

FY 23-24

# ENGINEER'S REPORT

## SPRECKELS COMMUNITY SERVICES DISTRICT

Landscaping, Lighting, and Storm Drainage District

May 2023

Preliminary Report

Pursuant to the Landscaping and Lighting Act of 1972, Part 2 of Division 15 of the California Streets and Highways Code and Article XIID of the California Constitution

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# Spreckels Community Services District

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# Introduction

## Overview

Spreckels Community Services District (“Spreckels CSD” or “District”) was originally formed in 1989. The purpose of the Spreckels CSD is to provide for the maintenance, improvement, and servicing of sidewalks and alleys, stormwater drainage, streetlights, and coordination of trash collection. Spreckels CSD relies on special assessments on parcels within its boundaries as the primary funding source for its operations. These assessments were established in two zones, with Zone 1 including all original Spreckels parcels and Zone 2 including 74 additional parcels created in 2004.

The District is subject to Proposition 218 limitations to assessing single family equivalency units in Zone 1 at a set maximum rate of \$15.00 per year. The assessment rate in Zone 1 does not include an annual “cost of living” increase, and therefore, the assessment rate for current services provided has remained static for over 30 years, while the cost of maintaining and servicing the District improvements has increased significantly. This has made it difficult to continue to provide the same level of maintenance and service as when the District was formed. Accordingly, common maintenance activities have been reduced and/or deferred. For instance, sidewalk areas need significant repairs or replacement. An increased revenue base in the Zone 1 area is needed to bring revenues into better alignment with the actual costs of providing needed services to the community, as well as to increase the District's ability to plan for, and fund, future infrastructure improvements. Therefore, the District Board proposes that a new Landscaping, Lighting, and Storm Drainage District (“Assessment District”) be formed, including a cost-of-living increase provision, to provide additional funding for maintenance, repairs and improvements in Zone 1.

Parcel assessments are much lower in the original community, referred to as “Zone 1” than in the 73 lots developed after 2004, referred to as “Zone 2”. The initial 2004 draft Engineer's Report calculated that the annual cost of maintaining the District services in Zone 2 is \$1,072 per dwelling unit. Currently, the District is charging \$455.18 per dwelling in Zone 2, but these assessments can be increased by the Board if actual District expenses indicate that an increase in assessments is justified. No change to the assessments in Zone 2 is proposed at this time.

## Assessment Process

This Engineer's Report ("Report") establishes the budget for the improvements ("improvements") and services to be undertaken by the District that will be funded by the proposed 2023-24 assessments and also determines the benefits received from the maintenance and improvements by property within the District as well as the method of assessment apportionment to lots and parcels. This Report and the proposed assessments have been made pursuant to the Landscaping and Lighting Act of 1972, Part 2 of Division 15 of the California Streets and Highways Code (the "Act") and Article XIID of the California Constitution (the "Article").

Following the submittal of this Report to the Spreckels Community Services District Board of Directors ("Board") for preliminary approval, the Board may, by Resolution, call for an assessment ballot proceeding and Public Hearing on the establishment of the Spreckels Community Services District Landscaping, Lighting, and Storm Drainage District ("Assessment District").

If the Board approves such Resolution and calls for the mailing of notices and ballots, a notice of assessment and assessment ballot will be mailed to property owners at least 45 days prior to the date of the Public Hearing set by the Board. Such notice would include a description of the assessments as well as an explanation of the method of voting on the assessments. Each notice would include a ballot on which the property owner could mark his or her approval or disapproval of the assessments and a ballot return envelope.

After the ballots are mailed to property owners, a minimum 45-day time period must be provided for the return of the assessment ballots. Following this 45-day time period, a public hearing must be held for the purpose of allowing public testimony regarding the proposed assessments and services. At this hearing, the public would have the opportunity to provide input on this issue and would have a final opportunity to submit ballots. After the conclusion of the public input portion of the hearing, the hearing may be continued to a later time to allow time for the tabulation of ballots.

With the passage of Proposition 218 on November 6, 1996, The Right to Vote on Taxes Act, now Article XIIC and XIID of the California Constitution, the proposed assessments can be levied for fiscal year 2023-24 and future years, only if the ballots submitted in opposition to the assessments are not greater than the ballots submitted in favor of the assessments. (Each ballot is weighted by the amount of proposed assessment for the property that it represents).

If it is determined, when the tabulation results are announced, that the assessment ballots submitted in opposition to the proposed assessments do not exceed the assessment ballots submitted in favor of the assessments (weighted by the proportional financial obligation of the property for which ballots are submitted) the Board may take action, by Resolution, to approve the levy of the assessments for fiscal year 2023-24 and future fiscal years. If the assessments are so confirmed and approved, the levies would be submitted to the Monterey County Auditor for inclusion on the property tax rolls for fiscal year 2023-24. If the Assessments are so confirmed and approved, the County Auditor/Controller will include the Assessments on the property tax roll for Fiscal Year 2023-24.

The assessments will continue year-to-year until terminated by the Authority Board. The procedures for levy of the assessments in future years commence with the creation of a budget for the upcoming fiscal year's costs and services, an updated assessment roll listing all parcels and their proposed assessments for the upcoming fiscal year and the preparation of an updated Engineer's Report. After these documents are prepared and submitted, they would be reviewed and preliminarily approved by the Board at a public meeting. At this meeting, the Board would also call for the publication in a local newspaper of the intent to continue the assessment and set the date for a noticed public hearing. At the annual public hearing, members of the public would have an opportunity to provide input to the Board prior to the Board's decision on continuing the services and assessments for the next fiscal year.

## Legislative Analysis

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### Proposition 218

This assessment is formed consistent with Proposition 218, The Right to Vote on Taxes Act, which was approved by the voters of California on November 6, 1996, and is now Article XIII C and XIII D of the California Constitution. Proposition 218 provides procedures and requirements for benefit assessments to be levied to fund the cost of providing services, improvements, as well as maintenance and operation expenses to a public improvement which benefits the assessed property.

Proposition 218 describes a number of important requirements, including a property-owner balloting, for the formation and continuation of assessments, and these requirements are satisfied by the process used to establish this assessment.

