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CITY OF VALPARAISO

ANNEXATION POLICY

I. Purpose

Well-planned growth and annexation is a priority for our City, and without a clear policy on annexation, decisions can become politically or emotionally charged. This document is to be used as a guide and reference for consideration of all annexations to the City of Valparaiso (the "City") whether voluntary or involuntary. This policy serves as the foundation for the additional research necessary to guide decisions regarding each annexation. Groups such as the Plan Commission, City Council, and City Staff will use this policy when considering annexation petitions. Finally, this policy will be incorporated into the Comprehensive Plan.

II. Introduction

During the past several decades the Northwest Indiana region has experienced considerable growth, and this has also been true for the greater Valparaiso area. It can be expected that this growth will continue and possibly increase due to our location on the southeast edge of the Chicagoland area. Since 1960 the City of Valparaiso has enjoyed a slow and steady growth rate of approximately one percent annually.

Although the city has seen a considerable amount of growth and development during this period, it should not be expected that this level be sustained without thoughtful expansion of the city's boundaries in the coming years. One of the City's goals is increased homeownership. We need to provide additional land for development within our boundaries, as there is little undeveloped land for this purpose. Many cities that have not regularly pursued annexation have experienced slowed or no growth, and thus have stagnated or even declined due to increased costs for the provision of services and lack of additional landowners to share those costs.

City and County data shows that approximately 100 new housing starts were permitted in the City in 2003, while the unincorporated areas of the County saw 450 new homes built in the same time period. These levels have remained about the same over the past several decades. It should be noted that a large number (165 or 32% of the total 509 permits in 2003) of Porter County housing starts were located in Center Township, in areas surrounding and in close proximity to the City of Valparaiso boundaries.

It is important that the City of Valparaiso enact policies that will ensure that the city continues to thrive, while increasing its share of desired development. One could argue that the City has a lot to gain, not only in financial terms, but also in increased quality of life, etc. if it were to capture a larger number of housing starts within city limits. Besides an increased tax base, the city would enjoy other benefits such as more efficiency in the provision of services, more logical boundaries, the inclusion of more urban area within its borders, as a result of carefully pursued annexation of contiguous territory. This could be accomplished through influence such as planning and development decisions and land use controls. The growth of the greater Valparaiso area depends on the services, facilities and institutions located within the City of Valparaiso.

This document details many of the considerations for annexation including conformity with Indiana law, as well as a list of general policies with regard to annexation, and finally it suggests next steps and identify areas for further study.

III. Population Statistics

The 2000 Census of Population states that Valparaiso had 27,428 inhabitants. According to the same source, Valparaiso had 24,414 people in 1990 and 22,247 in 1980. This represents a 10-12% average growth rate over the past few decades. During the same time period, the unincorporated areas of the County and Center

Township experienced a similar growth rate to that of the City. It should be noted that a larger portion of the residential growth in the City is attributed to multiple family dwellings and apartment complexes, whereas the reverse is true in the County, where most of the new residential units are detached single-family units.

IV. Roles of City Administration, Staff, Plan Commission and Council

Each of these individuals/entities has a specific role in the process of annexation. First, the Mayor sets the overall city goals and objectives including this policy, and the staff takes in petitions for, or initiates annexation of areas based on these objectives. The petition is then introduced to the Plan Commission, which conducts a public hearing and considers all aspects of the annexation petition, and develops a recommendation to the Council either in support of, against, or neutral to the request. The Commission then passes the petition on to the Council for consideration. The council then begins the intricate process of review involving another public hearing following the adoption of the fiscal plan. They ultimately vote to approve or deny the annexation ordinance as introduced. Finally, after annexation, the action is recorded with the County, and the appropriate City departments amend all applicable documents and notify the appropriate agencies, individuals, etc. as to the property being incorporated into the City.

V. Local Documents/Studies pertaining to Annexation

The following documents discuss growth and development in the Porter County and Valparaiso area. They offer data and in some cases, suggestions regarding this topic.

a. City of Valparaiso Comprehensive Plan (2003)

The Comprehensive Plan is a blueprint for the future development of the City. It is a policy that is used to help guide future decisions regarding land use. It is suggested that this document be reviewed and revised every five years. Boards and Commissions such as the Plan Commission and City Council should use it as a roadmap to identify and promote the land use and development goals of the City.

b. City of Valparaiso Growth Management Plan (2000)

As a section of the Comprehensive Plan, the Growth Management Plan is a detailed presentation of the land use goals for the remainder of Center Township and the westernmost portion of Washington Township. This section describes the suggested land uses, as well as other facets of the City's growth and development including environmental areas such as green space and greenways, a plan for future transportation needs, considerations for utilities, and other issues. This plan should be given special consideration in annexation requests.

