

STAFF REPORT

To: Mayor and Town Council
From: Rocklynn Culp, Planner and Jake Gates, Public Works
Superintendent
Date: May 6, 2025
Re: **Larkspur Annexation Staff Report**

This staff report is to be entered into the record. It presents the information available prior to the public hearing. Additional information may be generated through the public hearing.

Annexation Proposal

This annexation proposal originated through a letter of intent to annex submitted to the Town by Methow Housing Trust (MHT), Signe Shaw, and Bart and Deb Schuler. The letter of intent was accepted by the Town Council at the March 5, 2025, meeting. In that motion the Town Council opted to geographically modify the annexation area to include adjacent land owned by the Town and Bonnie Smith. They also established that the annexation would require adoption of the Comprehensive Plan and assumption of indebtedness.

Following the acceptance of the letter of intent, the annexation proposal is advancing through three separate petitions, as follows:

- Methow Housing Trust submitted a petition to annex parcels 3421020539 (MHT), 3421020536 (Shuler), and 3421020540 (Shaw). That petition was accepted by the Town Council on March 19, 2025. The Shaw parcel was subsequently removed from the legal description included in this petition (see below). The area encompassed by this petition is approximately 6 acres, with the vast majority of the area owned by MHT. MHT's stated purpose for requesting annexation is to develop housing.
- Signe Shaw, owner of parcel 3421020540, submitted a letter to the Town Council removing her parcel from the MHT petition and submitting a separate petition. The council accepted the separate Shaw petition for annexation on April 16th. The Shaw parcel has access from Filer Avenue and would be developed without any relationship to the MHT property. The area encompassed by this petition is approximately 1/3 of an acre. The purpose of this annexation request is to construct a single home consistent with the adjacent R1 zone.

- The Town added a third petition encompassing parcels 3421020526 (Smith), and parts of parcels 3421020528 (Town), 3421020525 (Smith), and 3421020052 (Town). This petition will be considered by the Town Council on May 7th. Smith has indicated consent by signing the petition. The area added by this petition is approximately 1.7 acres. Adding this area ensures that Smith’s property is entirely in Winthrop rather than split between the Town and Okanogan County. It also brings the trailhead portion of the Meadowlark Natural Area under the Town’s jurisdiction.

See the attached Figure 1 which illustrates the area included in each of the three petitions. The three petitions will be considered together in the public hearing; and thereafter may proceed together or separately depending on their own merits.

What will annexation accomplish?

Annexation will bring land that is currently adjacent to the Town boundary under the Town’s jurisdiction. That means that Winthrop’s land use regulations would apply, Winthrop would issue permits for any development, and Winthrop would receive a share of the property tax revenue collected for the properties. If the area is not annexed, any development would still access from Town streets, and would likely utilize town water, but the Town would not receive any property tax revenue.

The primary purposes underlying this annexation proposal is to bring the Larkspur Flats area into town for the purpose of extending existing residential neighborhoods as identified in the 2015 Comprehensive Plan.

How does the Town make decisions about annexation proposals?

When we consider an annexation petition, we turn to our Comprehensive Plan and other planning documents to determine whether the land is suitable to be under the Town’s jurisdiction. Among the plans to consider are our 2015 Comp Plan, 2023 Housing Action Plan, 2024 Water System Plan, and 2025 General Sewer Plan. Annexation proposals that are consistent with the Town’s long-range planning should be considered seriously.

Annexation methods are outlined in state statutes, and the Town of Winthrop uses a petition method. The process has multiple steps as outlined the attached Annexation Procedures, and is further explored on the [MRSC Website](#) and [MRSC Annexation Handbook](#).

Once a petition is accepted, the Town begins a process to consider the impacts and benefits of the annexation, during which time the Planning Commission will conduct a public hearing in accordance with WMC Title 19 (Administrative Procedures). The Council may ask staff to conduct a cost-benefit assessment and outline terms for an annexation agreement. Zoning will typically be assigned based on the Comprehensive Plan objectives for the area.

Finally, when analysis is complete, the Town Council will schedule its own public hearing and decide whether to annex the property. Annexation is accomplished by the Town Council adopting an ordinance.

What does Winthrop’s Comprehensive Plan say about annexing this area?

Winthrop’s 2015 Comprehensive Plan identifies this as a potential annexation area labeled as “Heckendorn East”. It is contiguous with the existing town limits, in between two existing neighborhoods with a flat area that would be relatively easy to develop.

1. Here is some analysis of how this annexation proposal fits with the goals and policies set forth in the Annexation and Growth Element.

Goal 1 Encourage the development of existing incorporated areas prior to any further annexation, so as to ensure that Town infrastructure, resources and services are allocated first to lands within the corporate limits.