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### **Silicon Valley Taxpayers Association, Inc. v Santa Clara County Open Space Authority**

In July of 2008, the California Supreme Court issued its ruling in Silicon Valley Taxpayers Association, Inc. v. Santa Clara County Open Space Authority (“SVTA vs. SCCOSA”). This ruling is the most significant court case in further legally clarifying the substantive assessment requirements of Proposition 218. Several of the most important elements of the ruling included further emphasis that:

- Benefit assessments are for special, not general, benefit
- The services and/or improvements funded by assessments must be clearly defined
- Special benefits are directly received by and provide a direct advantage to property in the Assessment District

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### **Dahms v. Downtown Pomona Property**

On June 8, 2009, the 4<sup>th</sup> District Court of Appeal amended its original opinion upholding a benefit assessment for property in the downtown area of the City of Pomona. On July 22, 2009, the California Supreme Court denied review. On this date, *Dahms* became good law and binding precedent for assessments. In *Dahms* the court upheld an assessment that was 100% special benefit (i.e. 0% general benefit) on the rationale that the services and improvements funded by the assessments were directly provided to property in the Assessment District. This Court also upheld discounts and exemptions from the assessment for certain properties.

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### **Bonander v. Town of Tiburon**

On December 31, 2009, the 1<sup>st</sup> District Court of Appeal overturned a benefit assessment approved by property owners to pay for placing overhead utility lines underground in an area of the Town of Tiburon. The Court invalidated the assessments on the grounds that the assessments had been apportioned to assessed property based in part on relative costs within sub-areas of the Assessment District instead of proportional special benefits.

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### **Beutz v. County of Riverside**

On May 26, 2010 the 4<sup>th</sup> District Court of Appeal issued a decision on the Steven Beutz v. County of Riverside (“*Beutz*”) appeal. This decision overturned an assessment for park maintenance in Wildomar, California, primarily because the general benefits associated with improvements and services were not explicitly calculated, quantified and separated from the special benefits.

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### **Golden Hill Neighborhood Association v. City of San Diego**

On September 22, 2011, the 4<sup>th</sup> District Court of Appeal issued a decision on the Golden Hill Neighborhood Association v. City of San Diego appeal. This decision overturned an assessment for street and landscaping maintenance in the Greater Golden Hill neighborhood of San Diego, California. The court described two primary reasons for its decision. First, like in *Beutz*, the court found the general benefits associated with services were not explicitly calculated, quantified and separated from the special benefits. Second, the court found that the City had failed to record the basis for the assessment on its own parcels.

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### **Compliance with Current Law**

This Engineer's Report is consistent with the requirements of Article XIIC and XIID of the California Constitution and with the *SVTA* decision because the assessments are for special, not general, benefit; the improvements to be funded are clearly defined; the improvements are directly available to and will directly benefit property in the Assessment District; and the improvements provide a direct advantage to property in the Assessment District that would not be received in absence of the Assessments.

This Engineer's Report is consistent with *Dahms* because, similar to the Downtown Pomona assessment validated in *Dahms*, the services will be directly provided to property in the Assessment District. Moreover, while *Dahms* could be used as the basis for a finding of 0% general benefits, this Engineer's Report establishes a more conservative measure of general benefits.

This Engineer's Report is consistent with *Beutz*, *Dahms* and *Greater Golden Hill* because the improvements will directly benefit property in the Assessment District and the general benefits have been explicitly calculated and quantified and excluded from the Assessments. The Engineer's Report is consistent with *Bonander* because the Assessments have been apportioned based on the overall cost of the improvements and proportional special benefit to each property.

## Plans and Specifications

The formula below describes the relationship between the final level of services, the baseline level of service based on existing funding, and the enhanced level of services funded by the assessment if it is approved. It should be noted, due to the fact that current operating costs are increasing at a faster rate than current funding sources, the baseline level of services is diminishing over time.

<i>Final Level of Service</i>	=	<i>Current Baseline Level of Service</i>	+	<i>Proposed Enhanced Level of Service</i>
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Below is a more detailed description of these improvements that are provided for the special benefit of property in the Assessment District.

The existing Spreckels Community Services District Assessment District maintains improvements in locations throughout its boundaries. The work and improvements to be undertaken by the new formation of the Landscaping, Lighting, and Drainage Assessment District, and the cost thereof paid from the levy of the annual assessment, will provide special benefit to Assessor Parcels within the District as defined in the Method of Assessment herein. Consistent with the Landscaping and Lighting Act of 1972, the improvements, maintenance and services are generally described as follows in the section below.

### Description of Improvements

Within the Spreckels Community Services District, the improvements to be maintained from this new assessment are generally described as including, but not limited to, the installation, maintenance and servicing of trees within the greenbelt areas generally located between the sidewalk and street in front of residences, storm drainage systems, sidewalk maintenance, and all necessary appurtenances, and labor, materials, supplies, utilities and equipment, as applicable, for specified public property within the Assessment District boundaries that convey special benefits to properties within the District.

As applied herein, “maintenance” means the furnishing of services and materials for the ordinary and usual maintenance, operation and servicing of the improvements, including repair, removal or replacement of all or any part of any improvement; providing for the life, growth, health, and beauty of landscaping including trimming as described herein; removal of trimmings, rubbish, debris, and other solid waste, and maintenance of storm drainage systems including but not limited to the installation, maintenance and clearing of storm drains and pump stations. Trimming of trees shall be limited to the periodic maintenance of tree limbs for clearance from the ground to provide for safe passage upon sidewalks, or for aesthetic purposes and general safety, but shall not include the removal of diseased or fallen trees, for which County guidelines specify homeowner responsibility.

“Servicing” means the furnishing of electric current, or energy, gas or other illuminating agent for any public lighting facilities or for the lighting or operation of any improvements maintaining, operating and servicing street and traffic safety lighting under District ownership, or the maintenance of any other improvements covered by the Spreckels Community Services District.

“Maintenance and Improvements” (“M&I”) identifies the type of improvement (e.g., replacing a corridor of sidewalk); the estimated cost; any installments required for short-term (less than five years) and long term (not greater than 30 years) improvements, and the approximate schedule for completion of the improvements. These M&I are funded by fund balance monies. Fund balance monies are monies that have been collected in prior years in anticipation of being used for specific improvements and/or are intended for replacement or improvement of capital items (e.g. sidewalk, curb, drain) within a district.

