



**DATE:** June 5, 2018

**TO:** Mayor and City Council

**FROM:** Maintenance Services Director

**SUBJECT** Adopt a Resolution of Intention to Preliminarily Approve the Engineer's Report and Assessments for Fiscal Year 2019 and set June 19, 2018 as the Public Hearing Date for Such Actions for Consolidated Landscaping and Lighting District No. 96-1, Zones 1 through 16

**RECOMMENDATION**

That the City Council adopts the attached resolution (Attachment II).

**SUMMARY**

The City of Hayward has sixteen landscape and lighting assessment districts (LLAD) which are required to be reviewed and approved annually by the City Council. Benefit zone details are included in engineer's report (Attachment III) which provides staff's recommendation for the FY 2019 assessment rates and annual budgets. The assessment amounts may or may not change from fiscal year to fiscal year, depending upon the operation and maintenance needed to be performed in each zone, and the funding levels required for the operating and capital reserves. The recommended assessments cannot exceed the maximum base annual assessment rates established when the zones were originally formed.

The FY 2019 Engineer's Report includes a summary for each benefit zone, to include:

- (1) a description of the improvements to be operated, maintained, and serviced;
- (2) the FY 2019 recommended budget;
- (3) the FY 2019 recommended assessment rate; and
- (4) map of each benefit zone (assessment diagram).

If Council adopts the attached resolution, the City will hold a public hearing on June 19, 2018 to consider approving the Engineer's Report and order the levy of assessments for FY 2019.

**BACKGROUND**

The Landscaping and Lighting Act of 1972 (Streets and Highways Code §22500) is a flexible tool used by local government agencies to form Landscaping and Lighting Districts to finance the cost and expense of operating, maintaining, and servicing landscaping (including parks),

and lighting improvements in public areas. In 1996, six separate Landscaping and Lighting Districts, Benefit Zones 1-6, were consolidated into one district, the Consolidated Landscaping and Lighting District No. 96-1, by the adoption of Resolution No. 96-63. In subsequent years, Benefit Zones 7-16 were individually created and annexed into the District. This staff report and attached engineer's report provide benefit, budget, and assessment details for each of the established 16 zones. Table 1 below provides general information regarding the year in which each benefit zone was formed and the number of assessable parcels within each benefit zone.

TABLE 1: FY 2019 DESCRIPTION OF EXISTING BENEFIT ZONES				
A	B	C	D	E
Zone	Name/Location	Year Formed	Type of Development	Number of Assessed Parcels
<b>Current Assessments - Year Formed and Number of Parcels Per Zone</b>				
1	Huntwood Ave. & Panjon St.	1990	Residential	30
2	Harder Rd. & Mocine Ave.	1991	Residential	85
3	Prominence	1992	Residential	155
4	Stratford Village	1995	Residential	174
5	Soto Rd. & Plum Tree St.	1995	Residential	38
6	Pepper Tree Park	1982	Industrial	11
7	Twin Bridges	1998	Residential	348
8	Capitola St.	1999	Residential	24
9	Orchard Ave.	2000	Residential	74
10	Eden Shores- Residential	2003	Residential	534
11a	Stonebrae Country Club - Developed	2006	Residential	516
11b	Stonebrae Country Club - Undeveloped	2006	Residential	118
12a	Eden Shores - Sports Park - Developed	2007, 2016	Residential	261
12b	Spindrifft - Sports Park - Developed	2016	Residential	54
12c	Spindrifft - Sports Park - Undeveloped	2016	Residential	64
13	Cannery Place	2008	Residential	599
14a	La Vista - Developed	2016	Residential	52
14b	La Vista - Undeveloped	2016	Residential	127
16a	Blackstone - Zone A - Developed	2016	Residential	82
16b	Blackstone - Zone A - Undeveloped	2016	Residential	23
16c	Blackstone - Zone B - Developed	2016	Residential	51
16d	Blackstone - Zone B - Undeveloped	2016	Residential	1
<b>Total Assessed Parcels:</b>				<b>3,421</b>
<b>For Reference ONLY</b>				
15	Cadence	2017	Residential	206
<b>Grand Total Assessed Parcels:</b>				<b>3,627</b>

## DISCUSSION

Staff annually reviews expenditure estimates for the next fiscal year and recommends an annual assessment rate based on those expenditure estimates along with considering the zone's fund balance. Staff recommends an increase in the assessment rate if the zone does

not have the recommended level of fund balance (operating + capital reserves). On the flip side, if the zone has ample funds in its fund balance to fund both the operating and capital reserve, then staff's recommendation is to reduce the annual assessment charge. When reviewing the information for each zone below, there are two items to review and consider.