c. NIRPC 2030 Regional Transportation Plan (2004)

This plan is developed by the Northwestern Indiana Regional Planning Commission (NIRPC), the Metropolitan Planning Organization for our region, every five years. The plan is completely re-written every ten years. It is a detailed account of the major transportation planning priorities for our region. Included in this document is a map that identifies areas considered urban and suburban within the Northwest Indiana region. The map is developed with input from various sources, including local governments. It is used to identify which areas are designated as urban and rural, and it changes as the region evolves and grows. Areas considered urban may have a greater number of opportunities for funding through grants or matching funds for City projects. The 2030 plan is the first time the Valparaiso community has been considered part of the northwest Indiana/Chicago urban area. Prior plans showed our city as a stand-alone urban community surrounded by rural area.

d. Porter County Land Use Plan (2001)

This work is the County's equivalent to our Comprehensive Plan. It is used as a tool to implement the County's overall land use priorities. The goals and objectives as well as land use suggestions contained in it are a useful reference for City and County officials to use when making decisions regarding annexation. Like the Comprehensive Plan, it should be reviewed and revised every five years. All areas under consideration in the annexation study area are described by this plan. Parts of this plan are consistent with those of the City, and some are different. Conflicting opinions on land use should be addressed through intergovernmental cooperation and exchange of ideas.

Future revisions of both this and the City's Plan should be based on collaboration and agreements between City and County.

VI. State Annexation Statutes and Timelines

Indiana Code (IC 36-4-3) clearly delineates the process for annexation. It details the statutes and timelines for voluntary and involuntary annexations.

a. Indiana Code IC 36-4-3

The first consideration for annexation requires that any annexation territory must be at least 1/8 or 12.5% contiguous (connected) to existing City Boundaries. In addition an area is not allowed to be less than 150 feet wide where directly adjacent to the city boundary in order to count toward the contiguity requirement. The statute further requires that a fiscal plan for the provision of utilities and other services to the area be drafted and approved prior to any public hearing on an annexation request. As with any other land use action by a legislative body, a public hearing must be held, notice is sent to interested parties, and the request is published in a newspaper of local circulation. A description of the proposed annexation area, size of the area, and any special terms must accompany the annexation in order to be considered for approval as an ordinance. The annexation petition is first considered by the Plan Commission, which recommends action to the City Council. The Council then considers the petition and the recommendation of the Plan Commission, and ultimately votes on the passage of the request.

State statute defines two major types of annexation: voluntary and involuntary. According to the language of the statute, a voluntary annexation is one in which at least fifty-one percent (51%) of the property owners or the owners of at least seventy-five percent (75%) of the assessed value for the area in consideration have signed a petition for the action and waive the right to remonstrate against annexation of their property. A petition for voluntary annexation must include a title very similar to "Petition for annexation into the City of Valparaiso" along with the appropriate number of signatures as described above. The council has 150 days in which to approve or deny an ordinance for annexation, or the applicant(s) may ask a court of law to approve or deny the request.

Another form of voluntary annexation is one in which one hundred percent (100%) of property owners file the application. In this case, the same publication and notification requirements listed above do not apply (see below). The Council must approve or deny an ordinance within sixty (60) days of application in this case in order to avoid action by a court of law on the request.

An involuntary annexation is one in which at least fifty-one percent (51%) of the owners of property or the owners of at least seventy-five percent (75%) of the assessed value have not signed a petition for annexation. It should be noted that in all annexations except those in which one hundred percent of property owners have petitioned, remonstrance from interested or aggrieved parties may be filed. In order for a remonstrance to be filed, at least sixty-five percent (65%) of the property owners or the owners of at least seventy-five percent (75%) of the assessed value within the area to be annexed must sign a written remonstrance. In this case, a court of law holds a hearing regarding the remonstrance, and ultimately determines if the annexation shall stand or be denied.

b. Annexation Timeline

In addition to the conditions mentioned above, IC 36-4-3 specifically outlines the timelines for each step in an annexation. All annexations except the 100% voluntary type as described above must adhere to the following time restrictions while at the Council level (additional levels of approval are permitted by the State, including Plan Commission recommendation):

- Prior to mailing of notification (at least 61 days prior to hearing) – Fiscal plan introduced and adopted by Council
- No earlier than Day 60 – Public hearing by Council on proposed annexation
- At least 60 days prior to hearing – Publication as noted above and notice mailed to affected parties
- Not less than 30 and not more than 60 days after hearing – Adoption of Annexation ordinance by Council

- Following adoption – Publication of Ordinance
- 90 days following publication of ordinance – Annexation is effective

In cases of annexation requested by 100% of property owners the restrictions are:

