MEMORANDUM

TO: Local Agency Formation Commission
FROM: Stephen A. Lucas, Executive Officer
SUBJECT: Agenda Item 4.2 - Letter Agreement to Amend the Sewer Service and Annexation Agreement with the City of Chico.

DATE: May 29, 2019 for the Meeting of June 6, 2019

SUMMARY:

The Butte Local Agency Formation Commission (LAFCO) and the City of Chico (City) entered into the Sewer Service Extension and Annexation Agreement (Agreement) in February 2015. The Agreement settled several outstanding issues related to the City's unauthorized extension of sewer services to 62 or more parcels without LAFCO approval. The Agreement pre-authorized the City to extend sewer services to existing development within the Chapman and Mulberry island neighborhoods (Attachment 1) to assist residents with failing septic systems, but restricted sewer extensions to all new and expanded development until the annexation is effective on July 1, 2020.

At its March 7, 2019 meeting the Commission considered the City's request (Attachment 2) to amend the Agreement to allow sewer extensions to expanded/new residential development on residential parcels only and directed staff to proceed with the amendment.

DISCUSSION:

Staff has drafted a Letter Agreement (Attachment 3) that will execute the First Amendment to the Sewer Service and Annexation Agreement which will supersede Section 3.04 (a), (b), and (c) of the original Agreement as follows:

Notwithstanding anything to the contrary in this agreement, the City of Chico is authorized to extend sewer services to all currently existing residentially zoned parcels, both developed and undeveloped, within the unincorporated Chapman and Mulberry island neighborhoods without any further LAFCo approval limitation prior to the annexation of said parcels to the City on July 1, 2020.

ACTION REQUESTED:

Staff recommends the Commission approve the First Amendment to the Sewer Service Extension and Annexation Agreement to allow the City to extend sewer services to all currently existing residentially zoned parcels, both developed and undeveloped, within the unincorporated Chapman and Mulberry island neighborhoods without limitation prior to the annexation of said parcels to the City on July 1, 2020.

Attachments: 1. Map of Chapman and Mulberry islands
2. City of Chico Letter Request - 2/15/19
3. Draft First Amendment to the Sewer Service and Annexation Agreement
February 15, 2019

SENT VIA EMAIL AS A PDF

Butte Local Agency Formation Commission
c/o Mr. Steve Lucas, Executive Officer
Butte Local Agency Formation Commission
1452 Downer Street, Suite C
Oroville, CA 95965

Re: Request to Allow Sewer Service to New Residential Development in the Unincorporated Portions of the Chapman and Mulberry Neighborhoods

Dear Commissioners:
As you are aware, the Camp Fire devastated the Town of Paradise and surrounding areas, resulting in the State of California proclaiming an emergency, and declaring the provision of housing a state priority. In total, almost 14,000 residences were lost. Chico, as the largest neighboring city with commercial, institutional and residential infrastructure and services, saw an unprecedented influx of evacuees in need of a wide range of emergency and nonemergency services, and particularly housing.

Local jurisdictions, including Butte County, the Town of Paradise and the cities of Chico, Gridley and Oroville are working together with state and federal agencies to support fire survivors through the provision of short-, mid-, and long-term housing.

This unprecedented demand for housing has resulted in a number queries for residential development in the unincorporated portions of the Chapman and Mulberry neighborhoods, including an affordable Habitat for Humanity housing project (see attached letter).

Request

In order to facilitate new residential development within the unincorporated portions of the Chapman and Mulberry neighborhoods, the City respectfully requests LAFCo allow sewer service to new residential development prior to the Chapman and Mulberry annexations being recorded in July 2020. This could be accomplished via a side agreement to the Sewer Service Extension and Annexation Agreement between the City and LAFCo. This is an opportunity for a coordinated and collegial effort between the City of Chico, Butte County, and Butte LAFCo to promote much needed infill housing.

The City fully acknowledges its responsibility to annex and serve the Chapman and Mulberry neighborhoods beginning in July 2020. Budget and planning for the annexations is underway.
Please feel free to contact me with any questions at 530-879-6806.

Sincerely,

Brendan Vieg
Deputy Director, Community Development Department

cc: Mark Orme, City Manager
    Supervisor Tami Ritter
    Shari McCracken, Butte County, Chief Administrative Officer
    Tim Snellings, Butte County, Director, Department of Development Services
    Casey Hatcher, Butte County, Economic Development Manager
    File
DRAFT

First Amendment to the Sewer Service and Annexation Agreement
Between the City of Chico and the Butte Local Agency Formation Commission

LETTER AGREEMENT PROVISIONS

To respond to the emergency housing needs in the County created by the Camp Fire, the City of Chico and the Butte Local Agency Formation Commission agree to amend the Sewer Service Annexation Agreement between them that was effective February 17, 2015 with respect to the following conditions concerning the extension of City sewer services within the unincorporated Chapman and Mulberry island neighborhoods:

Section 3.04 Eligibility Criteria for Extension Extensions Pre-Approved

Only properties that meet the following criteria shall be eligible for approval by LAFCo of an out-of-agency extension of services:

(a) Limited to Developed Parcels. Only developed parcels utilizing on-site sewage disposal systems (septic systems) prior to the date of execution of this Agreement are eligible for municipal sewer connections. There shall be only one sewer connection per abandoned septic system for a single EDU (equivalent single family dwelling unit flow).

(b) Undeveloped Parcels Not Eligible. Undeveloped unincorporated parcels will not be eligible for out-of-agency connection approval. Undeveloped parcel owners seeking sewer service connections from the City would be directed by the City to submit an application for annexation.

(c) Expansions of Existing Uses Limited. Any new or additional development on already developed parcels that involves a change in use or intensity of use and would require the payment of new City of Chico sewer connection fees for additional EDU’s would not be allowed to connect under the provisions of the Agreement. Parcel owners seeking sewer service connections from the City are to be directed by City to contact LAFCo staff. LAFCo staff would then review the situation and recommend that the City either submit an individual extension of services request or initiate an annexation, depending on the circumstances.

Notwithstanding anything to the contrary in this agreement, the City of Chico is authorized to extend sewer services to all currently existing residentially zoned parcels, both developed and undeveloped, within the unincorporated Chapman and Mulberry island neighborhoods without any further LAFCo approval limitation prior to the annexation of said parcels to the City on July 1, 2020.

This first amendment to the Sewer Service Annexation Agreement will supersede all conflicting provisions of the Annexation and Sewer Service Agreement.

The undersigned hereby agree to the provisions of this Letter Agreement as set forth hereinafter.

Butte Local Agency Formation Commission

Date ____________________________  By:  Carl Leverenz, LAFCO Chair

City of Chico

Date ____________________________  By:  Mark Orme, City Manager