



## **STAFF REPORT TO THE CITY COUNCIL**

**DATE:** Regular Meeting of April 24, 2018

**TO:** Members of the City Council

**SUBMITTED BY:** David Biggs, City Manager  
Mike Roberts, Public Works Director/City Engineer

**SUBJECT:** Landscaping and Lighting Assessment Districts - Approval of Preliminary Engineer's Reports and Declaring the City Council's Intention to Levy and Collect Assessments for Fiscal Year 2018/19

### **RECOMMENDED ACTIONS:**

Adopt the following resolutions:

- a. A resolution for the approval of the Preliminary Engineer's Report and declaring the City Council's intention to levy and collect assessments for Fiscal Year (FY) 2018/19 within the City of Hercules for Landscaping and Lighting Assessment District No. 83-2 and setting a public hearing for June 26, 2018; and
- b. A resolution for the approval of the Preliminary Engineer's Report and declaring the City Council's intention to levy and collect assessments for Fiscal Year (FY) 2018/19 within the City of Hercules Victoria by the Bay Landscaping and Lighting Assessment District No. 2002-1 (District) and setting a public hearing for June 26, 2018; and
- c. A resolution for the approval of the Preliminary Engineer's Report and declaring the City Council's intention to levy and collect assessments for Fiscal Year (FY) 2018/19 within the City of Hercules for Hercules Village Landscaping and Lighting Assessment District No. 2002-2 (District) and setting a public hearing for June 26, 2018; and
- d. A resolution for the approval of the Preliminary Engineer's Report and declaring the City Council's intention to levy and collect assessments for Fiscal Year (FY) 2018/19 within the City of Hercules for Baywood Landscaping and Lighting Assessment District No. 2004-1 (District) and setting a public hearing for June 26, 2018; and
- e. A resolution for the approval of the Preliminary Engineer's Report and declaring the City Council's intention to levy and collect assessments for Fiscal Year (FY) 2018/19 within the

City of Hercules for Bayside Landscaping and Lighting Assessment District No. 2005-1 and setting a public hearing for June 26, 2018.

### **FISCAL IMPACT OF RECOMMENDATION:**

If assessments are not levied as proposed, a deficit balance could result and there would be a loss of revenue of approximately \$2.5 million for FY 2018/19.

### **DISCUSSION:**

#### Hercules Lighting and Landscaping Assessment Districts Overview and Annual Levying Process

The City of Hercules annually levies and collects special assessments to maintain certain improvements within the City's five established Landscaping and Lighting Assessment Districts (LLADs). Each district provides and ensures continued maintenance, servicing, administration and operations of various landscaped and lighting improvements and other facilities located throughout each District. Each property is assessed only for the cost of the improvements from which benefit is received.

The five established Landscaping and Lighting Assessment Districts in Hercules provide for well-maintained, attractive landscaping and serviceable street lighting 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 districts includes labor, material, equipment, utilities, repairs and administration. In accordance with the Lighting and Landscaping Act of 1972, the City Council has followed a three-step Council meeting process each year to levy the parcel assessments that fund this maintenance.

The Council completed the first step on March 13, 2018 by adopting a resolution ordering the District Engineer to prepare the Preliminary Engineer's Report for each District. At that meeting the Council also authorized staff to enter into an agreement designating Francisco & Associates as the Assessment Engineer. The second step in levying the annual parcel assessments for each District, which consists of approving the Preliminary Engineer's Reports and scheduling a public hearing, is the subject of this Council Agenda item.

Four of the five Districts (Victoria By the Bay, Promenade, Baywood, and Bayside) are fiscally sound with the current assessment levels levied on the respective properties. However, Citywide District No. 83-2 has neighborhood Zones with deficits due to insufficient assessment rates, resulting in funding shortfalls in Zones No. 1 (Hercules by the Bay), 3 & 4 (Gems/Birds), 6 (Village Parkway), and Zone 9 (Birds and Country Run).