- No notification requirements
- At least 20 days prior to public hearing – Publication in local newspaper
- After hearing but prior to adoption of ordinance – Council may adopt a fiscal plan for the annexation
- No later than 30 days following filing – Public hearing on proposed annexation at council
- No less than 14 days following public hearing – Adoption of Ordinance by Council
- Following adoption – Publication of Ordinance
- 90 days following publication of ordinance – Annexation is effective

VII. Why Annex/Not Annex?

a. Why Annex? – Positive aspects of Annexation

Annexation allows the City more opportunity to guide growth and development at its urbanized fringe. The City can extend sound planning principles including transportation planning, environmental preservation, code enforcement, urban zoning with stricter development standards, and so on into surrounding areas. Annexation offers opportunities for controlled growth and development as well as potential for new economic development areas. Through annexation, the City can better control how and where new development that relies on municipal services takes place. Annexation can also be a chance to incorporate areas of strategic importance to the City.

Annexation also provides an opportunity for the City to maintain urban order and identity in and around its boundaries. Annexation allows the City to incorporate urban fringe areas – areas considered urban in character, and the inclusion of the true socioeconomic, cultural, and physical urban area of the Community. The opportunity for sensible growth management and the progress toward a more logical City boundary as well as the potential for a reduction of urban sprawl around the city also presents itself during consideration of an annexation petition.

One of the benefits of annexation is the realization of an increased property tax base and income-based taxes subject to levy caps. This spreads the cost of services over a larger number of taxpayers and gives some relief to the existing city residents and business owners. It also results in a more appropriate sharing of this responsibility and tax equity situation.

Outlying areas, if not annexed, benefit from City services and facilities, and contribute to city needs/problems (traffic, parks, drainage, etc.) without contributing to the City's financial health. Annexation gives fringe residents a voice and responsibility in the City in which they live/call home. At the same time, the City can benefit from additional residents for filling volunteer positions, appointments, elected positions, and for new ideas, participation, etc.

Finally, each petition allows a chance for the preservation of quality of life for City residents by extending community's identity and values to the new area. The City can often provide superior services (municipal sewer and water) to residents in fringe areas; thereby further enhancing quality of life. Another positive attribute of annexation is it allows for the protection of City interests and investments – For example, it may allow us to ward off potential encroachment from other entities, such as utilities, and compatibility with conservancy districts, etc. in areas that should logically be served by the City. Incorporation of additional land may also facilitate provision of City services thereby allowing us to decide when and where to extend our services. The city tends to allow a denser development pattern, which could lead to increased efficiency in the provision of capital services such as sewer and water. It should also be noted that many State and Federal grant and matching fund programs are population or area based, thus annexation may result in additional opportunities for the city.

b. Why Not Annex? – Possible negative issues to consider

Cases may arise in which it is not appropriate or desirable for the City to annex a certain area. Some scenarios in which this may be the case include those areas that would demonstrate an unacceptable cost/benefit for the City, whether short or long term in nature. If a proposed annexation would lead to a larger burden on existing City taxpayers, it should be avoided except in cases where extenuating circumstances or threats to public health exist. The same should be true if it would be difficult to provide utilities to the properties. Finally, the area included in the annexation may not be desirable for a number of reasons, such as low assessed value, the existence of a large number of code violations including poor property upkeep and maintenance, and substandard infrastructure. As a last consideration, it may be that the property is not strategically important to the City's priorities and goals.

VIII. Annexation Policies

The following is a set of policies for use in considering a petition for annexation. It is strongly suggested that careful thought be given to each of these statements, and that substantial compliance with the statements be required for the best interest of the City, its residents, and those included in an annexation area

- A. First and foremost, all annexation decisions shall conform to State statutes.
- B. Moreover the following three areas of priority exist in order of importance:
 - 1. Areas of undeveloped land for commercial, industrial growth located adjacent to existing city limits that meet contiguity requirements
 - 2. Areas currently served by City water and/or sewer not within the corporate boundary
 - 3. Areas of strategic importance or deemed desirable not connected to City utilities
- C. As stated in the Growth Management Plan, the guidelines for prioritization of annexation should include consideration of the following major items in order of importance:
 - 1. Ability to meet State contiguity requirements
 - 2. Infrastructure capacities and feasibility of provision of services
 - 3. Exploration of cost/benefit ratio through a detailed fiscal plan
 - 4. Undeveloped areas in close proximity to existing City limits
 - 5. Importance of control of entrances to the city
- D. More specifically stated, the following points of policy should be considered:
 - 1. All annexation shall take place in accordance with State statutes. Any annexation that does not comply with these requirements shall be prohibited.
 - 2. Incremental growth is suggested near existing city limits as municipal utility and departmental capacity permits. Annexation should be considered based on the availability of utilities.
 - 3. One of the goals of annexation is a reduction in the tax burden upon existing property owners in the City. All annexation should have a positive impact on the city financially. Areas of the county that are considered a liability for any reason shall be avoided unless they are of strategic priority or that benefit the City in some fashion that mitigates the financial impact.
 - 4. Waivers of remonstrance shall be required for the extension of City utilities in the event that a property cannot or is not desirable for annexation to the City (such as lack of contiguity). These waivers shall be recorded for the subject property, and shall remain with the property rather than a particular owner. Actual annexation should be obtained as soon as practicable if contiguity is the only obstacle to annexing property.
 - 5. The City shall pursue the development of a standard recorded compact-style agreement for the extension of City utilities as authorized under state statute IC 36-4-3-2. This would include an agreement whereby owners of property that is connected to City utilities, but is not annexed, are required to pay a substantial percentage of the City tax levy that would have resulted with annexation.