Analysis: The Town works to encourage the development of existing lands by planning for adequate water and sewer systems. We have greatly advanced our planning in those departments over the past five years thanks to the emphasis Public Works has put into updating our water and sewer system plans. Our newly adopted Water System Plan includes the proposed annexation area in the retail service area and the calculations support serving the area without loss of capacity. The General Sewer Plan adopted earlier this year also includes the proposed annexation in the planning area. Neither plan identifies detrimental impacts to capacity with inclusion of Heckendorn East in the Town’s water and sewer service areas.

Additionally, we seek to support development by providing zoning regulations that foster a range of uses that benefit our community. Although we have a fair amount of vacant land, including a handful of large undeveloped parcels that are zoned for residential development, there are significant impediments to the development of those parcels for affordable housing. Barriers to development include topography, critical areas (steep slopes, habitat areas), owner’s intent to preserve undeveloped land, challenges with access, and the expense of building water and sewer mainlines and roads to serve future development. See Figure 2 – Developable Residential Land Analysis.

Goal 2 Plan for the logical extension of Town boundaries through annexation of lands within potential annexation areas, provided annexation offers benefits to Winthrop consistent with the goals, policies and recommendations of this Plan.

Analysis: This proposal is consistent with Goal 2 in that it requests annexing an area listed in the Comp Plan for purposes that are consistent with many of the Plan’s goals, policies and objectives.

Policy 2.1 Proposed annexations should be subject to a cost/benefit analysis including assessment of all costs to the Town; approval should require a showing of reasonable assurance of a positive benefit to the Town.

Analysis: Staff conducted a cost/benefit analysis which finds that the annexation proposal would on balance be beneficial. See Attachment A – Cost/Benefit Analysis.

Policy 2.2 The Town should require an accompanying development proposal for the approval of any annexation petition. Development proposals should provide for sewer, water, streets, and other Town services, concurrent with the development of the property.

Analysis: Following annexation, MHT indicates that they would apply for a planned development to build a neighborhood like others they have built in Winthrop and Twisp. They have indicated that they would develop up to 24 homes, depending upon what fits on the site. Under a PD they would improve water, sewer and access to Town standards. They have submitted a draft annexation agreement which would establish terms for subsequent development.

Policy 2.3 The Town should require annexation prior to extension of any Town services beyond the incorporated limits. Annexations should only be approved with the applicant’s provision of complete utility extension and access plans for the development/annexation.

Analysis: The Town and Applicant have discussed the requirement to extend Town utilities to serve development. We know based on consultation with our engineers that it is possible to extend water and sewer service to the property. Design of the extensions will follow our standard process which happens concurrently with a specific development proposal.

Policy 2.4 Develop, implement, and maintain utility plans that include potential annexation areas within planned service areas.

Analysis: The Heckendorn East area is included in our planning and service areas for both water and sewer. More information about this is found below in the section on water and sewer capacity.

2. Next comes analysis of the proposal in light of related goals and policies from the Land Use Element:

LU Goal 1: Accommodate Winthrop’s anticipated population and economic growth in a sustainable manner, consistent with the community’s character, environment, resources, and quality of life.

Analysis: This proposal is consistent with LU Goal 1 in that it requests annexing an area that the Town has been intentionally planning for since the adoption of the 2015 Comprehensive Plan. The Comp Plan deemed it a suitable area for annexation because it is flat, located in between two existing neighborhoods, and easy to serve with extensions of town water and sewer lines. It is “sustainable” because development of that area was analyzed by our engineering consultants and found to be within existing system capacities (resources). It contributes to a sustainable development pattern because it will be simpler and more cost effective to develop than comparable

parcels (5 acres or more) already in town. MHT indicates they intend to build single-unit homes, which is consistent with the character of existing neighborhoods.

Property lines in the Larkspur Flats annexation area were altered in 2020 to create a configuration that allowed the Town to purchase 139 acres (Meadowlark Natural Area) from the Methow Conservancy. Meadowlark is permanently protected as an open space in perpetuity under a Deed of Right to Washington State. At the time the remaining six acres were held by Methow Conservancy in recognition that the flat area would be ideal for housing as established in the Comp Plan.

LU Policy 1.1 Provide for development within the capacity of Winthrop's resources and capacity to deliver public services and infrastructure.

Analysis: Water and sewer system plans both contain capacity analysis that explicitly include the "Heckendorn East" area. More information about this is found below in the section on water and sewer capacity.

LU Policy 1.2 Land use designations and development regulations should reflect the local character and environment, so as to preserve views, maintain open space, enhance access to outdoor recreation, and promote the western theme.

