

SOUTHEAST EXTENDED ANNEXATION STUDY REPORT

November, 2006

Memphis and Shelby County Division of Planning & Development

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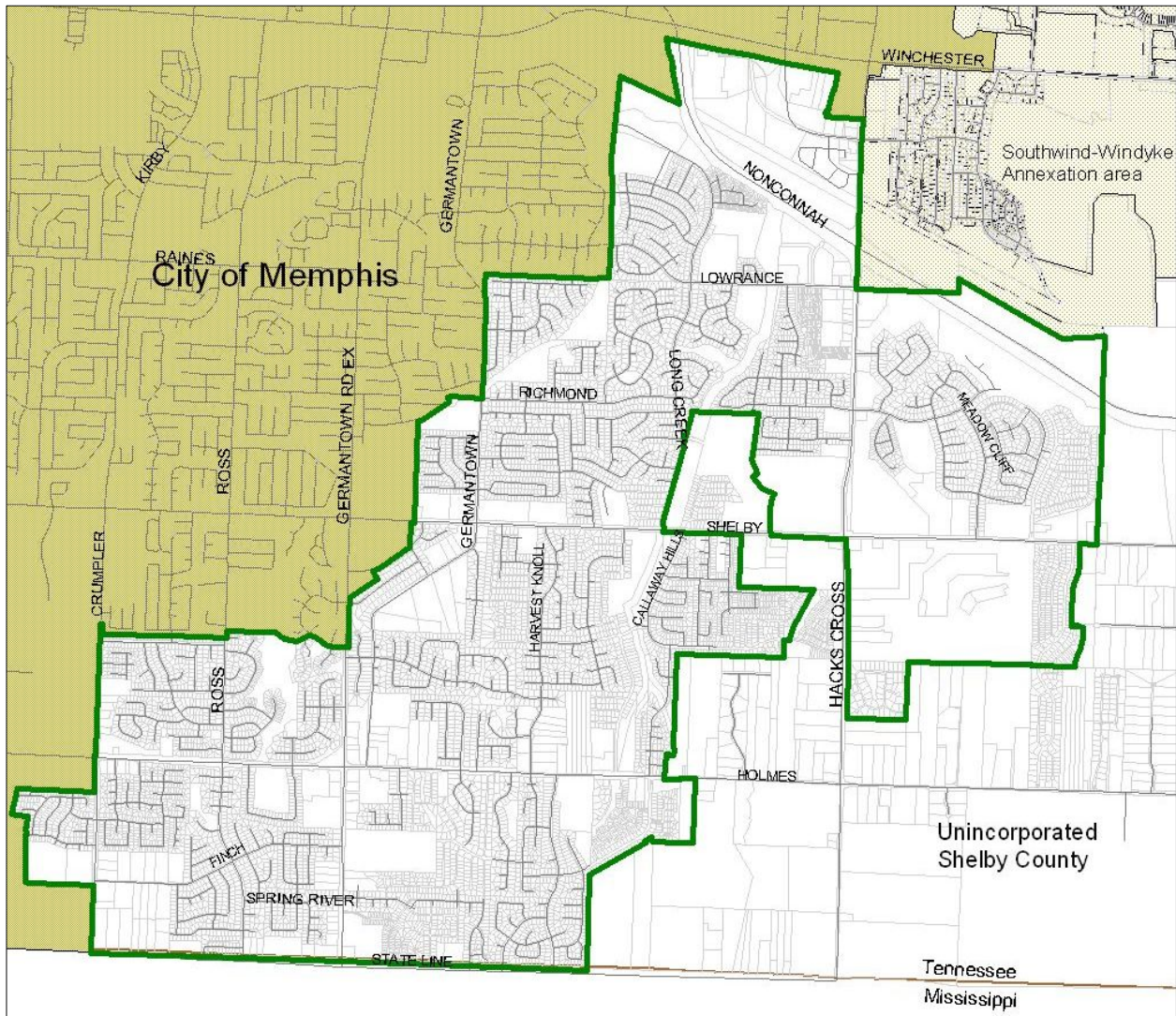
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I. INTRODUCTION

This study examines the current and future development patterns of the Southeast Extended Annexation Area and presents the costs and revenue projections of this area becoming a part of the City of Memphis.

The Southeast Extended Annexation Area, herein called the Study Area, encompasses approximately 6 square miles. A detailed boundary description of the area is provided in Appendix A, and the boundaries are shown on the Southeast Extended Map.



