
**BUTTE LOCAL AGENCY FORMATION COMMISSION (LAFCO)
EXECUTIVE OFFICER'S REPORT**

TO: Local Agency Formation Commission
FROM: Stephen Betts, Deputy Executive Officer
SUBJECT: *LAFCo File 15-18 – City of Chico – Mulberry Annexation No. 1 (Public Hearing)*
DATE: June 25, 2015, for the July 2, 2015, LAFCo Meeting

Summary

The City of Chico has initiated an island annexation of the unincorporated Mulberry neighborhood, which is approximately 86.9 acres in size and consists of 97 parcels. The area is a disadvantaged unincorporated community (DUC). The proposed reorganization will also detach the affected territory from County Service Area 164 (Butte County Animal Control District) and the Butte County Resource Conservation District and dissolve County Service Area 161 (Mulberry Street Lighting District). Additionally, LAFCo - as a part of the annexation approval - will authorize new sewer connections to existing developed parcels within the island area and deem all existing, unauthorized sewer connections to be corrected and compliant. The annexation proposal conforms to the island annexation provisions of California Government Code §56375.3 and with Butte LAFCo policy and the Executive Officer recommends approval of this proposal.

Application Submitted: April 17, 2015 Application Deemed Complete: May 11, 2015

100% Landowner Consent: No. Pursuant to Government Code §56375.3, the City of Chico has initiated this annexation by Resolution No. 18-15, finding that the island area conforms to the island annexation standards of Government Code §56375.3. The City is requesting that LAFCO approve the annexation specifically including the waiver of protest hearing pursuant to Government Code §56375.3(a).

Notice and Hearing Required: Yes

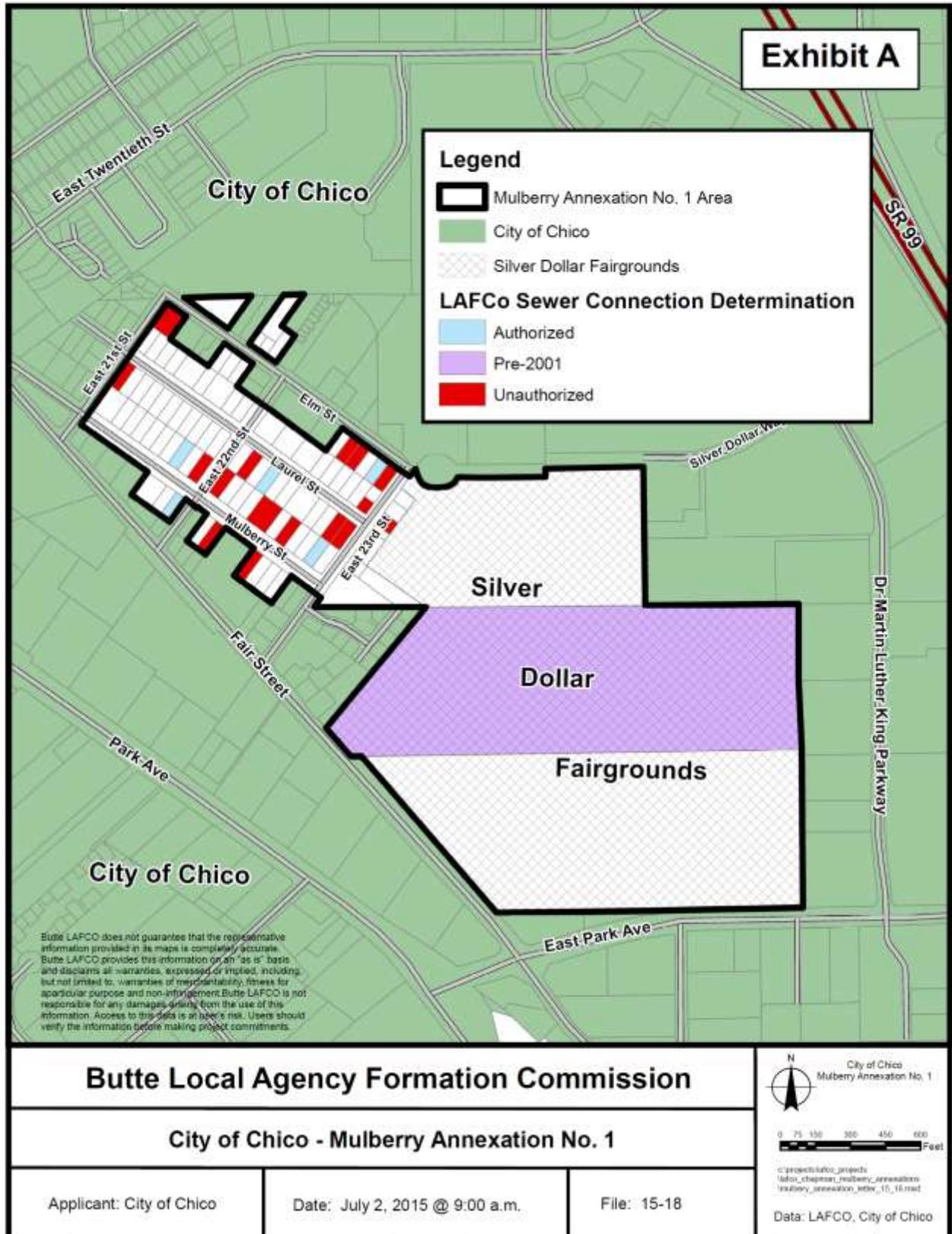
Proponent: City of Chico, Resolution No. 18-15 (adopted on April 7, 2015)

Landowners: Numerous. **See Exhibit A**

Location: The subject territory consists of the Mulberry neighborhood unincorporated island area, located in the south Chico area (**Exhibit A**). The territory is located in Supervisorial District 4.

- Proposal:
1. Annexation of the Mulberry neighborhood unincorporated island area, which consists of 97 parcels and adjacent road right-of-ways totaling approximately 86.9 acres to the City of Chico utilizing the island annexation provisions of Government Code §56375.3;
 2. The detachment of the parcels from CSA 164 (Butte County Animal Control District) and from the Butte County Resource Conservation District; and
 3. The dissolution of County Service Area No. 161 (Mulberry Street Lighting District).

Requested Action: Adopt Resolution 22 2014/15 (**Exhibit B**) approving the annexation.