Incidental expenses include all of the following: (a) The costs of preparation of the Report, including plans, specifications, estimates, diagram, and assessment; (b) the costs of printing, advertising, and the giving of published, posted, and mailed notices; (c) compensation payable to the County for collection of assessments; (d) compensation of any engineer or attorney employed to render services in proceedings pursuant to this part; (e) any other expenses incidental to the construction, installation, or maintenance and servicing of the improvements; (f) any expenses incidental to the issuance of bonds or notes pursuant to Streets & Highways Code Section 22662.5; and (g) costs associated with any elections held for the approval of a new or increased assessment (Streets & Highways Code §22526).

## Estimate of Cost and Budget Fiscal Year 2023-24

Figure 1 – Estimate of Cost and Budget

<b>Landscaping, Lighting, and Storm Drainage assessment District Estimated Budget 2023-24</b>			
Current Projects and General Maintenance			
Scheduled			\$6,605.00
Proposed Projects			
Sidewalk and replacement			\$15,658.85
Curb repair			\$4,500.00
Tree maintenance			\$15,166.79
Streetlight installation			\$1,600.00
Storm drain catch basin cleaning			\$2,145.00
Pump station			\$4,500.00
Repayment costs			\$2,860.30
Incidental Costs			
County Auditor Fee (0.25%) <sup>2</sup>			\$137.19
Administration/Contracts/others <sup>3</sup>			\$2,500.00
Total <sup>1</sup>			\$55,673.13
Assessment to Property			
	Total SFE	Assessment	Assessment
	Units	per SFE <sup>4</sup>	Total
	253.9	\$219.27	\$55,673.13
Total <sup>5</sup>			\$55,673.13

Notes to Estimate of Costs:

1. As determined in the following section, at least 20% of the cost of improvements must be funded from sources other than the assessments to cover any general benefits from the improvements. Therefore, out of the total cost of improvements of \$55,673, at least \$11,135 must be contributed from sources other than the assessments. Other sources will contribute more than that amount, as described below, which more than covers any general benefits from the Improvements.
2. Incidental cost includes county collection charges.
3. Includes an allowance for contingencies and any delinquent or non-collectible assessment.
4. The assessment rate per SFE is the total amount to assessment per single family equivalent benefit unit.
5. The Act stipulates that proceeds from the assessments must be deposited into a special fund that has been set up for the revenues and expenditures of the Assessment District. Moreover, funds raised by the assessment shall be used only for the purposes stated within this Report. Any balance remaining at the end of the fiscal year, June 30, must be carried over to the next fiscal year. The District may also establish a reserve fund for contingencies and special projects as well as a capital improvement fund for accumulating funds for larger capital improvement projects or capital renovation needs. Any remaining unexpended balance would either be placed in the reserve fund, the capital improvement fund, or would be used to reduce future years' assessments.

## Method of Apportionment

This section of the Engineer's Report includes an explanation of the benefits to be derived from the proposed additional maintenance and servicing of the improvements and the methodology used to apportion the total assessment to properties within the Assessment District.

The Assessment District consists of all Assessor Parcels within the boundaries defined by the Assessment Diagram included within this report and the Assessor Parcel Numbers listed within the included Levy Roll. The parcels include all privately or publicly owned parcels within the boundaries. The method used for apportioning the assessment is based upon the proportional special benefits to be derived by the properties in the Assessment District over and above general benefits conferred on real property or to the public at large. The apportionment of special benefit is a two-step process: the first step is to identify the types of special benefit arising from the improvements, and the second step is to allocate the assessments to property based on the estimated relative special benefit for each type of property.

## Discussion of Benefit

In summary, the assessments can only be levied based on the special benefit to property. This benefit is received by property over and above any general benefits. Moreover, such benefit is not based on any one property owner's use of the Assessment District's other improvements covered by the Assessment or a property owner's specific demographic status. With reference to the requirements for assessments, Section 22573 of the Landscaping and Lighting Act of 1972 states:

*"The net amount to be assessed upon lands within an Assessment District may be apportioned by any formula or method which fairly distributes the net amount among all assessable lots or parcels in proportion to the estimated benefits to be received by each such lot or parcel from the improvements."*

Proposition 218, as codified in Article XIID of the California Constitution, has confirmed that assessments must be based on the special benefit to property:

*"The proportionate special benefit derived by each identified parcel shall be determined in relationship to the entirety of the capital cost of a public improvement, the maintenance and operation expenses of a public improvement, of the cost of the property related service being provided. No assessment shall be imposed on any parcel which exceeds the reasonable cost of the proportional special benefit conferred on that parcel."*

Below is a summary of the types of special benefit to residential and other lots and parcels resulting from the installation, maintenance and servicing of landscaping such as trees, sidewalks, and other improvements to be provided with the assessment proceeds. These categories of special benefit are derived from the statutes passed by the California Legislature and other studies which describe the types of special benefit received by property from maintenance and servicing of improvements such as those proposed by the Assessment District. These types of special benefit are summarized as follows:

1. Proximity to improved landscaped areas within the Assessment District.
2. Access to improved landscaped areas within the Assessment District.
3. Improved views within the Assessment District.
4. Improved visibility and safety
5. Improved access
6. Improved community character and vitality
7. Reduced risk of property damage due to local flooding

In this case, the SVTA v. SCCOSA decision provides enhanced clarity to the definitions of special benefits to properties in three distinct areas:

- Proximity
- Expanded or improved access
- Views

Tree trimming falls well within the 1972 Landscaping and Lighting act. Trees comprise an important part of the landscape and often line streets, roads and highways, providing shade, aesthetic value, and other benefits. Tree trimming is considered part of the maintenance and improvement of landscaping within a Landscaping and Lighting district.

The SVTA v. SCCOSA decision also clarifies that a special benefit is a service or improvement that provides a direct advantage to a parcel and that indirect or derivative advantages resulting from the overall public benefits from a service or improvement are general benefits. The SVTA v. SCCOSA decision also provides specific guidance that park improvements are a direct advantage and special benefit to property that is proximate to a park that is improved by an assessment:

*“The characterization of a benefit may depend on whether the parcel receives a direct advantage from the improvement (e.g. proximity to a park) or receives an indirect, derivative advantage resulting from the overall public benefits of the improvement (e.g. general enhancement of the district’s property values).”*

Proximity, improved access and views, in addition to the other special benefits listed above further strengthen the basis of these assessments.

