



STAFF REPORT TO THE CITY COUNCIL

DATE: Regular Meeting of June 23, 2026

TO: Mayor and Members of the City Council

VIA: Patrick Tang, Interim City Manager

SUBMITTED BY: Chris Morris, Acting Public Works Director

SUBJECT: Landscaping and Lighting Assessment Districts – Hold Public Hearings for LLAD Nos. 83-2, 2002-1, 2002-2, 2004-1, and 2005-1 and Adopt Resolutions Confirming Diagrams and Assessments for Fiscal Year 2026/27

RECOMMENDATION ACTION:

City staff is recommending City Council take the following actions:

1. Hold a Public Hearing and Adopt a Resolution Confirming Diagram and Assessments for FY 2026/27 for Landscaping and Lighting Assessment District No. 83-2 pursuant to the Landscaping and Lighting Act of 1972; and
2. Hold a Public Hearing and Adopt a Resolution Confirming Diagram and Assessments for FY 2026/27 for the Victoria by the Bay Landscaping and Lighting Assessment District No. 2002-1 pursuant to the Landscaping and Lighting Act of 1972; and
3. Hold a Public Hearing and Adopt a Resolution Confirming Diagram and Assessments for FY 2026/27 for the Hercules Village Landscaping and Lighting Assessment District No. 2002-2 pursuant to the Landscaping and Lighting Act of 1972; and
4. Hold a Public Hearing and Adopt a Resolution Confirming Diagram and Assessments for FY 2026/27 for the Baywood Landscaping and Lighting Assessment District No. 2004-1 pursuant to the Landscaping and Lighting Act of 1972; and

5. Hold a Public Hearing and Adopt a Resolution Confirming Diagram and Assessments for FY 2026/27 for the Bayside Landscaping and Lighting Assessment District No. 2005-1 pursuant to the Landscaping and Lighting Act of 1972.

EXECUTIVE SUMMARY:

The City of Hercules (City) annually levies and collects special assessments to maintain certain improvements within the City's five Landscaping and Lighting Assessment Districts (LLADs). Each LLAD provides continued maintenance, servicing, administration, and operations of various landscape and lighting improvements and other improvements benefitting parcels within each LLAD. Each property is assessed only for the cost of the improvements from which benefit is received. City Council has followed a multi-step Council meeting process each year, including the preparation of annual Engineer's Reports, to approve the levy of assessments on parcels within each respective LLAD in accordance with the Landscaping and Lighting Act of 1972.

On February 24, 2026, City Council completed the first required Council action in the multi-step LLAD process by adopting resolutions initiating the FY 2026/27 annual approval for the City's five LLADs. On April 28, 2026, City Council completed the second required Council action in the multi-step LLAD process by adopting resolutions approving the Preliminary Engineer's Reports, declaring the City's intention to levy and collect assessments, and scheduling a public hearing for June 23, 2026. This Council Agenda item, which consists of holding the public hearings and confirming the Engineer's Reports and assessments for FY 2026/27, is the final step in the annual process to levy the LLAD assessments for LLAD No. 83-2, LLAD No. 2002-1 (Victoria by the Bay), LLAD No. 2002-2 (Hercules Village), LLAD No. 2004-1 (Baywood), and LLAD No. 2005-1 (Bayside). Proper notice of the public hearing has been provided by publishing the notice in the newspaper, at least ten days prior to the scheduled public hearing.

BACKGROUND:

The five LLADs in the City provide for well-maintained, attractive landscaping and serviceable streetlighting along public streets as well as fire breaks adjacent to open space. They also provide for the upkeep of playgrounds, fields, park furniture, tennis courts, graffiti abatement, lighting, landscaping, water features, and trails in City parks. The expenses associated with the maintenance of these LLADs include labor, material, equipment, utilities, repairs, and administration.