DISCUSSION AND ANALYSIS

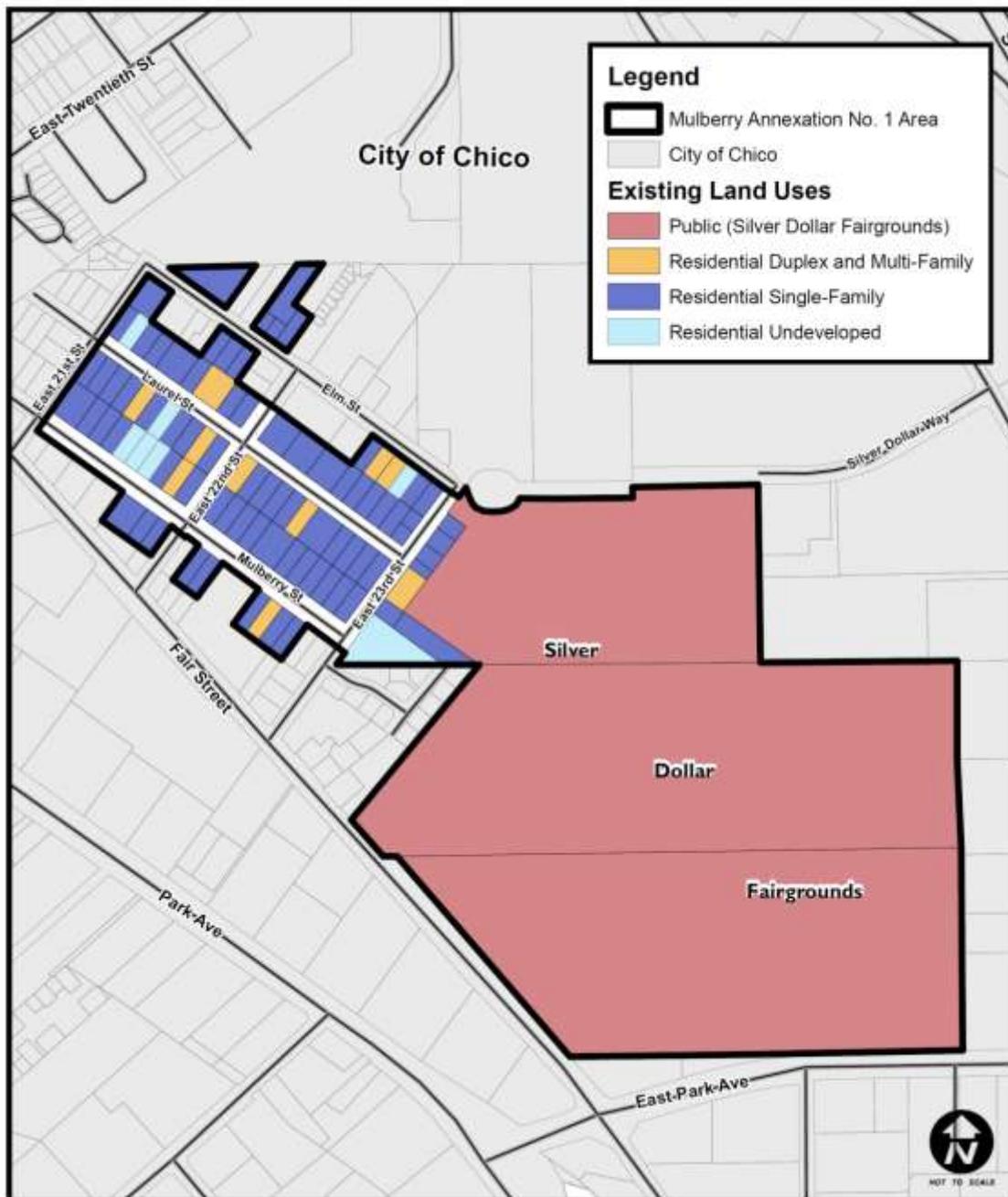
Background

The territory proposed for annexation consists of the densely urbanized Mulberry neighborhood unincorporated island area, which is completely surrounded by the City of Chico and has been for over 100 years. The territory consists of 97 parcels and the adjacent roads right-of-ways and totals approximately 86.9 acres in size. The area meets the definition of a disadvantaged unincorporated community (DUC) pursuant to California Government Code §56033.5. This annexation will fulfill the intent and purpose of the DUC law and environmental justice goals to promote the annexation of such DUC's to cities to enhance the provision of services to the community and enfranchise the citizens to participate in city affairs. The City and LAFCo have been discussing this annexation for many years as a necessary step towards the ultimate goal of removing all developed islands prior to the City seeking new green-field developments. The annexation will resolve a number of outstanding concerns including replacing existing septic tanks with sewer connections in support of the Nitrate Compliance Plan; correcting existing non-compliant sewer connections; creating logical agency boundaries; and encouraging more efficient service delivery patterns/functions.



Mulberry Annexation No. 1 - Aerial View

Eighty-seven (90%) of the affected parcels are developed with a residential use, most of which are single-family dwellings.¹ Approximately ten of the parcels within the territory are developed with a multi-family residential use, which includes duplexes and multi-family dwellings (3 or more units) and seven parcels are undeveloped but are designated for residential uses. Three publically owned parcels within the territory are developed with the Silver Dollar Fairgrounds. The following map shows the locations of the existing uses within the territory.

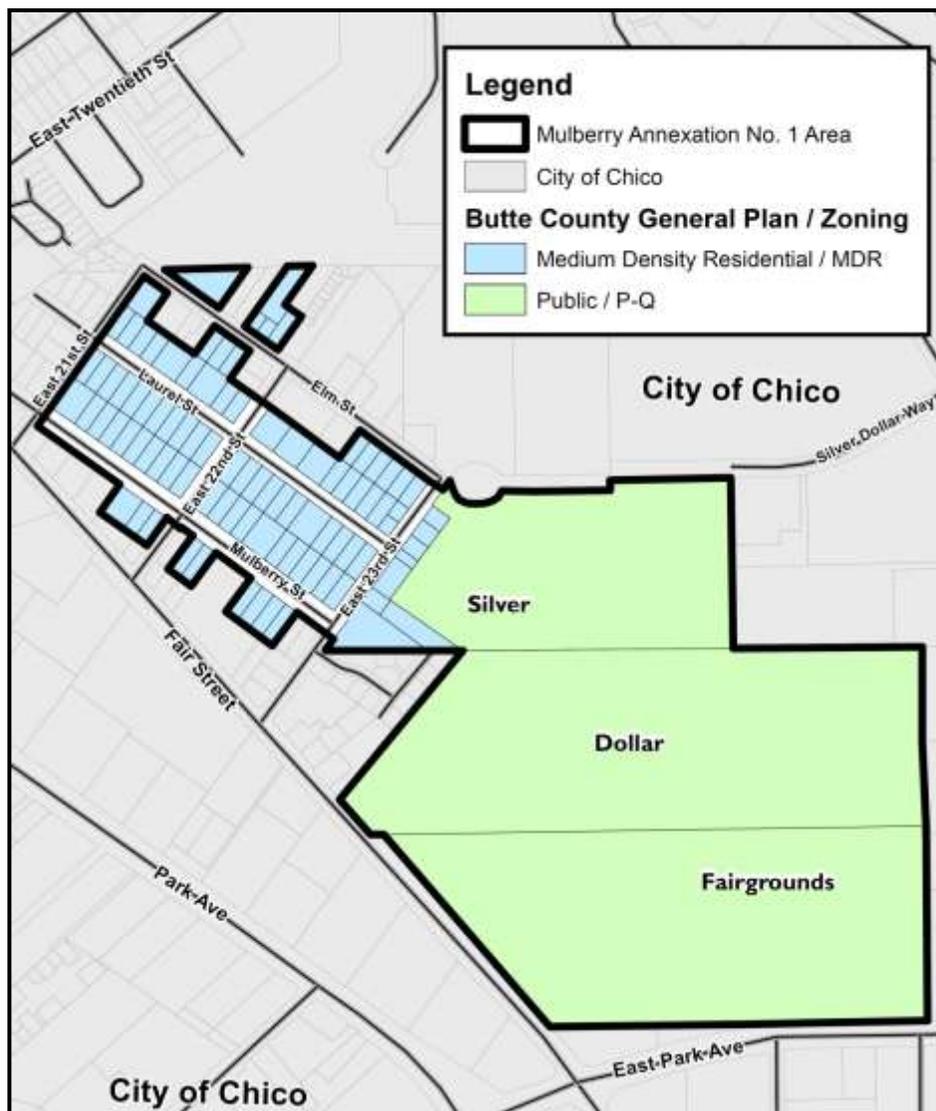


Mulberry Annexation No. 1 - Existing Land Uses

¹ Land use information obtained from Butte County Assessor's Office data

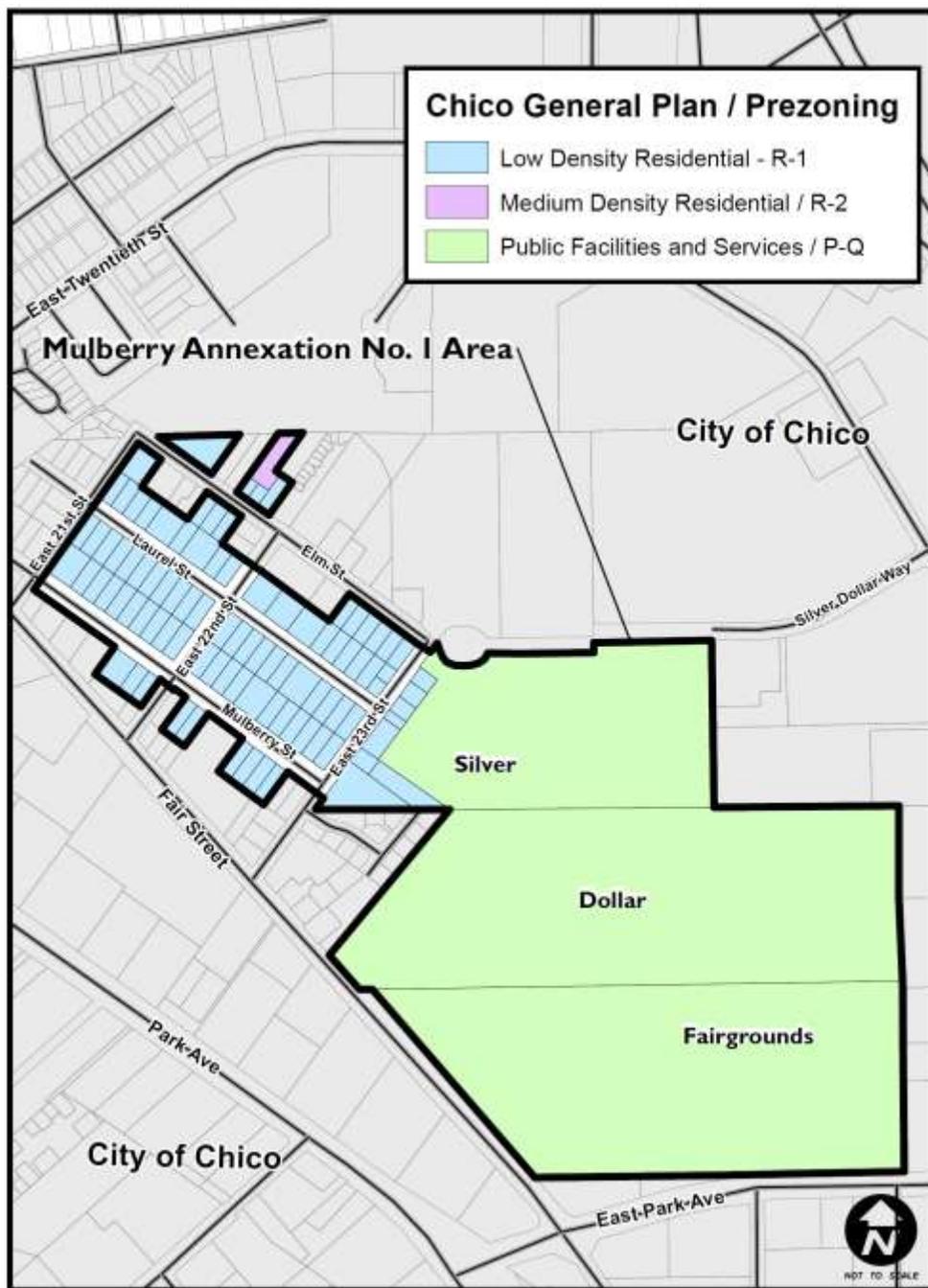
The parcels within the territory range in size from 0.06 acres (2,614 sq. ft) to 26.7 acres. No formally designated agricultural uses are found within the territory although there are numerous gardens within the neighborhood. Wastewater disposal for the vast majority of the uses in the territory is handled by individual on-site septic systems, although twenty-two (22) of the parcels in the territory are connected to the City of Chico’s sanitary sewer system. City of Chico sewer lines are found throughout the territory as a part of the Chico Nitrate Compliance Program. Domestic water for the territory is provided by the California Water Service Company.

