and the legal obligation to serve in a service area broader than the City's current limits and even ETJ, it is not likely to play a significant role in the analysis of the City's annexation options.



### **SAWS Service Area**

The SAWS service boundaries are narrower in geographic scope than those of CPS. The current CCN boundary for water service and sewer service are shown on the following pages in Figure 4 and Figure 5. The CCN boundary is approved by both the Texas Commission on Environmental Quality (TCEQ) and the state Public Utilities Commission (PUC). The approval grants the purveyor, in this case SAWS, the exclusive authority for retail service within the CCN. It also obligates the purveyor to serve in accordance with adopted extension policies.

For land area that falls outside the CCN, SAWS is not obligated but may choose to serve new development (as long as it is not within a competing CCN). In all cases, SAWS and the developer must enter into a Utility Service Agreement (USA) that stipulates the conditions of service. The USA must receive Board approval if the development:

- Is Greater than 50 acres
- Is located over the Edwards Aquifer Recharge or Contributing Zone (ACRZ or CZ)
- Is within the five-mile Awareness Zone of Camp Bullis or
- Involves SAWS-sponsored reimbursements related to oversizing infrastructure.

Generally, the USA requests must meet the following criteria:

- Contiguous to existing development
- Minimal impact on EARZ
- Consistent with the City's master plan and SAWS growth policy
- Achieve balanced growth

The main takeaway is the larger the service area of SAWS (including areas outside their CCN), the greater the market pressure for development on land further away from the City. The implications are that continued growth will result in greater needs for city services or the provision of an alternative solution. The approach SAWS takes to service extensions has direct bearing on the direction, form, and magnitude of growth in the region. However, currently SAWS' CCN areas for water and sewer encompass large portions of unincorporated Bexar County and development is likely to occur in these areas at some point. SAWS has no recourse to preclude growth and no reason to within their CCN. The provision of water and sewer service is no different in the city or unincorporated portion of the county and is not an issue. The implication on further expansion of the region is impacted by where future CCN expansions occur.

### **SAWS Approach to Growth**

SAWS adopted a Growth Strategy in April of 2010. Generally, the agency finds that growing its infrastructure system generates benefits and at the same time eliminates potential problems. SAWS seeks to proactively serve areas (either through USA's or CCN expansion), as it prevents the proliferation of agencies, some of which may not have the expertise and may not be able to effectively run their plants. If SAWS denies service, a developer can apply for its own CCN to the PUC and construct a package plant. In the event SAWS chooses not to serve, the CCN request typically leads to negotiations where the new provider has to build to SAWS specifications in the event SAWS must take over the operations at a future date. SAWS has played this role multiple times and has legitimate concerns about the lack of expertise and/or critical mass of new agencies to effectively operate smaller systems.