Findings from 5-year financial projections for the City's five LLADs were presented to City Council on May 23, 2023 for review. In short, the 5-year financial projections showed that the operating budgets for LLAD No. 83-2 (comprised of eleven Benefit Zones), LLAD No. 2004-1 (Baywood), and LLAD No. 2005-1 (Bayside) are trending positively through FY 2027-28. This was in part due to successful Proposition 218 proceedings conducted between FY 2017/18 to FY 2021/22 that resulted in increased assessments for six (6) Benefit Zones of LLAD No. 83-2. Victoria by the Bay Landscaping and Lighting

Assessment District No. 2002-1 (Victoria by the Bay LLAD) and Hercules Village Landscaping and Lighting Assessment District No. 2002-2 (Hercules Village LLAD) were confirmed to be experiencing annual operating deficits primarily due to the need for higher-level tree pruning work, the need for increased irrigation watering due to climate change, and East Bay Municipal Utility District water rate increases which have far exceeded the maximum allowable increase to the annual LLAD assessments, which is based on the published Consumer Price Index (CPI).

In June 2025, the Victoria by the Bay LLAD property owners approved an assessment increase beginning in FY 2025/26 of \$50 annually over a 10-year period (\$500 total). The approved assessment increase is in addition to the annual escalator equal to the change in CPI that is already in place for the Victoria by the Bay LLAD.

In February 2026, City staff presented the financial condition of the Hercules Village LLAD, including the structural operating deficits affecting the district and the need to consider conducting Proposition 218 proceedings to approve an assessment increase. Following the presentation, City Council directed staff to return with additional information for Council consideration at a subsequent regular meeting in March 2026.

In March 2026, City Council was provided with the additional information for consideration and directed staff to postpone Proposition 218 proceedings for the Hercules Village LLAD until Fiscal Year 2027/28. The additional time will allow staff to conduct public outreach with affected property owners and to confirm updated costs associated with the renewal of the City's landscape maintenance contract, ensuring that the forthcoming assessment proposal more accurately reflects updated service levels and actual operating costs.

ANALYSIS:

The Final Engineer's Reports provide that the maximum annual assessment per parcel may be increased each fiscal year by the prior year's increase in the CPI. The prior year's increase in the CPI was 2.48%. All LLADs/Zones are proposed to be assessed at their current maximum assessment rates in FY 2026/27, except for Benefit Zone Nos. 2 (Foxboro), 5A (Business Park), 5B (Commercial Properties), 8 (Trees and Flowers) of LLAD No. 83-2, and Baywood Landscaping and Lighting Assessment District No. 2004-1 (Baywood LLAD).

An assessment increase is not required for Benefit Zone Nos. 2 (Foxboro), 5B (Commercial Properties), and 8 (Trees and Flowers) to cover their respective FY 2026/27 budgets. The proposed FY 2026/27 assessment rates for Benefit Zone 5A (Business Park) and the Baywood LLAD reflect a 2.48% increase from last year based on the calculated CPI to cover the projected budget. However, the proposed assessment rates for Benefit Zone 5A (Business Park) and Baywood LLAD remain below their respective maximum authorized rates for FY 2026/27.

The current and proposed rates per Equivalent Residential Unit (ERU) for each LLAD and Benefit Zone are set forth in the table on the following page.