Analysis: This policy refers to the broad "land use designations" that set the stage for zoning. Our Comp Plan designates all residential areas as "neighborhood residential." Under that designation, specific zoning districts are expected to provide for medium density development of up to 8 residential units per acre (R1, R2, and PR) or higher density of up to 14 units per acre (R3). Our Comp Plan does not "pre-designate" potential annexation areas, which are the equivalent of our Urban Growth Area, but sets the stage for them to be designated and appropriately zoned concurrently with annexation. In this case, the area would be designated "neighborhood residential."

LU Policy 1.3 Limit consideration of annexation proposals to those which further the land use goals and policies of this plan, and which are consistent with Winthrop's resources and ability to provide services.

Analysis: As noted above, staff finds that annexation of the proposed area is consistent with the goals and policies of the Comp Plan, and that we have adequate water, sewer, and staffing capacity to handle subsequent residential development.

LU Policy 1.4 Give precedence to annexation of islands over proposals that extend the Town boundaries.

Analysis: Larkspur Flats is nearly surrounded by properties owned by the Town (Meadowlark) or in the Town's jurisdiction. The cemetery is not in Town but is a public entity with an established use that will not change.

LU Policy 1.7 Require that the costs associated with land development such as road access, parking, stormwater drainage, environmental review and compliance, and the design and installation of utilities, be borne by developers or public-private partnerships that provide a net benefit to the public. Such costs may include impact fees and off-site improvements necessary to maintain or develop capacity.

Analysis: MHT understands that any subsequent development of their property will require analysis and development of water, sewer and roads that meet town standards. They are prepared to enter into an annexation agreement that addresses these items and to apply for a planned development that will provide specific details necessary to determine what on- and off-site improvements will be required.

3. The “Residential” subsection of the Land Use Element offers more related goals and policies:

Goal R1 Protect neighborhood character by providing safe and pleasant residential areas.

Analysis: This is the first goal for the Residential section of the Land Use Element. The term “neighborhood character” can be nebulous and easily cited to oppose any perceived change in a neighborhood. However, it must be noted that the Town’s role in protecting neighborhood character is limited and defined in the policies below.

Policy R1.1 Ensure that the Zoning Code and Official Zoning Map set forth residential designations encompassing suitable areas for neighborhood development.

Analysis: The basic shape and “density” of Town’s zoning districts was established many decades ago and follows the lines of old neighborhoods. As Winthrop has grown and evolved, those lines have shifted, but the overall density has remained the same (with the exception that we now allow ADUs as an extension of a single dwelling). Larkspur Flats is sandwiched between two neighborhoods that are characterized by single family dwellings on lots ranging from 5,000 square feet up to one acre.

Policy R1.2 Adopt standards that provide for safe, quiet, aesthetically pleasing residential areas. Standards should include, and are not limited to the following:

- *Regulations for building setbacks, structure height, and maximum lot coverage that serve to protect views, allow for privacy, and maintain a pattern of development consistent with neighborhood character.*
- *Regulations for keeping of animals so as to provide opportunities for residents to keep domestic pets and domestic farm animals while minimizing nuisance impacts.*
- *Require off-street parking for residential uses.*

Analysis: This policy is the one that points most directly to what the Town can do to preserve “neighborhood character.” We can establish regulations that enable a certain pattern of development. In Heckendorn and the Wister Way neighborhood, the pattern of development has

been almost exclusively single-unit homes; however, both zones allow duplexes; and R2 also allows multi-unit housing. Thus, the existing pattern of development reflects landowner preferences rather than what the code itself permits.

As we consider how “neighborhood character” might extend to Larkspur Flats, there are three zones that could be applied in a manner consistent with the existing neighborhoods: R1 encompasses the Heckendorn neighborhood; Wister Way to the north is R2; and Planned Residential (PR) is a relatively new zoning designation that is based on R2 and has specific standards for planned development. See the table below.

Lot size, density and setbacks by residential zoning district (excluding R3 which is higher density):

	R-I	R-II	Planned Residential (PR)
Minimum lot size	5,000 sq. ft.	10,000 sq. ft., 20,000 sq. ft. for PD	Determined by PD Without a PD 10,000 sq. ft.
Maximum density, without PD permit	1 du/5,000 sq. ft.	1 du/5,000 sq. ft.	1 du/10,000 sq. ft.
Maximum density with PD permit	N/A (same as without)	1 du/5,000 sq. ft.	1 du/5,000 sq. ft.
Setbacks	5’ rear, 10’ side, 10- 25’ front	10’ rear & side, 10-25’ front	Established by PD

Policy R1.3 Ensure that allowed and conditional uses in residential zones are compatible with the desired neighborhood character.