**Figure 4**  
**SAWS Water Service Area**

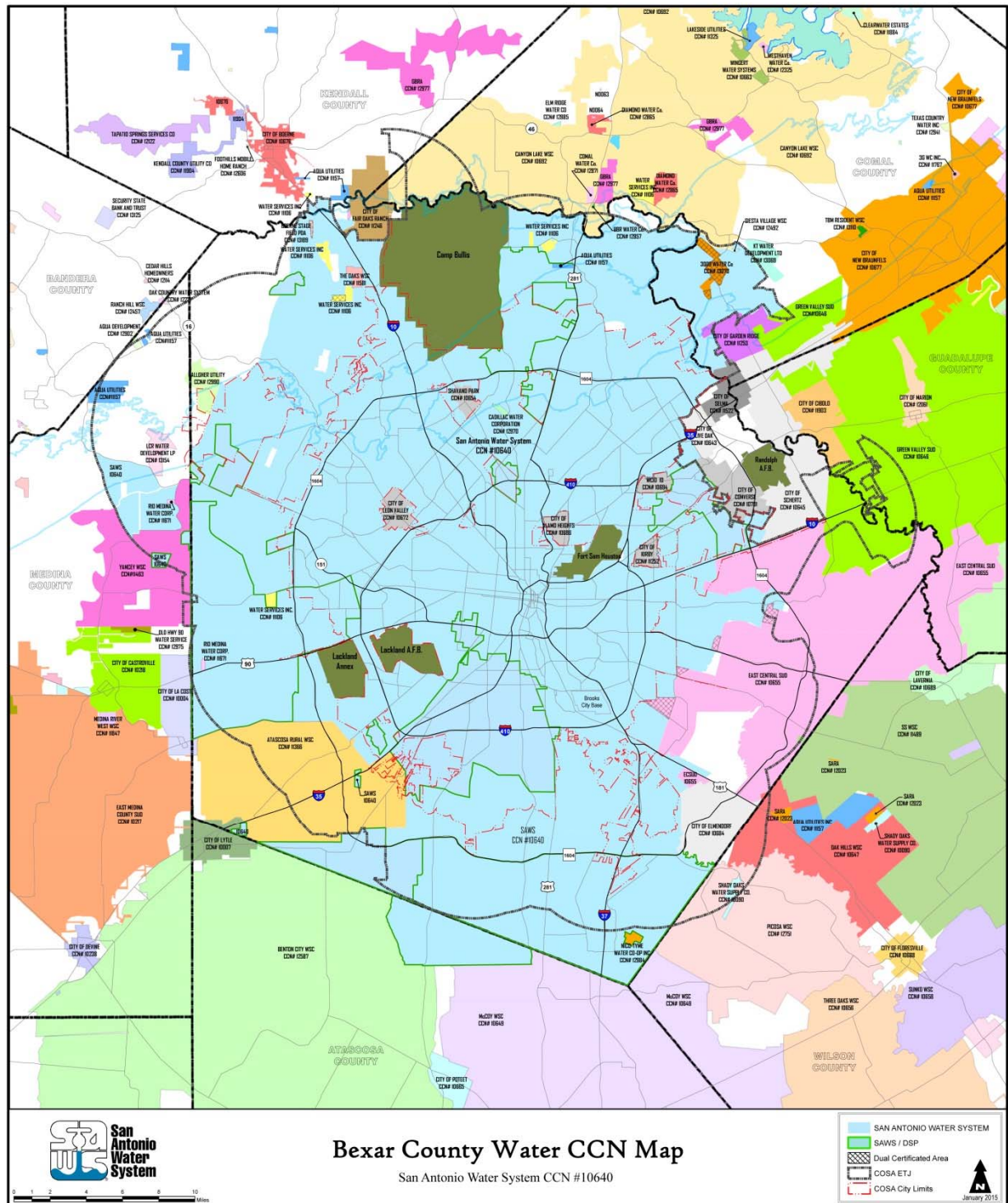
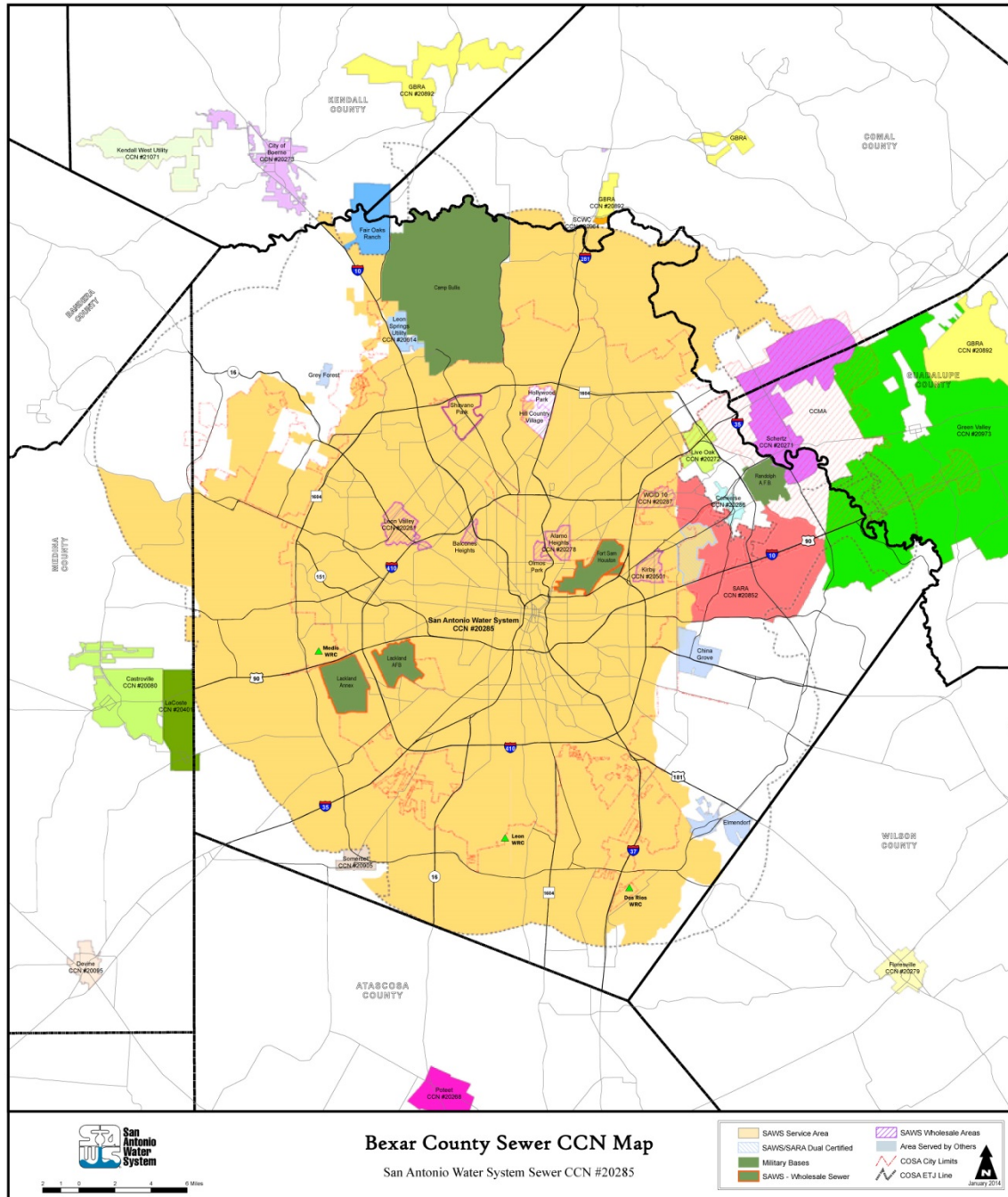