As shown on the below map, almost all of the parcels within the territory are designated by the Butte County General Plan as Medium Density Residential (3 to 6 units per acre) and are zoned MDR (Medium Density Residential - 3 to 6 units per acre), which allows for a minimum parcel size of 6,000 square feet. Three parcels within the territory, which are developed with the Silver Dollar Fairgrounds, are designated by the County General Plan as Public and are zoned Public. All of the parcels within the territory are overlaid by the County’s Chapman Mulberry (CM) overlay zone. This overlay zone is intended to preserve and enhance the unique characteristics of the Chapman and Mulberry neighborhoods in a manner consistent with the Chapman/Mulberry Neighborhood Plan. The CM overlay zone identifies the areas where the goals, policies, and standards contained in the Chapman Mulberry Neighborhood Plan apply.



Butte County General Plan Land Use Designations and Zoning

As shown on the below map, the City of Chico's General Plan designates most of the parcels within the territory as Low Density Residential (2.1 to 7 dwelling units per acre), which is close to the same dwelling unit per acre density as the County's Medium Density Residential designation for the territory. The City has rezoned most of the parcels as R-1 (Single Family Residential), which allows for a minimum parcel size of 4,500 square feet. Like the County, the City's General Plan designates the three parcels developed with the Silver Dollar Fairground as Public Facilities and Services and has rezoned these parcels as Public-Quasi Public (P-Q). The City has designated one 0.4-acre parcel in the territory as Medium Density Residential and has rezoned this parcel R-2.



City of Chico General Plan Land Use Designations and Prezoning

All of the parcels within the territory are overlaid by the City's Chapman/Mulberry Special Design consideration overlay zone (SD-6). The Special Design overlay zone is intended for areas of the city where the General Plan has highlighted existing neighborhood characteristics, environmental features, or other concerns that require special attention in project design. The City's Chapman/Mulberry overlay zone includes specific regulations regarding the eventual amortization of nonconforming commercial and industrial uses within the territory, but does allow for a discretionary use permit process to allow nonconforming uses to continue.

The differences between the uses and residential densities allowed under the County's General Plan and zoning for the territory is very similar to that allowed under the City's General Plan and zoning. The City allows for a slighter higher residential density – up to 7 dwelling units per acre – while the County allows for up to 6 dwelling units per acre. The difference is not significant as most of the parcels within the territory are already developed and are mostly smaller in size, resulting in very few parcels in the territory having the potential to be further developed with additional dwellings or to be subdivided.

Both Butte County and the City of Chico adopted separate community plans for the Chapman and Mulberry neighborhoods. The County's plan (adopted in 2000) and the City's plan (adopted in 2004) are substantially the same and both contain policies and implementation measures that are intended to preserve and enhance the single-family residential character of the neighborhood core and promote the revitalization of the Chapman and Mulberry neighborhoods. Both plans contain special design and road standards for these areas. The complementary nature of these plans was very much intended to ease the eventual transition from a County unincorporated island to a City neighborhood with very little disruption to citizens expectations of land use issues.

Government Code Sections 56375(a) and 56375.3 (Island Annexations)

Government Code Sections 56375(a) and 56375.3 require the Commission to approve the annexation of island territory if several basic findings are made concerning 1) the size of the island; 2) the configuration of city boundaries; 3) the lack of prime agricultural land within the island area; 4) the presence of development in the area; and 5) the ability of the island area to benefit from or use municipal services from the City. The Commission is required to evaluate the island against the criteria outlined and make specific determinations regarding its compliance with these provisions. An evaluation of these criteria as they relate to the proposed island annexation follows.

- The change of organization or reorganization is initiated on or after January 1, 2000.
The change in organization was initiated by the Chico City Council on April 7, 2015.
- The annexation is proposed by resolution adopted by the affected City;
The Chico City Council adopted Resolution No. 18-15 on April 7, 2015, stating the City's intent to annex the territory utilizing the island annexation provisions of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.
- The area does not exceed 150 acres, and constitutes the entire island of unincorporated territory;
The affected territory is 86.9 acres in size and constitutes the entire Mulberry neighborhood unincorporated island area.

- The area is totally or substantially surrounded, as such has been defined by Commission policy;

The affected territory is completely surrounded by the City of Chico.

- The study area is substantially developed or developing, based on findings that there is the availability of public services, there is the presence of public improvements in the area, and there are physical improvements on most of the properties;

The territory is highly urbanized and almost all (93%) of the parcels within the territory are developed. Electrical, natural gas, sewer lines, domestic water, and telephone services extend to the territory, and street lighting is found on many of the streets within the territory. Access to and within the territory is via paved public roads. Police and fire protection services for the territory are primarily provided by Butte County, with City police and fire providing assistance under automatic and mutual aid agreements.

Under the City's General Plan land use designation of Low Density Residential and R1 rezoning, the territory has the potential to be developed at a maximum density of seven dwellings per acre. However, additional development on the vast majority of the parcels in the territory is limited due to the parcels small sizes and due to the location of existing structures. Some of the larger parcels in the territory have the potential to be subdivided or to be further developed if current uses are curtailed or reconfigured on these parcels. Additional public-related development on the three parcels designated and rezoned for public uses is possible, but which could also occur under the County's jurisdiction.

- The study area is not prime agricultural land as such is defined by LAFCO statutes;

The subject island area is almost completely built out and is not utilized for any agricultural uses, has long been designated for residential uses by Butte County and the City of Chico, and is not considered to be prime agricultural land as defined by Government Code §56064.

- The study area will benefit from the annexation or is receiving benefits from the annexing city; and

Being a completely surrounded island in the center of the city, the territory is an integral part of the social and economic interests of the City of Chico as a whole. The residents of the territory functionally are a part of the Chico community, even if they do not live within the city limits. Residents of the territory must pass through the City of Chico, utilizing streets maintained by the City, to reach their homes. The residents of the territory rely heavily on the numerous commercial, public, and recreational services and uses found within the City of Chico to meet their shopping, business, educational, and recreational needs. Annexation of the territory would allow the residents the opportunity to participate in the civic affairs of the City, which includes voting on City measures and offices, serve on city boards, commissions and committees, and hold City office.

Under automatic and mutual aid agreements with the County of Butte, fire engines from the City of Chico respond to emergency calls in the territory if County fire engines are unable to quickly respond. The City of Chico police department already provides emergency response to the territory because of the territory's location adjacent to City limits. The Butte County Sheriff's Office is the primary law enforcement responder to the territory. However, in an emergency the City of Chico police may respond first because City police units may be in closer proximity to the territory than a County Sheriff's unit.

- The island was not created after January 1, 2014;

The subject island existed on January 1, 2014.