In addition, there are approximately 500 wooden street light poles throughout the City that must be replaced, given their deteriorated condition. These new street light poles would consist of LED lighting, which will result in an on-going energy and operational cost savings each year. To fund the replacement of these wooden street light poles, it is proposed that the maximum assessment rates for Zones No. 1 (Hercules by the Bay), 3 & 4 (Gems/Birds), 6 (Village Parkway), and some areas of

Zone 7 (Heights) would need to be increased sufficiently to pay for the street light pole replacement costs over a 10-year period. Certain areas within Zones Nos. 1 and 6 that are part of a Homeowner's Association (HOA) do not benefit from the wood street light pole replacements as much as the other areas within those Zones because they currently pay for their interior street lights through their HOA dues. Parcels meeting these criteria received a significant reduction in the proposed maximum assessment increase for the wood street light pole replacements and only pay for their pro-rata share of the wood street light pole replacements located along roads that provide egress/ingress to their development. These areas include Zone 1 (Olympian Hills and Cottage Lane) and Zone 6 (Arbors Senior Housing Center, Devonwood, Forest Run, Glenwood, and Wildwood).

As was discussed at the April 10, 2018 City Council meeting, the City Council had previously established an Ad Hoc Committee to work with staff and consultants regarding the FY 2018/19 LLAD renewal and Proposition 218 process in the five (5) zones in which an assessment increase is proposed. Based on two ad hoc committee meetings and the Council meeting on April 10<sup>th</sup> it is proposed the maximum rates in Zones 1, 3&4, 6, 7, and 9 be increased for FY 2018/19 to address the following:

- Eliminate annual operating deficits in Zones 1, 3&4, and 6
- Eliminate cumulative deficits over a ten-year period in Zones 1, 6, and 9
- Finance the replacement of the deteriorated wooden street light poles over a ten-year period Zones 1, 3&4, 6, and 7

In addition, the City's new overhead and cost allocation model will be implemented with the 2018/19 fiscal and this is reflected in the Preliminary Engineer's Report. Fair share of overhead will be allocated primarily at the District level, with Zone 10 serving as the vehicle for overhead cost recovery for Citywide District 83-2 as all residential parcels in the City pay this Zone 10 assessment. There are two equity based adjustment to this general methodology reflected in the Preliminary Engineer's Report: 1) In zones which have commercial parcels, which are Zones 3&4, 5A, 5B, and 5C, which do not pay a Zone 10 assessment, there is a direct allocation of overhead to these zones reflecting the overhead attributable to the commercial parcels, and 2) 20% of the overhead costs for the Victoria by the Bay, Baywood, Bayside, and Hercules Village Assessment Districts are allocated through Zone 10 as this represents the percentage share of these Districts of the overall number of parcels in the Zone 10 and is designed to ensure they pay a proportionate share of the overhead allocation to Zone 10 in addition to the direct overhead for their own Districts.

In addition, the cost of arterial streetlight replacement will be funded from Gas Tax or another non-assessment District source as a means to moderate the impact of assessment increases and since the new Arterial funds established last year has not yet been able to build up any reserves. This will be a Decision Package in the proposed FY 2018/19 budget.

The proposed maximum assessment rate increases will require a balloting process in conformance with Proposition 218. The proposed process and remaining schedule for increasing and levying assessments for FY 2018/19, includes the following (Council meetings in bold):

- a. Resolution of Intention/Approval of Preliminary Engineer's Report – April 24, 2018**
- b. Mail Notice and Ballots to affected property owners – May 9, 2018
- c. Public Hearing – June 26, 2018**

d. Tabulation of returned Ballots – June 27, 2018

**e. Public Hearing (Continued)/Approval of Final Engineer's Report – July 10, 2018**

f. FY 2018/19 assessments are submitted to the County – Early August 2018

Proper notice of the public hearing scheduled for June 26, 2018 will be given by publishing the Resolution of Intention in the newspaper, ten days prior to the scheduled public hearing.

For those Zones and Sub-Zones which will be balloting, the City will be undertaking and education and outreach effort. The City Council Ad Hoc has been working with the City's education and outreach and assessment engineering consultants on that effort. A first introductory mailing to those Zones and Sub-Zones which will be balloting is at the mail house and should be delivered starting next week. A copy of that introductory mailing is attached (Attachment 7).

#### Property Owner Benefits & Services

The five Lighting and Landscaping Assessment Districts covering the entire City are of special benefit to the various parcels of land within the district and essential to help maintain property values.

The benefits can be categorized broadly into two types, lighting and landscaping. Adequately lit streets maintain safe neighborhoods and improves the appearance of property frontage at night. Street lighting keeps our streets safe for drivers and pedestrians alike, benefitting those using or occupying the neighboring parcels. At night or in bad weather, drivers and pedestrians can better see one another, traffic signs, and bicyclists.