1. Maximum Base Assessment (MBA) - This is the maximum amount a property owner can be charged annually. This amount is established during the original formation of the zone. The only variable between zones is whether the original MBA can be increased annually based on an inflation factor, like the Consumer Price Index (CPI).
2. Assessment Revenue - This is the amount of funds generated by the annual charge to each property owner located within each zone, minus a county administrative charge (1.7%). The assessment rate recommendation depends on three things:
  - a. Amount of revenue needed to pay annual expenses, which include such things as landscape maintenance, utility expense, and administrative costs. Annual expenses are estimated each year, based on past years' expenses and future years cost estimates.
  - b. Amount of "Operating Reserve" needed. This is the amount of "cash flow" needed for each zone to make expenditure payments each month throughout the year. For example, each zone incurs monthly expenses, but only receives property tax revenue from the county three times a year (December, April, and June). Therefore, some cash is needed to fund operations prior to the first revenue stream being received in December. The amount of operating reserves is set at 50% of the "net assessment amount," which is the amount of assessment collected net of the County's 1.7% administrative charge.
  - c. Amount of "Capital Reserve" needed. The capital reserve is established to maintain a "savings account" for the replacement of zone infrastructure items. This amount is established by calculating the current cost of the item, identifying the life span, and adding an annual inflation factor. Each zone is responsible for the replacement of its capital items with the exclusion of Zone 12. For Zone 12, Eden Shores – Alden E. Oliver Sports Park, the benefit zone property owners contribute to a portion of the annual operational cost, while the Hayward Area Recreation District is responsible for saving for and replacing the park infrastructure items.

Table 2 summarizes the FY 2019 recommended assessment amounts by benefit zone and presents for comparison purposes the FY 2018 rates. As was done for Table 1, information for reference purposes only is provided for Zone 15.

TABLE 2: FY 2019 ASSESSMENT AMOUNTS BY BENEFIT ZONE							
A	B	C	D	E	F	G	H = (F - E)
Zone	Name/Location	Annual CPI Update	FY 2019 Max Base Assessment	FY 2018 Assessment	FY 2019 Assessment	Chg from last year	Chg \$/%
<b>Year Over Year Assessment Comparison</b>							
1	Huntwood Ave. & Panjon St.	No	\$295.83	\$183.75	\$192.94	Incr	\$9.19, 5%
2	Harder Rd. & Mocine Ave.	No	\$193.39	\$153.58	\$122.86	Decr	(\$30.72), -20%
3	Prominence	Yes	\$933.07	\$824.16	\$853.83	Incr	\$29.67, 3.6%
4	Stratford Village	No	\$180.00	\$145.20	\$116.16	Decr	(29.04), -20%
5	Soto Rd. & Plum Tree St.	No	\$258.67	\$205.25	\$212.64	Incr	\$7.39, 3.6%
6 <sup>(1,2)</sup>	Pepper Tree Park	No	\$2.61	\$2.61	\$2.61	None	N/A
7	Twin Bridges	Yes	\$975.95	\$563.52	\$591.70	Incr	\$28.18, 5%
8	Capitola St.	Yes	\$698.00	\$150.00	\$157.50	Incr	\$7.50, 5%
9	Orchard Ave.	Yes	\$186.37	\$30.00	\$31.08	Incr	\$1.08, 3.6%
10	Eden Shores - Residential	Yes	\$1,111.33	\$192.50	\$221.38	Incr	\$28.88, 15%
11a	Stonebrae Country Club (developed)	Yes	\$1,576.26	\$168.44	\$210.55	Incr	\$42.11, 25%
11b	Stonebrae Country Club (undeveloped)	Yes	\$1,576.26	\$89.21	\$111.51	Incr	\$22.30, 25%
12a	Eden Shores- Sports Park	Yes	\$208.87	\$112.00	\$112.00	None	N/A
12b	Spindrift - Sports Park (developed)	Yes	\$206.85	\$112.00	\$112.00	None	N/A
12c	Spindrift - Sports Park (undeveloped)	Yes	\$62.06	\$33.60	\$33.60	None	N/A
13	Cannery Place	Yes	\$1,185.29	\$361.00	\$361.00	None	N/A
14a	La Vista (developed)	Yes	\$607.42	\$50.00	\$15.00	Decr	(\$35.00), -70%
14b	La Vista (undeveloped)	Yes	\$607.42	\$15.00	\$4.50	Decr	(\$10.50), -70%
16a	Blackstone (Zone A - developed)	Yes	\$432.68	\$315.00	\$432.68	Incr	\$117.68, 37%
16b	Blackstone (Zone A - undevelopment)	Yes	\$129.80	\$95.00	\$129.80	Incr	\$34.80, 37%
16c	Blackstone (Zone B - developed)	Yes	\$454.31	\$330.75	\$454.31	Incr	\$123.56, 37%
16d	Blackstone (Zone B - undeveloped)	Yes	\$136.29	\$99.75	\$136.29	Incr	\$36.54, 37%
<b>Self Maintained Benefit Zone - For Reference ONLY</b>							
15 <sup>(3)</sup>	Cadence	Yes	\$607.42	N/A	N/A	N/A	N/A