Annexation

The annexation was initiated by City of Chico consistent with the terms of the *Sewer Service Extension and Annexation Agreement* (Agreement) between LAFCo and the City of Chico. The Agreement calls for the City to initiate annexations of the Chapman and Mulberry unincorporated island areas using the island annexation provisions of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH). Under the terms of the Agreement and the powers granted to the Commission in CKH, the Commission will establish the effective dates of these two annexations five (5) years from the date of the hearing approving the island annexations and will record the certificates of completion at that time, completing the jurisdictional transfer of the territory. Under the Agreement, the City retains the option to complete the annexation earlier if circumstances allow. The five-year time period is to provide adequate time for the City of Chico and Butte County to make the necessary preparations to ensure a smooth transition of the territory to City jurisdiction. The five-year period also gives the residents and landowners within the territory time to adjust to the future change in jurisdiction.

As noted above, the proposed annexation utilizes the island annexation provisions of the CKH. The island annexation provisions state that a commission must approve an island annexation if it meets certain criteria and waives the necessity of conducting a protest proceeding among the affected landowners and registered voters.

Individual Factors for Consideration

California Government Code §56668 provides a list of factors to be considered in the review of a proposal. The Commission's review shall include, but is not limited to, consideration of these factors:

(a) Population; land use; topography; proximity to other populated areas; the likelihood of significant growth in the area.

The territory is located in the highly urbanized Mulberry neighborhood and the territory is mostly built out at urban densities. The territory is level with no significant natural features that would affect the annexation.

The territory contains 100 households and is estimated to have a population of approximately 244 people. Population growth within the territory is not expected to be significant because almost all of the parcels within the territory are developed with some type of residential use. Growth within the territory under County jurisdiction is very limited, if not impossible, because most of the parcels utilize individual, on-site septic systems, which take up large areas of the parcels. With annexation and with connection to the City's sewer system, significant growth in the territory will still be very limited because most of the parcels are already developed, with little area available for additional development. With annexation, and connection to the City's sewer system, some additional development and possibly some land divisions on the few larger parcels within the territory may be possible. However, the small sizes of the lots within the territory will preclude a significant number of land divisions and the location of existing development on the lots will preclude significant new development.

(b) The need for organized community services; probable effect of the proposed annexation on the cost and adequacy of services and controls in the area and adjacent areas.

The need for organized community services in the territory is to support existing and incremental future residential and public development consistent with the City of Chico General Plan. The present cost and adequacy of governmental services and controls in the area are the County's responsibility, however, the City of Chico is the only provider of sanitary sewer services in the area and City police units and fire vehicles responds to emergencies in the territory under automatic and mutual aid agreements with Butte County. If the annexation is approved, the territory would then be able to receive full City services that can be best provided by the City and at a level exceeding the current capacity of the County. The City would provide a higher level of service to the area in terms of wastewater services as well as fire and police services.

The annexation will facilitate the connection of the developed parcels in the territory to the City's sanitary sewer system, which will allow the abandonment of the numerous septic systems found in the area in support of the Nitrate Compliance Plan. The provisions of the Sewer Service Extension and Annexation Agreement between LAFCo and the City of Chico allow developed parcels within the territory to connect to the City's sewer system during the interim five-year period before the annexation becomes effective.

(c) The effect of the proposed action and of alternative actions.

The area would be removed from the County's unincorporated area and be within the City of Chico's incorporated service area. The eventual impact would be minimal to the City. The City would be responsible for providing services to the area. The existing residents already contribute to local businesses and to the social and economic interests of the area.

There will be no significant changes to the territory brought by annexation. The provision of City of Chico sanitary sewer service to the territory may result in some additional development and land divisions, but this is not expected to be significant. Impact to local government is nominal.

(d) The conformity of the proposal with the adopted commission policies on providing planned, orderly, efficient patterns of urban development.

The annexation of the subject territory to the City of Chico is consistent with the planned, orderly, and efficient patterns of urban development within the adopted Sphere of Influence of the City of Chico. The annexation will result in the elimination of the 86.9-acre, 97-parcel Mulberry neighborhood unincorporated island area. The annexation will result in more effective, efficient, and logical jurisdictional boundaries and will provide more effective and efficient services to the residents of the area.

(e) The effect of the proposal on agricultural lands.

Almost all of the parcels with the territory are developed and no agricultural uses are found in the territory or on the surrounding parcels. The territory is located in a highly urbanized area that has been in existence for well over 80 years. The territory is not identified as Prime Agricultural land. Annexation of the subject territory would not contribute to the loss of agricultural lands.

(f) Boundaries of the territory.

The subject territory is parcel specific, with definite and certain boundaries. There are no conflicts with lines of assessment or ownership.

(g) Consistency with city or county general and specific plans.

The City of Chico's General Plan designates most of parcels within the territory as Low Density Residential, and the City has rezoned these parcels as R1, consistent with the General Plan. The City's General Plan has also designated the three parcels within the territory that are developed with the Silver Dollar Fairgrounds as Public Facilities and Services and has rezoned these parcels as P-Q, consistent with the existing use. One parcel within the territory is designated as Medium Density Residential and is rezoned R-2. Most of the residential uses within the territory are consistent with the R1 zoning but some of the multi-family residential uses in the territory may not be consistent with the R1 zone. Upon annexation, any uses identified as nonconforming would be allowed to continue, assuming that they were legally established under Butte County jurisdiction.

(h) The sphere of influence of any local agency which may be applicable to the proposal being reviewed.

The proposed annexation is consistent with the Sphere of Influence for the City of Chico. The territory is within County Service Area No. 164 (Butte County Animal Control) and the territory will be detached from this district as this service will be provided by the City of Chico. The territory is within the boundaries of the Butte County Resource Conservation District and the territory will be detached from this district as the services provided by this district are confined to the unincorporated areas of Butte County. The territory is within County Service Area No. 114 (Chico Area Nitrates) and the territory will remain within this district. The territory is within County Service Area 161 (Mulberry Street Lighting District) and this district will be dissolved as all the parcels within this district are within the territory and the City of Chico will be responsible for providing street lighting services.

(i) The comments of any affected local agency.

On April 29, 2015, LAFCo staff circulated the proposal for review and comment from local public agencies. The following table lists the agencies that responded to LAFCo's request for comments and their response.

<u>Agency</u>	<u>Comment</u>
Butte Co. Assessor's Office	No substantive comments provided.
Butte Co. Elections Office	AB 8 negotiations are not required. A master tax exchange agreement is in effect, with the County receiving 55% of the property taxes, and the City receiving 45%.
Environmental Health Division	This annexation is an extremely positive benefit to the community from a public health standpoint. Having the option for existing developed parcels to connect to sewer as on-site wastewater systems fail will continue to reduce impacts to groundwater within the Prohibition area.
Butte Co. Land Development Division	Dissolve CSA 161.
Butte Co. Planning Division	No substantive comments provided.
Butte Co. Mosquito Abatement Dist.	All plans for infrastructure such as storm water runoff (e.g. catch basins, storm drains, retention/detention ponds, etc.) should be

designed in a way to reduce the potential breeding of mosquitoes and best management practices (BMPs) to reduce mosquitoes should be followed. The Butte County Mosquito and Vector Control District (District) has BMP manual for the design and maintenance of such structures available. The District is always available for consultation and information.

The following agencies were also sent a request for comments, but who did not respond:

Butte Co. Animal Control Office; Butte Co. Fire Dept/CalFire; Butte Co. Sheriff's Office; CalTrans; Butte Co. Resource Conservation District; Chico Area Recreation & Park District; Butte-Glenn Community College District; & Chico Unified School District.

(j) The ability of the receiving entity to provide the services.

The City of Chico provides general administration, community development, public works, sewer, police, fire protection, code enforcement, animal control, and other services within its incorporated area.

The County of Butte and the City of Chico cooperatively prepared a fiscal analysis of the annexation of the Chapman, Mulberry, and Stewart Avenue unincorporated island areas. The study, entitled "Final Report Chapman, Mulberry and Stewart Avenue Annexation Study for Butte County/City of Chico" (Study), dated December 9, 2013, took over a year to complete and was reviewed by County and City staff several times to ensure that the data used in the Study was correct. The purpose of the Study was to identify fiscal and operational considerations of annexing the Chapman, Mulberry, and Stewart Avenue neighborhoods into the City of Chico.

Based upon actual costs, the Study determined that annexation of the three unincorporated island areas would negatively impact the City's budget. The annexation of the three areas would result in an estimated annual expenditure of \$259,287 in order to provide municipal services to the annexed areas. The annual revenues received from the annexed areas are estimated to be \$254,393, resulting in an annual deficit to the City's general fund of \$4,894 (\$9.32 per parcel). Based upon a per parcel expenditure of \$9.32, the 97-parcel Mulberry Annexation No. 1 would cost the City of Chico an estimated \$904.00 in additional annual expenditures to provide City municipal services to the territory.