Analysis: Extending the residential zoning of those neighborhoods would not change the character of the neighborhood, though it may change the perception of open space. A planned development may result in homes on smaller lots, but overall density across the landscape will be under 8 units per acre.

It should be noted here that MHT intends to develop a neighborhood that will look like existing neighborhoods in Winthrop, Twisp and Mazama. MHT homes are intended to remain “permanently affordable” through the community land trust model. Home sales are subsidized to be affordable to households making as little as 60% of area median income (AMI) up to 150% of AMI. Each home is bound by the terms of a 99-year renewable ground lease that ensures permanent affordability. MHT sells homes to households that meet eligibility requirements for income, assets, and local residency. They maintain a waiting pool of eligible households that hovers consistently around 65 households.

4. Here is analysis of the proposal as it relates to the Transportation Element:

Policy T3.2 New development should dedicate roadways as public, with sufficient ROW width to meet design standards and provide for complete streets.

Analysis: For several years, we have endeavored to move in the direction of policy support for connected roadways. This is a bit of an uphill battle because it requires significant investment from developers and often cooperation among multiple landowners. Our current street standards were established by Ordinance 397 in 1993. Our standards call for public ROW to be 60' for residential streets, while the roadway is only required to be 28' (two 10' travel lanes with 4' shoulders). That leaves a balance of 32' of unused space in a configuration that takes a significant bite out of developable land. Our standards create a disincentive for developers to build public roadways due to the amount of land it takes up. As a result, developers typically opt for unpaved private roadways.

The Planning Commission and staff have had several discussions on changes to our street standards that would create an incentive for developers to dedicate public streets in line with the Comprehensive Plan policy. Such incentives may look like allowing narrower ROW and alternative paving materials such as Otta Seal and address multimodal and complete streets. Street standards are on the Planning Commission's current workplan and annexation may hasten action to update our street standards.

In addition to the 1993 street standards, the Town has adopted a Complete Streets ordinance and a multimodal plan – *Winthrop in Motion*. The multimodal plan identifies Wister Way as a proposed "shared street" route. The plan recommends marked at-grade pedestrian lanes or shared streets with no specific markings in residential neighborhoods.

MHT has indicated they are prepared to dedicate a public street and address pedestrian circulation through Larkspur Flats. The configuration of the street and any pedestrian facilities will depend on how the property is laid out through a planned development or subdivision. During that process, the Town will require a traffic analysis and determine suitable design parameters based on applicable codes.

Policy T3.3 New development should provide ROW easements from adjacent streets to adjacent developable property for purpose of connectivity.

Analysis: As staff have considered the potential for annexation and development of Heckendorn East, we have been particularly focused on the need for connectivity, which is critical for safety in our wildfire prone area. Methow Conservancy, as the previous owners of the Larkspur Flats 6-acre parcel came up with a potential solution for access to Perry Street through a private parcel, which MHT subsequently acted upon by purchasing the property needed to make the connection. This connection would meet the objectives of our Comp Plan, and staff believe this is adequate for the purpose of annexation.

Subsequent development of the property would trigger additional traffic analysis and help us determine conditions for access and connectivity. The connection to Perry Street will be of particular interest since the parcel between Larkspur and Perry Street is wide enough for a street but not wide enough to provide 60' of ROW. The traffic analysis would help us understand the impacts of different

options for access from Wister Way and Perry Street. We anticipate that road access to Larkspur Flats will be a key issue for resolution during a planned development process.

5. Finally, here is some analysis of related goals and policies from the Housing Element:

Goal H1 Pursue funding and expertise to complete an assessment of existing and needed housing.

Analysis: This goal was the beginning of a ten-year process during which the Town has paid much more attention to the issue of housing affordability. Following the adoption of the Comp Plan, the Methow Valley Long Term Recovery Group initiated a task force that guided the drafting of a valley-wide housing needs assessment. In 2022 and 2023, Winthrop obtained funding for our own Housing Action Plan which resulted in an updated housing need assessment. See below for further discussion of the Housing Action Plan.

Policy H2.1 Support efforts of organizations and/or agencies with the capacity to promote affordable housing development in Winthrop.

Analysis: With this policy, the Comprehensive Plan establishes the intent that the Town actively work with other agencies and organizations to promote affordable housing in Winthrop. To this end, the Town has enacted new policies and regulations that specifically aim to expand the range of affordable housing options and to support the efforts of entities (such as MHT and Housing Authority of Okanogan County) that aim to produce housing that is affordable on local wages.

What guidance does our Housing Action Plan offer?