Figure 5  
SAWS Sewer Service Area





When addressing issues such as growth of the CCN, providing service outside the CCN, or oversizing/funding infrastructure, SAWS's position is to:

- Support contiguous growth of SAWS infrastructure
- Support development in local communities
- Prevent development of Municipal Utility Districts (MUDs) or Special Utility Districts (SUDs)
- Ensure infrastructure has capacity to accommodate growth
- Eliminate potential for package treatment plans
- Seek efficiency within the system; and
- Interconnect the SAWS infrastructure

SAWS has identified a limited number of drawbacks to expansion, which are mainly focused on preserving the recharge and contributing zones. Also, SAWS has noted that the community benefits from the growth and diversification of the water supply. Cost of growth, it should be noted, is borne by the developer and end user. SAWS sets impact fees with the goal that they facilitate growth by funding the system expansions. SAWS's intent is that existing customers should not subsidize new customers and that new customers should not subsidize existing users.

In brief, the growth strategy for SAWS is to expand the CCN, as well as potentially outside the CCN, so that it provides contiguous, cost effective expansion; enables SAWS to recover growth costs through impact fees; supports the acquisitions of other systems cost effectively; and ensures that growth is self-funding. In terms of infill development, SAWS is highly supportive of infill development with adequate capacity in nearly all areas of the City (although fire flow issues can be problematic in certain areas). SAWS believes that coordination with the City can only benefit both agencies and welcomes the opportunity.

#### ***Historical Expansion to the CCN***

SAWS has expanded its service area in response to growing needs for service. It appears, based on interviews with staff from SAWS, that the agency has grown incrementally over multiple decades. This pattern changed recently. In 2011, as the direction of the SAWS Board, the CCN applications for portions of northwest Bexar County were withdrawn. Staff reports that stakeholders expressed concerns surrounding the environment (specifically the impact to the Edwards Aquifer) and expressed their views to the PUC. Prior to a PUC decision, SAWS formally withdrew its requested expansion to their CCNs for water and sewer service. Based on the concerns expressed by local stakeholders, the SAWS board modified the application and contracted the boundary.

