Department of Public Works
Engineering Division
One North San Antonio Road
Los Altos, California 94022-3087
(650) 947-2780
Fax (650) 947-2732

PROCESS FOR ASSESSMENT DISTRICT PROJECTS

The general purpose of this document is to provide a basic understanding of the process typically used by the City when establishing an assessment district with interested property owners. It is important to note that State statutes adopted as far back as 1911 and then significantly modified a few years ago by Proposition 218 define the technical/legal procedures of assessment districts.

BACKGROUND

Assessment districts in the City of Los Altos are almost always initiated by a "neighborhood" that wants some type of improvement project. In the 50s and 60s, the requests were typically for sewers and street improvements (curbs & gutters). Other uses have included storm drains, downtown parking, downtown decorative lighting, noise abatement walls and even a fallout shelter that has since been abandoned. Most recently, property owners have expressed interest in undergrounding utilities through the assessment district process.

This process is intended to be generic in nature and apply to all assessment districts involving all types of work. The one variable between different types of projects is the financial contribution from the City towards the project, or in the case of utility undergrounding projects, from the various utilities.

With regard to schedule, an assessment district can take between one and three years to complete from the initial inquiries to completion of construction, depending upon the complexity of the project scope of work.

INITIATION PROCESS

Generally the first step occurs when an interested resident contacts staff to see how to go about getting a "local/neighborhood" improvement project implemented. Sometimes the first contact turns out to be a petition that arrives in the mail. In initiating the assessment district process, staff recommends the following procedure:

1. A neighborhood spokesperson contacts staff for basic information about how to accomplish a particular neighborhood improvement.

2. Staff provides the spokesperson with information about assessment districts and a rough idea of the range of costs that a typical property owner may incur as a result. For example,

curb and gutter assessment districts typically range from $10,000 to $15,000 per property. Utility undergrounding projects cost about $15,000 to upwards of $40,000 per property depending on the number of parcels in the district and the complexity of the work.

3. The spokesperson is advised that, if there is a “significant level of interest” in the neighborhood, staff will schedule an informal neighborhood meeting to discuss a possible project, the assessment district process and potential costs. A significant level of interest would be a evidenced by an "informal" petition or postcard survey indicating that about 80% of the affected property owners were interested in attending a meeting to hear more about how to form an assessment district, etc. This high level of initial interest is necessary because experience has taught us that the amount of support for these projects tends to decrease over time, as actual costs become known.

4. Upon demonstrated evidence that a significant level of neighborhood interest exists, staff prepares a conceptual design and very preliminary cost estimates. In the case of utility underground districts, staff contacts PG&E and other affected utilities to discuss undergrounding costs and schedule.

5. Staff schedules an informal neighborhood meeting to present basic information about the proposed project, the assessment district process, and potential costs.

6. Following staff's presentation of the pertinent information and the answering of questions, the audience is polled to determine whether or not there is still sufficient interest to continue the process.

7. If the audience of property owners is predominantly in favor of proceeding to the formal petition phase, staff then approaches City Council for authorization to retain a Bond Counsel to prepare the formal petition documents. Staff also determines the boundaries of the assessment district and prepares a brief project description for inclusion in the petition.

CIRCULATION OF FORMAL PETITIONS

8. One or more project proponents need to volunteer to circulate the formal petitions among the property owners within the assessment district boundary. The goal should be to obtain property owner signatures representing in excess of 70% of the properties to be assessed for the improvements. Only one signature per property is required.

   While 70% is not a criterion that is dictated by law, the City needs to have a strong showing of support for the project before it can commit significant city resources to the design of a project that could be defeated by the balloting process just prior to award of a contract. The reason for this is that for projects that proceed to completion, the city is typically reimbursed for funds advanced for design and bond counsel, as well as and staff time expended. When a project is stopped just prior to award, the city has great difficulty recovering any costs already incurred.

FORMATION OF THE ASSESSMENT DISTRICT

9. Once the petition circulators have reached or exceeded the 70% goal, the petitions are submitted to the City and their acceptance by the City Council is placed on a future agenda.

10. Staff prepares a report to the City Council to accompany the petitions. This report typically recommends the retaining of Bond Counsel and a design engineer/consultant to prepare construction documents, estimates, etc. It is at this point that the City Council is being asked to advance funding and staff time for the proposed project.

PROJECT DESIGN PHASE

11. Depending on the type of project, it is likely that the design engineer will perform surveys and prepare various plans and documents for review by City staff.

12. When the project design is close enough to completion that a reasonably accurate cost estimate can be prepared, work begins on the Engineer's Report. The Engineer's Report contains all of the cost information for the project, the list of benefiting properties, and the rules for spreading the project costs among the benefiting properties, the Assessment Diagram and the construction documents.

13. The critical part of the Engineer's Report is the list of estimated assessments. This list provides the estimated assessment for each benefiting property and is the information that will be mailed to each property owner along with a ballot and notice of a public hearing.

14. When the construction documents (bid documents) are complete and the Engineer's Report is ready, the project is placed on the City Council's agenda. Environmental review is required at this stage.

    A more conservative approach to the process is to delay Council approval of the Engineer's report until after bids are received. That way, the project costs are more accurately known. This approach adds about six weeks to the process. Staff typically recommends following the conservative approach because of the risk to the City of incurring unreimbursable costs as well as the risk of a project failing on a second ballot where individual costs increase.

    The more aggressive approach is further outlined below.

15. Following the City Council's approval of the Engineer's Report and the authorization to advertise for bids, ballots with estimated assessments and a public hearing notice are mailed to all of the affected property owners within the assessment district.

PUBLIC HEARING AND BALLOT COUNTING

16. The public hearing (protest hearing) is scheduled at least 45 days after the mailing of the ballots and notices. The timing should be such that bids have been received and there is

time to revise the Engineer's Report to reflect the low bid. If the individual assessments are greater than what was calculated in the Engineer's report based upon the bids received, two options are available. Either the City funds the incremental additional cost, which is non reimbursable to the City, or a new ballot is prepared with the revised cost and this step is repeated.

17. During this period, ballots have been mailed back to the City Clerk. Ballots can be turned in as late as the close of the public hearing.

18. The determination of the % of YES/NO voting is based on the dollar amount of the YES vote ballots verses the dollar amount of the NO vote ballots. The dollar amounts are the amounts of each property's estimated assessment as shown on the ballots received.

19. If the YES vote ballots exceed 50% of the total dollars represented by the submitted ballots, the City Council can proceed with awarding the contract and levying the assessments. Should the NO vote ballots exceed 50%, the project is cancelled and the bids would be rejected. The City then will most likely absorb all costs for work completed to date.

CASH PAYMENT PERIOD AND SELLING OF BONDS

20. Within a few weeks of the approval of a project, a 30-day cash payment period is established and notices containing the final assessment amounts are mailed to all of the property owners within the assessment district.

21. At the end of the cash payment period, the amount of the unpaid assessment is tabulated and the process of selling assessment district bonds is commenced. This process is normally handled by the Finance Department.