Our Housing Action Plan (HAP) represents a culmination of several years of focus on our urgent local housing situation beginning with the Town Council's adoption of a 2021 resolution declaring a housing crisis. That resolution states that the Town will *"work collaboratively with officials at all levels of government, as well as citizen groups and organizations that are actively working to address the Methow Valley housing crisis."*

To that end, Winthrop endeavored to take the lead on engaging the valley-wide community in a planning effort to understand our demographics and housing needs, the existing regulatory framework, infrastructure needs, and our capacity to absorb development of much-needed housing. The HAP highlights the fact that our community needs to take an ongoing active role in addressing housing needs. The following points are particularly notable in light of this annexation request:

- *The cost of housing has outpaced wages 4:1 over the past 5 years: Median home prices have more than doubled since 2018; to afford the median home, a household of two needs to make at least 2.5x median income.*
- *Employers have identified housing as a primary barrier to full staffing – from service industry to professional and technical employees.*

- *The Methow Valley needs about 430 more units of housing for full-time residents **today**. This number represents members of our community that live in “informal housing” today.*
- *Development costs coupled with market forces have resulted in underproduction of housing supply, particularly in units that are affordable for local people who derive their income from the valley economy.*
- *Due to constraints on land and water resources and the need to adapt to changing climate conditions, most housing development must happen within the two municipalities and at higher density than the existing pattern of development.*

HAP co-author and Planning Commission member Simon Windell provided an updated chart showing the known gap in housing production against the need identified in the HAP:

Methow Valley Housing Needs Chart:

Household Income (% of AMI)	Example Local Job	2023 HAP Unit Need	HAOC Wildrose Apartments	Catholic Charities Apartments	MHT CLT Home Pipeline	Milltown Pipeline	Unit Gap
30-50%	Part Time Service Industry SSI	122	20	48			54
50-80%	Caregiver / Bus Driver / Full Time Service / Small Business Owner	105	2				
80-100%	Firefighter / Nurse / Entry Level Teacher	48					
100-120%	Police Officer / Experienced Teacher / Physicians Assistant / Non-profit Director	39			52	100	160
>120%	Experienced Biologist / Utility Leadership	122					
TOTAL		436	22	48	52	100	214

The HAP does not explicitly address whether the Town should annex Larkspur Flats; it does however provide rationale for the Town to support efforts that supply affordable housing for local residents.

What is our capacity to serve this annexation area with water and sewer?

Our newly adopted Water System Plan and General Sewer Plan both included modeling and capacity analysis that specifically includes the Heckendorn East potential annexation area. Based on lot sizes consistent with the adjacent Residential 2 zoning, the public works department requested the analysis for both plans use a hypothetical scenario of 30 ERUs/single family homes.

As detailed in our plans, the Town needs to make some significant investments in water and sewer infrastructure. We also need to continue our efforts to secure additional water rights. Given that we need significant water and sewer improvements as the town continues to grow, we requested our engineering teams from Varela (Water Plan) and G&O (Sewer Plan) to weigh in on whether we could serve development of the Heckendorn East annexation area.

Water System Plan: I conferred with Nathan Hutchens from Varela to confirm: *“The figures included in the final water system plan include water demand growth that accounts for the annexation areas from the 2009 buildout analysis including Heckendorn East; those areas are included in the urban growth area, service area, and water rights place of use.”* He added that, *“The WSP identifies improvements that will be needed to serve the projected growth; however, the order in which improvements are implemented depends on where that growth occurs. If the developer has approached the Town for developing that property, some additional analysis of that specific area is needed to determine whether the Town has adequate capacity to serve the development and if not, what improvements (i.e., distribution system upgrades or replacements) would be necessary to serve the new development. Typically, the developer would pay for the Town’s engineer to run a hydraulic analysis of the proposed development to determine whether service is feasible and what, if any, improvements are necessary.”*

Per WSP Figure 1, Retail Service Area, the Town *“has a duty provide new water service connections upon request as outlined in WAC 246-290-106.”* We routinely require hydraulic/fire flow analysis for any proposed development, and condition approval of development plans on the construction of necessary improvements. In this case we have identified the possible need to upsize a water line in Wister Way as well as the need to extend public lines to serve any subsequent development. Given Department of Health’s recent approval of 260 additional connections and the inclusion of Heckendorn East in our water service area, staff believe we have adequate capacity to support annexing Heckendorn East. Specific development proposals following annexation would require analysis with regards to necessary line improvements.

