MEMORANDUM

TO: Local Agency Formation Commission
FROM: Stephen A. Lucas, Executive Officer
SUBJECT: Agenda Item 4.2 - City of Chico - Requested Amendment to Sewer Service and Annexation Agreement to Allow New Residential Development
DATE: February 27, 2019 for the Meeting of March 7, 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 completed. The City is now requesting (Attachment 2) that the Agreement be amended to allow sewer extensions to expanded/new residential development on residential parcels only.

BACKGROUND:

The 2015 Agreement was intended to address a number of issues, one of which was pre-authorizing City sewer extensions to all existing residential dwellings in the Chapman and Mulberry neighborhoods. New or expanded development requires the City either submit an individual extension of services request or initiate an annexation, depending on the circumstances. The following sections of the Agreement are applicable to this matter:

- Section 1: The City agreed to initiate annexation of Chapman and Mulberry neighborhood islands and the LAFCO agreed to delay the effective date of annexation to July 1, 2020.
  
  This has been accomplished and the annexation will be recorded in 16 months. Prior to the above time limits for filing the Certificate of Completion, the City may request that LAFCO immediately record the Certificate of Completion.

- Section 2: The City agreed to make a single comprehensive application, to LAFCO for after-the-fact approval of the connections to Non-Compliant Properties.
  
  This has been accomplished.

- Section 3: The City agrees that no further sewer service extensions will be made to properties outside City boundaries without obtaining prior LAFCO approval and that the following criteria apply to all future sewer extension requests within the Chapman and Mulberry neighborhood islands:
3.04  (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.

Discussion

This request is a simple contrast in perspectives. One option is for the City to immediately annex the subject area as allowed by the Agreement thus removing all LAFCO involvement from sewer transactions with City within the Chapman-Mulberry neighborhoods. The other option is for LAFCO to allow sewer service extensions to expanded/new development now, pending annexation in July 2020. Both options would allow new residential development to access sewer services.

While the Commission has been consistent in its desire to seek annexations in order to receive City services, this scenario is somewhat unique due to the impacts of the Camp Fire. Chico services are severely stressed at this time due to the population growth resulting from the Camp Fire. This surge of people has impacted streets, law enforcement, sewer services, fire/emergency medical responses, and nearly every other aspect of the City’s functions. Staff agrees that the immediate/advanced annexation of the Chapman Mulberry neighborhoods does place an additional burden on the City at a time it is struggling to accommodate an increased population and its impacts. The County of Butte Board of Supervisors has also submitted a letter (Attachment 3) in support of the City’s request.

STAFF RECOMMENDATION: Staff recommends the Commission direct staff to draft an amendment to the Sewer Service Extension and Annexation Agreement to allow the City to extend sewer service connections to expanded or new residential development only within the Chapman and Mulberry islands.

ACTION REQUESTED: Consider the City of Chico's request to amend the Sewer Service Extension and Annexation Agreement to allow the City to extend sewer service connections to expanded or new residential development within the Chapman and Mulberry islands and provide direction to staff.

Attachments:  1. Map of Chapman and Mulberry islands
               2. City of Chico Letter Request - 2/15/19
               3. County of Butte Letter of Support - 2/26/19
February 15, 2019

COMMUNITY DEVELOPMENT DEPARTMENT
411 Main Street - 2nd Floor  (530) 879-6800
P.O. Box 3420  Fax (530) 896-4726
Chico, CA 95927  http://www.ci.chico.ca.us

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 of 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
January 17, 2019

City of Chico
Marie Demers, Housing Manager
411 Main Street
Chico, CA 95928

RE: Annexation of Mulberry lots – 005-465-023-000, 005-465-024-000 and 005-465-025-000

Dear Marie:

Habitat for Humanity of Butte County is submitting this letter regarding the 3 lots on Mulberry Street that Habitat currently owns with the help of the City of Chico. We are aware that these lots are to be annexed into the City of Chico in July 2020. Given the heightened need for housing and especially affordable housing in our community that the Camp Fire has produced, Habitat would like to obtain permission to begin working on the construction on these lots before the annexation date. Timing is of the essence and there is a sense of urgency to help with the recovery process and to get more families into permanent and safe housing. We know there will be a larger pool of candidates from Paradise and the surrounding communities in the coming months that will qualify for a Habitat home. It is our desire to start on these homes in August/September 2019 and to finish sometime around February/March 2020. More than ever, each home built is a blessing in our community. Thank you for considering this request.

If you have any questions, I can be reached at 343-7423 or nicoleb@buttehabitat.org. Thank you for considering this request.

Sincerely,

Nicole Bateman
Executive Director
February 26, 2019

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:

The Camp Fire was the most destructive wildfire in California history. The fire burned nearly 14,000 homes in the Town of Paradise and the unincorporated communities of Paradise Pines, Magalia, Concow, Yankee Hill, Pulga, Butte Creek Canyon, Butte Valley, and surrounding areas. The Camp Fire created devastating impacts to housing availability throughout Butte County. Fire survivors continue to search for temporary and permanent housing options so they may remain in the community near jobs, medical providers, and community support systems.

The cities of Biggs, Chico, Gridley, and Orville along with the Town of Paradise and Butte County have all taken steps to help provide options for temporary housing. This includes actions from relaxing zoning requirements to accommodating group sites for FEMA mobile housing units. Each of the local jurisdictions has welcomed fire survivors whose homes were destroyed by the Camp Fire.

The City of Chico has experienced an influx of fire survivors in need of housing. The City has also seen a need for housing for residents whose homes were not damaged or destroyed by the fire, but whom were displaced because of the fire. This unprecedented demand for housing has created several inquiries for residential development in the unincorporated portions of the Chapman and Mulberry neighborhoods, including an affordable Habitat for Humanity housing project.

The Sewer Service Extension and Annexation Agreement between Butte LAFCo and City of Chico does not allow connection to sewer for expansion of existing uses of development of vacant parcels in the Chapman and Mulberry areas until annexation. This provision does not allow housing stock to be built during this unprecedented housing shortage. The Board of
Supervisors supports Butte LAFCo allowing sewer service to new residential development prior to the Chapman and Mulberry annexations being recorded in July 2020.

The Butte County Department of Development Services is ready to coordinate with the City of Chico Community Development Department on expansions of uses and new developments in the communities.

Thank you for your consideration of this request.

Sincerely,

Steve Lambert, Chair
Butte County Board of Supervisors

cc: Mark Orme, City Manager, City of Chico