II. GROWTH TRENDS IN THE STUDY AREA

POPULATION AND HOUSING

The Southeast Extended Study Area has experienced a significant increase in residential development since 1990. The Office of Planning & Development conducted a field survey in 2006 and counted 10,491 dwelling units which corresponds to an estimated population of 28,091.

The Southeast Extended Study Area encompasses 4,005 acres of land or approximately 6.3 square miles, with a population density of 4,494 persons per square mile. Most of the housing units consist of single-family structures. Between 1990 and 2006 the population and housing stock multiplied dramatically. Much of this area is nearly built out and the population projections indicate more moderate growth for the next five years. Table 1 displays the projected numbers of population and housing units through 2011.

EXISTING LAND USE - 2006

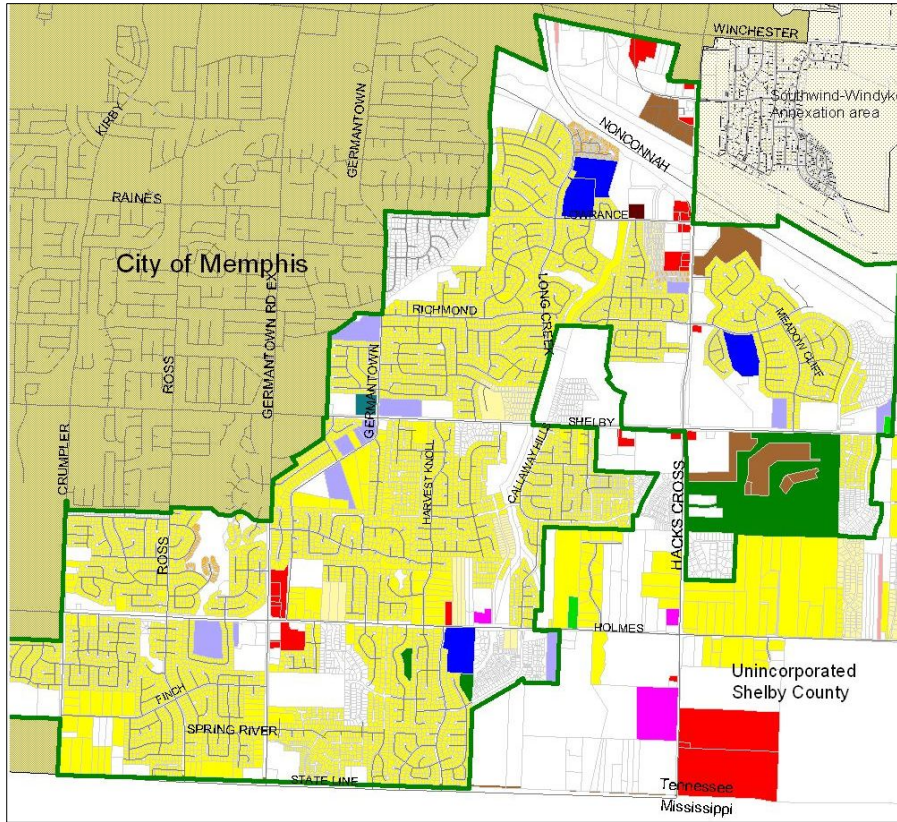
Residential development is the dominant land use in the Study Area. Most of the residential component is made up of single-family detached dwellings. There are three major apartment developments.

Commercial uses are located along the major roads.

There are some areas of vacant land.

The following map and table show the proposed annexation area and the acres by land use type.

Southeast Extended Annexation Area Existing Land Use Map



Southeast Extended Annexation Area	Acres	Percent
Vacant	1,152	29
Residential, Single Family Houses	2,429	61
Residential, Apartments	126	3
Commercial	121	3
Office	1	0
Institutional	165	4
Park/Recreation	11	1
Total	4,005	100.0%

In order to project future development, the past growth trends were applied with consideration of available vacant land. Based on past trends and available land, housing units are expected to grow at a moderate rate for the next 5 years. The resulting projections are shown in the following table:

OPD PROJECTIONS

	Housing Units	Population	PPH
2007	10,491	28,091	2.78
2008	10,596	29,457	2.78
2009	10,702	29,752	2.78
2010	10,809	30,049	2.78
2011	10,917	30,349	2.78

SOUTHEAST EXTENDED ANNEXATION AREA PROPOSED. PLAN OF SERVICES

Southeast Extended receives the majority of its services at a rural level through Shelby County Government and the Shelby County School Board. Once the area is annexed, services will be provided by the City of Memphis at an urban level similar to existing areas of the City. The provision and timing of such services is subject to funding availability. The city and county may work out services agreements as needed for areas adjacent to the new city territory that are made difficult for the county to serve.