Properly functioning street lighting allows our first responders to more easily locate a Hercules resident's home in an emergency. Adequate lighting also allows for safe access to one's home and property. To continue to provide adequate lighting, there are approximately 500 wooden street light poles in the City that must be replaced given their deteriorated condition with new poles and energy and cost-effective LED lighting, which will have on-going energy and operational cost savings.

The landscaping benefits provide for healthy and well-maintained neighborhood and city parks, recreation facilities, open space and landscaping improvements. Routine landscape maintenance to city medians, parks, and open spaces such as mowing, weed abatement, trash and debris pick-up keep our neighborhoods properly maintained while increasing safety and plant health during years of drought. Landscaping is routinely pruned at medians and other areas, so drivers have good sight vision at city intersections. These efforts also provide for litter and graffiti removal.

#### Preliminary Engineers' Reports Summary

The Preliminary Engineer's Report (Attachment 6) provides that the maximum annual assessment per parcel may be increased each fiscal year by the prior year's increase in the Consumer Price Index for the San Francisco-Oakland-San Jose Area - All Urban Consumers (CPI). The prior year's increase in the CPI was 3.56%. To address the funding shortfalls described in the section above, the current maximum assessment rates for Zones No. 1 (Hercules by the Bay), 3 & 4 (Gems/Birds), 6 (Village Parkway), areas of 7 (Heights), and 9 (Birds and Country Run) are proposed to be increased above

the authorized CPI increase of 3.56%, subject to property owner approval, as shown in the table below. All other Districts/Zones are proposed to be assessed at their current maximum assessment rates in FY 2018/19, with the exception of the Baywood District (No. 2004-1) where the neighborhood assessment rate needed to cover expenses and continue to build capital reserves including allowing for plant replacement requested by the residents will be \$1,700/parcel. The current and proposed rates for each District and Zone are set forth in the table below:

	<b>CURRENT ASSESSMENT FY 2017-18</b>		<b>PROPOSED ASSESSMENT FY 2018/19</b>		<b>DIFFERENCE</b>	
<b>CITY WIDE DISTRICT 83-2</b>	<b>NEIGHBORHOOD COMPONENT ASSESSMENT</b>	<b>CITYWIDE ASSESSMENT (ZONE 10)</b>	<b>NEIGHBORHOOD COMPONENT ASSESSMENT</b>	<b>CITYWIDE ASSESSMENT (ZONE 10)</b>	<b>NEIGHBORHOOD COMPONENT ASSESSMENT</b>	<b>CITYWIDE ASSESSMENT (ZONE 10)</b>
1 (Olympian Hills and Cottage Ln)	\$58.24	\$120.44	\$85.00	\$124.74	\$26.76	\$4.30
1 (Other Parcels)	\$58.24	\$120.44	\$126.00	\$124.74	\$67.76	\$4.30
2	\$112.48	\$120.44	\$116.49	\$124.74	\$4.01	\$4.30
3&4 (Hercules Middle/High School)	\$74.92	\$120.44	\$82.00	\$124.74	\$7.08	\$4.30
3&4 (Other Parcels)	\$74.92	\$120.44	\$139.00	\$124.74	\$64.08	\$4.30
5A	\$120.55	\$120.44	\$124.85	\$124.74	\$4.30	\$4.30
5B	\$121.35	\$120.44	\$125.68	\$124.74	\$4.33	\$4.30
5C	\$54.12	\$120.44	\$56.05	\$124.74	\$1.93	\$4.30
6 (Arbors Senior Housing Center)	\$28.33	\$120.44	\$29.34	\$124.74	\$1.01	\$4.30
6 (Westwood Duets)	\$28.33	\$120.44	\$186.00	\$124.74	\$157.67	\$4.30
6 (Other Parcels)	\$28.33	\$120.44	\$102.00	\$124.74	\$73.67	\$4.30
7 (Bay Pointe, Bravo, Caprice)	\$69.34	\$120.44	\$71.81	\$124.74	\$2.47	\$4.30
7 (Other Parcels)	\$69.34	\$120.44	\$114.00	\$124.74	\$44.66	\$4.30
8	\$103.20	\$120.44	\$106.88	\$124.74	\$3.68	\$4.30
9	\$83.34	\$120.44	\$90.00	\$124.74	\$6.66	\$4.30

