

# Berg Avenue Infrastructure Financing Plan

## Background:

As the City has grown, vacant land has been annexed to the City and developed as residential, commercial or industrial use. Sometimes as part of this annexation process rural residential areas have been included so as to make annexations contiguous to existing city limits. Developers will install infrastructure including sewer, water, and storm drain improvements as part of their development. Developers have the financial wherewithal to make upfront investment and in return receive a return on their investment over time.

Owners of once rural residential property often also desire city services once annexed to the City. However, the cost of installing this infrastructure is often prohibitive for an individual homeowner. This cost can be increased if the infrastructure to the property is sized to accommodate future use of the property that is greater than its current use. For example, a single-family home on one acre might be subdivided into 5 lots once in the City if services were available. The existing homeowner may find it difficult enough just paying for infrastructure installation to service the existing home let alone the additional costs for properly sized services to accommodate the future use of all 5 potential lots.

## City's Interest Served:

It is in the City's interest to make available services to these areas at a cost that can be afforded by the existing property owners while at the same time insuring that the cost of these services, just like all development, is ultimately borne by those who benefit from the services. There are several reasons the City's interests are best served by this perspective. First, septic tank failure in these areas or failing wells may necessitate the delivery of city services from a health and safety perspective. Secondly, with the availability of City services, development of under utilized land will be encouraged within existing City boundaries. And thirdly, these areas are often in a blighted condition or in need of private investment that can only be achieved if City services are available.

## Berg Avenue:

The Berg Avenue area is one such location that was once rural in nature and now is completely surrounding by the City. New development occurs to all sides of this area. The Berg Avenue area consists of Berg Avenue as well as some properties facing Byron road and a few facing Fabian Road adjacent to 11<sup>th</sup> Street. The area is currently without City water, sewer or storm drain infrastructure. There are some lines that have been installed down Berg Avenue to service the adjacent new development. Where appropriate, these lines have been sized to accommodate the future built out use of the Berg Avenue area. The developer who has installed these lines is entitled to reimbursement of the cost of oversizing by those who make use of the lines.

A number of Berg Avenue Area property owners have indicated problems with wells and septic tanks on their property. As a result, some property owners desire city services. Still other property owners desire city services so that they can subdivide their property or sell it for development purposes. Some property owners simply want to be left alone and continue to live in their houses in the rural nature of the area. All property owners

are concerned about the affordability of installation of necessary infrastructure and how this might be financed.

**Infrastructure Needed:**

In order for the Berg Avenue area to receive City services, a number of projects must be completed. The Entire area needs water supply and water distribution. Additional sewer lines are needed along Byron and a series of parallel sewer lines are needed in Berg Avenue to provide connection to the main sewer installed by Standard Pacific to serve the Presidio development. In addition to the sewer lines, sewer treatment plant capacity is required. The area may make use of the storm drain line installed by Standard Pacific upon payment of reimbursement.

The cost for these projects is as follows:

Installation of Water lines	\$1,099,600
Installation of Sewer lines	\$ 568,700
Reimbursement of sewer line	\$ 962,429
Reimbursement of storm drain	\$ 189,838
TOTAL WITHOUT WATER SUPPLY AND SEWER TREATMENT PLANT (ECU'S)	<u>\$2,820,567</u>

In order to get services to the Berg Avenue area, cash is only needed at this time for the installation of water and sewer lines. An assessment district if formed, could provide some of this funding but the City would need to advance the remaining funds. Once sewer plant capacity and water supply was available (i.e. the sewer plant expansion and the SSJID water project was completed), the existing structures could make hook up to the City utilities. The property owner would be required to make a cash payment for the ECU(s) as well as a reimbursement fee (pro-rated for the number of ECU's) for the sewer and storm drain lines at the time of hook up. Reimbursement would include a fee to Standard Pacific for lines installed by them and to the City for the costs of any lines and facilities not covered by the assessment district.

**Assessment District:**

Originally a Mello-Roos district was proposed for this area because it provided greater flexibility to issue bonds than an assessment district. The district was proposed to cover the full costs of all infrastructure including the cost of one ECU per parcel. This cost was prohibitive to most property owners (the estimated annual special tax was \$4,000). Under this proposal an assessment district was not possible because no direct benefit to a property could be established. The district would fund improvements designed to serve a use greater than the existing property but the existing property owners could not make use of these facilities due to plant limitations and water supply limitations coupled with development restrictions under Measure A. Mello-Roos districts are formed by a vote of registered voters (when 12 or more registered voters reside in the proposed district).

Most Berg Avenue area property owners prefer a vote for any financing district to be limited only to property owners and not registered voters. An assessment district is formed by such a vote. In order to establish direct benefit under an assessment district,

the amount of the assessment needs to reflect the benefit the property will receive. If the amount of the assessment is limited to that commonly associated with a single family home then the assessment district is only paying for the benefit to that home and not for the benefit to the property if it someday develops in the future. While an ECU may not be immediately available, the assessment district may proceed to install the lines necessary to serve the home in anticipation of ECU's being available in the future. While measure A may prevent the development of these properties for some time, the properties are only paying an assessment equal to the value received to the existing structure on the property. Hence the direct benefit requirement is satisfied.