Notes: <sup>(1)</sup> Shaded items reflect Fiscal Year 2019 assessment amounts levied at the base maximum assessment

<sup>(2)</sup> Zone 6 is in the industrial district and is assessed based upon street frontage.

<sup>(3)</sup> Zone 15 maintains their own benefits.

## Assessment Rate Recommendations

Rates among the 16 benefit zones vary (\$853.83 to \$2.61), depending on the benefits maintained, the operating and capital reserve needed, whether the City has accepted maintenance responsibility from the developer, and whether the parcel is developed or not developed. Prominence (Zone 3) has the highest assessment (\$853.83), based on benefits maintained and the fund balance required. Pepper Tree (Zone 6) has the lowest assessment (\$2.61), based on the minimum amount of maintenance required. The largest percentage increase for FY 2019 is for Cannery-Blackstone (Zone 16). The reason for the increase is because up until this point, the developer has been responsible to maintain the area. In FY 2019, the City anticipates acceptance of the maintenance responsibility from the developer, at which time, the LLAD will be responsible for incurring the maintenance cost.

## Developing Zones

Four of the 16 benefit zones are not completely developed. Zones that have development in progress include Stonebrae (Zone 11), Spindrift (Zone 12 annexation), La Vista (Zone 14), and Cannery-Blackstone (Zone 16). Each year the parcels are reviewed to see if a Certification of Occupancy (COO) has been filed. For parcels that are not developed when the assessment rates are submitted to the county assessor, a lower assessment rate is recommended, known as the “undeveloped rate.” During the next annual review, the parcel is once again reviewed to see if the OCC had been issued, which would change the parcel status to “developed.”

In FY 2018, Stonebrae (Zone 11) subdivided one of its larger parcels to create 96 single-family lots. As an overview, the Stonebrae development is comprised of a total of 5 phases or villages (Village A thru E) and was originally approved for a total of 650 residential lots. It is worth noting that with the addition of the 96 lots for Village C in July 2017, residential lots now total 634.

## Future Zones

The City anticipates forming future LLAD zones to include:

- 1) **Parkside Heights** (2nd St. and Walpert St.) – The pending benefit zone is anticipated to include a park and trail. Design documents are currently under review, with implementation anticipated in FY 2019.
- 2) **Lincoln Landing** (corner of Foothill Blvd. and Hazel Ave.) – The pending benefit zone is anticipated to include a park and trail. Design documents are currently under review, with implementation anticipated in FY 2020.
- 3) **SoHAY** (between Mission Blvd. and Dixon St.) – The pending benefit zone is anticipated to include a park and trail. Design documents are currently under review, with implementation anticipated in FY 2020.

## One-Time Projects

The FY 2019 budget recommendations include annual operation and maintenance budget, and in some zones, one-time project budgets. The Table 3 below summaries FY 2019 one-time project budgets by zone.