## Benefit Factors

The special benefits from the improvements are further detailed below:

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### **Proximity to improved landscaped areas (including sidewalks and alleys) within the Assessment District**

Only the specific properties within close proximity to the improvements are included in the Assessment District. Therefore, property in the Assessment District enjoys unique and valuable proximity and access to the improvements that the public at large and property outside the Assessment District do not share.

In absence of the assessments, the improvements and the landscaping areas in the Assessment District would be degraded due to insufficient funding for maintenance, upkeep and repair. Therefore, the assessments provide improvements that are over and above what otherwise would be provided. Improvements that are over and above what otherwise would be provided do not by themselves translate into special benefits but when combined with the unique proximity and access enjoyed by parcels in the Assessment District, they provide a direct advantage and special benefit to property in the Assessment District.

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### **Access to improved landscaped areas (including sidewalks and alleys) within the Assessment District**

Since the parcels in the Assessment District are nearly the only parcels that enjoy close access to the improvements, they directly benefit from the unique close access to improved landscaping areas, including sidewalks and alleys, that are provided by the Assessments. This is a direct advantage and special benefit to property in the Assessment District.

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### **Improved views within the Assessment District**

The District, by maintaining these landscaped areas, provides improved views to properties in the Assessment District. The properties in the Assessment District enjoy close and unique proximity, access and views of the improvements; therefore, the improved and protected views provided by the Assessments are another direct and tangible advantage that is uniquely conferred upon property in the Assessment District.

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### **Improved Visibility and Safety within the Assessment District**

Well maintained, effective street lighting provides special benefit to proximate parcels, within the range of the light, because it allows for safer and improved use of the property in the evenings and at night. Street lighting provides special benefit because it increases safety and reduces the likelihood of crime on the proximate parcels. Over time, the improvements continue to confer a particular and distinct special benefit upon parcels within the District because of the nature of the improvements. The proper maintenance of the streetlights and appurtenant facilities reduces property-related crimes, especially vandalism, against assessed properties in the District.

In the absence of the assessments, the improvements would not be provided, and the park areas in the Assessment District would be degraded due to insufficient funding for maintenance, upkeep, and repair. Therefore, the assessments provide improvements that are over and above what otherwise would be provided. Improvements that are over and above what otherwise would be provided do not by themselves translate into special benefits, but when combined with the unique proximity and access enjoyed by parcels in the Assessment District, they provide a direct advantage and special benefit to property in the Assessment District.

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### **Improved Access within the Assessment District**

Well maintained, effective street lighting enhances ingress, egress and accessibility of all forms to the assessed parcels in the evening and at night by increasing visibility. Improved visibility also helps prevent local and pedestrian traffic accidents related to the assessed parcels.

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### **Improved Community Character and Vitality within the Assessment District**

Well maintained, effective street lighting promotes evening and nighttime social interaction of residents and customers of businesses and industry. This creates a positive atmosphere and enhanced community image in the evening and at night for the assessed parcels.

All of the above-mentioned items also contribute to a specific enhancement to each of the parcels within the District. The proximate street lights clearly make each parcel safer, more visible, more accessible, more useful, more valuable and more desirable; and this further strengthens the basis of these Assessments.

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### **Reduced Risk of Damage from Local Flooding within the Assessment District**

Properties in the proposed Assessment District are currently at risk for local flooding. The proposed Assessments will fund an increase in maintenance, operations and improvement activities supporting the local storm drainage system, thereby significantly reducing the risk of property damage.

## General versus Special Benefit

The proceeds from the proposed Assessment District would be used to fund increased levels of maintenance and improvement to the grounds and public resources proximate to the properties in the Assessment District. The Assessment District is specifically proposed to provide additional resources in the Assessment District. In absence of the new assessments from the proposed Assessment District, the current revenues are not sufficient for the proper and adequate maintenance of the landscaping, which encompasses trees, sidewalks and other public resources in the Spreckels Community Services District, and the public resources in the Landscaping, Lighting, and Drainage District would continue to deteriorate further, which would clearly adversely affect the value and desirability of properties in the Assessment District. Therefore, the assessments solely provide special benefit to property in the Assessment District over and above the general benefits conferred by the general facilities of the District.

Although these improvements may be available to the general public at large, the improvements within the Assessment District are specifically designed, located and created to provide additional and improved public resources for property inside the Assessment District, and not the public at large. Other properties that are either outside the Assessment District or within the Assessment District and not assessed, do not enjoy the unique proximity, access, views and other special benefit factors described previously. These improvements are of special benefit to properties located within the Assessment District because they provide a direct advantage to properties in the Assessment District that would not be provided in absence of the Assessments.

Below is a special note regarding General Benefit and the SVTA v. SCCOSA decision:

There is no widely-accepted or statutory formula for calculating general benefit. General benefits are benefits from improvements or services that are not special in nature, are not “particular and distinct” and are not “over and above” benefits received by other properties. The SVTA vs. SCCOSA decision provides some clarification by indicating that general benefits provide “an indirect, derivative advantage” and are not necessarily proximate to the improvements.

Although the analysis used to support these assessments concludes that the benefits are solely special (i.e., benefits are 100% special and 0% general), as described above, consideration is made for the suggestion that a portion of the benefits are general. General benefits cannot be funded by these assessments; the funding must come from other sources.

The maintenance and servicing of these improvements is also partially funded, directly and indirectly from other sources including Spreckels Community Services District, the County of Monterey and the State of California. This funding comes in the form of grants, development fees, special programs, and general funds, as well as direct maintenance and servicing of facilities (e.g. streets, drainage systems, etc.) This funding from other sources more than compensates for general benefits, if any, received by the properties within the assessments district.