The change is noteworthy as it is the first time SAWS determined that its expansion of services was not aligned with the larger public priorities. Accordingly, it changed course. Important factors in this decision include the hilly terrain, the cost of extending service, the technical challenges associated with the topography, and the importance of preserving the recharge zone. In some ways, the modification to the requested expansion reflected the combined economic reality of infrastructure costs as well as the environmental impacts to the aquifer. At a minimum, the process reflects a new direction and the opportunity to interject a question of community benefit regarding the broader process of expansion and system efficiency.

### ***Differences between the Water and Sewer CCNs***

The economics and liability concerns associated with water infrastructure and sewer systems differ. It has been reported that water systems are far easier to establish, generate greater revenue, and represent far less risk and legal liability. For geographies with reasonable proximity to a water source like the Edwards Aquifer, developers can drop a well, tap the aquifer, and create a water distribution system that is reasonably cost effective. Tap fees and user fees sufficiently offset costs. Most importantly, in the event of a system failure or pipe rupture, there are modest damages in comparison to a sewage system failure.

Based on these factors, there is a greater propensity to create smaller water districts that compete with the water delivery provided by SAWS. There are fewer competitive sewer districts given the greater risks, greater up front capitalization costs, relatively lower revenues, and greater complexity in terms of system management. The CCN maps reflects a higher number of water districts and a relatively few number of sewer districts within the vicinity of San Antonio.

### ***Regulatory Context***

The regulatory context centers on aquifer preservation. The Aquifer Quality Ordinance includes standards for land in the City of San Antonio, Bexar County, and the ETJ. A separate set of zoning standards applied to land inside the city. A third set of regulations is region wide and can be found in the TCEQ Water Pollution Abatement Plan.

Generally, additional regulations require at least half acre lots in Bexar County for land with public water systems with private septic systems. For land that is on both private well and septic, lots must be 1.5 acres in size or greater.

### ***Asset Protection***

Key assets include those that are environmental and economic. The prominent environmental asset is the Edwards Aquifer and related recharge and contributing zones. The recent drought has elevated the importance of the water supply and the exposure the San Antonio region has to rain fall vacillations. Few elements are as influential and critical to the overall operations and sustainability of the region. Accordingly, land use regulations that sustain its function should be an integral component of a long range plan.

The current regulations stipulate different degrees of impervious coverage allowed. The most restrictive, 15 percent, applied to areas outside city limits. Inside the City, impervious cover can reach 30 percent for residential, 50 percent for multi-family, and 65 percent for commercial. As areas annex, and higher levels of impervious cover are allowed, the City should consider establishing adequate measures for site plan review to ensure that the higher degree of cover does not generate negative impacts, that scaled over a large area, will generate detrimental effects.

As noted numerous times in the public outreach component of this process, the San Antonio community is committed to its military bases. Preserving their operations (and corresponding federal investments) is of the highest priority. Collectively, military operations are responsible for approximately 10 percent of total employment in Bexar County. While the bases are

distributed throughout the county, each is important to the overall economic impact. Moreover, the BRAC process that has resulted in the closure of multiple bases across the country has actually benefited the San Antonio region as military missions have been relocated to San Antonio. Its ability to expand military operations is correlated to the number and diversity of base facilities and the corresponding critical mass that exists today.

Of the five priority areas in the City's current annexation strategy, three are in close proximity and/or abut military base facilities. Accordingly, annexation provides the opportunity to provide zoning and regulatory standards to achieve better buffering. The ability of the City to preserve this economic asset is important for long-term fiscal and financial stability.

## **Additional Considerations**

### ***Addressing substandard development***

One main reason the City currently annexes areas is to address existing or potential substandard development. As described above, Bexar County has limited authority to ensure development is built safely and limited resources to provide services needed for urban level development. The City is currently considering annexing an area in the eastern portion of Bexar County where the lack of municipal services and substandard development has created serious public health and safety issues. The feedback from the annexation PEWG members was generally in favor of the City annexing areas like these to address issues. However, there are potential major impacts on the City's fiscal health of doing this and it is difficult to know all of the problems that exist in an area and if the City can actually address them until after the area is annexed.