General Sewer Plan: I conferred with Adam Miller from G&O regarding our capacity to provide sewer service to Heckendorn East based on the draft GSP. Here is his response:

- *The development is included in the existing General Sewer Plan (GSP). However, in the GSP it is shown to be connected within 20 years.*
- *The WWTP currently has capacity for an additional 30 ERUs. The WWTP is having violations and is need of upgrade, but an additional 30 ERUs should not have a significant impact on the WWTP. Heckendorn East flows will not be a problem when the WWTP is upgraded.*
- *The sewer pipe immediately upstream of the Perry Street lift station will be over capacity in approximately 20 years. The Heckendorn East development will not put this pipe over capacity.*

- *The existing Perry Street lift station is currently at or over capacity. The existing lift station has trouble keeping up with sewage flows during periods of high use. An additional 30 ERUs will not have major impacts on the lift station but will add flow. The Town should watch the lift station carefully. The lift station is anticipated to be upgraded with WWTP improvements and will have no capacity issues after the upgrade.*

He concluded: “We feel that the Town can connect Heckendorn East and no further analysis is required.” Based on this input, staff believe annexation of Heckendorn East is viable for the sewer system, and that subsequent development proposals would also require analysis and design to ensure it meets our standards.

What about our staff capacity to serve the added land area?

With annexation and town jurisdiction comes the need to provide services to the added land area; including water and sewer as discussed above; streets; law enforcement; and permitting. Public Works staff will need to read additional meters, and the billing clerk will need to process those bills. Up to 30 additional households will not add significantly to their workloads. The Public Works department will need to maintain approximately one quarter mile of new street connecting Wister Way to Perry Street, and they are prepared to absorb this additional work. The Marshal’s Office does not anticipate any change to the level of service they can provide based on the annexation and potential development. The Planning and Building departments are prepared to handle any additional permitting needs associated with the additional area.

What impact might annexation have on Town revenues and expenditures?

Initially, prior to any development, the Town would receive its share of the property tax levied by Okanogan County for undeveloped land. Following development, the Town would receive those revenues based on the assessed value of the homes. MHT has provided an informational sheet that explains how property taxes are levied and how MHT homes are valued by the Okanogan County Assessor. Winthrop splits our property tax revenues as follows: 89% goes to the street fund, 10% goes to the current expense account, and 1 % to a parking improvement fund.

Our water and sewer systems are each self-sustaining. Rates are set to cover operations and maintenance and to fund reserves. The costs of new lines to serve development are borne by the developer. Those improvements are warrantied and bonded for a year to ensure they function as intended before the Town assumes responsibility for maintenance. The development of around 24 homes on Larkspur Flats would result in additional rate payers to the system and any costs would become part of the overall system. See Attachment A – Cost-Benefit Analysis for more information.

What comments and concerns have we heard to date?

When Methow Housing Trust initially submitted their letter of intent to annex in November last year, there was a swift reaction from several residents in the Perry Street neighborhood. At the time MHT paused their annexation request and took some time to invite people to learn more about their

proposal. In the months since that initial letter, the Town Council has received many comments about the potential annexation and development of Larkspur Flats. The Planning Commission has been provided comments directed to the Town Council on the letter of intent and petition. Comments directed to the Planning Commission for this public hearing will be forwarded as well.

The following is a summary of the nature of the comments:

- **Support.** A slate of comments from organizations that participate in the Housing Solutions Network supported the annexation request. Additionally, individuals living both in and out of town submitted letters supporting the proposal. The comments noted that annexing Larkspur Flats would be consistent with Town planning efforts and provide needed housing.
- **Density.** Several people commented with concerns about the density of homes that could be developed. Some suggested limitations on the number of homes.
- **Habitat & Open Space.** Some comments noted concerns that development of housing would eliminate open space and potentially impact habitat values.
- **Costs & Impact on Town Resources.** Concern was raised that the Town risks stretching resources by annexing this area, and that taxes generated through the development would not be adequate to support impacts. A couple of commenters were concerned that a national reduction in funding would make it harder for the Town to absorb the additional needs of the annexed area.
- **Perry Street.** Some of the residents on Perry Street are concerned about the impact of additional traffic that would result from a connection through Larkspur from Wister Way. They feel that Perry Street is especially unsafe and hard to navigate without AWD vehicles.
- **Criticism of MHT.** Some people feel that MHT has done a poor job of collaborating with the neighborhood. They assert that they should have been consulted prior to MHT acquiring land. They point to things they see as deficient in other MHT neighborhoods.
- **Collusion and Conflict of Interest.** Some have verbally expressed concern that town staff have colluded with Methow Housing Trust. Additionally, because I was on the MHT board of directors, some asserted that I have a conflict of interest. One comment was submitted explaining the difference between collusion and collaboration.