TABLE 3: FY 2019 ONE-TIME PROJECT BUDGETS			
Zone	Name/Location	Budget	One-Time Project Descriptions
1	Huntwood Ave. & Panjon St.	\$500	In FY 2019, \$500 has been budgeted for any unanticipated repairs. If additional work occurs in FY 2019, it would be funded through capital reserves.
2	Harder Rd. & Mocine Ave.	\$3,000	In FY 2019, \$3,000 has been budgeted for any unanticipated repairs. If additional work occurs in FY 2019, it would be funded through capital reserves.
3	Prominence	\$21,000	In FY 2019, \$21,000 has been budgeted for 1) spring and fall planting, 2) tree trimming, 3) irrigation repairs, and 4) any unanticipated repairs. If additional work occurs in FY 2019, it would be funded through capital reserves.
4	Stratford Village	\$5,000	In FY 2019, \$5,000 has been budgeted for 1) trimming trees, and 2) any unanticipated repairs. If additional work occurs in FY 2019, it would be funded through capital reserves.
5	Soto Rd. & Plum Tree St.	\$2,000	In FY 2019, \$2,000 has been budgeted for any unanticipated repairs. If additional work occurs in FY 2019, it would be funded through capital reserves.
6	Pepper Tree Park	\$4,000	In FY 2019, \$4,000 has been budgeted to 1) repair median cement, and 2) any unanticipated repairs. If additional work occurs in FY 2019, it would be funded through capital reserves.
7	Twin Bridges	\$120,000	In FY 2019, \$120,000 has been budgeted to 1) update the sand volleyball area to a covered picnic area, and 2) any unanticipated repairs . If additional work occurs in FY 2019, it would be funded through capital reserves.
8	Capitola St.	\$2,000	In FY 2019, \$2,000 has been budgeted for any unanticipated repairs. If additional work occurs in FY 2019, it would be funded through capital reserves.
9	Orchard Ave.	\$1,500	In FY 2019, \$1,500 has been budgeted for any unanticipated repairs. If additional work occurs in FY 2019, it would be funded through capital reserves.
10	Eden Shores (Residential)	\$120,000	In FY 2019, \$120,000 has been budgeted to 1) resurface the tennis courts, and 2) any unanticipated repairs. If additional work occurs in FY 2019, it would be funded through capital reserves.
11	Stonebrae Country Club	\$100,000	In FY 2019, \$100,000 has been budgeted for 1) tri-annual mulch replacement, 2) decomposed granite pathway renovation, 3) update to security gate drainage, 4) installation of a french drain, and 5) any unanticipated repairs.
12	Eden Shores (Sports Park)	\$0	None
13	Cannery Place	\$20,000	In FY 2019, \$20,000 has been budgeted for 1) tree trimming, and 2) any unanticipated repairs. If additional work occurs in FY 2019, it would be funded through capital reserves.
14	La Vista	\$0	None
15	Cadence	\$0	None
16	Blackstone	\$0	None

## Proposition 218 Compliance

For FY 2019, all assessments are proposed to be levied in compliance with Proposition 218 and do not require the noticing and balloting of property owners to obtain their approval. Any future increases in the assessment amounts that exceed the maximum base assessment amount would require the noticing and balloting of property owners.

### **FISCAL IMPACT**

Expenditures associated with this action will be paid for using District revenues and a portion of capital reserves held by the District. There is no anticipated fiscal impact to the City's General Fund associated with this action.

### **STRATEGIC INITIATIVES**

This is a routine operational item and does not relate to any of the three Council Strategic Initiatives.

### **PUBLIC CONTACT**

To provide community engagement, City staff 1) mailed a notice to property owners to let them know of their recommended FY 2019 assessment rate, and to alert them to three meetings where they could provide input (May 22, June 5, and June 19); 2) held a community engagement meeting on May 22; and 3) provided an online survey to measure maintenance satisfaction.

### **NEXT STEPS**

Following this Council meeting, a notice will be published in the local newspaper announcing the scheduling of a public hearing on June 19, 2018. The notice is a legal requirement to allow the opportunity to let interested persons know of the public hearing meeting and the additional opportunity to address the Council.

At the public hearing on June 19, 2018, the City Council may adopt a resolution setting the annual assessment amounts as originally proposed or as modified. Following the adoption of this resolution, the FY 2019 county property tax assessor's roll will be prepared and will be filed with the Alameda County Auditor's Office to be included on the FY 2019 tax roll.

Payment of the assessment for each parcel will be made in the same manner and at the same time as payments are made for property taxes. All funds collected through the assessments must be placed in special City funds that can only be used for the purposes stated within this report.

If the City Council adopts the attached resolution this evening, it will hold a noticed public hearing on June 19, 2018, to consider approving the Engineer's Report and ordering the levy of assessments for FY 2019.

*Prepared by:* Denise Blohm, Management Analyst II

*Recommended by:* Todd Rullman, Maintenance Services Director

*Approved by:*

A handwritten signature in black ink, appearing to read 'K. McAdoo', written in a cursive style.

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Kelly McAdoo, City Manager