In the 2009 Dahms case, the court upheld an assessment that was 100% special benefit on the rationale that the services funded by the assessments were directly provided within the Assessment District. It is also important to note that the improvements and services funded by the assessments in Pomona are similar to the improvements and services funded by the Assessments described in this Engineer's Report and the Court found these improvements and services to be 100% special benefit. Also similar to the assessments in Pomona, the Assessments described in this Engineer's Report fund improvements and services directly provided within the Assessment District and every benefiting property in the Assessment District enjoys proximity and access to the improvements. Therefore, Dahms establishes a basis for minimal or zero general benefits from the Assessments.

#### Step 1: Calculation of the General Benefit

The general benefits from this assessment for Spreckels Community Services District may be quantified as the following:

Motorists traveling along Spreckels Boulevard, Railroad Avenue, Ilano Avenue, Hatton Avenue and First, Second, Third, Fourth and Fifth Streets who are not property owners and do not interact with Town of Spreckels properties in any way may receive some benefit from the improved landscaping, and views funded from this proposed assessment. This benefit can be described as general benefit and should not be funded from the new proposed assessment. However, the majority of benefit from the improvements is conferred to the properties within the Assessment District who enjoy the improvements along these major thoroughfares and the improvements to the interior of the Town of Spreckels and for much longer periods of time. A liberal estimate of the general benefit conferred to motorists and other travelers along the exterior thoroughfares who do not own property or engage the properties in any way, considering the number of daily trips to the properties and the duration of time enjoying the improvements, is 20%. Therefore, 20% of the funding for the proposed improvements must come from a source other than this proposed assessment.

#### Step 2: Calculation of Current General Benefit Contribution from District

The general benefit contribution is satisfied from the sum of the following components:

The Spreckels Community Services District owns, maintains, rehabilitates and replaces curbs and gutters along the border of the Assessment District's improvements. These curb and gutter services support, contain, retain, manage irrigation flow and growth, and provide a boundary for the improvements. The contribution from the Spreckels Community Services District toward general benefit from the maintenance, rehabilitation and replacement of the curb gutter is conservatively estimated to be 5%.

Many of the improvements to be serviced by the proposed Assessment District were constructed by the original owner/developer(s) as a condition of development. The value of the construction of the improvements can be quantified and monetized as an annuity. Since this construction was performed and paid by non-assessment funds, this "annuity" can be used to offset general benefit costs, and is conservatively estimated to contribute 25%.

Therefore, the total General Benefit that is conservatively quantified at 20% is more than offset by the total non-assessment contribution towards general benefit of 30%.

## Zones of Benefit

The creation of zones of benefit, corresponding to these various areas, are routinely considered in the development of an Assessment District. As part of the engineering work for this assessment, an analysis was conducted on the relationship (including proximity, level of service, etc.), between properties and the primary improvements located throughout the Assessment District.

The geography, topography, and the access and proximity to the improvements within the District is relatively consistent, and hence different zones of benefit are not appropriate.

Moreover, the SVTA decision indicates:

*In a well-drawn district — limited to only parcels receiving special benefits from the improvement — every parcel within that district receives a shared special benefit. Under section 2, subdivision (i), these benefits can be construed as being general benefits since they are not "particular and distinct" and are not "over and above" the benefits received by other properties "located in the district."*

*We do not believe that the voters intended to invalidate an Assessment District that is narrowly drawn to include only properties directly benefiting from an improvement. Indeed, the ballot materials reflect otherwise. Thus, if an Assessment District is narrowly drawn, the fact that a benefit is conferred throughout the district does not make it general rather than special. In that circumstance, the characterization of a benefit may depend on whether the parcel receives a direct advantage from the improvement (e.g., proximity to park) or receives an indirect, derivative advantage resulting from the overall public benefits of the improvement (e.g., general enhancement of the district's property values).*

In the proposed Assessment District, the advantage that each assessed parcel receives from the improvements in Zone 1 is direct, and the boundaries include only parcels that benefit from the assessment, other than the parcels that provide the benefit to the properties. Therefore, the even spread of assessment throughout is indeed consistent with the SVTA decision and satisfies the “direct relationship to the “locality of the improvement” standard.

## Method of Assessment

As previously discussed, the proposed assessments will provide additional maintenance and servicing of existing improvements that will clearly confer special benefits to properties in the Assessment District. The allocation of special benefits to property is partially based on the type of property and the size of property. These benefits can also partially be measured by the occupants on property in the Assessment District because such parcel population density is a measure of the relative benefit a parcel receives from the improvements. It should be noted that many other types of “traditional” assessments also use parcel population densities to apportion the assessments. For example, the assessments for sewer systems, roads and water systems are typically allocated based on the population density of the parcels assessed. Therefore, the apportionment of benefit is reasonably based the type of parcel, the size of parcels and the population density of parcels.

The primary step in apportioning assessments is to determine the relative special benefit for each property. This process involves determining the relative benefit received by each property in relation to a single-family home, or, in other words, on the basis of Single Family Equivalents (“SFE”). This SFE methodology is commonly used to distribute assessments in proportion to estimated special benefit and is generally recognized as providing the basis for a fair and appropriate distribution of assessments. For the purposes of this Engineer’s Report, all properties are designated an SFE value, which is each property’s relative benefit in relation to a single-family home on one parcel. In this case, the “benchmark” property is the single-family detached dwelling which is one Single Family Equivalent or one SFE.

Moreover, a fixed or flat assessment for all commercial properties of similar type was deemed to be inappropriate because larger commercial properties receive a higher degree of benefit than other similarly used properties that are significantly smaller. (For two properties used for commercial purposes, there is clearly a higher benefit provided to the larger property in comparison to a smaller commercial property because the larger property generally supports a larger building and has higher numbers of employees, customers and guests that would benefit from proximity and improved access to well maintained improvements and improved landscaped areas. So the potential population of employees or residents is a measure of the special benefits received by the property.) Larger parcels, therefore, receive an increased benefit from the assessments.

Finally, the special benefits to be derived from the proposed assessments will be conferred on property and are not based on a specific property owner's use of the improvements, or a specific property owner's occupancy of property or the property owner's demographic status such as age or number of dependents. However, it is ultimately people who value the special benefits described above and use and enjoy the Assessment District's landscaped areas. In other words, the benefits derived to property are related to the average number of people who could potentially live on, work at, or otherwise could use a property, not how the property is currently used by the present owner. Therefore, the number of people who could or potentially live on, work at or otherwise use a property is one indicator of the relative level of benefit received by a property.