FIRE SERVICES

EXISTING SERVICES - SHELBY COUNTY

Southeast Extended is currently served by Shelby County Fire Department.

PLANNED MEMPHIS SERVICES

Upon annexation the City of Memphis will provide immediate service to this area from existing fire facilities. An additional ambulance will be provided for the area, through existing facilities and supplemental personnel and equipment, which will offer services that will be equal to that currently provided to all City of Memphis residents. Hydrants and water supplies will be brought up to the City of Memphis standards.

POLICE SERVICES

EXISTING SERVICES - SHELBY COUNTY

The study area is presently within Sheriff's Patrol.

PLANNED MEMPHIS SERVICES

Following annexation, patrolling, radio response to calls and other routine police services will be provided by the City of Memphis on January 1, 2007. Supplemental personnel and equipment will be necessary for this service. The area will be served through the existing facilities.

The City of Memphis Police Department will provide many services that will result in a significant improvement over and above the services currently being provided by the County Sheriff's Department. These services are provided as a result of Memphis' position as a large metropolitan law enforcement agency. Due to low demand for these services in small communities and the relatively high cost of provision, these services are traditionally available only through large agencies.

A partial list of these services includes: the aviation squad (an emergency response team for the location and apprehension of criminals or lost/abducted individuals); the integrated criminal apprehension program; computerized communication system; the

canine squad; Police Service Technicians and marked traffic units; hostage negotiation team; and the crisis intervention team. The City Police Department offers numerous crime prevention programs such as personal safety, child safety, robbery prevention and a comprehensive neighborhood watch program.

PARKS AND RECREATION FACILITIES

EXISTING SERVICES - SHELBY COUNTY

At the present time there two county parks operated by the Shelby County Conservation Board within the Study Area; Lowrance Park and Highland Oaks Park.

PLANNED MEMPHIS SERVICES

The City of Memphis will ensure that park and recreation facilities available to the annexed area meet the standards compatible with the rest of the city. The two county parks may be transferred to the city. Nearby parks in the county and city can also serve recreation needs for the annexed population. Further park land acquisition is not required at this time.

A recreation program adapted to the existing facilities will be extended to the annexed area on January 1, 2007. The Memphis Division of Park Services will offer an array of recreation activities and programs similar to that currently offered to City residents.

SOLID WASTE MANAGEMENT SERVICES

EXISTING SERVICES - SHELBY COUNTY

The County does not provide any type of garbage pickup in the Study Area. All current sanitation services are contracted by residents with private refuse firms.

PLANNED MEMPHIS SERVICES

Refuse collection service will be provided by the City in the annexed area beginning in 2007. All single family residences will receive weekly curbside garbage collection using city-provided carts, weekly recycling collection and weekly curbside trash pickup. Commercial uses will continue to be served by a private sanitation service. Other sanitation services provided by Memphis include regularly scheduled street sweeping, weed-cutting on public rights-of-way and vacant lots, clean-up of illegal dumping, and collection of roadside litter.

SANITARY SEWER SERVICE

The area is currently served by Memphis sewers. When needed, construction of new collector sewers in the previously developed portions of the annexed area will be

completed in accordance with priorities set by the governing body through the Capital Improvement Program. Residences and commercial and industrial properties will then be connected to those sewers in accordance with current policies. Wastewater from the existing sewers of the annexed area will continue to be treated by the City treatment plant(s) in accordance with State and Federal regulations on January 1, 2007.

PUBLIC WORKS ACTIVITIES AND SERVICES

Overlay of new surfaces on existing streets and paving the final 1 ½” on new subdivision streets, traffic signals, traffic signs, street markings and other traffic control devices will be provided as the need thereof is established by appropriate engineering studies and in accordance with appropriate traffic engineering standards.

Emergency maintenance, (repair of hazardous pot holes, measures necessary for traffic flow, etc.) will begin on January 1, 2007. Memphis will assume all responsibility January 1, 2007 for maintenance of the public streets and storm water drainage within the study area. Routine maintenance, on the same basis as in the present City, will begin in the annexed area when funds from the State gasoline tax based on the annexed population are received. Drainage improvements in the previously developed portions of the annexation area will be made with priorities set by the governing body through the Capital Improvement Program and the current City policies regarding emergency repairs. Memphis will also erect traffic signs and signals as conditions warrant them.