### ***Equity***

Equity is an important value to San Antonio and is often central to many debates regarding development issues. Annexation is no different and the consideration of equity is important. However, the issue of equity is difficult to determine in the case of annexation.

The common fear is that continued annexation outward will lead to disinvestment in the existing portions of the City, specifically the core of the City. This is why many cities, including San Antonio, measure the fiscal impact of annexation to ensure that it doesn't create a fiscal burden to the City. As the City grows outward, the City has more areas to plan and provide services to. If annexation areas are growing quickly, as many do, the focus and resources of the City may have to be focused on accommodating this growth with basic services and not on developed areas within the City. In contrast, areas in the unincorporated portion of Bexar County may be relying on services and infrastructure the City provides without paying for the cost to provide these services.

Based on analysis completed by EPS in the Comprehensive Plan Initial Studies and review of the City's fiscal impact analysis of the Annexation 360 strategy, annexation for the City is often fiscally positive especially when the area annexed is undeveloped. Most uses are fiscally positive if they have a high enough property value. Furthermore, growing the customer base for CPS generates more revenue (as illustrated earlier, CPS can and will serve outside the City limits and in these cases still benefits from the revenue these customers generate). One potential issue with the fiscal impact analysis, which is common to many similar analyses, is that the analysis assumes average cost factors for services like roads maintenance, which may not be optimal when the factors were derived and the costs with different areas may not be similar. The

comprehensive plan initial studies found that there is a greater benefit fiscally to the City for development at higher densities than currently being built on the City's edges.

Two studies analyzing the City's fiscal impact analysis approach and results for the Annexation 360 study were completed separate to this analysis. The findings of these reports will provide more guidance into the true cost of annexation and if the fears of decreased investment are founded.

### ***Mutual Benefit***

The idea of mutual benefit was identified in the annexation case studies and within the annexation PEWG meetings as a potential criteria or policy to use for considering annexation. Mutual benefit can have different meanings, some that have legal requirements related, but is basically the idea that the annexation of an area should mutual benefit the City and the property owners being annexed. Mutual benefit is one of the primary concerns for annexation in Oklahoma City. The requirement of mutual benefit would be difficult to define and potentially difficult for the City to achieve if doing large annexations, as proposed in the current annexation strategy.

## **Plan Element Working Groups Input**

Annexation meetings 2 and 3 with the PEWG members focused on the implications of annexation and on where the City is currently considering annexation. An overview of each of these meetings and the feedback received is provided below.

### **Annexation Meeting 2**

The second annexation meeting presented the revised approach to annexation policy, based on the feedback from the first meeting, and then focused on two components:

1. Identifying the implications of annexation
2. Identifying the costs and benefits of annexation

To identify these issues, participants answered the following questions:

- "What could happen if the City annexes an area?"
- "What could happen if the City does not annex an area?"
- "What are the benefits of annexing?"
- "What are the costs of annexing?"

Implications were identified separately for existing development and planned development or undeveloped areas, and costs and benefits were separated into those for the city, and those for the annexed area.

The main themes from this feedback were that, for developed land, annexation can increase tax revenue and provide greater zoning and development control, while also providing the opportunity to improve regional transportation connectivity. While annexation may allow the city to capture funds from people currently using services while not paying, it is also likely to increase the cost and burden of service provision. Annexation of developed areas will also increase the voter base – this can have both positive and negative implications. The implications of not annexing developed land are mainly the limited access for the city to tax revenue growth, limited

opportunities for resource and asset protection, and the inability to control growth and development. At the same time, not annexing developed land means that the city is not responsible for expanded service provision.

Annexing undeveloped land would allow the city to gain control over development activity and quality, and to protect natural resources and other assets. However, this type of annexation may require major investments in infrastructure, and there is the potential for the city to take on issues as well as assets. Not annexing undeveloped land creates the potential for incompatible land use or development, and the city has no control over what happens in the area. While not annexing land means there is no impact on services to other areas of the city, it may also be a lost opportunity as if the city chooses to annex later on, it may be harder to do once the area is developed.