In conclusion, the Assessment Engineer determined that the appropriate method of assessment apportionment should be based on the type and use of property, the relative size of the property, its relative population and usage potential and its proximity to improvements and landscaped areas. This method is further described below.

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### **Residential Properties**

Certain residential properties in the Assessment District that contain a single residential dwelling unit are assigned one Single Family Equivalent or 1.0 SFE. Detached or attached houses, zero-lot line houses and town homes are included in this category of single-family residential property. If there is more than one single-family detached dwelling on a parcel, it will be charged one SFE per single-family detached dwelling.

Properties with more than one residential unit (other than parcels with more than one detached single-family dwelling as described above) are designated as multi-family residential properties. These properties benefit from the improvements in proportion to the number of dwelling units that occupy each property, the average number of people who reside in multi-family residential units versus the average number of people who reside in a single-family home and the relative size of each type of residential dwelling unit.

The population density factors for the area in Monterey County encompassing the Assessment District, as depicted in the following table, provide the basis for determining the SFE factors for residential properties. Using the total population in a certain property type in the area from the 2021 ACS 5 Year estimate and dividing it by the total number of such households, finds that approximately 2.46 persons occupy each single-family residence, whereas an average of 2.17 persons occupy each duplex. The ratio of 2.46 people on average for a single-family residence and 2.17 people per dwelling unit in a duplex unit results in a population density equivalent of 0.88 for a duplex.

Next, the relative building areas are factored into the analysis because special benefits are related to the average size of a property, in addition to average population densities. For a duplex, this calculation results in an SFE factor of 0.55 per dwelling unit. Should Accessory Dwelling Units (“ADUs”) be developed within the Assessment District, the assessment would be 1 SFE for the primary SFR and 0.55 for the ADU. A similar calculation is used for the SFE Rates for other residential property types.

**TABLE 1 – RESIDENTIAL DENSITY AND ASSESSMENT FACTORS**

Type of Residential Property	Pop. Density Equivalent	SqFt Factor	SFE Factor
Single Family Residential	1.00	1.00	<b>1.00</b>
Duplex, Triplex, Fourplex	0.88	0.63	<b>0.55</b>
Multi-Family Residential (5+ Units)	1.16	0.47	0.54

The single-family equivalency factor of 0.54 per dwelling unit for multi-family residential properties applies to such properties with 20 or fewer units. Properties in excess of 20 units typically offer on-site recreational amenities and other facilities that tend to offset some of the benefits provided by the improvements. Therefore, the benefit for properties in excess of 20 units is determined to be 0.54 SFE per unit for the first 20 units and 0.25 SFE per each additional unit in excess of 20 dwelling units.

NOTE: The itinerant housing located in the Southern industrial area of the District requires additional analysis and discussion. This housing is used only seasonally and provides a lower level of amenities than on typical residential parcels and accordingly, it is determined to receive limited special benefit. This special benefit is calculated at 10% of a single family home equivalency unit per residential unit.

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### **Commercial/Industrial Properties**

Commercial and industrial properties are generally open and operated for more limited times, relative to residential properties. Therefore, the relative hours of operation can be used as a measure of benefits since employee density also provides a measure of the relative benefit to property. Since commercial properties are typically open and occupied by employees approximately one-half the time of residential properties, it is reasonable to assume that commercial land uses receive one-half of the special benefit on a land area basis relative to single family residential property.

The average size of a single family home with 1.0 SFE factor in the Service Area is 0.16 acres. Therefore, a commercial property with 0.16 acres receives one-half the relative benefit, or a 0.50 SFE factor.

The SFE values for various commercial and industrial land uses are further defined by using average employee densities because the special benefit factors described previously are also related to the average number of people who work at commercial and industrial properties.

To determine employee density factors, this Report utilizes the findings from the San Diego County Association of Governments Traffic Generators Study (the "SANDAG Study") because these findings were approved by the State Legislature which determined the SANDAG Study to be a good representation of the average number of employees per acre of land area for commercial and industrial properties. As determined by the SANDAG Study, the average number of employees per acre for commercial and industrial property is 24. As presented in Table 2, the SFE factors for other types of businesses are determined relative to their typical employee density in relation to the average of 24 employees per acre of commercial property.

Commercial and industrial properties in excess of 5 acres generally involve uses that are more land intensive relative to building areas and number of employees (lower coverage ratios). As a result, the benefit factors for commercial and industrial property land area in excess of 5 acres is determined to be the SFE rate per quarter acre for the first 5 acres and the relevant SFE rate per each additional acre over 5 acres.

Institutional properties that are used for residential, commercial or industrial purposes are also assessed at the appropriate residential, commercial or industrial rate.

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**TABLE 2 – COMMERCIAL/INDUSTRIAL DENSITY AND ASSESSMENT FACTORS**

<b>Type of Commercial/Industrial Land Use</b>	<b>Average Employees Per Acre <sup>1</sup></b>	<b>SFE Units per Quarter Acre <sup>2</sup></b>	<b>SFE Units per Acre After 5</b>
Commercial/Industrial	24	0.500	0.500
Office	68	1.420	1.420
Shopping Center	24	0.500	0.500
Self Storage or Parking Lot	1	0.021	
Golf Course	0.80	0.033	
Cemeteries	0.10	0.004	
Agriculture	0.05	0.002	

\* SFE rate shown is for the first 5 acres of parcel size. Additional acreage is benefited at the rate rate shown above per acre.

- <sup>1</sup> Source: San Diego Association of Governments Traffic Generators Study.
- <sup>2</sup> The SFE factors for commercial and industrial parcels are applied by the quarter acre of land area or portion thereof. (Therefore, the minimum assessment for any assessable parcel in these categories is the SFE Units listed herein.) The rates apply up to first 5 acres of parcel size. Additional acreage is benefited at the rate shown above per acre or portion thereof.