Reconstruction and resurfacing of streets, installation of storm drainage facilities, construction of curbs and gutters and other such major improvements as the need thereof is determined by the governing body, will be accomplished through the Capital Improvement Program of the City and the provisions of the Subdivisions Regulations.

WATER, ELECTRIC AND GAS SERVICES

Memphis Light, Gas and Water provides gas, water and electricity to the entire study area. Once the annexation is effective, MLG&W will install and maintain streetlights on all streets within the study area.

The Memphis Light, Gas and Water Division will provide electrical service throughout the annexed area utilizing the distribution system existing on January 1, 2007 at the same rates applicable throughout the balance of the City, and thereafter from new lines in accordance with current policies of the City.

Water for domestic, commercial and industrial use will be provided at City rates from existing lines on January 1, 2007. Thereafter, water will be provided from new lines as

extended in accordance with current policies of the City. The City will purchase any additional lines owned by the Shelby County Board of Public Utilities. Water for fire protection is generally available throughout the area to be annexed. The installation of new fire hydrants and additional water lines to meet the standards applicable in the City will provided as warranted.

The Memphis Light, Gas and Water Division will provide gas service throughout the annexed area utilizing the distribution system existing on January 1, 2007 at the same rates applicable throughout the balance of the City, and thereafter from new lines in accordance with current policies of the City.

LAND DEVELOPMENT SERVICES

The Office of Planning and Development conducts the comprehensive planning and zoning administration for both Memphis and Shelby County. The Office of Planning and Development will continue to perform the same functions for the Study Area following annexation as it did before. Similarly, the Land Use Control Board and the Board of Adjustment, which serve both the City and the County governments, will continue to perform the same functions following annexation.

Planning, zoning and subdivision regulations for the unincorporated area of Shelby County as contained in the Joint Ordinance and Resolutions numbers 2524, 3064 and 3352 respectively, and as they may be amended, are also the planning, zoning and subdivision regulations for the City of Memphis. The services provided by the Office of Planning and Development, the Land Use Control Board and the Board of Adjustment will continue to be the same in the annexed area after January 1, 2007. The existing zoning of the annexed area will be maintained until the need for changes is determined by the governing body in accordance with the Zoning Ordinance.

At present, zoning changes, planned unit developments and sewerer subdivisions proposed in the Study Area require approval from both the City of Memphis and Shelby County legislative bodies. Following annexation, approval from only the Memphis City Council will be required. The joint zoning regulations now in effect will continue within the annexed area.

Any inspection services now provided by the City (automobile, housing, weights and measures, sanitation, etc.) will begin in the annexed area on January 1, 2007.

All City of Memphis administrative, health, construction codes, and similar services and regulations will apply to the area on January 1, 2007.

EDUCATIONAL FACILITIES

PLANNED MEMPHIS SERVICES

Memphis City Schools (MCS) makes decisions about the need and location of all city schools for students in the city. MCS along with the Shelby County School System will determine how to serve students and coordinate the transfer and planning of appropriate facilities to meet the needs of the newly annexed area. The area contains 3 county elementary schools and 1 county middle school. There is a joint city/county high school under construction.

MCS also provides such services as specialized programs for the intellectually gifted (CLUE), optional schools (performing arts, medical/engineering, open education, pre-engineering, etc.), the Orff music program, specialized programs for the physically challenged, and programs for students who are at risk academically. All of these programs will be available to the students in the Study Area.

LIBRARIES

The annexed area includes the East Shelby Branch Library. It is the duty of Memphis Public Library and Information Center to ensure the preservation and transmission of society's knowledge, history and culture, and to provide the people of Memphis with free and open access to information for education, recreation and reference.

HOUSING AND COMMUNITY DEVELOPMENT

The City of Memphis Division of Housing and Community Development provides several programs that deal with neighborhood redevelopment initiatives which include but are not limited to affordable housing as well as public health and safety. These programs are available to citizens living within the Memphis city limits. The programs provided by HCD that offer housing assistance (HARP, Down Payment Assistance) requires that citizens go through an application process to meet eligibility qualifications based on city residence, income levels (low to moderate), homeownership/occupancy, non delinquent tax status and first time homebuyer. Other residential housing services supported by HCD address compliance to the city's housing code ordinances which will include the assignment of a code inspector to the annexation area. In addition, HCD provides assistance to non profit organizations that offer services to special needs individuals (AIDS, physically challenged, seniors, etc.). These programs will be accessible to the community after the annexation is completed.