**Figure 6**  
**Annexation Meeting 2 Summary of Feedback**

	Existing Development	Undeveloped Land
<b>Annex</b>	· Increase tax revenue	· Gain control over development activity/quality
	· Gain zoning/development controls	· Can protect natural resources and other assets
	· Increase cost/burden of service provision	· Requires major investments in infrastructure
	· Increase voter base	· Take on issues as well as assets
	· Improve connectivity	
	· Can capture funds from people already using services	
<b>Do Not Annex</b>	· May prevent or limit options for tax revenue growth	· Potential for incompatible land use or development
	· Do not have to provide services (but may continue to strain county services)	· City has no control
	· No control over growth/development	· May be harder to annex once developed (lose opportunity)
	· Lack of resource/asset protection	· No impact on services to other areas in the city

### Annexation Meeting 3

The final meeting of the PEWG series was held in early March. This meeting focused on three tasks and was organized to be heavily interactive:

1. Review changes made to annexation policy
2. Obtain an understanding of why the current five annexation priority areas were selected
3. Review the Priority Annexation areas to identify positives and negatives of annexing them

The meeting started with a presentation of the annexation policy with updates based on input from the previous two meetings and staff feedback. PEWG members were encouraged to review the updated policy and respond with comments in the provided online survey.

The remainder of the meeting focused on gathering feedback about the five annexation priority areas. Each of the priority areas, Highway 90 and 1604, Highway 151, I-10 West, 281 North,

and I-10 East, were presented with summaries of the definition and evaluation process. The focus groups were provided maps of each of the areas and large posters, prompting them to note pros, cons, and common themes relevant to the area from their stakeholder perspectives. At the end of the session, these posters were consolidated and reviewed. The following are summaries of the common themes for each priority area:

- **Highway 90 and 1604:** Many of the PEWG focus groups noted that this primarily agricultural area provided several potential benefits, including potential for residential and commercial growth, ability to create a buffer zone for military uses, and opportunities for food production. Furthermore, several noted that as investments go into improving Highway 1604, this area would build momentum for development activity. Some concerns for moving forward with this area included a question of whether the agricultural land would be exempt from taxes, and the investments necessary to build a gridded street network and provide services to this sprawled area that fit the city form that is desired by SA Tomorrow.
- **Highway 151:** Highway 151 was highlighted by the PEWG as a potential activity/economic center due to its proximity to major employers and substantial retail development and large amount of vacant developable land. Several groups noted that it provided the city opportunities for more parks and open space. It is also already the beneficiary of major infrastructure investment (i.e. SAWS new high-capacity sewer). Potential negatives would include loss of farmland and investments necessary for traffic/road maintenance. Furthermore, groups cautioned that some resident groups in the area (e.g. Alamo Ranch) would likely oppose the annexation.
- **I-10 West:** I-10 West stood out as a major opportunity for more tax revenue. At the same time, the PEWG agreed that a major benefit would be to help control and manage the growth in this fast-developing area. In addition, annexing I-10 West would provide protection of the aquifer and greenways as well as military installations and missions. Drawbacks included traffic and connectivity concerns for the area, as well as the currently loose land use and water quality regulations.
- **281 North:** 281 North also stood out as a major opportunity for more tax revenue, particularly from the large single family home and commercial bases. Other benefits included the infrastructure improvements already in place and additional protection for recharge zones and greenways. Since this area is already heavily developed, the groups voiced their concerns about the traffic impact and infrastructure upgrades and the potential impact on natural resources. Citizen opposition was also a major concern for this area.
- **I-10 East:** Feedback from the PEWG on I-10 East was mostly positive however the group did note the potential costs to the City. Annexing the area would help bring an underserved area up to City standards (e.g. trash services and roads) and provide potential improvements for floodplains and drainage. It would also be supported by the current residents. The primary concern for annexing the area would be the cost of maintenance and the unknown nature of the issues that may exist.

Since the focus groups represent various stakeholder perspectives, many unique priorities and concerns were identified and considered. Overall, the PEWG valued opportunities where San Antonio would see the highest returns in revenue for their investments. Annexing should align with where investments in infrastructure have already been made and where the greatest

potential for open space, military base, and water resource protection investments can have the greatest impact. Common concerns involved ensuring voter buy-in and avoiding pursuing annexations of places that are already largely built-out with little room or flexibility for the City's investments and regulations.