Staff Response

Hopefully the analysis of Town planning documents provides useful context to consider the substance of comments; however, some of the comments raise issues that warrant further consideration:

- **Density.** As noted above, the built density in the Wister Way and Perry Street neighborhoods is less than the density allowed by the zoning code. If the Town proceeds with annexing Larkspur Flats, the most likely density would be the same as allowed in the R-1 and R-2 zones, which for a PD is 1 dwelling unit per 5,000 square feet or about 8 units per acre. Anything less than that

would be a reduction below any existing zones and below what the Comp Plan establishes with the Neighborhood Residential designation. Additionally, it should be noted that a requirement for larger lots or less density would drive up the unit cost, and make development unaffordable.

- **Habitat & Open Space.** MHT has indicated that developing the sloped portion of the property would be impractical, and they intend to leave that area as open space. Meadowlark Natural Area offers 139 acres of permanently protected open space. The Town's critical areas regulations require consultation with WDFW for undeveloped properties over 5 acres in size, and that consultation would happen with a planned development. However, it is important to note that the flat area has been previously graded and used as a staging area for the Chewuch Canal piping project. The soils are compacted from use and much of the vegetation is invasives.
- **Costs & Impact on Town Resources.** See sections above and Cost-Benefit Analysis.
- **Perry Street.** As noted above, we are aware this is a substantial issue that will require analysis and public involvement through a planned development process.
- **Collusion and Conflict of Interest.** Staff have NOT colluded with Methow Housing Trust or any other individual or entity for the purpose of annexing this property into the Town. Staff have acted in our professional capacity to advise interested parties on what our planning documents say, what regulations would apply to annexation and development, and what impacts or needs we anticipate related to the landowner's interests. We have discussions with many landowners about properties throughout the town about their ideas. When those ideas evolve into proposals, we advise on what applications and permits are required. We process applications and permits according to the Administrative Procedures in Winthrop Municipal Code Title 19. When those applications have public notice and/or public hearing requirements, we provide notice and ensure that the public has an opportunity to weigh in. However, not all actions require public notice, and every landowner is entitled to have a process that follows the code.

In response to the concern that I [Town Planner, Rocklynn Culp] served on the board of directors of MHT while also serving in the role of Town Planner, I resigned my position on the board. While on the board, I took steps to keep those roles distinct and to avoid a conflict of interest. I maintained only an administrative role in any decisions affecting MHT. Any decisions such as annexation or planned developments require recommendations from the Planning Commission and decisions by the Town Council. Throughout my tenure on the board, I disclosed my participation to both the Town of Winthrop and MHT. I routinely recused myself from decisions by the MHT board over any property where I might play a role as Planner. I never had any financial interest in MHT projects.

Staff Recommendation

Public Works and Planning staff recommend proceeding with the annexation process based on the following findings:

- This area is identified in the 2015 Comprehensive Plan as a potential annexation area.

- As shown in the Figure 2 Residential Lands Analysis, the Town does not have much vacant land that can be developed affordably. Heckendorn East is flat and the utility connections are close by, making it considerably more affordable develop than other existing large parcels.
- The area is included in our sewer and water system service areas. The analysis that went into the Water System Plan and General Sewer Plan supports development of “Heckendorn East” at a density allowed by adjacent zoning.
- The annexation would enable a street connection between Wister and Perry, meeting objectives in the Comp Plan for improved connectivity in our transportation system. The road connection would also meet objectives related to fire safety given that the DNR ranks Winthrop as #6 in the state for burn probability and #17 for community exposure to wildfire hazard. Road connectivity is key to safe evacuation in an emergency.
- Subsequent development would likely result in improved water delivery to adjacent neighborhoods.
- This annexation enables the Town to support development of permanently affordable housing in a manner consistent with Resolution 21-36 and the 2023 Housing Action Plan adopted by the Town Council.
- Subsequent development of the land would be under the Town’s jurisdiction rather than Okanogan County, enabling us to apply our regulations and standards.
- An annexation agreement will define terms and conditions for the annexation, and can address concerns related to potential impacts associated with the additional land area.

To proceed with the annexation, staff recommends addressing the following items:

- **Zoning.** Staff suggests that the Shaw and Shuler properties be zoned R-1 consistent with the adjacent properties they also own; the Smith property be zoned R2 consistent with the balance of her property; the MHT property be zoned Planned Residential or R2; and the Meadowlark Trailhead should be zoned Public Use. If possible, I would like to use the Town Council Public Hearing on the annexation to establish the zoning.
- **Annexation Agreement.** The Town should enter into an annexation agreement with MHT for their portion of the annexation since it is the only parcel that can be developed. MHT has submitted a draft annexation agreement. In making a recommendation to the Town Council, the Planning Commission should list any additional considerations that should be addressed in the annexation agreement.
- **Shaw Annexation.** Due to the Shaw family’s need to move forward with building permits for their two properties (one in and one out of town until annexation), staff recommends that their annexation be allowed to proceed without being party to the annexation agreement.