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### **Vacant Properties**

The benefit to undeveloped properties is determined to be proportional to the corresponding benefits for similar type developed properties, but at a lower rate due to the lack of improvements on the property. A measure of the benefits accruing to the underlying land is the average value of land in relation to improvements for developed property. An analysis of the assessed valuation data from the County of Monterey found that approximately 25% of the assessed value of improved properties is classified as the land value. It is reasonable to assume, therefore, that approximately 25% of the benefits are related to the underlying land and 75% are related to the improvements and the day-to-day use of the property. Using this ratio, the SFE factor for vacant/undeveloped parcels is 0.25 per parcel.

### **Other Properties**

Article XIID stipulates that publicly owned properties must be assessed unless there is clear and convincing evidence that those properties receive no special benefit from the assessment.

All properties that are specially benefited are assessed. Other publicly owned property that is used for purposes similar to private residential, commercial, industrial or institutional uses is benefited and assessed at the same rate as such privately owned property.

Miscellaneous, public right-of-way parcels, well, reservoir or other water rights parcels, limited access open space parcels, watershed parcels and common area parcels typically do not generate employees, residents, customers or guests. Moreover, many of these parcels have limited economic value and, therefore, do not benefit from specific enhancement of property value. Such parcels are, therefore, not specially benefited and are not assessed.

### **Consumer Price Index Adjustments**

The maximum assessment rate within the Assessment District may be increased by an amount equal to the annual change in the San Francisco Bay Area Consumer Price Index, not to exceed 3% per year. In the event that the annual change in the CPI exceeds 3%, any percentage change in excess of 3% can be cumulatively reserved and can be added to the annual change in the CPI for years in which the CPI change is less than 3%.

## Assessment Statement

The District Board of the Spreckels Community Services District, County of Monterey, California, pursuant to the provisions of the Landscaping and Lighting Act of 1972 and Article XIID of the California Constitution (collectively “the Act”), directed the formation of the Spreckels Community Services District Landscaping, Lighting, and Storm Drainage District;

The Board directed the undersigned Engineer of Work to prepare and file a report presenting an estimate of costs, a diagram for the Assessment District and an assessment of the estimated costs of the improvements upon all assessable parcels within the Assessment District, to which the description of the proposed improvements is therein contained, reference is hereby made for further particulars;

The undersigned, by virtue of the power vested in me under the Act and the order of the District Board of the Spreckels Community Services District, hereby make the following assessment to cover the portion of the estimated cost of the improvements, and the costs and expenses incidental thereto to be paid by the Assessment District.

The amount to be paid for the improvements and the expense incidental thereto, to be paid by the Landscaping, Lighting, and Storm Drainage District for the fiscal year 2023-24 is generally as follows:

Figure 2 – Summary of Combined Cost Estimate

Current Projects and General Maintenance	\$6,605.00
Proposed New Projects	\$43,570.64
Repayment Costs	\$2,860.30
Incidental Costs	<u>\$2,637.19</u>
Net Amount to Assessment	\$55,673.13

As required by the Act, an Assessment Diagram is hereto attached and made a part hereof showing the exterior boundaries of the Spreckels Community Services District Landscaping, Lighting, and Storm Drainage District. The distinctive number of each parcel or lot of land in the District is its Assessor Parcel Number appearing on the Assessment Roll.

I do hereby assess and apportion the net amount of the cost and expenses of the improvements, including the costs and expenses incident thereto, upon the parcels and lots of land within the Spreckels Community Services District Landscaping, Lighting, and Storm Drainage District, in accordance with the special benefits to be received by each parcel or lot, from the improvements, and more particularly set forth in the Cost Estimate and Method of Assessment hereto attached and by reference made a part hereof.

The assessment is made upon the parcels or lots of land within the Spreckels Community Services District Landscaping, Lighting, and Storm Drainage District in proportion to the special benefits to be received by the parcels or lots of land, from the improvements.

The assessment is subject to an annual increase tied to the annual increase, if any, in the Consumer Price Index for the San Francisco Bay Area as of December of each succeeding year ("CPI"), with the maximum annual adjustment not to exceed 4%. Any change in the CPI in excess of 4% shall be cumulatively reserved as the "Unused CPI" and shall be used to increase the maximum authorized assessment rate in years in which the CPI is less than 4%. The maximum authorized assessment rate is equal to the maximum assessment rate in the first fiscal year the assessment was levied adjusted annually by the minimum of 1) 4% or 2) the change in the CPI plus any Unused CPI as described above. (This mechanism may be applied to the capital improvements and deferred and ongoing maintenance portions of the assessment.)

Each parcel or lot of land is described in the Assessment Roll by reference to its parcel number as shown on the Assessor's Maps of the County of Monterey for the fiscal year 2023-24. For a more particular description of the property, reference is hereby made to the deeds and maps on file and of record in the office of the County Recorder of the County.

I hereby place opposite the Assessor Parcel Number for each parcel or lot within the Assessment Roll, the amount of the assessment for the fiscal year 2023-24 for each parcel or lot of land within the Spreckels Community Services District Landscaping, Lighting, and Storm Drainage District.

Dated: May 9, 2023

Engineer of Work



A handwritten signature in blue ink that reads "John W. Bliss".

By \_\_\_\_\_

John W. Bliss, License No. C052091

## Assessment Diagram

The boundaries of the Spreckels Community Services District Landscaping, Lighting, and Storm Drainage District in the Town of Spreckels are displayed on the following Assessment Diagram.

FILED IN THE OFFICE OF THE COUNTY CLERK OF THE COUNTY OF MONTEREY, CALIFORNIA, THIS \_\_\_\_ DAY OF \_\_\_\_\_, 2023.

COUNTY CLERK \_\_\_\_\_

RECORDED IN THE OFFICE OF THE COUNTY CLERK OF THE COUNTY OF MONTEREY, CALIFORNIA, THIS \_\_\_\_ DAY OF \_\_\_\_\_, 2023.