Property owners have indicated that a \$1200 per year assessment is the maximum most of the property owners can afford. This figure is equal to the average special district charge per single family home in place in most of the City's recent financing districts (i.e. Plan C, I-205).

**Fees:**

The Berg Avenue property owners understand that a cash fee must cover any cost not paid for by the assessment district at time of hook up. Therefore, it is important for them to know what this fee will be. They request such a fee be established and identified before they form a district.

It is estimated that the Berg Avenue area will ultimately be developed into 434 units (ECU's) given its current zoning. The calculation of such a fee is as follows:

Installation of Water lines	\$1,099,600
Installation of Sewer lines	\$ 568,700
Subtotal	\$1,668,300
Net Bond Proceeds (assuming 61 parcels t \$1200 per year)	( \$800,000)
Balance not paid by Assessment District (This amount needs to be advanced by the City's enterprise funds)	\$868,300
<b><u>FEES DUE AT HOOK UP PER ECU:</u></b>	(Based on 434 ECU's)
Reimbursement to City for \$868,300	\$2,000
Reimbursement to Standard Pacific	\$2,655
Water ECU	\$3,508
Sewer ECU	\$4,095
Hansen Sewer Line buy in fee	\$1,105
<b>TOTAL FEES At hook up (for existing Structures on Property)</b>	<b><u>\$13,363</u></b>

Under this policy, the property owners would form an assessment district and bonds would be issued that are supported by a \$1200 per year per parcel special assessment for 25 years. In addition, once ECU's are available, each property owner would have to pay \$13,363 in cash at time of hook up in order to make connection for a single family home.

### **Items Not Covered:**

- The assessment district and fee at hook up only covers one ECU per property.
- If property develops it is subject to the cost of additional ECU's (the cost are not guaranteed at this time) needed for the development.
- If property develops it is subject to additional fees for roadway impact, parks, government buildings, etc. which are applicable at the time.
- Property owners are responsible for the cost of extending all sewer and water lines located on or across their property.
- Property owners are responsible for the cost of well and septic tank abandonment.

### **Other Stipulations:**

- The cost per ECU (\$13,363) is guaranteed until 6/30/05. The cost is then subject to an annual increase per the Engineering New Record index.
- The City cannot warrant the date ECU's will be available to the properties.
- Until ECU's are available, emergency connections will be considered on a case-by-case basis, the merits of which must satisfy the City Engineer.
- This policy is only in effect if an Assessment District is formed by the Berg Avenue area property owners (all parcels) with an annual special assessment of \$1200 per year and bonds are successful issued.
- The reimbursement fee to the City in the Amount of \$2,000 will be revised after bonds are issued. The fee will go up if bond proceeds do not generate an \$800,000 project fund. The fee will go down if more than \$800,000 is generated to the project fund.
- The City cannot guarantee the completion date of the installation of the water and sewer lines.
- The Berg Ave area is not classified as "in-fill" and is subject to the limitations on receiving permits per the City's implementing ordinance for Measure A.

### **Anticipated Calendar of Events:**

January 2003	City council Adopts Berg Ave Policy
March 2003	Election is held to form Assessment District
June 2003	Bond sale completed
July 2003	City CIP includes funds necessary in addition to bond proceeds to fund installation of water and sewer lines.
December 2003	First tax bill to property owners is due with special assessment included.
June 2004	Likely construction start for line installation

RESOLUTION 2003-034

APPROVING THE BERG AVENUE INFRASTRUCTURE FINANCE AND IMPLEMENTATION PLAN

WHEREAS, The Berg Avenue area was once rural in nature but now is completely surrounded by the City, and

WHEREAS, A number of Berg Avenue property owners desire city services, and

WHEREAS, Interest has been expressed by a number of property owners to form an assessment district if the annual special assessment cost was approximately \$1200 per year, and

WHEREAS, Property owners recognize that the assessment district would not pay all costs of making connection to the City's water and sewer system, and

WHEREAS, The "Berg Avenue Infrastructure Finance and Implementation Plan" discusses specific issues of extending City utility services as well as financial parameters, and

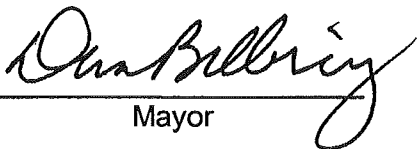
WHEREAS, Adopting of the Berg Avenue Infrastructure Finance and Implementation Plan will require an estimated expenditure of \$868,300 from the City's water and sewer funds, with reimbursement of these costs not expected for 10 to 20 years;

NOW, THEREFORE, BE IT RESOLVED, That the City Council approve the Berg Avenue Infrastructure Finance and Implementation Plan in order to establish the financial parameters associated with extending City utilities to this area. As stated, this Plan is only applicable if the property owners also form an assessment district by a vote of 55% or better, and bonds are successfully sold for the purposes of constructing some of the required utility lines.

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The foregoing Resolution was adopted by the Tracy City Council on the 21st day of January, 2003, by the following vote:

AYES:	COUNCIL MEMBERS	IVES, TOLBERT, TUCKER, BILBREY
NOES:	COUNCIL MEMBERS	HUFFMAN
ABSENT:	COUNCIL MEMBERS	NONE
ABSTAIN:	COUNCIL MEMBERS	NONE

  
Mayor

ATTEST:

  
City Clerk