The Study also looked at expenditures in the three island areas on a per capita basis, and determined that the annexation of the areas would result in an annual increase in City operating expenses of \$792,767, resulting in an annual deficit to the City of \$589,610. However, the Study notes that the per capita approach to determining expenditures was not necessarily the most accurate method to determine expenditures as it is based on broad generalities and the assumption that all new residents will require the new services regularly.

The Study noted that City staff indicated that the annexed area should assume a share of the City's Capital Improvement Budget, which, on a per capita basis, would amount to an estimated annual cost of \$97,826 for the three island areas. The Study also noted that, based on an actual cost basis, no additional capital costs would be attributable to the annexation of the three island areas.

Emergency fire protection service for the territory is normally provided by the Butte County Fire Department/CalFire because Butte County Fire Station No. 44, located on Fair Street, is 0.14 miles from the territory, while the nearest City fire station, which is City Fire Station No. 1 located on Salem Street, is 1.23 miles from the territory. The Butte County Fire Department/CalFire and the City of Chico Fire Department respond to emergency incidents in the Chico area using a "full boundary drop", which means that

both agencies function as one unit and respond to each call for service with the closest available fire engine or truck. This usually results in Butte County Fire Department responding to the territory because a County fire station is closer to the area than a City fire station. However, should a County fire engine not be available to respond to a call in the territory, or if additional fire engines are needed, City of Chico fire engine(s) will respond to the territory. The Study notes that the County Fire Chief and the City's Interim Fire Chief agreed that the following language reflects the impacts of the annexation of the three unincorporated areas. "The auto-aid agreement between City Fire Department and Butte County Fire Department would be unchanged if the Chapman, Mulberry or Stewart Avenue neighborhood areas were annexed to the City of Chico. Currently, there would be minimal impact to Chico Fire Department responses and no change in costs if the Chapman, Mulberry or Stewart neighborhood areas were annexed because the auto-aid agreement would not change."

The Study notes that there will be a need to add staff to the City of Chico Police Department in order to serve the three areas proposed for annexation. In order to estimate the cost of providing law enforcement service to these three areas, a patrol staffing model was used to determine the number of patrol officers required to serve these areas. It is estimated that one additional patrol officer will be required to serve these three areas using the patrol staffing model. To support the activities of this patrol officer, it is estimated that .25 - .50 full-time equivalent (FTE) Detective will be required for case follow up and a .25 FTE Records Clerk to support this additional work load. It is not expected that additional supervision (Sergeant, Lieutenant, or Captain) will be required to supervise the law enforcement activities for these small annexations. The Study estimated total annual police staff costs as a result of the annexation of the three island area would be \$206,704. The costs of providing City of Chico police services to only the territory is unknown, but is not expected to be significant.

Twenty-two of the 97 parcels within the territory are connected to the City of Chico's sanitary sewer system, while the remainder of the developed parcels in the territory utilize individual, on-site septic systems for wastewater disposal. Under the auspices of the Chico Urban Area Nitrate Compliance Program, City of Chico sewer lines and sewer lateral lines were recently installed throughout the Mulberry neighborhood, allowing for the future connection of all the parcels in the territory to the City's sanitary sewer system. The City's sanitary sewer system has adequate main, treatment, and disposal capacity to serve existing development and any future development in the territory consistent with the City's General Plan and zoning. Annexation to the City of Chico does not require existing development to connect to the City's sewer system. However, new development and parcels that have a failed or failing septic system will be required to connect to the City's sewer system pursuant to Butte County Environmental Health Division regulations. The terms of the Sewer Service Extension and Annexation Agreement between LAFCo and the City of Chico allow developed parcels within the territory to connect to the City's sewer system during the five-year period before the annexation is finalized without review and approval by LAFCo as normally is required.

The territory contains approximately 0.7 miles of paved public roads. All of the roads within the territory are narrow and are not improved with curb, gutter, or sidewalks. All of the roads within the territory were recently improved with a cape seal road treatment, which is a chip seal followed by a slurry seal. There are no curb, gutter, sidewalk, improvements within the territory, which is consistent with the guidelines of the Chapman/Neighborhood Plans adopted by Butte County and the City of Chico. Annexation to the City of Chico does not require the City to make any road or drainage improvements in the territory.

(k) Availability of adequate water supplies.

The California Water Service Company (CalWater) already provides domestic water service to the territory and has adequate water sources and infrastructure to provide service to any future development within the territory.

(l) The extent to which the proposal will affect a city or cities and the county in achieving their respective fair shares of the regional housing needs.

Almost 90% of the parcels within the territory are developed with a residential use. As most of the parcels within the territory are developed with a residential use, this proposal makes no significant impact on the ability of Butte County or the City of Chico to meet its regional housing needs determination.

(m) Any information or comments from the landowner or owners, voters, or residents of the affected territory.

All landowners and registered voters within the territory were sent a notice for the City of Chico's April 7 hearing on the proposal and were also sent a notice of the July 2, 2015, LAFCo public hearing on the annexation proposal. Landowners and registered voters within 300 feet of the territory were also notified of the annexation proposal. As of the date of this report, no written comments have been received from any landowner, registered voter, or resident within the territory.

(n) Any information relating to existing land use designations.

As previously noted, the City of Chico General Plan designates all but four parcels within the territory as Low Density Residential and the City has rezoned this portion of the territory R-1 (Low Density Residential) accordingly. The three parcels within the territory that are developed with the Silver Dollar Fairgrounds are designated as Public Facilities and Services by the City's General Plan and are rezoned P-Q (Public-Quasi Public). The City's land use designations and rezoning for the territory are very similar to Butte County's land use designations and zoning for the territory and are consistent with most of the existing land uses in the territory.

Existing uses within the territory that were legally established under Butte County jurisdiction will be "grandfathered" in and allowed to continue after annexation to the City of Chico as legal, non-conforming uses. Under Butte County's existing MDR zoning district, the keeping of chickens (not including roosters) is allowed, subject to specific restrictions. Likewise, the City of Chico's R1 zoning district also allows for the keeping of chickens, subject to specific restrictions. The County of Butte allows for keeping of up to five adult dogs, while the City of Chico allows for the keeping of up to three adult dogs. The City of Chico does not allow residential burning within the City's jurisdictional boundaries. However, residential burning within almost all of the territory is already prohibited pursuant to Butte County Air Quality Management District's Rule 300 (Section 11.5), which bans residential burning on unincorporated parcels within the City of Chico's Sphere of Influence that are less than 0.9 acres in size. The only parcels within the territory that are large enough to legally burn vegetation under County jurisdiction are the three parcels developed with the Silver Dollar Fairgrounds.

(o) The extent to which the proposal will promote environmental justice.

Annexation to the City of Chico will allow those parcels within the territory currently utilizing septic systems to connect to the City's sanitary sewer system, which would allow the existing septic systems to be abandoned. The connection to the City's sewer system may allow landowners to add additional bedrooms to existing dwellings or build new, larger dwellings, which is something that they are currently prevented from doing using on-site septic systems.

The territory, for all practical purposes, is a part of the City of Chico and many of the residents within the territory may already consider themselves residents of the city. City of Chico jurisdictional boundaries surround the entire Mulberry neighborhood and the only way to access the territory is via City-maintained streets. Residents in the territory patronize commercial uses (with the City receiving the resident's sales tax dollars) and recreational facilities in the City of Chico and many residents work at businesses within the city. Additionally, the City of Chico Fire Department and the Police Department respond to emergencies in the territory under automatic and mutual aid agreements with

Butte County. However, as citizens of the unincorporated area, residents within the territory are not permitted to participate in City of Chico municipal affairs, such as voting in city elections, and they cannot run for city office or serve on city commissions or boards. Annexation of the territory to the City of Chico will provide residents the opportunity to participate fully in City of Chico municipal affairs, have a voice in city affairs, and be a full part of the City of Chico.

This project strongly promotes environmental justice by annexing the area to the city of Chico and providing additional services and enfranchising voters within a disadvantaged unincorporated community.

Based upon the above responses, the proposal is reasonably consistent with the listed factors.

