



# Agenda Report

**MEETING DATE:** Tuesday, July 9, 2024

**TO:** City Council

**FROM:** PARKS & COMMUNITY SERVICES DIRECTOR CALUBAQUIB

**THROUGH:** CITY MANAGER PRO TEMPORE VIDES

**SUBJECT:** RESOLUTION APPROVING ENGINEERS REPORT, CONFIRMING  
DIAGRAM AND ASSESSMENT, AND ORDERING LEVY OF VISTA  
MONTAÑA NO.2 LLMAD FY 24-25

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## **RECOMMENDED ACTION:**

Receive staff report, open the Public Hearing, receive testimony, tabulate all valid ballots received, close the Public Hearing, discuss, and if a majority protest does not exist (i.e., a weighted majority of ballots cast are in favor of the measure), adopt a resolution approving Engineer's Report, confirming diagram and assessment, and ordering levy of Vista Montaña No. 2 Landscape and Lighting Assessment District for Fiscal Year 2024-25.

## **BACKGROUND:**

The Vista Montaña subdivision consists of 173 single family residential parcels, 80 townhome residential parcels, and 135 multi-family residential units. The developer, the Clarum Corporation, was required by Tentative Map Condition No. 74 to fund the maintenance of landscaping and associated improvements through a landscaping and Lighting assessment district. This resulted in the Vista Montaña Landscape and Lighting Maintenance Assessment District being formed in Fiscal Year 2003-04 to operate, maintain, repair, and replace the landscaping and associated improvements (subdivision's streetlights, landscaping, irrigation systems, open space, drainage systems, retaining walls, perimeter walls, and certain pedestrian/bike pathways as described in the Engineer's Report) along Arce Street, Bridge Street, Cereze Street, Cipres Street, Cirvelo Street, E. Lake Avenue, Franich Drive, Manzana Street, Marcela Drive, Roble Street, Secoya Street, and Vista Montaña Drive.

The current assessment revenue has proven insufficient to meet the ongoing operational and maintenance needs and to build a reserve over time to fund eventual capital repair and/or replacement of landscaping and associated improvements. As a result, the City has reduced the level of maintenance in the landscaped areas. To address the funding needs and comply with Proposition 218 pertaining to new or increased assessments, the City's assessment engineer for assessment district proceedings, SCI Consulting Group,



recommends the formation of a new landscaping and lighting assessment district to fund operation, maintenance, and repair (not replacement which will be funded by the original district) of the landscaping and associated improvements. The proposed district would become Vista Montaña No. 2 Landscape and Lighting Maintenance Assessment District and will overlay the existing district to provide supplemental revenue.

## **DISCUSSION:**

Over the last several years, the City has been monitoring the revenue and expenses in the district. The current Fiscal year 2023-24 annual assessments of \$560.28 (single family home), \$448.22 (townhome), and \$154.56 (apartment) have been unable to keep up with inflation or provide adequate revenue to operate, maintain, repair, and replace the landscaping and associated improvements within the district.

In the last year, the City engaged Vista Montaña residents regarding their concerns about maintenance in their neighborhood and the City's concern that the reserve account is not adequate to fund replacement of landscaping and associated improvements. The City held meetings with residents on June 15, 2023 (approximately 5 attendees) and June 21, 2023 (approximately 75 attendees) to receive feedback on an overlay assessment to fully fund maintenance and fully replenish the reserve account. The general response to the preliminary annual overlay assessments of \$1,433.72 (single family home), \$1,146.96 (townhome), and \$395.51 (apartment), including a cost-of-living increase provision, was that these amounts would not be approved by vote from residents. Following those meetings, the City formed an advisory group and invited Vista Montaña neighbors to volunteer to participate in focused discussions. This five-member group met with City staff twice a month from August through December and developed another overlay assessment option that the Vista Montaña residents could consider.

On January 24, 2024, the City held a follow-up meeting with residents (approximately 75 attendees). The main topic of this meeting was to present recommendations from the advisory committee group, plans for the next steps, and information regarding Proposition 218 voting procedures to approve an overlay assessment. During the meeting, City staff presented a second overlay assessment option that prioritizes funding adequate maintenance (higher level of maintenance than today) but compromises the reserve account by replenishing it with the original assessment district at a slower rate, leaving some risk to replacement of infrastructure improvements if they fail without sufficient funding accrued. The general response to the second preliminary annual overlay assessments option of \$733.77 (single family home), \$587.02 (townhome), and \$169.67 (apartment), including a cost-of-living increase provision, was more positive than the original but would be more likely to be approved by vote if the amounts are implemented gradually over several years so that residents may better accommodate the assessment increases until the overlay fully funds the maintenance. City staff also learned that 55% of the residents in attendance expressed landscape maintenance as important or very important to them, meaning that the second overlay assessment option aligns with the residents' supports for prioritizing maintenance over the reserve account. Based on feedback from the last meeting, City staff developed a third overlay assessment option that will gradually implement the second overlay assessment option over five years with assessments equaling 30% of the total proposed assessment the first year, 55% the second



year, 80% the third year, 90% the fourth year, and 100% the fifth year. This third overlay assessment option was presented in a newsletter mailed out to all Vista Montaña residents in February and at another follow-up meeting with residents (10 attendees) on February 15, 2024.