LLAD ZONES/DISTRICTS	CURRENT ASSESSMENT*		PROPOSED ASSESSMENT* FY 2026/27		DIFFERENCE	
	NEIGHBORHOOD COMPONENT ASSESSMENT	CITYWIDE ASSESSMENT (ZONE 10)	NEIGHBORHOOD COMPONENT ASSESSMENT	CITYWIDE ASSESSMENT (ZONE 10)	NEIGHBORHOOD COMPONENT ASSESSMENT	CITYWIDE ASSESSMENT (ZONE 10)
Benefit Zone 1 (Cottage Ln, Coventry, and Olympian Hills)	\$89.58	\$157.16	\$91.79	\$161.05	\$2.22	\$3.89
Benefit Zone 1 (Other Parcels)	\$149.82	\$157.16	\$153.53	\$161.05	\$3.71	\$3.89
Benefit Zone 2 (Foxboro)	\$129.83	\$157.16	\$129.83	\$161.05	\$0.00	\$3.89
Benefit Zone 3&4 (Non-Residential Parcels)	\$97.76	\$157.16	\$100.18	\$161.05	\$2.42	\$3.89
Benefit Zone 3&4 (Residential Parcels)	\$143.80	\$157.16	\$146.22	\$161.05	\$2.42	\$3.89
Benefit Zone 5A (Business Park)	\$154.02	\$157.16	\$157.83	\$161.05	\$3.81	\$3.89
Benefit Zone 5B (Commercial Parcels)	\$140.07	\$157.16	\$140.07	\$161.05	\$0.00	\$3.89
Benefit Zone 5C (Misc. Parcels)	\$70.62	\$157.16	\$72.37	\$161.05	\$1.75	\$3.89
Benefit Zone 6 (Arbors Senior Housing Center)	\$36.97	\$157.16	\$37.89	\$161.05	\$0.92	\$3.89
Benefit Zone 6 (Westwood Duets)	\$201.11	\$157.16	\$203.88	\$161.05	\$2.77	\$3.89
Benefit Zone 6 (Other Condominiums)	\$122.18	\$157.16	\$124.20	\$161.05	\$2.02	\$3.89
Benefit Zone 7 (Bay Pointe, Bravo, Caprice)	\$90.47	\$157.16	\$92.71	\$161.05	\$2.24	\$3.89
Benefit Zone 7 (Other Parcels)	\$155.77	\$157.16	\$159.63	\$161.05	\$3.86	\$3.89
Benefit Zone 8 (Trees and Flowers)	\$128.40	\$157.16	\$128.40	\$161.05	\$0.00	\$3.89
Benefit Zone 9 (Country Run)	\$116.54	\$157.16	\$119.43	\$161.05	\$2.89	\$3.89
LLAD No. 2002-1 (Victoria by the Bay)	\$683.62	\$157.16	\$750.55	\$161.05	\$66.93	\$3.89
LLAD No. 2002-2 (Promenade)	\$797.75	\$157.16	\$817.51	\$161.05	\$19.76	\$3.89
LLAD No. 2004-1 (Baywood)	\$2,250.74	\$157.16	\$2,306.49	\$161.05	\$55.75	\$3.89
LLAD No. 2005-1 (Bayside)	\$290.70	\$157.16	\$297.90	\$161.05	\$7.20	\$3.89

*The rates shown above are for single-family homes, which equal one Equivalent Residential Unit. Condominiums and Apartment Units are assessed at 75% and 64% the amount of a single-family home respectively.

FISCAL IMPACT:

If assessments for the LLADs are not levied, there would be an estimated revenue loss of \$3.6 million for FY 2026/27 to fund the maintenance and operations associated with the City's public parks, landscaping, streetlighting, and open space areas. Adoption of the attached resolutions is the second required Council action to proceed with approval of FY 2026/27 LLAD assessments.

For FY 2026/27, the Baywood LLAD will make an installment payment to repay a 10-year loan borrowed for a tree replacement project. Also, Benefit Zone Nos. 1 (Hercules by the Bay), 3 & 4 (Gems/Birds), 6 (Village Parkway), and 7 (Heights) associated with LLAD No. 83-2 will continue to repay their respective 10-year loans borrowed to replace failing wooden streetlight poles with new energy-efficient LED streetlights on metal poles.

ATTACHMENTS:

1. Resolutions Confirming Diagrams and FY 2026/27 Assessments for LLAD No. 83-2, LLAD No. 2002-1 (Victoria by the Bay), LLAD No. 2002-2 (Hercules Village), LLAD No. 2004-1 (Baywood), and LLAD No. 2005-1 (Bayside)
2. FY 2026/27 Final Engineer's Reports for LLAD No. 83-2, LLAD No. 2002-1 (Victoria by the Bay), LLAD No. 2002-2 (Hercules Village), LLAD No. 2004-1 (Baywood), and LLAD No. 2005-1 (Bayside)