Applicable Butte LAFCo Policies

Section 2.0 (*LAFCo General Policies and Standards*), Section 4.0 (*Annexation and Detachments*), and Section 5.0 (*Incorporations, Formations, Provision of New Services by Districts, Consolidations, Dissolutions, and Disincorporation*) of Butte LAFCo Policies and Procedures provides the Commission with general standards for annexation proposals. The proposal is substantially consistent with the relevant policies for consideration and guidance as summarized below:

- Consistency of the proposal with the General Plan of the applicable planning jurisdiction. (2.10.1): *The vast majority of the existing land uses in the territory are consistent with the City of Chico's General Plan land use designation of Low Density Residential.*
- The creation of logical boundaries. (2.11.2): *The annexation will eliminate a large area of unincorporated parcels that is completely surrounded by the City of Chico, resulting in orderly and logical jurisdictional boundaries and provide for the delivery of more effective and efficient public municipal services.*
- Consistency of a proposal with the Sphere of Influence and Municipal Service Review of the affected jurisdiction(s). (4.1.1): *The territory is located within the Sphere of Influence of the City of Chico. The City of Chico's current MSR, which was approved by Butte LAFCo in 2006, is out-of-date and does not accurately reflect the City's recent financial difficulties caused by the downturn in the economy, which resulted in a significant budget deficient and staff reductions. Over the past year, the City's financial difficulties have lessened, allowing the City to significantly reduce its budget deficient and hire new staff, including additional police officers, in the coming year. The City has recently taken initial steps to begin updating the City's existing MSR and it is anticipated that Butte LAFCo will review the updated MSR in late 2015 or early 2016. MSR Determination 5.2-4 of the City's existing MSR states "Support of and use of "island" annexation law by the City will create more efficient boundaries for the delivery of services by both the City of Chico and Butte County. The proposed annexation is consistent with this determination.*
- Contiguity of a proposed annexation area to the jurisdictional boundaries of the annexing city. (4.1.3): *The territory is completely surrounded by the City of Chico.*
- The proposal is consistent with LAFCo Policy 4.1.5, which states: *Proposals to annex islands and to otherwise correct illogical distortion of boundaries will be approved unless they would violate another provision of these standards.*
- The proposal is consistent with LAFCo Policy 4.1.7, which states in part: *It is the policy of LAFCO to encourage the most efficient delivery of public services through the elimination of island areas, promote orderly city boundaries and reduce the cost and time of processing applications and to this end, all annexations to cities require that applications for lands meeting the criteria of the island annexations law shall be so configured and supported by the appropriate resolution of application.*

- Determination of the most efficient service provider. (4.2): *The City of Chico police and fire departments already provide emergency response to the territory under automatic aid and mutual aid agreements with Butte County. The City of Chico is the only provider of public sanitary service in the Chico Sphere of Influence and therefore is the most logical provider of sewer services to the territory.*
- The proposal is consistent with LAFCo Policy 4.3.1, which states that annexations shall reflect logical allocation of streets and rights of way.
- The territory is an integral part of the social and economic interests of the City of Chico as a whole and the annexation will allow the inhabitants of the territory to participate in the civic affairs of the City of Chico.
- The Proposal would carry out LAFCo’s purposes and responsibilities for planning and shaping the logical and orderly development and coordination of local governmental agencies so as to advantageously provide for the present and future needs of the County and its communities.
- The proposal is consistent with Policy 5.6.1 (Grounds for Disincorporation and District Dissolution), which states that LAFCO will approve a proposal for dissolution of a district only if it determines that the services offered or authorized are no longer necessary, the services can be provided more efficiently by another agency or provider and that agency agrees to provide the services, or the agency is insolvent and unable to provide the services.

Accordingly, the Proposal is consistent with the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code 56000 et seq.), and Butte LAFCo Policies and Procedures.

Existing Service Agencies and Proposed Service Changes

The following table shows the services that are currently provided to the territory and the changes in service providers as a result of annexation to the City of Chico.

<u>Service</u>	<u>Presently Provided By</u>	<u>Proposed Provider</u>
Fire Protection	County of Butte	City of Chico
Police Protection	County of Butte	City of Chico
Code Enforcement	County of Butte	City of Chico
Sewer Service	Septic System/City of Chico	No change
Domestic Water Service	Cal Water	No change
Animal Control	County of Butte (CSA 164)	City of Chico
Solid Waste	Private Collector	Private Collector
Road/Street Maintenance	County of Butte	City of Chico
Power Infrastructure	PG&E	No change
Street Lighting	County of Butte (CSA 14)	City of Chico
Planning & Zoning	County of Butte	City of Chico
Schools	Chico Unified School District	No change
Resource Conservation	Butte Co. Resource Conservation District	None
Mosquito Abatement	Butte County Mosquito Abatement District	No change

The territory will be detached from the following districts:

- County Service Area No. 164 (Butte County Animal Control), as this service will be provided by the City of Chico.
- The Butte County Resource Conservation District, as this service is restricted to unincorporated parcels only.

All of the territory will remain within County Service Area No. 114 (Chico Nitrates). When a parcel in the territory connects to the City's sanitary sewer system, the County will place the parcel in CSA 114 Zone 2 and no annual assessment will be collected from that parcel from that point on.

All of the parcels within County Service Area No. 161 (Mulberry Street Lighting District) are located within the area proposed for annexation. Because of the annexation, CSA 161 will be dissolved as the City of Chico will provide street lighting services to the territory. Funding for CSA 161 services comes from property taxes and the CSA's share of property taxes will be redistributed to the City of Chico.

On April 6, 2015, the County of Butte Chief Administrative Officer and the City of Chico City Manager signed the *Letter of Agreement Between the County of Butte and the City of Chico Regarding Transition of the Chapman and Mulberry Neighborhood from the County of Butte to the City of Chico* ("Agreement") (**Attachment C**). The Agreement was made for the purpose of addressing the process of the transition of the Chapman and Mulberry neighborhoods from the unincorporated jurisdiction of the County to the City of Chico during the five-year interim period prior to the annexation becoming effective (in 2020). The Agreement spells out that the County will continue to be responsible for providing services to the territory during the five-year period and the County and the City will work together, meeting annually, to ensure a seamless transition of the territory from County jurisdiction to City of Chico jurisdiction.

ADDITIONAL BACKGROUND

Property Tax Agreement

In accordance with provisions of Revenue and Taxation Code §99, an Amended Master Property Tax Exchange Agreement was executed between the City of Chico and the Butte County Board of Supervisors on November 4, 1987. The agreement provides for the County to receive 55% of the property tax revenues and the City to receive 45%, and the City to receive 95% of sales tax.

Support/Protest and Conducting Authority Proceedings

Several community meetings were held regarding the annexation of the Chapman and Mulberry island areas, including a three-hour community meeting on February 7, 2015, held at the Chapman Elementary School that was attended by approximately 60 people and included staff from LAFCo, the City of Chico, and Butte County. Additionally, the Chico City Council held several public hearings regarding the proposed sewer service extension and annexation agreement between LAFCo and the City of Chico, which included discussions about the annexation of the Chapman and Mulberry island areas.

The Chico City Council conducted a noticed public hearing on April 7, 2015, at which time the Mulberry island annexation proposal was initiated by Resolution No. 18-15. Few residents or landowners from the territory attended the City Council hearing.

The Commission retains the responsibility to hear any public testimony at the Commission hearing, but does not have the ability to reject the annexation unless findings can be made that the annexation does not meet the island criteria as listed in §56375.3. If the Commission finds the proposal does not meet the requirements of §56375.3, staff would need to reevaluate the proposal and schedule the project for future consideration. Staff recommends that the Commission accept the proposal as submitted and order the annexation complete.

Environmental Analysis

As the first agency to act on annexation initiation, the City of Chico is the lead agency for the proposal under the California Environmental Quality Act (CEQA). The proposal has been determined to be Categorical Exempt from CEQA pursuant to Section 15319 – Annexations of Existing Facilities and Lots for Exempt Facilities. This section can be used for annexations to a city or special district of areas containing existing public or private structures developed to the density allowed by the current zoning or pre-zoning of either the gaining or losing governmental agency whichever is more restrictive, provided, however, that the extension of utility services to the existing facilities would have a capacity to serve only the existing facilities.

The Section 15319 exemption is appropriate for this proposal because almost all of the parcels within the territory are developed at a density consistent with the City of Chico's Low Density Residential General Plan land use designation and with the City's R-1 pre-zoning of the territory. A wide range of municipal services are already provided to the territory, including sanitary sewer services. LAFCo Staff prepared a Notice of Exemption for this proposal, which is inserted as **Exhibit "D"** of this report.

The City of Chico, in the Resolution of Application for the proposed annexation, determined that environmental impacts related to the proposed annexation were identified, analyzed, and mitigated, where applicable, in the Chico 2030 General Plan Program Environmental Impact Report (State Clearinghouse No. 20081220381) (EIR), which was certified by the Chico City Council in April 2011. The EIR Project Description states "This EIR is designed to programmatically and comprehensively analyze impacts associated with implementation of the proposed General Plan Update, including expansion of the City's SOI and future annexations consistent with the Land Use Diagram". Pursuant to CEQA Section 15162 (Subsequent EIRs and Negative Declarations), no subsequent environmental review is required because there are no substantial changes in the project, no new or increased environmental effects anticipated by the project, or any new information about the project revealed since the adoption of the programmatic General Plan EIR.