COUNTY CLERK \_\_\_\_\_

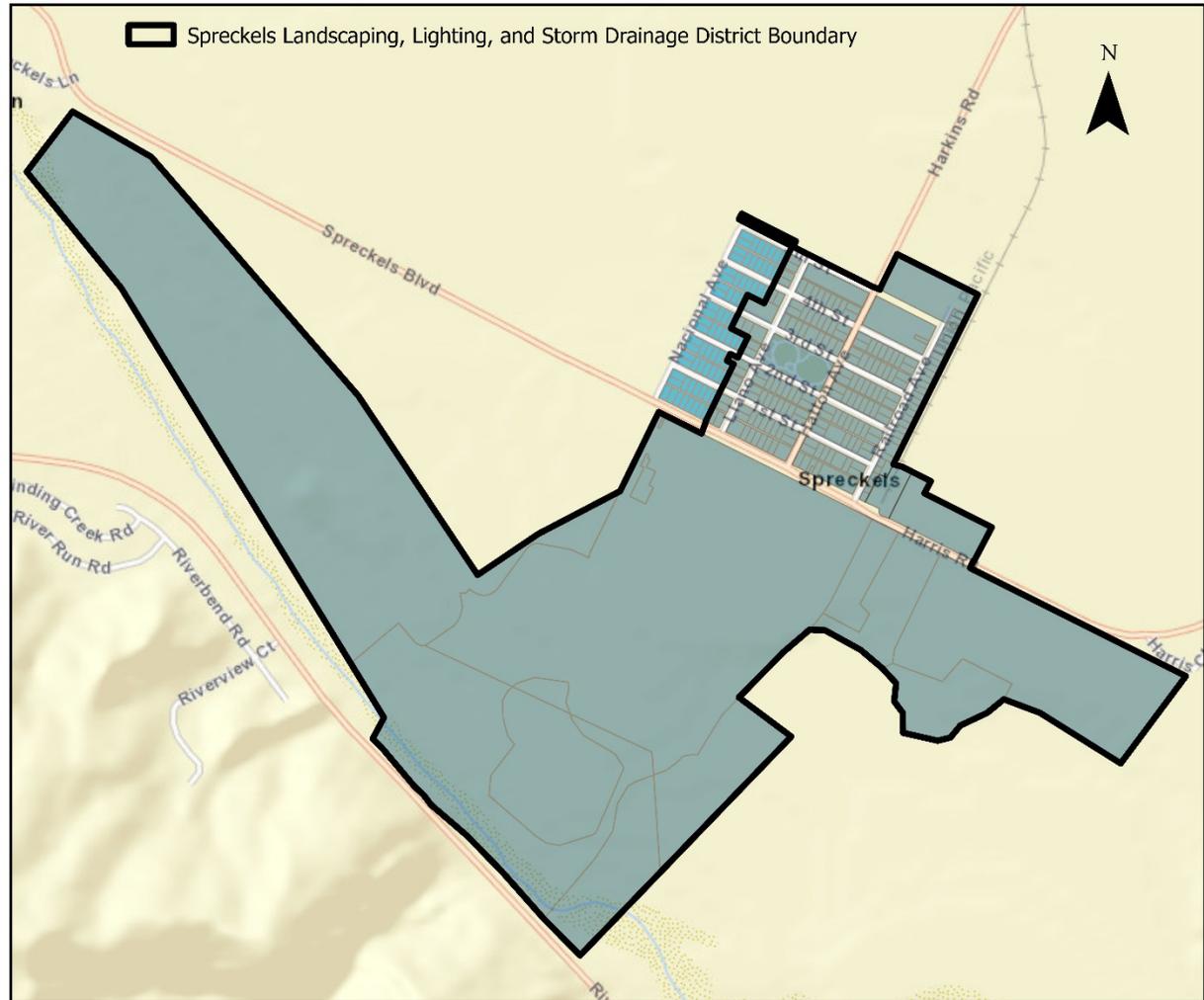
AN ASSESSMENT WAS CONFIRMED AND LEVIED BY THE BOARD OF THE SPRECKELS COMMUNITY SERVICES DISTRICT ON THE LOTS, PIECES AND PARCELS OF LAND ON THIS ASSESSMENT DIAGRAM ON THE \_\_\_\_ DAY OF \_\_\_\_\_, 2023 FOR FISCAL YEAR 2023-24. AND SAID ASSESSMENT DIAGRAM AND THE ASSESSMENT ROLL FOR SAID FISCAL YEAR WERE FILED IN THE OFFICE OF THE COUNTY AUDITOR OF THE COUNTY OF MONTEREY ON THE \_\_\_\_ DAY OF \_\_\_\_\_, 2023. REFERENCE IS HEREBY MADE TO SAID RECORDED ASSESSMENT ROLL FOR THE EXACT AMOUNT OF EACH ASSESSMENT LEVIED AGAINST EACH PARCEL OF LAND.

COUNTY CLERK \_\_\_\_\_

FILED THIS \_\_\_\_ DAY OF \_\_\_\_\_, 2023, AT THE HOUR OF \_\_\_\_ O'CLOCK \_\_\_\_ M. IN THE OFFICE OF THE COUNTY AUDITOR OF THE COUNTY OF MONTEREY STATE OF CALIFORNIA, AT THE REQUEST OF THE SPRECKELS COMMUNITY SERVICES DISTRICT BOARD.

COUNTY AUDITOR, COUNTY OF MONTEREY \_\_\_\_\_

Note: REFERENCE IS HEREBY MADE TO THE MAPS AND DEEDS OF RECORD IN THE OFFICE OF THE ASSESSOR OF THE COUNTY OF MONTEREY FOR A DETAILED DESCRIPTION OF THE LINES AND DIMENSIONS OF ANY PARCELS SHOWN HEREIN. THOSE MAPS SHALL GOVERN FOR ALL DETAILS CONCERNING THE LINES AND DIMENSIONS OF SUCH PARCELS. EACH PARCEL IS IDENTIFIED IN SAID MAPS BY ITS DISTINCTIVE ASSESSOR'S PARCEL NUMBER.



## SPRECKELS COMMUNITY SERVICES DISTRICT LANDSCAPING, LIGHTING, AND STORM DRAINAGE DISTRICT ASSESSMENT DIAGRAM

## Assessment Roll

An Assessment Roll (a listing of all parcels assessed within the Landscaping, Lighting, and Storm Drainage District and the amount of the assessment) has been filed with the County Clerk and is, by reference, made part of this report and will be available for public inspection during normal office hours.

Each lot or parcel listed on the Assessment Roll is shown and illustrated on the latest County Assessor records and these records are, by reference made part of this report. These records shall govern for all details concerning the description of the lots or parcels.