On March 26, 2024, City Council adopted Resolution No. 47-24 initiating proceedings for the formation of a Landscaping and Lighting Assessment District to be known as Vista Montaña No. 2 Landscape and Lighting Assessment District that outlines the third overlay assessment option.

On May 14, 2024, City Council adopted Resolution No. 84-24 declaring the intention to order the formation of the Vista Montaña No. 2 Landscape and Lighting Assessment District, approving the preliminary Engineer's Report, providing notice of public hearing, and directing the mailing of assessment ballots. The Preliminary Engineer's Report outlines proposed assessments for properties to be \$718.88 (single family home), \$575.10 (townhome/condominium), and \$166.23 (apartment unit) and is printed on the official ballot included with an information guide. However, the City is committing to implement the new assessment gradually over a five-year period with assessments equaling 30% the first year, 55% the second year, 80% the third year, 90% the fourth year, and 100% the fifth year, as are listed in the table below. Starting in Fiscal Year 2025-26, an escalator will be built into the annual rates to allow for cost-of-living increases. If the new assessment is approved, the total estimated amount that would be raised for Fiscal Year 2024-25 is approximately \$198,777 and will be levied annually on the property tax bills unless ended by the City Council.

<b>Proposed Assessment Rates<sup>1</sup></b>	<b>FY 2024-25</b>	<b>FY 2025-26</b>	<b>FY 2026-27</b>	<b>FY 2027-28</b>	<b>FY 2028-29</b>
Single Family	\$ 222.33	\$ 407.61	\$ 592.89	\$ 667.00	\$ 718.88
Townhome/Condominium	\$ 177.87	\$ 326.09	\$ 474.31	\$ 533.60	\$ 575.10
Apartment Unit	\$ 51.41	\$ 94.25	\$ 137.09	\$ 154.23	\$ 166.23

*Note 1 - Assessment rates for future fiscal years starting at FY 2025-26 are subject to increase by an amount equal to the annual change in the San Francisco Bay Area Consumer Price Index.*

On May 14, 2024, City Council adopted Resolution No. 85-24 adopting Proposition 218 assessment ballot proceedings procedures. The process of increasing the assessment levels for a district such as this is governed by Proposition 218 and requires a ballot proceeding where the property owners would need to approve the increase. The procedure is laid out in Division 15, Part 2 of the California Streets and Highways Code as well as Section 53750 - 53754 of the Government Code. It requires three steps: (1) adopt a resolution to initiate the proceedings and direct preparation of the Engineer's Report (completed on March 26, 2024); (2) adopt a resolution approving an Engineer's Report (which establishes assessment rates) and setting the date for a public hearing (completed on May 14, 2024); and (3) conducting the public hearing (tonight's action) at which time ballots will be tabulated and the outcome of the balloting proceeding will be known. The ballots, along with a formal notice, were mailed to



each property owner on or around May 23, 2024 – 45 days prior to the public hearing pursuant to law. The ballots can be returned at any time up to the close of the hearing.

In accordance with the statutes, these proceedings are voted on by property owners (instead of registered voters). In addition, votes are weighted by the amount of the proposed assessment. For example, a property owner being assessed \$222.33 has slightly more voting power than an owner being assessed \$177.87. Once the Public Hearing is completed and all ballots have been received, the tabulation process will commence under the direction of the City Clerk. It is expected that the tabulation will not take longer than one or two hours, so the results should be available in time for the Council to take its final action at this same meeting. If greater than 50% of the weighted ballots received are in favor of the formation, then the City Council may adopt a resolution to approve the final Engineer's Report and order the improvements and formation of the new district. If 50% or less of the weighted ballots are in favor of the formation, City Council cannot, per proposition 218, adopt a resolution to approve the final Engineer's report and order the improvements and formation of the new district. The original assessment will remain in place. City Staff will prioritize building the reserve budget and revert the maintenance budget to the minimum amount needed to provide for safety.

**STRATEGIC PLAN:**

2 - Fiscal Health – The new formation will provide additional funding to support LLMAD operations.

3 - Infrastructure & Environment – Funding would be used for annual maintenance of LLMAD infrastructure.

5 - Community Engagement & Well-Being – High levels of community engagement were enacted throughout the process to this point. The new formation would need to be approved by property owners to become effective.

**FINANCIAL IMPACT:**

There will be no direct fiscal impact to the City of Watsonville General Fund. All costs associated with this district will be borne by the district and for the benefit of the district residents.

**ALTERNATIVE ACTION:**

Council may choose not to adopt a resolution approving Engineer's Report, confirming diagram and assessment, and ordering levy of Vista Montaña No. 2 Landscape and Lighting Assessment District for Fiscal Year 2024-25, even if the vote totals are above 50%. This would result in the process not moving forward. This would also be against the will of the property owners who voted in favor of the proposal. Funding and staff time utilized to get to this step would be forfeited. Improved landscape maintenance levels in the LLMAD would shift to safety issues only, resulting in unmaintained landscape areas as the City works to rebuild the LLMAD reserve.

**ATTACHMENTS AND/OR REFERENCES (If any):**

None.