OTHER PUBLIC SERVICES

Animal Control Services

In addition to the previously described urban services, the City of Memphis will provide animal control services to the annexed area. This will include enforcement of Memphis dog licensing and leash laws, complaint response, rabies vaccinations for dogs and cats and other animal control activities.

V. FINANCIAL ANALYSIS

The operating and capital costs presented in this section represent estimates and projections of the additional expenses that would be incurred as a result of annexation. They should not be considered as budgets for the specified fiscal years. Expenditure changes or re-allocations could occur through refinement of the preliminary plans for providing City-level services.

REVENUE ANALYSIS

Annexation of the Southeast Extended Study Area will result in additional revenues for the City of Memphis from the following sources:

- 1) property tax revenues, based on assessed valuation;
- 2) state-shared revenues, based on population as determined by a census of the annexed area;
- 3) city service fees, gross receipt taxes, auto fees and telephone franchise taxes based on the number of housing units;
- 4) state aid and distribution of funds for education based on the number of public school students; and
- 5) local option sales tax revenues from this area.

Revenues are estimated in Table 3 for fiscal year 2007 through fiscal year 2011. Growth of the revenue base was projected according to population and housing growth as shown in Table 2. All tax rate and distribution formulas were assumed to continue unchanged during the period. The revenue estimates are of course subject to many uncertainties, such as the impact of the economy upon state-shared taxes and upon the rate of growth in the area.

FIVE YEAR CAPITAL COSTS
SOUTHEAST EXTENDED ANNEXATION AREA
FISCAL YEARS 2007-2011

<u>CAPITAL COSTS FOR SOUTHEAST EXTENDED</u>		TOTAL
Fire Services	New equipment	140,000
Police	Additional equipment/served by existing Northeast Precinct at 6850 Whitten Bend Cove	184,000
Parks Services	No new parks required at this time	0
Traffic Engineering	Traffic signal maintenance Signs and markings	160,000 82,000
Public Works	Solid waste capital costs Street maintenance Drain maintenance	649,000 1,250,000 210,000
MLGW	Water distribution-install water mains and fire hydrants	1,600,000
Emergency management	Install 3 warning sirens	60,000
General Services	Personnel and materials	90,157
Public Services and Neighborhoods	2 vans complete with caging 2 radios for vans	74,000 5,000
<hr/> TOTAL		\$ 4,504,157

FIVE YEAR OPERATING COSTS
SOUTHEAST EXTENDED ANNEXATION AREA
FISCAL YEARS 2007-2011

<u>OPERATING COSTS FOR SOUTHEAST EXTENDED</u>		TOTAL
Fire Services	Supplemental personnel	2,791,317
Police	Supplemental personnel	700,000
Parks Services		220,750
Traffic Engineering	Traffic signal maintenance	59,000
	Signs and markings	22,000
Public Works	Solid waste private hauler contract	845,520
	Heavy equipment ditch maintenance	12,000
	Drain maintenance	15,000
	Street lighting maintenance	1,083,240
	Environmental storm water	13,500
	Environmental storm water mapping	30,000
Emergency management	Personnel and materials	182,000
Public Services and Neighborhoods	Operations of branch library	700,000
General Services	Right-of-way mowing	20,000
TOTAL		\$ 6,694,327

FIVE YEAR REVENUE ANALYSIS
SOUTHEAST EXTENDED ANNEXATION AREA
FISCAL YEARS 2007-2011

GENERAL FUND REVENUES

Property Tax*	38,004,478
Automobile Fees	3,911,854
State Shared Revenues	11,601,110
Telephone Franchise Fees**	938,845
Cable TV Fees	9,461,211
Solid Waste Fees	10,423,683
Local Sales Tax	16,599,472
TOTAL GENERAL FUND	\$ 90,940,653

DEBT SERVICE REVENUES

Property Tax	15,715,549
State Shared Tax	4,290,821
TOTAL DEBT SERVICE REVENUES	\$ 20,006,370

OTHER REVENUE

Storm Water Fees	270,000
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TOTAL CITY REVENUE **\$111,217,023**

BOARD OF EDUCATION REVENUES (INFORMATION ONLY)

Property Tax (Pass through from City to Memphis City Schools)	19,422,447
Sales tax	16,599,472
TOTAL BOARD OF EDUCATION REVENUES	\$ 36,021,919

* Reflects 94% collection rate.

** The collection of the telecommunication franchise fee is uncertain for the future due to unsettled litigation.

APPENDIX A
BOUNDARY DESCRIPTION
SOUTHEAST EXTENDED STUDY AREA

(See attached map).