6. Annexations that would result in the creation of islands or peninsulas of unincorporated area shall be avoided if possible. Annexation of existing unincorporated island or peninsula areas is suggested, including those that would result in the annexation of portions of these areas, thereby making them smaller.
7. An agreement for transfer of jurisdiction within annexation areas or development of an area of influence shall be pursued with Porter County in order to facilitate the permitting process and ensure compliance with City standards during the annexation period.
8. An urban services boundary shall be developed for consideration of the provision of utilities and services within areas proposed for development. Property being considered for annexation shall be located within an urban service boundary, and within the Annexation study area until such time that an urban service boundary is established. The boundary shall be reviewed and revised accordingly on a regular recurring basis.
9. It should be a goal of the City to annex all areas served by the City utilities not located within the city limits within ten (10) years of adoption of this policy.
10. Upon annexation, City utilities and services shall be made available within the requirements and time limits dictated by Indiana Code.
11. Annexations of larger than five acres are strongly encouraged in order to avoid smaller piecemeal annexations of single parcels. This encourages the collection of a number of parcels for annexation at one time.
12. A regular review of this policy shall take place in conjunction with a review of the Comprehensive Plan in order to maintain its effectiveness and appropriateness as the community continues to evolve and develop

IX. The Fiscal Plan

As required by State statute, the fiscal plan is perhaps one of the most important pieces of information and its contents should be seriously considered with all annexation petitions. At a minimum, a fiscal plan shall include: background data and statistics related to the proposed annexation area, revenue analysis including a description and detail of one-time revenues as well as an accounting of annual or recurring revenues generated by properties in the proposed annexation area, and a detailed cost analysis including consideration of one-time costs and annual or recurring revenues. Finally, all other considerations should be investigated, and a clear and concise summary including a review of State and local requirements, and cost/benefit breakdown, and an overall assessment of impact of the project to the City.

In addition to the above standard components of a fiscal plan, consideration should be given to specific departmental and financial impacts. Sources of revenue for financing required infrastructure or service improvements must be identified, and a timeline for these improvements must be included. Proof of adherence to State requirements for provision of services must be provided. Specifically these requirements are that any annexed territory be provided with the same services as any similar area of the City, and that all non-capital services be provided within one year (Police, Fire, Trash, Street Cleaning/Plowing, etc), and all capital services (Sewer, Water, Drainage, etc.) be provide within three years of annexation.

X. Components of the Annexation Petition

In order for City staff to properly process an annexation request, All applications shall include the following materials as a minimum:

- o A fully executed annexation application
- o Plan for extension of City utilities – proof of sufficient capacity for City utilities, and proof of no significant negative impact on City systems, facilities, etc.
- o Assessed value (copy of Auditor's property record)
- o Names and addresses of all property owners included in annexation area
- o Legal Description of Annexation area
- o Map of proposed annexation area including detailed dimensions and comparison to existing boundary and surrounding lands
- o A zoning Plan, including proposed and existing uses and zoning on property

XI. Study Areas/Areas of Influence

The following areas concur with those identified in the City of Valparaiso Growth Management Plan (Camiros, 2003). It is strongly suggested that the City complete an Annexation study including each of the areas listed below in order to properly identify specific areas for annexation through careful and thorough analysis. Refer to Figure 3 - Sub areas Map in the document as a guide to locate of each of these areas.

- West - Westside
- North - Lakes Area
- East/Northeast - Eastside/SR 49 Area
- Southeast – SR49 & US 30 Industrial Area
- South/Southwest – West US 30/South SR 2 Areas

XII. Conclusion

This document has been prepared to assist decision-making regarding annexation. Care must be taken in order to comply with all State statutes. The information provided herein will aid in more complete and intelligent decisions by the City regarding future annexation requests. It is our goal that the policies stated above be substantially adhered to in order for annexation to have the least negative impact on the City and its residents, and that the positive attributes and reasons for annexation may be more easily identified and applied to future decisions regarding City growth.