



WS#2

DATE: May 13, 2008
TO: Mayor and City Council
FROM: Assistant City Manager
SUBJECT: Old Highlands Homeowners Association (OHHA) Street Improvement Project

RECOMMENDATION

That Council reviews and comments on the proposed capital funding allocation and the possible formation of an assessment district in support of the Old Highland Homeowners Association (OHHA) Street Improvement Project.

SUMMARY

The area known as Old Highlands Homeowners Association (OHHA) was annexed to the City in 1963 (see Exhibit A). For reasons that are explained later in this report, the streets in the area (in poor condition even then) were not brought up to City standards upon annexation, as is the City's present policy. Since that time, the streets have continued to deteriorate with only minimal maintenance provided by the City. The OHHA board is proposing to ask the area residents to support an assessment district to reconstruct and improve the streets, a \$9.5 million project. OHHA is also requesting assistance from the City in the form of a \$2 million capital funding allocation to the project to help reduce each property owner's annual assessment. Staff is recommending such an allocation in the proposed FY 09 Capital Improvement Program, which would be contingent upon a successful assessment district vote by OHHA property owners.

BACKGROUND

Through the years, the OHHA residents have actively addressed a range of issues in the area primarily focusing on land use (density) and street maintenance. The land use issues were generally resolved and development has occurred for the most part at single-family densities. Following annexation and through an assessment district process, utility improvements in the area were provided and, in 1972, designs were developed for a second assessment district for street improvements that met normal city standards at that time. As a result of a lawsuit, the assessment district was not implemented; in 1980 after an extensive community process, new reduced precise plan lines were adopted by Council resulting in the current one-way street system.

As the area has developed, a significant number of properties (approximately 140 out of 305) have had deferred street improvement agreements recorded against them requiring certain street improvements to be constructed by the owner when requested by the city.

As the streets were never improved upon annexation nor properly maintained through the years (except for emergency drainage or pothole repairs); any effort to improve them will require renovation and reconstruction. The Pavement Condition Index (PCI) for most of the streets in the area is at 20 or less with a number of the streets at a PCI of 12: the citywide PCI is 69. Typically, a street at a PCI of 50 or less requires reconstruction. Most of the OHHA street network needs to be reconstructed.

Scope of the Improvements and Who Pays

While there has been resolution of some of the issues associated with the street system, many of the area residents have historically maintained that the City should improve the streets entirely at City cost. There have been a range of proposals through the years to address the streets, but none has been successful, primarily because a consensus has not been reached regarding two issues: (1) the extent and scope of the street and drainage improvements, and (2) who is to pay for the needed improvements.

In keeping with the Council adopted precise plan lines and the community's interest in maintaining the character of the neighborhood, City staff has agreed to support one-way streets at 20-foot width and two-way streets at 24-foot width, including rolled concrete curbs on both sides of the street and no sidewalks (except in one location on the west side of Tribune Avenue) and minimal drainage improvements. Staff has, however, maintained that the streets must be reconstructed to the level where they can appropriately be included in the City's street maintenance program. The OHHA board has indicated a general consensus regarding the extent and scope of the improvements as well as an understanding of the need for the reconstruction of the streets.

City staff has consistently conveyed the long-standing City policy that annexed areas improve their infrastructure before annexation. Most cities are not in a financial position to accomplish this and generally rely upon either a developer or property owner to do so. Further, the OHHA board understands that the City does not have the resources available to reconstruct the OHHA street network in its entirety. Without an assessment district in which the residents would be assessed for the street improvement project, there is little possibility that the streets would be reconstructed in the near or long term. Continued, sporadic maintenance would occur in response to emergency or unsafe conditions, but no more can be done until the streets are substantially reconstructed.

Cost Estimates

Discussions regarding potential paths to financing and improving the OHHA were reopened by the City Manager's Office in 2004. Those discussions centered on the possibility of some financial participation by the City if the community would agree to support an assessment district for the street improvement project. In October 2007, engaging the same engineering construction firm used in 2004, Public Works staff updated the cost estimate for the project. This cost estimate was based on the need to reconstruct the streets, including costs for roadway improvements, minor drainage, and for resolving right-of-way encroachments. The cost estimates were escalated to a 2010 construction date and are based on field observation with no detailed design. The current estimated cost, which also includes financing costs, is \$9,585,000.

DISCUSSION

On April 2, 2008, City staff attended a community meeting held by the OHHA board to discuss a possible assessment district for the purpose of renovating and improving their street network. The meeting was well attended, with a presentation by the board president and City staff, followed by an extensive question and answer period. During the presentation, project scope and costs were described, and City staff stated that they were prepared to recommend to Council an appropriation of \$2 million. Staff believes that such a contribution is necessary to bring the costs of the district down to a level where it might be supported by the community. If approved by the Council, this appropriation would be allocated to the project following a successful affirmative vote by the OHHA property owners to assess themselves and fund the street improvement project. With the City's contribution, the estimated annual property tax per parcel, of which there are approximately 305, would be approximately \$1,860, assessed over 30 years.

To move toward establishing an assessment district requires the preparation of detailed plans and cost estimates sufficient to ensure that the assessment will cover the costs of the project. Before any further in-depth work is undertaken by the City, staff has asked the OHHA board to conduct a straw poll of property owners to determine the extent of support for an assessment at the level now estimated. While not binding, staff has indicated that the straw poll process needs to be of sufficient depth and scope to provide clear evidence of majority support for the district before the City will proceed. To ensure a sense of independent review to the residents, the OHHA board is working with the League of Women Voters to assist them in carrying out the straw poll. Following the review and comment of the Council in this work session, the OHHA board would then proceed with the straw poll.

FISCAL IMPACT

As a result of projected state allocations from Propositions 1B and 42, there is an adequate fund balance in the proposed FY09 Capital Improvement Program (CIP) in the Street System Improvements Fund. A portion of this fund balance may be used to support the OHHA Street Improvement Project, if approved by Council as part of the upcoming budget process. If Council so chooses, or if residents of OHHA fail to approve the needed assessment district to fund the project, these funds can be reprogrammed to other projects.

PUBLIC CONTACT

Staff has held two meetings with the OHHA Board of Directors in recent months, and attended one meeting of the General Membership, which meeting was solely on this topic. The OHHA Board of Directors has been notified of this Work Session.

NEXT STEPS

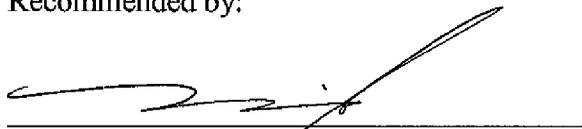
Following the City Council Work Session, the following steps are tentatively scheduled:

Straw poll	Early June 2008
City Council approval of CIP funding	June 2008
Assessment District vote	Winter 2009
Begin Final Design	Spring 2009
Bid project/secure project financing	Spring 2010
Start physical construction	Summer 2010
First property tax assessment	December 2010
Construction complete	Fall 2011

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Exhibit A: OHHA Street Map