Sewer Service Extensions/Connections Actions

This annexation is the first step towards implementing the *Sewer Service Extension and Annexation Agreement* (Agreement) between the City of Chico and Butte LAFCo executed on February 7, 2015. The Agreement is a road map that addressed several issues towards the ultimate goal of annexation of County islands and providing municipal sewer services to developed parcels in support of the Chico Nitrate Compliance Plan. The Agreement addressed:

- 1) The annexation of the Chapman and Mulberry islands;
- 2) The authorization of new sewer service to existing developed parcels utilizing on-site septic systems within the affected island; and
- 3) Correcting the unauthorized-non-compliant sewer connections that were made within the island area without LAFCO approval.

In accordance with the Agreement, LAFCO as a part of this reorganization proposal will 1) authorize the extension of municipal sewer services to existing developed parcels within the Mulberry island during the interim five year period prior to the annexation becoming effective and 2) deem compliant all unauthorized sewer connections within the island area.

CONCLUSION

Annexation of the Mulberry unincorporated neighborhood represents a positive step forward in implementing the CKH concerning annexations in that:

1. It is a logical extension of the City's boundaries and services; and
2. Will eliminate a long-standing (100+ years) completely surrounded island area;
3. Will address environmental justice concerns by allowing the residents of the territory to participate in the civic affairs of the City; and
4. Will have no adverse impacts on any other agency's ability to provide services;
5. Conforms to Butte LAFCo policy, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, the island annexation provisions of Government Code §56375.3;
6. Conforms with the provisions of the *Sewer Service Extension and Annexation Agreement* between Butte LAFCo and the City of Chico.

Based upon the findings and determinations in this report, the Executive Officer recommends approval of this proposal.

ALTERNATIVES FOR COMMISSION ACTION

After reviewing this report and any testimony or materials that are presented, staff recommends that the Commission approve the annexation by taking the following actions.

APPROVE the proposal as submitted by the City of Chico:

- A. Find that the proposed annexation is Categorically Exempt from the California Environmental Quality Act per Section 15319, Annexations of Existing Facilities and Lots for Exempt Facilities.
- B. Adopt Resolution 22 2014/15 making determinations approving the proposed *City of Chico – Mulberry Annexation No. 1*, which includes 1) the dissolution of County Service Area 161 (Mulberry Street Lighting District); 2) the pre-authorization to extend municipal sewer services to existing developed parcels within the affected island pursuant to Agreement; and 3) the after-the-fact approval of all unauthorized sewer connections identified in the Sewer Service Extension and Annexation Agreement.
- C. Find that the proposed annexation conforms to the criteria for an "island" annexation as described in California Government Code §56375.3, and waive the Protest Hearing Proceedings for this action as required in California Government Code §56375.3.

Respectfully submitted,



Stephen Betts
Deputy Executive Officer

Attachments:

Exhibit A: Annexation Area Map - Page 2

Exhibit B: Draft LAFCo Resolution No. 22 2014/15 – Page 21

Exhibit C: *Letter of Agreement Between the County of Butte and the City of Chico Regarding Transition of the Chapman and Mulberry Neighborhood from the County of Butte to the City of Chico, dated April 6, 2014* – Page 25

Exhibit D: CEQA Notice of Exemption – Page 27

DRAFT

RESOLUTION NO. 22 2014/15

**RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION
OF THE COUNTY OF BUTTE
MAKING DETERMINATIONS AND ORDERING THE ANNEXATION OF
TERRITORY DESIGNATED AS 15-18
CITY OF CHICO
MULBERRY ANNEXATION NO. 1**

Exhibit B

RESOLVED, by the Local Agency Formation Commission of the County of Butte, State of California, that

WHEREAS, Butte LAFCo and the City of Chico worked cooperatively over a period of several years to create a program that would correct City violations of California Government Code §56133 and would eliminate or reduce islands of unincorporated territory within the City's Sphere of Influence. To this end, Butte LAFCo and the City of Chico signed the *Sewer Service Extension and Annexation Agreement*, which became effective on February 17, 2015; and

WHEREAS, Section 1.01 of the *Sewer Service Extension and Annexation Agreement* required the City of Chico to initiate separate annexations of the Chapman and Mulberry unincorporated island areas pursuant to California Government Code §56375.3 of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000; and

WHEREAS, the Chico City Council conducted a noticed public hearing on April 7, 2015, and adopted Resolution No. 18-15, which initiated the Mulberry island annexation utilizing the island annexation provisions of California Government Code §56375.3; and

WHEREAS, a proposal for the annexation of the Mulberry unincorporated island area to the City of Chico in the County of Butte was heretofore filed by the City of Chico and accepted for filing on May 17, 2015, by the Executive Officer of this Local Agency Formation Commission pursuant to Title 5, Division 3, commencing with Section 56000 of the Government Code; and

WHEREAS, the Executive Officer, pursuant to Government Code §56658, set July 2, 2015, as the hearing date on this proposal and gave the required notice of public hearing; and

WHEREAS, the Executive Officer, pursuant to Government Code §56665, has reviewed this proposal and prepared a report, including recommendations thereon, and has furnished a copy of this report to each person entitled to a copy; and

WHEREAS, this Commission called for and held a hearing on July 2, 2015, and at the hearing this Commission heard and received all oral and written protests, objections and evidence which were made, presented or filed, and all persons present were given an opportunity to hear and be heard with respect to this proposal and the report of the Executive Officer; and

NOW, THEREFORE, the Local Agency Formation Commission of the County of Butte **DOES HEREBY RESOLVE, DETERMINE AND ORDER** as follows:

Section 1. Environmental Action:

- A. The Commission finds that the proposed annexation is Categorically Exempt from the California Environmental Quality Act per Section 15319, Annexations of Existing Facilities and Lots for Exempt Facilities.

Section 2. General Findings and Determinations:

- A. The Commission has considered the factors determined by the Commission to be relevant to this island annexation proposal, including, but not limited to, Butte LAFCo Policies and Procedures, City of Chico Sphere of Influence and Municipal Service Review, the Domestic Water and Wastewater Service Providers Municipal Service Review, the City of Chico 2030 General Plan and 2030 General Plan EIR, the City of Chico Zoning Ordinance, the *Final Report Chapman, Mulberry, and Stewart Avenue Annexation Study*, the Butte County General Plan 2030 and Zoning Ordinance, the City of Chico and the County of Butte Chapman/Mulberry Neighborhood Plans, the *Sewer Service Extension and Annexation Agreement* between Butte LAFCo and the City of Chico, the April 6, 2015, *Letter of Agreement Between the County of Butte and the City of Chico Regarding Transition of the Chapman and Mulberry Neighborhood from the County of Butte to the City of Chico*, and other factors specified in Government Code §56375.3 and as described in the staff report dated June 25, 2015, for the meeting of July 2, 2015.
- B. Pursuant to Government Code §56375.3(a) and adopted Commission policies, the Commission makes the findings related to the proposed island annexation as described in the staff report dated June 25, 2015, for the meeting of July 2, 2015. Having made said determinations, the Commission finds that the proposed annexation of the single island as depicted on Exhibit “A” conforms to the criteria for an “island” annexation as described in California Government Code §56375.3, and the Commission hereby waives the Protest Hearing Proceedings for this action as required in California Government Code §56375.3.
- C. The Mulberry island annexation area shall consist of ninety-seven (97) parcels and the adjacent road right-of-ways, totaling approximately 86.9 acres in size, as submitted by the City of Chico, and described in LAFCo Exhibit “A.”
- D. The subject island annexation area is found to be inhabited and is assigned the following short form designation: 15-18 – City of Chico – Mulberry Annexation No. 1.
- E. The purpose of the annexation of the parcels is to eliminate a heavily urbanized island of unincorporated territory, to support orderly jurisdictional boundaries, and for the provision of efficient and effective municipal services, such as sewer service, police, and fire protection services for existing and future development on the subject parcels. The annexation of the island area will also assist in reducing jurisdictional confusion between the City's limits and the County's unincorporated area and allow residents of the territory to participate in City of Chico civic affairs.
- F. The territory is identified as a Disadvantaged Unincorporated Community (DUC). The annexation of this area is consistent with the requirements of California Government Code §56375(a)(8)(A) and Butte LAFCo Policies.

- G. The annexation is consistent with the environmental justice requirements of California Government Code §56668(o), and the disadvantaged unincorporated community provisions of Government Code §§ 56325 and 56375. Annexation of the territory to the City of Chico will provide residents of the territory the opportunity for additional municipal services and allow them to fully participate in City of Chico municipal affairs, have a voice in city affairs, and be a full part of the City of Chico.
- H. The Commission determines that agricultural and/or open space lands will not be adversely affected by this proposal as the territory is highly developed; there are no agricultural lands associated with the proposal; the territory is designated by the City of Chico for low density residential and public uses; and the territory and surrounding parcels are not designated for agricultural or open space uses as primary uses under the current City of Chico or County zoning and General Plan designations. Therefore, no conversion of designated agricultural or open space lands will occur as a result of the requested annexation.
- I. The annexation is subject to the Amended Master Property Tax Exchange Agreement executed between the City of Chico and the Butte County Board of Supervisors on November 4, 1987. The agreement provides for the County to receive 55% of the property tax revenues and the City to receive 45%, and the City to receive 95% of sales tax.
- J. The proposal is consistent with the City of Chico Sphere of Influence.
- K. The parcels identified in this annexation will be detached from the following districts:
 - 1. County Service Area 164 (Butte County Animal Control District); and
 - 2. Butte County Resource Conservation District.
- L. County Service Area 161 (Mulberry Street Lighting District) will be dissolved because all of the parcels within this CSA will, as a result of this annexation, be within the City of Chico and the City of Chico will provide this service without direct assessment of fees to property owners.