	CURRENT ASSESSMENT FY 2017-18		PROPOSED ASSESSMENT FY 2018/19		DIFFERENCE	
	NEIGHBORHOOD COMPONENT ASSESSMENT	CITYWIDE ASSESSMENT (ZONE 10)	NEIGHBORHOOD COMPONENT ASSESSMENT	CITYWIDE ASSESSMENT (ZONE 10)	NEIGHBORHOOD COMPONENT ASSESSMENT	CITYWIDE ASSESSMENT (ZONE 10)
VICTORIA BY THE BAY DISTRICT 2002-1	\$485.59	\$120.44	\$502.89	\$124.74	\$17.30	\$4.30
PROMENADE DISTRICT 2002-2	\$611.37	\$120.44	\$633.16	\$124.74	\$21.79	\$4.30
BAYWOOD DISTRICT 2004-1	\$1,500.00	\$120.44	\$1,700.00	\$124.74	\$200.00	\$4.30
BAYSIDE DISTRICT 2005-1	\$222.78	\$120.44	\$230.72	\$124.74	\$7.94	\$4.30

A District by District summary highlighting noteworthy points follows:

Lighting and Landscaping Assessment District No. 83-2 (Attachment 6A)

Landscaping and Lighting Assessment District No. 83-2 (hereinafter “LLAD 83-2”) is the largest and oldest District in the City and consists of 10 Zones. The District was originally formed in 1984 and consisted of four residential areas or zones: Zone 1 (Hercules by the Bay), Zone 2 (Foxboro and Willow Glen Apartments), Zone 3 (Valley Oaks and Tiffany Ridge) and Zone 4 (Falcon Heights). Later in 1984 Zones 3 and 4 were combined when connected by the Marsten Ranch development annexation, Zone 5 (commercial and undeveloped properties) was annexed to the LLAD 83-2, Zone 6 (Village Parkway), a residential area, was separated from Zone 5 upon development, and Zone 7 (Heights) was annexed to the LLAD 83-2. In 1991, the existing neighborhoods known as Zone 8 (Trees and Flowers) and Zone 9 (Birds and Country Run) and Zone 10 (Citywide park and recreation facilities) were annexed to the LLAD 83-2 following a mailed assessment ballot proceeding.

For FY 2018/19 there is funding included for ditch cleaning in Zones 3&4 and 8, additional maintenance associated with trees and medians in Zone 5A, and improvements to Refugio Park and additional maintenance for Ohlone Park in Zone 10.

Baywood Landscaping and Lighting Assessment District No. 2004-1 (Attachment 6B)

Baywood consists of 64 single family residential parcels, 14 townhomes, and a City-owned open space parcel. The Baywood neighborhood assessments are proposed to be levied at \$1,500.00 per single family parcel. Baywood’s assessments remain higher than other Districts because the landscaping maintenance for Baywood includes the front and back yards of homes outside the fence-line areas, which are maintained by property owners or homeowner associations in other Districts. For FY 2018/19 there is additional funding included for plant replacement.

Victoria By the Bay Lighting and Landscaping Assessment District No. 2002-1 (Attachment 6C)

Victoria by the Bay consists of 791 single-family detached parcels, 132 multi-family units, a City open space parcel, and 2 neighborhood parks (Victoria Park and Arbor Park).

Hercules Village Lighting and Landscaping Assessment District No. 2002-2 (Attachment 6D)

Hercules Village consists of 218 single family residential units, 3 privately owned parcels which can be developed into multi-family units and/or residential/commercial flex sites and 3 City open space parcels.

Bayside Lighting and Landscaping Assessment District No. 2005-1 (Attachment 6E)

Bayside currently consists of 479 single-family residential units, including the recently constructed Muir Pointe development, one neighborhood park (Bayside Park), and one mixed-use parcel consisting of 147 multi-family units and 12,777 sq. ft. of commercial space.

**ATTACHMENTS:**

1. Citywide Resolution
2. Victoria by the Bay Resolution
3. Hercules Village Resolution
4. Baywood Resolution
5. Bayside Resolution
6. Preliminary Engineer's Reports
  - A. Citywide District
  - B. Baywood District
  - C. Victoria by the Bay District
  - D. Hercules Village District
  - E. Bayside District
7. Introductory Education Mailer