Planning Commission's Recommendation

Following the hearing, the Planning Commission may consider all the information at their disposal, including planning documents, this staff report, written comments, and verbal testimony. They will use that information to formulate a recommendation to the Town Council, which will subsequently hold their own public hearing per state statutes.

The first part of the recommendation is whether to proceed with the annexation. If the commission recommends proceeding, then they need to consider what terms and conditions should apply through the annexation agreement and what zoning is suitable. Since MHT has submitted a draft annexation agreement, the commission should review the draft and consider whether it contains the substance needed to address the annexation. Terms and conditions need to be proportional to impacts that could be reasonably attributed to the annexation.

Figure 1: Annexation Proposal

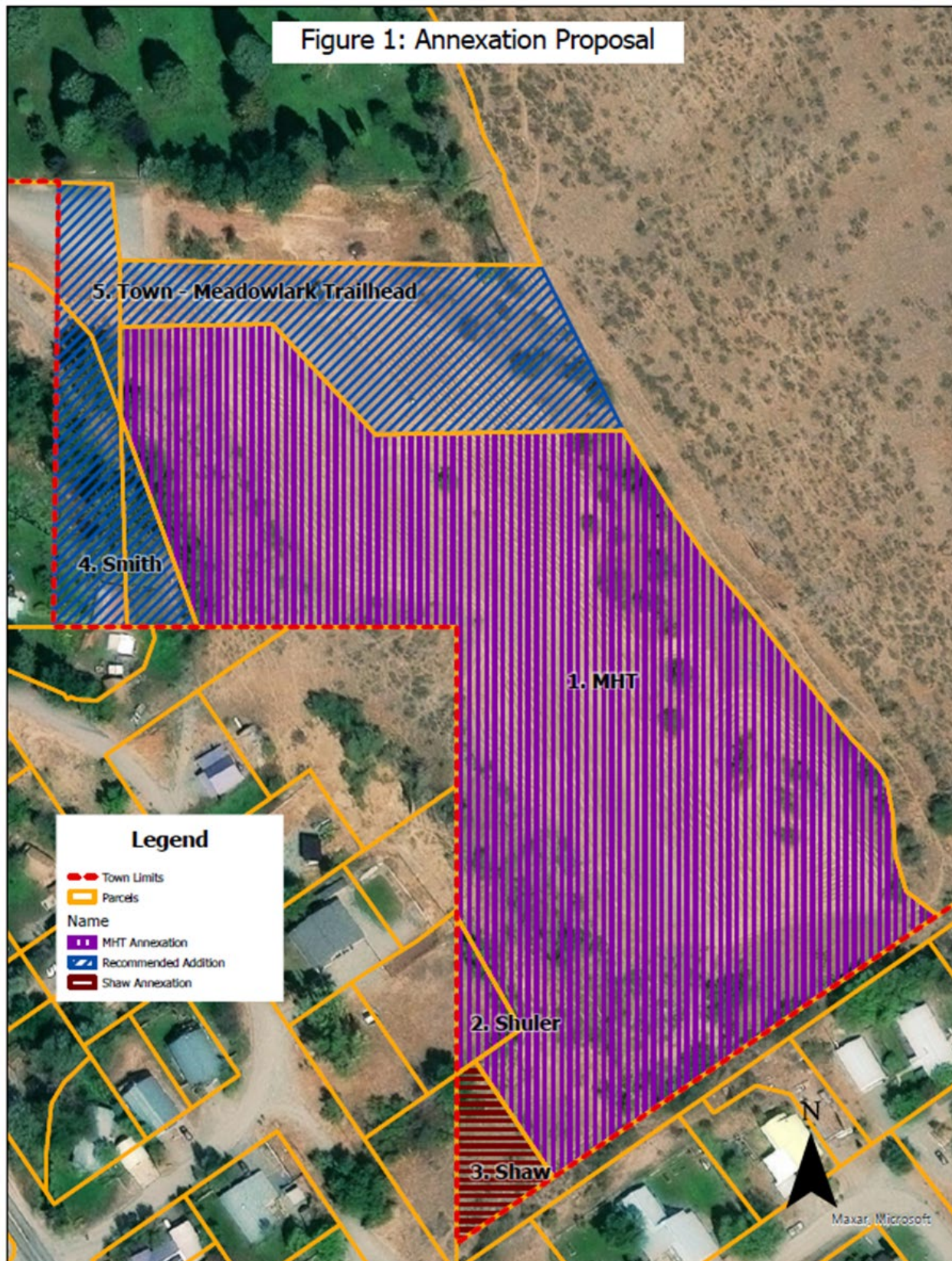


Figure 2 -Developable Residential Land