Section 3. Conditions requested by LAFCo:

- A. Pursuant to Section 1.03 of the *Sewer Service Extension and Annexation Agreement* between Butte LAFCo and the City of Chico, and California Government Code §56886, the effective date of the annexation is fixed on July 1, 2020, at which time the Certificate of Completion for the annexation will be recorded and filed with the State Board of Equalization. Prior to the above time limits for filing the Certificate of Completion, the City of Chico may request that LAFCO immediately record the Certificate of Completion. Any such accelerated annexation would require the immediate payment of any outstanding LAFCO charges remaining due.
- B. Pursuant to Sections 1.03(c) and 3.04 of the *Sewer Service Extension and Annexation Agreement* between Butte LAFCo and the City of Chico, the Commission hereby pre-authorizes the connection of developed parcels within

the affected territory to the City of Chico's sanitary sewer system during the five-year period before the annexation becomes effective.

- C. Pursuant to Section 1.04 of the *Sewer Service Extension and Annexation Agreement* between Butte LAFCo and the City of Chico, the Commission deems compliant all unauthorized sewer connections within the affected territory as identified in the Sewer Service Extension and Annexation Agreement.
- D. All LAFCo, County of Butte, and State of California fees must be paid in full pursuant to Section 1.02 of the *Sewer Service Extension and Annexation Agreement* between Butte LAFCo and the City of Chico
- E. The legal description and map may be subject to subsequent technical corrections and if so, will be revised at the expense of the applicant, prior to filing the Certificate of Completion.
- F. The map and legal description shall comply with the State Board of Equalization requirements and if rejected by the State Board of Equalization, shall be revised at the expense of the City.

Section 4. The boundaries, as set forth in the proposal, are hereby approved as submitted and are as described in Exhibits "A" and "B" attached hereto and by this reference incorporated herein.

Section 5. The Executive Officer is hereby authorized and directed to mail certified copies of this Resolution as provided in Section 56882 of the Government Code.

PASSED AND ADOPTED by this Local Agency Formation Commission of the County of Butte, on the 2nd day of July 2015, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAINS:

CARL LEVERENZ, Chair
Butte Local Agency Formation Commission

Clerk of the Commission

Exhibit C



Butte County Administration Paul Hahn, Chief Administrative Officer

25 County Center Drive, Suite 200
Oroville, California 95965

T: 530.538.7631
F: 530.538.7120

buttecounty.net/administration

Members of the Board

Bill Connelly | Maureen Kirk | Steve Lambert | Doug Teeter | Larry Wahl

April 6, 2015

City of Chico
P.O. Box 3420
Chico, CA 95927

County of Butte
25 County Center Drive, Suite 200
Oroville, CA 95965

RE: Letter of Agreement Between the County of Butte and the City of Chico Regarding Transition of the Chapman and Mulberry Neighborhood from the County of Butte to the City of Chico

This document serves as a Letter of Agreement (the "Agreement") by and among the County of Butte (the "County") and the City of Chico (the "City").

This Agreement is made for the purpose of addressing the process of the transition of the Chapman and Mulberry neighborhoods from the unincorporated jurisdiction of the County to the City by the year 2020.

Per the *Sewer Service Extension and Annexation Agreement* between the City and the Butte Local Agency Formation Commission ("LAFCo"), City will initiate the annexation of the Chapman and Mulberry neighborhoods (the "Neighborhoods") by April 30, 2015. LAFCo will record the Certification of Completion of such annexation five years from the date of the LAFCo Commission hearing and approval of the annexation.

During the five year period between the initiation of annexation and the Certification of Completion, the County and City agree to work toward a seamless transition for the Neighborhoods as follows:

1. Public Works. County agrees to continue to maintain roadways. County will continue to take and respond to complaints by the Neighborhoods. County will update the City on neighborhood improvements being planned or implemented, and will also provide City with information on any trends in complaints or neighborhood concerns. If grant opportunities arise that would benefit the area and are consistent with the Chapman Mulberry Neighborhood Plan, County shall consider such grant opportunities and either; advise City and work toward completion of such grant application; or notify City that it will not be pursuing said grant, but will support the City in their efforts to move forward with an application.
2. Land Development. County agrees to flag the parcels within the Neighborhoods in their Trak-IT Land Use System in order to ensure adequate handling of land development inquiries. County shall continue to process all building permits. When proposed development requires discretionary project approval, County will notify City and work together on the process.

LAFCO
APR 17 2015
OROVILLE, CA

LAFCo Exhibit 8

3. Sewer Connection. City and County shall process sewer connection requests per the *Sewer Service Extension and Annexation Agreement*. When an owner of an existing, developed residential property in the Neighborhoods is interested in connecting to sewer, and there is no change in EDUs (equivalent single family dwelling unit flow), additional approval from LAFCo is not necessary prior to sewer connection. If sewer connection within the Neighborhoods is being proposed for property that is currently not an existing residential unit, or if there is a change in EDUs, then the connection to sewer is outside of the City/LAFCo agreement, and LAFCo will need to approve the sewer extension.

4. Code Enforcement. County agrees to continue to provide code enforcement in the Neighborhoods.

5. Public Safety (Police & Fire). County agrees to continue to provide Sheriff and Fire services in the Neighborhoods.

6. Housing Rehabilitation. County agrees to continue to offer housing rehabilitation loans to property owners within the Neighborhoods who are eligible to participate through the County's Housing Rehabilitation Loan Program.

7. Annual Meeting. City and County agree to meet on an annual basis to discuss the transition, and resolve any issues that may have arisen over the previous 12 months. LAFCo will be invited to participate in the annual meeting.

8. Amendment. This Agreement may be amended only in writing and only after approval of all parties.

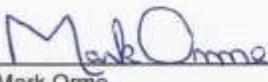
9. Effective Date. This Agreement is effective upon its execution.

COUNTY OF BUTTE

By: 
Paul Hahn
Chief Administrative Officer, Butte County

Date: 4-6-15

CITY OF CHICO

By: 
Mark Orme
City Manager, City of Chico

Date: 4/6/15

Notice of Exemption

Exhibit D

To: Office of Planning and Research
P.O. Box 3044, Room 113
Sacramento, CA 95812-3044

County Clerk
County of: Butte
25 County Center Drive
Oroville, CA 95965

From: (Public Agency): Butte LAFCo
1453 Downer Street, Suite C
Oroville, CA 95965

(Address)

Project Title: City of Chico - Mulberry Annexation No. 1

Project Applicant: Butte Local Agency Formation Commission (LAFCo) / City of Chico

Project Location - Specific:

The Chapman unincorporated island area, located in the south Chico area

Project Location - City: Chico Project Location - County: Butte

Description of Nature, Purpose and Beneficiaries of Project:
Annexation of the 86.5-acre, 97 parcel, Mulberry unincorporated island area to the City of Chico. The annexation will result in logical jurisdictional boundaries, more efficient and effective municipal services, and allow the residents of the subject area to fully participate in the municipal affairs of the City of Chico.

Name of Public Agency Approving Project: Butte Local Agency Formation Commission

Name of Person or Agency Carrying Out Project: City of Chico

Exempt Status: **(check one):**

- Ministerial (Sec. 21080(b)(1); 15268);
- Declared Emergency (Sec. 21080(b)(3); 15269(a));
- Emergency Project (Sec. 21080(b)(4); 15269(b)(c));
- Categorical Exemption. State type and section number: 15319
- Statutory Exemptions. State code number: _____

Reasons why project is exempt:

The unincorporated island area proposed for annexation is highly developed at urban densities. Almost all of the parcels within the subject area are developed. All utility services, including public sanitary sewer service, already extend to the subject area and have the capacity to service the existing development. The density of the subject area is consistent with the City of Chico's General Plan and prezoing for the area.

Lead Agency
Contact Person: Stephen Betts Area Code/Telephone/Extension: (530) 538-7784

If filed by applicant:

1. Attach certified document of exemption finding.
2. Has a Notice of Exemption been filed by the public agency approving the project? Yes No

Signature:  Date: 6-1-15 Title: Deputy Executive Officer

Signed by Lead Agency Signed by Applicant